



Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2014/023

Audit of the United Nations High Commissioner for Refugees operations in Angola

Overall results relating to the effective management of operations in Angola were initially assessed as partially satisfactory. Implementation of four important recommendations remains in progress.

**FINAL OVERALL RATING:
PARTIALLY SATISFACTORY**

22 April 2014

Assignment No. AR2013/113/03

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AUDIT REPORT

Audit of the United Nations High Commissioner for Refugees operations in Angola

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Representation of the United Nations High Commissioner for Refugees (UNHCR) responsible for the management of the operations in Angola (hereafter referred to as 'the Representation').
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure: (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The Representation, which reports to the Regional Office in South Africa, commenced operations in 1977 to assist refugees with international protection and humanitarian assistance. Its population of concern at the end of 2012 was estimated at 43,750 refugees and asylum seekers, mainly from the Democratic Republic of Congo (DRC) who were assisted by UNHCR. In 2012, the Representation in partnership with the International Office of Migration assisted in the return of 19,420 Angolan refugees from the DRC and other neighbouring countries. The Representation worked with seven implementing partners in 2011 and five in 2012 whose programme expenditures amounted to \$2.5 million in 2011 and \$3.1 million in 2012. In 2013, these partners were allocated \$1 million (76 per cent) of the Representation's total programme budget of \$1.3 million.
4. The Representation had expenditures of \$5.4 million in 2011 and \$6.1 million in 2012, and a budget of \$4.7 million for 2013. As at 22 March 2013, the Representation had 18 posts of which 14 were filled. All staff were based in Branch Office Luanda. The Representation also held 30 Property, Plant and Equipment (PPE) items with a purchase value of \$746,957, as well as 94 Serially Tracked Items (STIs) with a purchase value of \$135,066.
5. Comments provided by the UNHCR are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of the Representation's governance, risk management and control processes in providing reasonable assurance regarding the **effective management of UNHCR operations in Angola**.
7. This audit was included in OIOS 2013 risk-based annual work plan, due to risks related to the programme, financial, procurement and asset management activities of the Representation. The last audit of the Representation was conducted in 2003.
8. The key controls tested for the audit were project management and regulatory framework. For the purpose of this audit, OIOS defined these key controls as:
 - (a) **Project management:** controls that are designed to provide reasonable assurance that there is accurate and complete monitoring and reporting of the Representation's project activities.

(b) **Regulatory framework:** controls that provide reasonable assurance that policies and procedures exist, are adequate and are effective in guiding the Representation.

9. The key controls were assessed for the control objectives shown in Table 1 below.

10. OIOS conducted the audit from May to July 2013. The audit covered the period from 1 January 2011 to 22 May 2013.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness. OIOS interviewed UNHCR staff at the Branch Office in Luanda and implementing partner staff; visited the warehouse and two projects located in Viana; reviewed policies, guidelines, and procedures; and other relevant documents; and reviewed data available in the Managing for Systems, Resources and People Software (MSRP) system.

III. AUDIT RESULTS

12. The Representation's governance, risk management and control processes examined were initially assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of UNHCR operations in Angola**. OIOS made seven recommendations to address issues identified in the audit

13. Project management was assessed as partially satisfactory because of shortcomings in the financial monitoring of partner expenditures. The Representation took action to implement a plan for the selection and retention of implementing partners.

14. Regulatory framework was assessed as partially satisfactory because of: (a) absence of adequate controls over operational advances; (b) inadequate adherence to procurement rules; and [REDACTED]. The Representation took action to implement a plan to strengthen the controls over petty cash disbursements and segregation of duties to avoid payment approvers approving payments to themselves.

15. The overall rating is based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of four important recommendations remains in progress.

Table 1
Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of UNHCR	(a) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory

operations in Angola	(b) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Project management

Action was taken to select or retain implementing partners using checklists and a risk based approach

16. There was no evidence that the Representation had complied with the UNHCR requirements regarding the use of an Implementing Partner’s Checklist for the selection or retention of implementing partners. The Representation also did not perform a risk assessment of the implementing partners to identify weaknesses or shortcomings and to build capacity of weak partners. No explanation was provided by the Representation for not preparing the Implementing Partners’ Checklists for 2012 or 2013. Additionally, the Representation did not provide evidence that checklists were used or that the required risk assessments were conducted for the selection and retention of implementing partners in 2014. As a consequence, the Representation was not able to build capacity of weak partners and the selection and retention of implementing partners did not comply with UNHCR requirements.

(1) The UNHCR Representation in Angola should select or retain implementing partners using the implementing partner checklist and adopt a risk based approach for identifying weaknesses in implementing partners.

The UNHCR Representation in Angola accepted recommendation 1 and stated that the implementing partner selection process for 2014 was performed in accordance with procedures and within the set deadlines. Based on actions taken by the Representation, recommendation 1 has been closed.

Need to strengthen financial monitoring of implementing partners

17. UNHCR rules require that the main contents of financial verification reports should include: (a) a reconciliation between a partners’ summary ledgers and the Implementing Partner Financial Monitoring Report (IPFMR) to ensure that the figures reported were complete and accurate; (b) documented tests of the detailed transactions that support summary figures to the extent necessary to obtain a level of confidence in the partner’s management of and reporting on UNHCR funds; and (c) tests of expenditure transactions focused on high value items and areas identified as high risk.

18. A review of four financial monitoring reports indicated that:
- a) The Representation did not reconcile partner accounting records to the figures reported in the relevant IPFMRs or ensure that verifications included spot checking of accounting records.
 - b) Verification findings were not supported by working papers.
 - c) The text of the financial verification reports frequently did not highlight high risk areas where the potential for irregular transactions was high.
 - d) The 2010 and 2013 financial verifications for one implementing partner were signed without any comments.

19. These shortcomings were due to the lack of local standard operating procedures, inadequate supervision by professional staff and lack of knowledge of UNHCR rules.

(2) The UNHCR Representation in Angola should enhance supervisory oversight on financial verifications and ensure that arrangements for project control are strengthened through the adoption of appropriate local standard operating procedures and training.

The UNHCR Representation in Angola accepted recommendation 2 and stated that the Representation enhanced the oversight on financial verifications and ensured that monitoring was performed according to the rules. During the forthcoming mission of a Senior Officer, the standard operating procedures for the strengthening of project control would be agreed upon and drafted thereafter. Recommendation 2 remains open pending receipt of evidence that standard operating procedures were drafted and staff training was conducted.

B. Regulatory framework

Need to strengthen controls over the use of operational advances

20. UNHCR rules state that individual staff may be granted advances to effect cash payments away from the immediate area of the field office. These advances should be recorded with the staff member as payee in the MSRP system, and they need to be cleared and accounted for within 14 days, duly supported by the required documentation. Funds remaining unspent should be deposited into the UNHCR bank account. However, the review of a sample of 30 per cent of the operational advances for 2011 and 2012 showed that some payments were approved without supporting documentation. These included the following transactions:

- a) Unspent balances totalling \$53,166, which related to five operational advances were not properly accounted for and were not deposited back into the Representation's bank account. The unspent balances were instead entrusted to the Admin/Finance Associate.
- b) The Administrative/Programme Officer did not review advances before the end of each month and the Admin/Finance Associate did not attach supporting documentation such as invoices, receipts, goods received notes for operational advances reviewed in 2011 and 2012.
- c) The Admin/Finance Associate used invoices for the supply of goods and services to clear three other operational advances given in 2012 and 2013 aggregating to \$55,000. OIOS was only able to find supporting documentation for a portion of the expenditures amounting to \$4,817 leaving \$50,183 unaccounted for. The operational advances were given for day to day operations and for expenditures related to activities in the Community Service Unit and no explanation was provided on why the incorrect documentation was used to clear the multiple advances.

21. These shortcomings were due to a lack of adequate oversight by the Administrative/Programme Officer and Head of Office. The lack of adequate controls led to an estimated amount of \$103,349 that was not accounted for. The Representation was at risk of financial losses or potential fraud because operational advances were not being correctly cleared in a timely manner.

(3) The UNHCR Representation in Angola, in conjunction with the Regional Office in South Africa, should: (a) implement procedures to ensure that the Representation and the Regional Office systematically review operational advances disbursed to staff to ensure compliance with rules; and (b) locate supporting documentation for unliquidated

operational advances aggregating to \$103,349 to ensure that the outstanding amount is adjusted.

The UNHCR Representation in Angola accepted recommendation 3 and stated that the use of operational advances was reduced to a minimum number of cases. Oversight of the use and recording of operational advances was improved with the assistance of the Regional Office in South Africa. The case of the operational advances would be addressed by the Representation with the assistance of Human Resources. Recommendation 3 remains open pending receipt of evidence that oversight was enhanced and that \$103,349 was adequately accounted for with supporting documentation.

Action was taken to strengthen the management of petty cash

22. UNHCR rules state that field offices may be authorized to maintain a specified amount of petty cash for individual payments each not exceeding the equivalent of \$100. All supporting documentation must be attached to the payment/receipt voucher concerned and marked with the relevant voucher reference so that each item can be readily referenced to the entry in the Petty Cash cashbook/journal. Monthly cash counts must be performed at the end of each month by the Head of the Field Office or the Admin and Finance Officer. Payments of advances, salaries, overtime, and allowances must not be made from petty cash. A duplicate set of keys to the petty cash box should be with the Representative.

23. There was lack of adequate internal controls to properly administer petty cash, which resulted in the following problems:

- The petty cash custodian at the Representation could not account for petty cash payments aggregating to \$3,780.
- The Representation did not conduct periodic cash counts in 2012 and 2013.
- Three vouchers for the purchase of water for the office and repair of motor vehicle were not supported by receipts.
- Contrary to UNHCR rules, six vouchers for payments of incentives to 6 security guards, and one voucher for travel allowance for staff were paid from the petty cash.
- There was no duplicate key for the safe or cash box as required by UNHCR rules. There was only one set of keys for the office safe and the lock frequently jammed while opening and closing.
- The Representation made purchases of information technology equipment for \$1,700 that exceeded the individual payment limit of \$100.

24. These problems occurred due to the lack of controls, inadequate of knowledge of UNHCR financial rules and ineffective oversight.

(4) The UNHCR Representation in Angola should: (a) implement an action plan to conduct periodic cash counts of the petty cash; and (b) require that all payments have adequate supporting documentation; and that cash is properly accounted for.

The UNHCR Representation in Angola accepted recommendation 4 and stated that the recommendation had been implemented. Procedures for the improvement of the management of petty cash had been put in place. Based on actions taken by the Representation, recommendation 4 has been closed.

Action was taken to implement procedures to avoid payment approvers approving their own payments

25. The UNHCR Financial Internal Control Framework (FICF) indicates that several roles in the Delegation of Authority Plan (DOAP) should not be performed by the same person in order to achieve adequate segregation of duties. Furthermore, a payment approver may not approve payments where he/she can benefit directly or indirectly from the transaction (e.g. travel claim, hospitality). The Representation did not comply with the FICF and DOAP rules in the following respects:

- Two staff were both requisition approvers and purchase order approvers, which resulted in inadequate segregation of duties.
- In 2011 and 2012 four payment approvers approved 52 payments to themselves amounting to \$141,978. The payments were related to medical insurance plan claims for \$115, hospitality claims for \$510, Monthly Payment Advices aggregating to \$98,074 and travel claims of \$43,279.

26. These shortcomings occurred because the Representation lacked procedures and sufficient oversight to adequately enforce appropriate segregation of duties. Consequently, the Representation risked compromising the integrity of internal controls.

(5) The UNHCR Representation in Angola, with the assistance of the Regional Office in South Africa, should segregate the requisition approvers and purchase order approvers roles and implement procedures to prevent payment approvers from approving their own payments.

The UNHCR Representation in Angola accepted recommendation 5 and stated that the recommendation had been implemented. The DOAP had been revised in line with the recommendation. Based on actions taken by the Representation, recommendation 5 has been closed.

Need to ensure that procurement is consistently done in compliance with UNHCR procurement rules

27. The UNHCR Manual requires field offices and headquarters to prepare an annual purchasing plan based on a needs assessment. UNHCR rules also require that all procurement over \$20,000 be submitted for review and approval to the relevant committee on contracts, whose role is to ensure that the purchase of goods and the contracting of services by UNHCR are obtained through transparent and competitive bidding in order to determine the most economical offer/proposal. Contracts in excess of LCC thresholds should be submitted for the approval of the Committee on Contracts at UNHCR Headquarters.

28. A review of procurement activities indicated that:

- a) The Representation did not prepare an annual procurement plan.
- b) The Representation signed a contract for the construction of a transit center for a value of \$119,510 without approval by the LCC and did not follow a competitive bidding process.
- c) The office premises had a lease agreement which expired in 14 November 2012 and was renewed for the period 15 November 2012 to 14 November 2013; however, the extension of the contract, which was for \$180,000 per year, was not approved by the LCC or the Headquarters Committee on Contracts (CoC).
- d) On 4 November 2011, the Representation purchased a generator for \$88,260 without competitive bidding or approval from the LCC.

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IV. ACKNOWLEDGEMENT

33. OIOS wishes to express its appreciation to the Management and staff of UNHCR Representation in Angola for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the United Nations High Commissioner for Refugees operations in Angola

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNHCR Representation in Angola should select or retain implementing partners using the implementing partner checklist and adopt a risk based approach for identifying weaknesses in implementing partners.	Important	C	Action completed	Implemented
2	The UNHCR Representation in Angola should enhance supervisory oversight on financial verifications and ensure that arrangements for project control are strengthened through the adoption of appropriate local standard operating procedures and training.	Important	O	Receipt of evidence that standard operating procedures were drafted and staff training was conducted.	31 May 2014
3	The UNHCR Representation in Angola, in conjunction with the Regional Office in South Africa, should: (a) implement procedures to ensure that the Representation and the Regional Office systematically review operational advances disbursed to staff to ensure compliance with rules; and (b) locate supporting documentation for unliquidated operational advances aggregating to \$103,349 to ensure that the outstanding amount is adjusted.	Important	O	Receipt of evidence that oversight was enhanced and that \$103,349 was adequately accounted for with supporting documentation.	Date not provided
4	The UNHCR Representation in Angola should: (a) implement an action plan to conduct periodic cash counts of the petty cash; and (b) require that all payments have adequate supporting documentation; and that cash is properly accounted for.	Important	C	Action completed	Implemented

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by the UNHCR Representation in Angola in response to recommendations.

APPENDIX I

Management Response

Management Response

Audit of the United Nations High Commissioner for Refugees operations in Angola

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Representation in Angola should select or retain implementing partners using the implementing partner checklist and adopt a risk based approach for identifying weaknesses in implementing partners.	Important	Yes	Admin/Program Officer	Implemented	The implementing partner selection process for 2014 was performed in accordance with procedures and within the set deadlines.
2	The UNHCR Representation in Angola should enhance supervisory oversight on financial verifications and ensure that arrangements for project control are strengthened through the adoption of appropriate local standard operating procedures and training.	Important	Yes	Admin/Program Officer	Financial Verification- implemented Standard operating procedures to be drafted by 31 May 2014	As recommended, the Representation has enhanced the oversight on financial verifications and ensures that monitoring is performed according to the rules. During the forthcoming mission of a Senior Officer, the standard operating procedures (SOP) for the strengthening of project control will be agreed upon and drafted thereafter.
3	The UNHCR Representation in Angola, in conjunction with the Regional Office in South Africa, should: (a) implement procedures to ensure that the Representation and the Regional Office systematically review operational advances disbursed to staff to ensure compliance with rules;	Important	Yes	a. Admin/Programme Officer and Senior Reg. Finance Officer b. Representative and Human Resources	a. Implemented	a. The use of operational advances is reduced to a minimum number of cases. Oversight of the use and recording of operational advances has been improved with the assistance of the Regional Office in South

⁵ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

⁶ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of the United Nations High Commissioner for Refugees operations in Angola

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	and (b) locate supporting documentation for unliquidated operational advances aggregating to \$103,349 to ensure that the outstanding amount is adjusted.				b. Ongoing.	Africa. b. The case of the operational advances is being addressed by the Representation with the assistance of Human Resources.
4	The UNHCR Representation in Angola should: implement an action plan to conduct periodic cash counts of the petty cash; require that all payments have adequate supporting documentation; and that cash is properly accounted for.	Important	Yes	Representative and Admin/Program Officer	Implemented	The recommendation has been implemented. Procedures for the improvement of the management of petty cash have been put in place.
5	The UNHCR Representation in Angola, with the assistance of the Regional Office in South Africa, should segregate the requisition approvers and purchase order approvers roles and implement procedures to prevent payment approvers from approving their own payments.	Important	Yes	Representative	Implemented	The recommendation has been implemented. The Delegation of Authority Plan (DOAP) has been revised in line with the recommendation.
6	The UNHCR Representation in Angola, with the assistance of the Regional Office in South Africa, should: (a) prepare an annual procurement plan based on a needs assessment; and (b) ensure that all procurement is conducted through a competitive bidding process and approved by the relevant committee on contracts.	Important	Yes	Admin/Program Officer	30 June 2014	a) While procurement of the Angola Country Office is minimal, and in 2014 at an even more modest level than in previous years, an Annual Procurement Plan will now be prepared. b) The Representation ensures that the stipulated procurement

