



INTERNAL AUDIT DIVISION

REPORT 2015/050

Audit of the operations in Rwanda for the Office of the United Nations High Commissioner for Refugees

Overall results relating to management of the operations in Rwanda were initially assessed as unsatisfactory. Implementation of three important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

12 June 2015

Assignment No. AR2014/110/02

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVE AND SCOPE	1-2
III. AUDIT RESULTS	2-3
A. Project management	3-6
B. Regulatory framework	6-10
IV. ACKNOWLEDGEMENT	10
ANNEX I Status of audit recommendations	
APPENDIX I Management response	

AUDIT REPORT

Audit of the operations in Rwanda for the Office of the United Nations High Commissioner for Refugees

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the operations in Rwanda for the Office of the United Nations High Commissioner for Refugees (UNHCR).
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 UNHCR Representation in Rwanda (hereinafter referred to as ‘the Representation’) was established in 1994. At the time of the audit, the Representation was assisting 77,741 refugees in the country, of whom 99 per cent were from the Democratic Republic of Congo. During 2013, there were about 30,000 new refugee arrivals from eastern Democratic Republic of Congo as a result of violence and growing instability. The Representation had to raise a supplementary appeal to deal with this emergency. In 2014, the key areas of priority for the Representation were: primary education; construction and rehabilitation of refugee shelters; construction of durable latrines for returnees and refugees; and distribution of non-food items to refugees.
4. The Representation had a branch office in Kigali and five field offices in Byumba, Kibuye, Butare, Gisenyi and Cyangugu covering five refugee camps. The Representation was headed by a Representative at the D-1 level. He was assisted by 82 staff on regular posts of which six were vacant. In addition, there were 19 affiliate staff (three consultants, seven seconded staff and nine United Nations Volunteers). The Representation had total expenditure for 2013 of \$24.9 million and a budget for 2014 of \$18.2 million. It worked with seven partners during 2013 and 2014. These partners implemented approximately 66 per cent of the programme budget.
5. Comments provided by UNHCR are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNHCR governance, risk management and control processes in providing reasonable assurance regarding the **effective management of the operations in Rwanda**.
7. The audit was included in the 2014 risk based internal audit work plan for UNHCR due to risks related to the growth of the UNHCR operations in Rwanda caused by the large influx of refugee arrivals.
8. The key controls tested for the audit were: (a) project management; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:
 - (a) **Project management** – controls that provide reasonable assurance that there is proper planning and implementation as well as accurate and complete monitoring and reporting of the Representation’s project activities.

(b) **Regulatory framework**– controls that provide reasonable assurance that policies and procedures: (i) exist to guide the management of the operations in Rwanda; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

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

10. OIOS conducted the audit from August 2014 to January 2015. The audit covered the period from 1 January 2013 to 30 June 2014. OIOS visited the UNHCR offices in Kigali, Butare and Kibuye, as well as three refugee camps.

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.

III. AUDIT RESULTS

12. The UNHCR governance, risk management and control processes examined were initially assessed as **unsatisfactory**¹ in providing reasonable assurance regarding the **effective management of the operations in Rwanda**. OIOS made seven recommendations to address issues identified in the audit.

13. The Representation needed to: (a) update asset records and right of use agreements with partners, and account for differences due to missing assets; (b) strengthen warehouse management and distribution planning; and (c) put in place arrangements to ensure recovery of Value Added Tax receivables. The Representation took corrective action on the need to: (a) monitor the procurement authority delegated to partners; (b) strengthen oversight over vendor and procurement management; (c) improve financial monitoring of partners; and (d) plan and implement a coordinated system of performance monitoring.

14. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory**² as the implementation of three important recommendations remains in progress.

¹ A rating of “**unsatisfactory**” means that one or more critical and/or pervasive important deficiencies exist in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

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 operations in Rwanda	(a) Project management	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory
	(b) Regulatory framework	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Project management

Action was taken to monitor the delegation of procurement authority to partners

15. According to the UNHCR guidelines on delegating procurement to partners that were applicable during the period of scope of the audit, the Representation needed to ensure that any delegation to one partner in a single year cumulatively in excess of \$100,000 was reviewed and approved by the Local Committee on Contracts (LCC) before the partner agreement was signed. The LCC review was essential to assess whether the partner had established its own procurement procedures and accountabilities and whether the Representation had reviewed them and assessed them to meet the UNHCR standards. The guidelines further stated that procurement activities in excess of \$20,000 should not be entrusted to partners who had not been pre-qualified by UNHCR headquarters.

16. The Representation delegated procurement valued at \$5.2 million to five partners in 2013. The value of procurement delegated in 2014 was \$2.9 million, to four partners. Each of these partners had cumulative procurement activities in excess of the \$100,000 limit. The procurement was for: construction of schools, latrines, shelters, water facilities, terracing and police posts; school materials; and fire wood. None of the partners had been pre-qualified by UNHCR headquarters. The Representation could not provide evidence of any review of the procurement procedures at these partners. In addition, although the Representation presented the proposals for delegating procurement to these partners for review and approval of the LCC, this was done retroactively after the partner agreements had already been signed. This defeated the purpose of the LCC review and approval and was not in compliance with the UNHCR guidelines.

17. The main reason for the above weaknesses was the lack of management oversight to ensure that the procurement entrusted to partners was done in full compliance with rules. As a result, the Representation was at risk of not getting adequate value for money from its procurement of goods and services through partners. Subsequent to the audit fieldwork, effective 1 November 2014, the UNHCR rules on partner procurement changed so that the approval to designate procurement to partners should henceforth be obtained from the multifunctional Implementing Partnership Management Committee and the Head of Office.

<p>(1) The UNHCR Representation in Rwanda should develop and implement an action plan for strengthening the arrangements for: review and approval of procurement entrusted to partners by the Implementing Partnership Management Committee and the Head of Office; and regular</p>

monitoring of procurement undertaken by partners.

UNHCR accepted recommendation 1 and stated that: (a) in line with the developed action plan, the Representation had already started monitoring procurement activities delegated to partners while undertaking financial verifications. The findings/observations had been shared with respective partners for follow-up actions, as required; and (b) a two-day training for the partners was conducted on 30 and 31 March 2015. The training, besides sharing UNHCR procurement requirements with partners, was also useful to take stock of prevailing procurement practices of the partners. Based on the action taken and the documentation provided by UNHCR, recommendation 1 has been closed.

Action was taken to improve financial monitoring of partners

18. The UNHCR Manual states that the Representation should verify partner expenditures before they are approved and recorded as expenditure in the Managing for Systems, Resources and People (MSRP) system, the UNHCR enterprise resource planning system. The Manual recommends at least one financial verification per partner per year. The policy on 'Implementing Partner Audit Certification - Roles, Responsibilities and Accountabilities' further states that the Representation should review the contents of all partner audit certificates and develop action plans to remedy any issues identified.

19. Although the Representation said it had conducted at least one financial verification of reported partner expenditures in 2013, there were only six financial verification reports covering three of the seven partners to support this statement. There were no financial verification reports for any of the other four partners. In 2014, at the time of the audit fieldwork in September, the Representation had not conducted any financial verifications. Furthermore, based on review of the financial verification reports available from 2013, only three included a follow-up of previously identified verification findings and recommendations for improving internal controls at partners. The other three reports did not document such follow-up procedures.

20. Furthermore, the Representation needed to verify the implementation of the 2012 and 2013 recommendations raised by the external auditors to ensure that all remedies to address identified control deficiencies had been duly implemented by the partners. However, three of the four partners that had been audited in 2012 still had audit recommendations pending implementation, which had not been followed up by the Representation.

21. The main reasons for the above shortcomings were the lack of a risk based annual plan for the conduct of financial verifications and lack of procedures for documented follow-up on the status of external audit recommendations. The Representation indicated that it had to assign personnel to other important programme related duties, such as drafting supplementary appeals for the emergency, which had priority over financial verifications. As a consequence of the weaknesses in financial monitoring, the Representation could not demonstrate that it had adequately reviewed partner expenditures totaling \$12.3 million in 2013 before approving and recording them in the MSRP accounting records and that it had addressed identified control weaknesses at partners.

(2) The UNHCR Representation in Rwanda should develop and implement an action plan for strengthening financial monitoring of partners, which should include establishing: (a) a risk-based monitoring plan for verification of partner expenditures; and (b) a template to ensure that each monitoring visit appropriately covers the status of implementation of previously identified control weaknesses.

UNHCR accepted recommendation 2 and stated that following the development of the monitoring/verification action plan, the Representation had conducted financial verifications of

partners' expenditures. In order to enhance capacity of the Programme/Project Control Unit, one additional staff (Programme Associate) had been hired to provide direct support in carrying out financial and performance verification of partners. The Representation, in line with the action plan, would periodically carry out the monitoring/verification exercises during the remaining period of 2015 and beyond. Based on the action taken and the documentation provided by UNHCR, recommendation 2 has been closed.

Action was taken to plan and implement a coordinated system of performance monitoring

22. The UNHCR Manual states that the Representation should verify and monitor project activities reported by partners quarterly before accepting them. The required monitoring involves ongoing review of operations by a multi-functional team to determine whether protection and solution activities are having the desired impact and are proceeding according to plan and targets.

23. The Representation's performance monitoring activities had the following shortcomings:

- The performance monitoring reports in the field offices did not contain an assessment of performance against the agreed performance targets in the partner agreement.
- The Representation had not implemented a multi-functional team approach to performance monitoring. Since each of the partners in Rwanda had one project agreement but most of them were operating in the five camp locations, the monitoring reports for each partner from the teams in the five field offices should have been coordinated and consolidated before submission to the Branch Office in Kigali. As a result, there was no link between the approval of the project activities by the Branch Office and the performance monitoring conducted by the field offices.

24. Consequently, performance monitoring was not identifying areas where partner performance was lacking and needed to be strengthened for the maximum benefit of the people of concern. OIOS reviewed the construction activities undertaken by partners which was significant programme area and amounted to \$3.5 million in 2013 while another \$1.5 million was budgeted for 2014. Due to the lack of performance monitoring reports the Representation could not adequately justify or explain delays in the construction activities, additional costs due to change orders, low quality constructions and buildings not yet put to use, as identified during the audit. For example:

- For the construction of eight blocks of dischargeable latrines in Kigeme camp for expenditures of \$139,000, the design had been changed as compared to similar latrines in other camps. This resulted in an additional cost of \$392,000. There was no documentation to justify the change orders and whether they had been appropriately reviewed and approved.
- Several constructions had been delayed and were not yet completed at the time of the audit in September 2014, such as resettlement interview offices in Kigeme which had been started in early 2013 and an office building for a partner in Mugombwa planned to be completed by March 2014. The Representation did not have any monitoring reports to explain the corrective action that needed to be taken.
- A health clinic in Mugombwa was operational since May 2014 but it was showing cracks in the walls, which demonstrated low quality work. There was no evidence that the Representation had followed up on this deficiency.
- Even though most of the following buildings were completed by April 2014, they had not yet been put to use by September 2014: two 'one stop centers', one in Kigeme and one in Mugombwa, and two police posts, one in Kigeme and one in Kiziba. The Representation did not have any action plan in place for when these buildings would be operationalized.

25. The main reason for the above shortcomings was that the Representation's Programme Section had not adequately planned and coordinated the monitoring activities between staff in all sections and locations involved in performance monitoring and had not assessed and reported to the Representation's management whether there were adequate staffing resources in the field offices to undertake performance monitoring in accordance with the UNHCR requirements. Another reason specifically for construction projects was the lack of staff at the Representation with the required expertise to conduct the required technical monitoring tasks. Since July 2013, the Representation did not have any engineer on board when most of the construction, for example for the new Mugombwa camp, were about to start.

(3) The UNHCR Representation in Rwanda should plan and implement a coordinated system of performance monitoring, which should ensure that: (a) the adequacy of staffing in the field offices is assessed to secure appropriate performance monitoring coverage including in terms of construction expertise; (b) the approval of partners' quarterly reports is supported by monitoring reports; and (c) the monitoring reports adequately assess the reported partner performance against agreed targets.

UNHCR accepted recommendation 3 and stated that the Representation had been undertaking performance verification/monitoring of the progress reported by partners. The planned recruitment of technical staff (under UNOPS) had been completed. In recognition of gap in programme staffing, a Programme Officer (under the Capacity Building Initiative) had also been appointed and would assume functions in June 2015. This would further reinforce the Representation's capacity to carry out overall monitoring of partner activities. Based on the action taken and the documentation provided by UNHCR, recommendation 3 has been closed.

B. Regulatory framework

Action was taken to strengthen oversight over vendor and procurement management

26. The UNHCR procurement rules and procedures require the Representation to: (i) develop annual purchasing plans based on its needs by 30 November of each year; (ii) enter into signed contracts or service agreements for large, complex procurements of goods and services; and (iii) establish a Local Committee on Contracts to review and advise the chairperson in respect of all contracts negotiated or proposed for award in relation to the purchase and rental of goods and services to ensure compliance with rules. Deviations from rules should be adequately justified and reviewed by the LCC. The Representation should prepare and approve purchase orders before any orders are made. The UNHCR policy on the vendor registration process requires the Representation to establish a Vendor Review Committee to oversee the implementation of the vendor registration and management process.

27. Although the Representation had established a vendor review committee in August 2013, in response to an earlier OIOS recommendation made in 2011, no formal meetings had taken place since then and the initial composition of the committee was no longer up-to-date. Out of 688 vendors recorded in MSRP, none had vendor files with documentation evidencing the vetting, review and approval of vendors. There were introduction letters for only 17 vendors but the remaining parts of the vendor files were incomplete. Furthermore, there were no records of implementation of vendor vetting procedures prior to engaging their services or vendor performance assessments. As a consequence, it was not possible to assess whether all vendors who had supplied goods and services were genuine and whether the Representation received value for money for goods supplied and services rendered.

28. From 1 January 2013 to 30 June 2014, the Representation issued 492 purchase orders to acquire goods and services valued at \$3.5 million. OIOS reviewed 25 purchase orders totaling \$2.0 million, or 57 per cent of the total value of procurement, and identified the following weaknesses:

- The 2013 annual purchasing plan was prepared five months late in April 2014 and lacked timelines for delivery of goods and contracting of services. As a result, procurement undertaken, such as for office security services valued at \$103,000, was not included in the plan. In addition, some drugs valued at \$49,000 had to be procured locally, before the later arrival of an international delivery, at prices higher than international market prices.
- The Representation did not sign contracts for services or for large and complex goods procurement transactions totaling \$600,000 in 2013 and in 2014. For example, there were no service contracts for office security and cleaning services. For procurement of diesel, the Representation did not have a written contract agreeing the price per liter with the approved supplier, which resulted in paying \$23,000 more on a second purchase order raised in 2013 compared to the first purchase order.
- The Representation prepared and approved purchase orders totaling \$1.0 million for the purchase of an ambulance, satellite internet connectivity and conference facilities only after having received the goods and services.
- For seven services totaling \$280,000 (including for office lease, cleaning and security services, satellite internet services and conference services), the Representation did not submit the purchases for review and approval to the LCC before they were ordered. The LCC approved the procurement for these services retroactively which defeated the purpose of their review.
- The Representation did not systematically provide justifications for deviating from the required procurement procedures. For example, for procurement of fire wood the cheapest supplier was not chosen resulting in overpayment of \$8,000 for which no justification was provided. For accommodation of the staff retreat, the cheapest hotel was not chosen resulting in the Representation paying \$5,000 more, again without a valid justification. For procurement of Uninterruptible Power Supply installation at \$26,000, the suppliers were given only hours to submit their bids. This was not in compliance with the procedures as the vendors should have been given at least seven days to submit their bids. The LCC approved all of the above cases, even though adequate justifications were not provided by the Representation.

29. The main reasons for the above weaknesses were the lack of planning and review by management to ensure the adequacy of vendor management processes and compliance with procurement rules and procedures, as well as lack of training provided to LCC members on their role and responsibilities. As a result, there was a risk that the Representation was not obtaining full value for money from its procurement activities.

(4) The UNHCR Representation in Rwanda should develop an action plan for strengthening its oversight arrangements over vendor and procurement management, which should include procedures to ensure: (a) implementation of appropriate arrangements for vendor registration, maintenance of comprehensive vendor files, and vendor vetting and evaluation; (b) preparation of annual purchasing plans; and (c) training of members of the Local Committee on Contracts on their roles and responsibilities.

UNHCR accepted recommendation 4 and stated that: (a) for vendor vetting and registration, the Vendor Review Committee was reconstituted on 16 February 2015 and effective vetting and evaluation of new local vendors was now done as per the rules; (b) purchasing plans were finalized and a separate monitoring/tracking table had been developed that indicated the due dates of requirements and the delivery progress including tracking of expiry of contracts; and (c) regarding purchase orders approved

before delivery of goods and services, the Representation had reviewed the matter and taken corrective action to address the gaps identified. Based on the action taken and the documentation provided by UNHCR, recommendation 4 has been closed.

Need to update asset records and right of use agreements with partners, and account for differences due to missing assets

30. In accordance with UNHCR requirements for the annual physical verification of property, plant and equipment (PPE) and serially tracked items (STI), the Representation should conduct an annual and full physical verification of all assets, update asset records in MSRP, and send a report on the physical verification of PPE to UNHCR headquarters. The Representation should also determine the ownership of buildings constructed under partner projects. In addition, the Representation should establish a Local Asset Management Board (LAMB) to oversee asset management.

31. At the end of December 2013, the Representation had 122 PPE assets with a purchase value of \$4.4 million and 725 STIs with a purchase value of \$1.0 million. The LAMB was not functioning, and there had been no LAMB meetings since 21 November 2013. The Representation had not conducted a physical verification of PPE since April 2013 and the asset records in MSRP were not up-to-date. The physical verification of STIs had not been done since May 2009. Whilst the audit was still ongoing, the Representation took the first corrective actions by re-establishing the LAMB and starting the verification of the PPE and STI assets in the operation. However, it was yet to update its asset records and account for differences found between physical assets and records due to over 100 missing items valued at \$150,000. Furthermore, buildings constructed by partners in the camps valued at \$5 million were not recorded in the asset database or included in the right of use agreements with partners.

32. The main cause for the above shortcomings was the absence of a LAMB and inadequate review and planning by management of the asset management activities. As a result, the Representation was exposed to a risk of loss of unrecorded assets due to theft or damage and inability to account for missing assets.

(5) The UNHCR Representation in Rwanda should update all its asset records and account for differences due to missing assets.

UNHCR accepted recommendation 5 and stated that the implementation of this recommendation was ongoing. Recommendation 5 remains open pending receipt of evidence that all assets have been accounted for and that constructed buildings are recorded in the asset records and the right of use agreements with partners are updated or the ownership of assets transferred.

Need to strengthen warehouse management and distribution planning

33. The UNHCR accounting policy for inventories requires the Representation to accurately record all inventories in MSRP inventory records in compliance with International Public Sector Accounting Standards (IPSAS). This includes inventories received as in-kind contributions. Once inventories are shipped out of the warehouse for distribution they should be expensed in the UNHCR accounting records. The Representation should verify annually all inventories, update its records and report the results to headquarters. Any discrepancies with a value over \$150,000 need to be submitted for review by the Headquarters Asset Management Board.

34. Although the Representation had only one warehouse (based in Kigali) recorded in the MSRP inventory records, it was managing five other warehouses in each of the field offices but these were not

reflected in MSRP inventory records. None of the inventory items kept in these five warehouses, with an approximate value of \$380,000, was recorded in MSRP inventory records, nor were the items reported to UNHCR headquarters as required. In addition, there were approximately 8,550 inventory items received as donations in kind in the six warehouses, for which the value had not been assessed, that were not recorded in MSRP. These included blankets, mosquito nets and school kits.

35. Furthermore, the warehouse in Kigali was overstocked with large quantities of items some of which had been in stock for over 15 years. The Representation did not have any distribution plan for these items, which included light weight tents and synthetic sleeping mats, and the continued need for these items was not justified.

36. The above shortcomings happened because the Representation had not reviewed the set-up of its warehouse management system. As a result, the UNHCR inventory records were understated by \$380,000 (plus the value of the donated items), and the expenditures were overstated by the same amount. The Representation was also exposed to the risk of loss or theft of these unrecorded inventories.

(6) The UNHCR Representation in Rwanda should review the set-up of its warehouse management system and ensure that: (a) all inventory items, including donated items, are recorded; (b) inventory discrepancies are reported to headquarters; and (c) a distribution plan is developed for old inventory items.

UNHCR accepted recommendation 6 and stated that following the physical verification carried out in field warehouses to assess the condition and suitability of the old inventory items, the Representation started distributing the Core Relief Items to beneficiaries. So far about 67 per cent of the materials had been distributed. The Field Offices had already set up schedules for distribution of the remaining items and the recommendation would be fully implemented by the end of June 2015. Recommendation 6 remains open pending receipt of evidence that the warehouse management system has been established to ensure that the contents of the five warehouses are in future either recorded in MSRP or immediately distributed.

Need to put in place arrangements to ensure recovery of Value Added Tax receivables

37. According to the UNHCR Manual, the Representation should regularly track, monitor and clear outstanding open items or receivables. Furthermore, in line with the UNHCR guidelines on Value Added Tax (VAT), the Representation is required to establish procedures to ensure that available exemptions are obtained from the Government of Rwanda and that VAT is recovered

38. The Rwandan authorities allowed recovery of VAT on goods and services purchased by the Representation and by partners when implementing UNHCR projects. The Representation had delegated significant procurement to partners given the fact that partners were also able to recover VAT similar to the Representation. The Representation itself had a pending VAT receivable of \$284,000 at the time of the audit. It had not re-submitted rejected VAT claims - when recovery was still expected - with additional documentation, and had not reconciled VAT records with recovered amounts.

39. The Representation also lacked a system to keep track of the effective recovery of all VAT recoverable amounts at partners. The total VAT receivable pending with partners relating to UNHCR funds was \$312,000. The Representation had not requested partners to report on the recovery of VAT in their quarterly reports and it had not established procedures with partners to ensure regular and timely submission of VAT recoveries to the Rwandan authorities. Therefore, tracking the effectiveness of the recovery process was difficult. The external audit reports of partner projects stated that two partners had

not yet submitted VAT claims to the authorities for at least two years and two partners needed to resubmit the VAT claims with adequate documentation to recover rejected amounts.

40. The main reasons for the above weaknesses were the lack of staff to conduct the required tasks and lack of procedures for streamlining and monitoring the effective implementation of VAT recoveries. The Representation's management had also not paid enough attention to the problem. As a result, the Representation continued to be at risk of losing recoverable VAT amounts.

(7) The UNHCR Representation in Rwanda should review its staffing needs for Value Added Tax (VAT) related tasks and implement procedures, including management oversight arrangements, to ensure recovery of \$312,000 for VAT paid by partners.

UNHCR accepted recommendation 7 and stated that for VAT paid by UNHCR, the Representation had put in place Standard Operating Procedures for VAT management and VAT claims were submitted/ followed-up on a monthly basis. For VAT no longer recoverable, a write-off request amounting to the equivalent of \$185,172 had been formally submitted to the Bureau for Africa at headquarters for endorsement and further processing. For VAT recovery from partners, since September 2014, the Representation had recovered the equivalent of approximately \$490,000. The Representation had been consistently reviewing and monitoring the VAT situation during the time of financial verifications and taking appropriate follow-up action with relevant partners. Recommendation 7 remains open pending receipt of procedures which ensure that in the long term VAT recoverable amounts on funds paid by the Representation and on UNHCR funds paid by partners are monitored and recovered and staffing is sufficient to deal with the related workload, as well as receipt of evidence of the write-off or recovery of all outstanding VAT amounts currently shown as receivable.

IV. ACKNOWLEDGEMENT

41. OIOS wishes to express its appreciation to the Management and staff of the UNHCR Representation in Rwanda 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 operations in Rwanda for the Office of the United Nations High Commissioner for Refugees

Recom. no.	Recommendation	Critical ³ / Important ⁴	C/ O ⁵	Actions needed to close recommendation	Implementation date ⁶
1	The UNHCR Representation in Rwanda should develop and implement an action plan for strengthening the arrangements for review and approval of procurement entrusted to partners by the Implementing Partnership Management Committee and the Head of Office and regular monitoring of procurement undertaken by partners.	Critical	C	Action completed	Implemented
2	The UNHCR Representation in Rwanda should develop and implement an action plan for strengthening financial monitoring of partners, which should include establishing: (a) a risk-based monitoring plan for verification of partner expenditures; and (b) a template to ensure that each monitoring visit appropriately covers the status of implementation of previously identified control weaknesses.	Important	C	Action completed	Implemented
3	The UNHCR Representation in Rwanda should plan and implement a coordinated system of performance monitoring, which should ensure that: (a) the adequacy of staffing in the field offices is assessed to secure appropriate performance monitoring coverage including in terms of construction expertise; (b) the approval of partners' quarterly reports is supported by monitoring reports; and (c) the monitoring reports adequately assess the reported partner performance against agreed targets.	Important	C	Action completed	Implemented

³ 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.

⁴ 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.

⁵ C = closed, O = open

⁶ Date provided by UNHCR in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the operations in Rwanda for the Office of the United Nations High Commissioner for Refugees

Recom. no.	Recommendation	Critical ³ / Important ⁴	C/ O ⁵	Actions needed to close recommendation	Implementation date ⁶
4	The UNHCR Representation in Rwanda should develop an action plan for strengthening its oversight arrangements over vendor and procurement management, which should include procedures to ensure: (a) implementation of appropriate arrangements for vendor registration, maintenance of comprehensive vendor files, and vendor vetting and evaluation; (b) preparation of annual purchasing plans; and (c) training of members of the Local Committee on Contracts on their roles and responsibilities.	Critical	C	Action completed	Implemented
5	The UNHCR Representation in Rwanda should update all its asset records and account for differences due to missing assets.	Important	O	Submission to OIOS of evidence that all assets have been accounted for and that constructed buildings are recorded in the asset records and the right of use agreements with partners are updated or the ownership of assets transferred.	31 July 2015
6	The UNHCR Representation in Rwanda should review the set-up of its warehouse management system and ensure that: (a) all inventory items, including donated items, are recorded; (b) inventory discrepancies are reported to headquarters; and (c) a distribution plan is developed for old inventory items.	Important	O	Submission to OIOS of evidence that the warehouse management system has been established to ensure that the contents of the five warehouses are in future either recorded in MSRP or immediately distributed.	30 June 2015
7	The UNHCR Representation in Rwanda should review its staffing needs for Value Added Tax (VAT) related tasks and implement procedures, including management oversight arrangements, to ensure recovery of \$312,000 for VAT paid by partners.	Important	O	Submission to OIOS of procedures which ensure that in the long term VAT recoverable amounts on funds paid by the Representation and on UNHCR funds paid by partners are monitored and recovered and staffing is sufficient to deal with the related workload, as well as receipt of evidence of the write-off or recovery of all outstanding VAT amounts currently shown as receivable.	30 September 2015

APPENDIX I

Management Response

Management Response

Audit of the operations in Rwanda for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ⁷ / Important ⁸	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Representation in Rwanda should develop and implement an action plan for strengthening the arrangements for review and approval of procurement entrusted to partners by the Implementing Partnership Management Committee and the Head of Office and regular monitoring of procurement activities undertaken by partners.	Critical	Yes	Supply Officer	Implemented	(a) In line with the developed action plan, the Representation has already started monitoring of procurement activities delegated to partners while undertaking financial verification. The findings/observations have been shared with respective partners for follow-up actions, as may be required. (b) In addition, a two day training for the partners was conducted on 30 and 31 March 2015. Two supply persons per partner were invited to attend, as well as two supply associates per UNHCR Field Office. The training, besides sharing UNHCR procurement requirements with partners, was also useful to take stock of prevailing procurement practice of the partners.
2	The UNHCR Representation in Rwanda should develop and implement an action plan for strengthening financial monitoring of partners, which should include establishing: (a) a risk-based monitoring plan for verification of partner expenditures; and (b) a	Important	Yes	Project Control Officer	Implemented	Following development of the monitoring/verification Action Plan, the Representation has conducted financial verifications of partners' expenditure. In order to enhance capacity of the Programme/Project Control Unit, one additional staff (Programme Associate) has been hired to provide direct support in carrying out financial

⁷ 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.

⁸ 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 operations in Rwanda for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ⁷ / Important ⁸	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	template to ensure that each monitoring visit appropriately covers the status of implementation of previously identified control weaknesses.					and performance verification of partners. The Representation, in line with the action plan will periodically carry out the monitoring/verification exercise during the remaining period of 2015 and beyond.
3	The UNHCR Representation in Rwanda should plan and implement a coordinated system of performance monitoring, which should ensure that: (a) the adequacy of staffing in the field offices is assessed to secure appropriate performance monitoring coverage including in terms of construction expertise; (b) the approval of partners' quarterly reports is supported by monitoring reports; and (c) the monitoring reports adequately assess the reported partner performance against agreed targets.	Important	Yes	Senior Programme Officer	Implemented	<p>The Representation has been undertaking the performance verification/monitoring of the progress reported by partners.</p> <p>The planned recruitment of technical staff (under UNOPS) has been completed.</p> <p>In recognition of gap in Programme staffing, a Programme Officer (under the Capacity Building Initiative) has been appointed and will assume functions in June 2015, which will also reinforce the Representation's capacity to carry out overall monitoring of partner activities.</p>
4	The UNHCR Representation in Rwanda should develop an action plan for strengthening its oversight arrangements over vendor and procurement management, which should include procedures to ensure: (a) implementation of appropriate arrangements for	Critical	Yes	Supply Officer	Implemented	<p><u>Vendor vetting and registration</u></p> <p>The composition of Vendor Review Committee (VRC) was reviewed and reconstituted on 16 February 2015. The next session of the VRC was held on 18 March 2015. Effective vetting and evaluation of two new local vendors was done as per the VRC rules. Following VRC's approval, the vendors were accordingly registered in MSRP.</p>

Management Response

Audit of the operations in Rwanda for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ⁷ / Important ⁸	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	<p>vendor registration, maintenance of comprehensive vendor files, and vendor vetting and evaluation; (b) preparation of annual purchasing plans; and (c) training of members of the Local Committee on Contracts on their roles and responsibilities.</p>					<p>It is to be noted that in the past Rwanda operation was doing major procurement mainly through the Regional Support Hub (RSH) Nairobi and through the Supply Management Logistics Service (SMLS), with vendors approved at their own level. The operation, due to the emergency with the Burundian influx is now looking at the local market to reduce delivery lead time and expect the VRC to be more active in coming days/months.</p> <p><u>Procurement Plans:</u></p> <p>The purchasing plans were already prepared and finalized by the Representation.</p> <p>A separate monitoring/tracking table has been developed that now indicates the due dates of requirement and the delivery progress.</p> <p>The Representation has now established a mechanism to track/monitor the expiry date of all annual/recurring contracts to assist timely renewal process.</p> <p><u>Purchase orders to be approved before delivery of goods and services:</u></p> <p>The Representation has reviewed the matter and taken corrective action to address the gaps identified. In order to prevent recurrence of such incidents, Requisitions and Purchase Orders have been accordingly raised/approved, with corresponding amount anticipated for the year</p>

Management Response

Audit of the operations in Rwanda for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ⁷ / Important ⁸	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						2015.
5	The UNHCR Representation in Rwanda should update all its asset records and account for differences due to missing assets.	Important	Yes	Supply Officer	31 July 2015	The implementation of this recommendation is ongoing.
6	The UNHCR Representation in Rwanda should review the set-up of its warehouse management system and ensure that: (a) all inventory items, including donated items, are recorded; (b) inventory discrepancies are reported to headquarters; and (c) a distribution plan is developed for old inventory items.	Important	Yes	Supply Officer	30 June 2015	<p>Following the physical verification carried out in field warehouses to assess the condition and suitability of the old inventory items, the Representation has started distributing the Core Relief Items (CRIs) to beneficiaries. So far about 67% of the materials have been distributed.</p> <p>The Field Offices have already set up schedules for distribution of the remaining items and the recommendation will be fully implemented by the end of June 2015.</p>
7	The UNHCR Representation in Rwanda should review its staffing needs for Value Added Tax (VAT) related tasks and implement procedures, including management oversight arrangements, to ensure recovery of \$312,000 for VAT paid by partners.	Important		Admin/Finance Officer	Implemented	<p><u>VAT recovery (Paid by UNHCR)</u></p> <p>The Representation has put in place and Standard Operating Procedures for VAT management and VAT claims are submitted/followed-up on a monthly basis.</p> <p>For VAT no longer recoverable, a write-off request (amounting to RWF 40,812,037.03, equivalent to USD 185,172.01) has been formally submitted to the Bureau for Africa at headquarters for endorsement and further processing.</p>

Management Response

Audit of the operations in Rwanda for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ⁷ / Important ⁸	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p><u>VAT recovery (from partners)</u></p> <p>Since September 2014, the Representation has recovered RWF 342,833,241 (approximately USD 490,000) from partners.</p> <p>The Representation has been consistently reviewing/monitoring VAT situation during the time of financial verification and taking appropriate follow-up action with relevant partners.</p>