



INTERNAL AUDIT DIVISION

REPORT 2017/034

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

There was a need to incorporate systematic data analysis into planning and monitoring of resettlement activities, enhance planning of distribution of non-food items, and strengthen controls over fleet and fuel management, procurement of air transport services and vendor management

15 May 2017
Assignment No. AR2016/110/10

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

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the Office of the United Nations High Commissioner for Refugees (UNHCR) operations in Kenya. The audit covered the period from 1 January 2015 to 30 September 2016 and included a review of: partnership management; management of activities related to durable solutions, including voluntary repatriation and resettlement; provision of infrastructures and services pertaining to public health and education; distribution of non-food items (NFIs); fleet and fuel management; and procurement and vendor management.

The UNHCR Representation in Kenya had effective controls in place for planning, monitoring and reporting of its voluntary repatriation, public health and education activities. Controls over management of partnerships were also working as intended. However, there was a need for the Representation to: improve the use of data to strengthen planning and monitoring of resettlement activities; enhance planning of distribution of NFIs to reduce the large number of returned items; ensure fuel delivered meets the required standards; regularize vehicles that were incorrectly registered and obtain ownership logbooks for all vehicles; re-evaluate the agreement with another United Nations agency for the provision of air transport services; and review and clean up the vendor database.

OIOS made five recommendations. To address issues identified in the audit, the Representation needed to:

- Ensure alignment between the resettlement procedures and the resettlement workflow embedded in proGres, the UNHCR registration database, and incorporate systematic data analysis into management of resettlement activities;
- Reduce the amount of undistributed NFIs through careful planning of quantities required and ensure that details of undistributed items are forwarded to UNHCR headquarters for adjustment of inventory data;
- Ensure that the density of diesel fuel is measured before delivery and all payments for delivered fuel are supported by a Goods Received Note;
- Follow up with the Kenya Revenue Authority to regularize incorrectly registered vehicles and ensure that all vehicles have logbooks and are fitted with Government issued number plates;
- Re-evaluate the existing service agreement for air transport services and request appropriate supporting documents for the monthly invoices; and
- Remove duplicate accounts from the vendor database and put in place procedures to control the creation of vendor accounts.

UNHCR accepted the recommendations, has implemented two of them, and has initiated appropriate action to implement the remaining three.

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Audit of the operations in Kenya 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 Kenya for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The UNHCR Representation in Kenya (hereinafter referred to as ‘the Representation’) started its operations in 1969 to provide refugees, asylum-seekers and other persons of concern with international protection and humanitarian assistance. As at 30 September 2016, the Representation was assisting 511,957 refugees and asylum seekers, of whom 70 per cent were from Somalia (283,558 in the Dadaab refugee camps, 162,399 in the Kakuma refugee camps, and 66,000 in urban areas), as well as 20,000 stateless persons. The Representation’s strategic priority areas for 2015 and 2016 were basic needs and essential services, which absorbed \$38.3 million in 2015 and \$28.9 million in the first nine months of 2016, with the key areas being health, water, sanitation and hygiene, and education services to persons of concern. In addition, voluntary repatriation and reintegration were re-prioritized at mid-year 2016 with a budget of \$26.0 million, following the decision of the Kenyan Government in May 2016 to close the Dadaab refugee camps.
3. The Representation was headed by a Representative at the D-2 level, and it had 404 regular and 39 affiliate staff. It had a Country Office in Nairobi, two Sub Offices in Dadaab and Kakuma, and a Field Office in Alinjugur. The Representation recorded total expenditure of \$102.2 million in 2015 and \$82.0 million in the nine-month period up to 30 September 2016. Programme related expenditures accounted for \$67.0 million in 2015 and \$53.2 million for the first nine months of 2016. The Representation worked with 33 partners which implemented UNHCR projects worth \$40.6 million in 2015 and \$38.9 million in the period January-September 2016, representing 66 per cent of total programme implementation in the audit period.
4. Comments provided by the Representation are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

5. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over UNHCR operations in Kenya.
6. This audit was included in the 2016 risk-based internal audit work plan of OIOS due to risks related to the size and complexity of the operations in Kenya.
7. OIOS conducted the audit from September to December 2016. The audit covered the period from 1 January 2015 to 30 September 2016. Based on an activity-level risk assessment, the audit covered higher risk processes and activities pertaining to the operations in Kenya, which included: partnership management; management of activities related to durable solutions, including voluntary repatriation and resettlement; provision of infrastructures and services pertaining to public health and education; distribution of non-food items (NFIs); fleet and fuel management; and procurement and vendor management.
8. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical reviews of data, including financial data from Managing for Systems,

Resources and People (MSRP), the UNHCR enterprise resource planning system, performance data from FOCUS, the UNHCR results-based management system, and refugee identification data from the UNHCR registration application (proGres); (d) testing of controls using judgmental sampling; (e) visits to the Representation's Country Office in Nairobi, Sub Offices in Dadaab and Kakuma, and the offices of four partners implementing UNHCR projects; and (f) observation of programme activities implemented in two warehouses and six refugee settlements (Hagadera and Ifo2 in Dadaab, and Kakuma 1, Kakuma 3, Kakuma 4 and Kalobeyi in Kakuma).

III. OVERALL CONCLUSION

9. The Representation had effective controls in place for planning, monitoring and reporting of its voluntary repatriation, public health and education activities. Controls over management of partnerships were also working as intended. However, there was a need for the Representation to: improve the use of data to strengthen planning and monitoring of resettlement activities; enhance planning of distribution of NFIs to reduce the large number of returned items; measure the density of fuel delivered to ensure it meets the required standards and obtain Goods Received Notes as a basis for releasing payments for fuel; regularize vehicles that were incorrectly registered in the past and obtain ownership logbooks for all vehicles; re-evaluate the agreement with another United Nations agency for the provision of air transport services in Kenya; and review and clean up the vendor database.

IV. AUDIT RESULTS

A. Partnership management

The Representation had effective controls over management of partnerships

10. In order to manage projects implemented through partners in a consistent and effective manner, the UNHCR Enhanced Framework for Implementing with Partners provides principles and requirements for the Representation to follow, including procedures to: (i) select or retain the best-fit partners using a transparent and competitive process, and assess the partners' procurement capacity and competitive advantage (based on a cost-benefit analysis) to procure on UNHCR's behalf; (ii) sign Project Partnership Agreements in a timely manner; and (iii) prepare an annual risk-based monitoring plan and establish a multi-functional monitoring team to conduct performance and financial monitoring of projects implemented by partners in a comprehensive and coordinated manner.

11. OIOS reviewed the effectiveness of controls that the Representation had put in place over partnership management for the period from January 2015 to September 2016 and visited four partners who accounted for \$23.3 million of expenditures in three key programme areas (education, public health and durable solutions), or 20 per cent of total partner expenditure.

12. The review indicated that the Representation had advertised a call for expression of interest from potential new partners for implementation of its projects in 2015 and retained its existing partners for 2016 after a thorough desk review of their performance in 2015. It also issued an expression of interest in 2016 to seek assistance in addressing new operational requirements for the new settlements of Kalobeyi and the voluntary repatriation of Somali refugees. OIOS concluded that the Representation's procedures for selecting and retaining the best-fit partners were satisfactory.

13. The Representation allocated in 2015 a total of \$6.3 million for procurement of goods and services to 10 partners who had not been pre-qualified by UNHCR to undertake procurement activities using UNHCR funds. The Representation also did not undertake the required cost-benefit analysis and

procurement capacity assessment. However, in 2016 the Representation complied with these requirements by designating procurement amounting to \$6.4 million only to eligible partners who were either pre-qualified or in the process of being vetted by UNHCR headquarters, and after performing the required cost-benefit analysis and assessment of procurement capacity of these partners. Therefore, OIOS did not raise a recommendation.

14. Review of the project monitoring plans prepared and monitoring activities conducted by the Representation in 2015 and 2016 indicated that the Representation shared the monitoring plans with its partners and assigned adequate resources for their implementation. The Representation defined the scope of its monitoring activities in terms of frequency and coverage based on an assessment of the partners' past performance and the results of project audit reports prepared by external auditors. The Representation also implemented controls to ensure alignment between financial expenditure and progress in project implementation. The Representation further identified and catered for the capacity building needs of key partners, with a special focus on Government partners. OIOS concluded that the Representation had a satisfactory system of controls in place to monitor projects implemented through partners, including the related risks, in a consistent and effective manner.

B. Durable solutions

Arrangements put in place by the Representation for the voluntary return of Somali refugees were adequate and functioning effectively

15. A sound control system for voluntary repatriation activities, encompassing adequate arrangements for planning, coordination, advocacy and monitoring, is necessary to ensure that social and economic rights of persons of concern are protected at all stages of the repatriation process and, correspondingly, reputational risks to the organization are effectively managed.

16. For 2016, the Representation allocated a budget of \$26.2 million for durable solutions, of which \$26.0 million was for voluntary repatriation and reintegration, following the announcement on 6 May 2016 by the Kenya Government to close the Dadaab refugee camps. On 25 June 2016, a Tripartite Commission, comprising the Federal Government of Somalia, the Republic of Kenya and UNHCR, agreed to reduce the number of refugees from Dadaab by the end of 2016 by 150,000. The figure included, among others, 50,000 refugees to be repatriated to Somalia voluntarily and in condition of safety and dignity; and 31,000 refugees to be relocated to Kakuma camps, comprising 16,000 non-Somali refugees and other 15,000 persons of concern already in the resettlement pipeline. The Representation undertook a verification exercise in Dadaab in August 2016, which resulted in a downward adjustment of 58,016 persons of concern (from 341,574 to 283,558). In addition, cross checking of information collected with the Government permitted the Representation to identify 40,454 cases of double registration. These cases pertained to Kenyan citizens registered as refugees who would not qualify for return. During the verification exercise, a total of 69,811 individuals (of which 69,532 were Somali refugees) expressed their intention to return to their country of origin.

17. OIOS reviewed the Representation's arrangements for voluntary repatriation activities by interviewing key personnel; reviewing financial data from MSRP, partnership agreements and implementation reports; observing activities implemented at two helpdesks for returnees in Hagadera and in Kakuma; and visiting a reception point for repatriation.

18. The review indicated that planning, coordination, advocacy and monitoring of return activities and safeguards, put in place by the Representation to ensure the voluntary nature of the process, were working effectively. The Representation, together with its partners, conveyed information on the places

of return and ensured that likely returnees had several occasions to confirm the voluntary basis of their decision. The Representation also provided transport, cash grants and NFIs to ensure dignified return, and implemented monitoring controls to ensure that funds spent on these activities were used as intended.

19. OIOS therefore concluded that the control arrangements put in place by the Representation for the voluntary return of Somali refugees were adequate and functioning effectively.

The Representation needed to incorporate systematic data analysis into its management of resettlement activities

20. UNHCR's mandate is to pursue durable solutions for persons of concern through, inter alia, facilitation and promotion of resettlement. The benefits of resettlement can, however, provide an incentive for fraudulent behaviour by staff, persons of concern, partners, and elements of the host community. It is therefore essential that the Representation incorporates effective safeguards to minimize fraud and corruption possibilities in the resettlement process, to protect refugees from further victimization and innocent staff from false allegations, and to contribute to the overall credibility and effectiveness of UNHCR's resettlement activities.

21. OIOS observed that, concurrently with recent allegations of resettlement fraud in Kenya, the Representation had put in place and further strengthened fraud and corruption risk mitigation measures in Nairobi, Dadaab and Kakuma. It had: trained staff and partners on fraud prevention and detection; provided outreach to the refugee communities; developed local standard operating procedures incorporating anti-fraud checks and balances; exposed anti-fraud literature and complaint boxes in points of contact with refugees; established an anti-fraud focal point and panel at each office; and conducted periodic resettlement file audits. Allegations of fraud committed by persons of concern were assigned to selected staff for review and either actioned for correction or referred to an investigation panel. Cases of allegations of fraud involving staff members were referred to UNHCR Inspector General's Office for investigation.

22. However, OIOS review indicated that, as at 31 October 2016, proGres, the UNHCR registration database, showed for the Kenya operations a total of 3,387 resettlement cases, corresponding to 7,307 individuals, that had reached the Resettlement Phase 2 without all the required events entered for Resettlement Phase 1. Phase 1 involved the determination of eligibility for resettlement cases referred to the Representation's Resettlement Unit, and was a pre-requirement for Phase 2.

23. The above resulted as the Representation had not implemented a procedure to regularly access and monitor data on the different phases of the resettlement process to identify deviations. Inability to identify cases of non-compliance with the process established to support and validate the eligibility assessment of referred resettlement cases could adversely impact the refugee's rights and the credibility of UNHCR's resettlement activities, and increase the risk of fraud and/or corruption.

24. Following this observation, the Resettlement Unit started a review of 1,478 case files, corresponding to 2,779 individuals, pertaining to entries made in proGres between 1 July and 31 October 2016, to identify causes of non-compliance with the established process. Such a review confirmed the OIOS observation that there had been limited alignment between the standard resettlement events recorded in proGres and the prescribed process flow.

<p>(1) The UNHCR Representation in Kenya should ensure alignment between its resettlement procedures and the resettlement workflow embedded in proGres and incorporate systematic data analysis into its management of resettlement activities to strengthen planning and monitoring.</p>
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UNHCR accepted recommendation 1 and stated that the Representation's offices in Nairobi, Dadaab and Kakuma had all reviewed their standard operating procedures and mapped the resettlement process to ensure that it follows standardized proGres events and results. The Representation had moved towards the development of a variety of new reports and data analysis tools to aggregate/disaggregate data from proGres and to ensure better management of resettlement. The Resettlement and Registration Unit had held a number of meetings to discuss how to best accomplish these tasks; in particular: how to ensure that cases go through the important steps; how to best track the process through proGres events/results; and how to measure productivity of staff and schedule cases. The audit function (to identify biodata changes by proGres users) had been further enhanced. The Representation was also in the process of developing periodic (automatic) alerts to flag to managers when there were unauthorized data changes in the database. The data analysis and reporting tool would be completed before the end of June 2017. Thereafter, by September 2017, the reports would be installed in Kakuma and Dadaab and staff trained in their use. Recommendation 1 remains open pending receipt of evidence that the resettlement data monitoring and analysis system has been put in place.

C. Basic needs and essential services

Arrangements for management of the public health and education programmes were satisfactory

25. The UNHCR Results Framework defines the programmatic metrics to be adopted and reported on by the Representation and the minimum standards to be achieved in each programmatic area. The UNHCR Programme Manual requires the Representation to ensure that its public health programmes are delivered within a public health and community development framework, with an emphasis on primary health care and support for secondary and occasionally tertiary hospital care to minimize mortality and morbidity and improve the quality of life of refugees. The UNHCR Global Strategy for Public Health 2014-2018 identifies strategic objectives for health, HIV and reproductive health, nutrition, and water, sanitation and hygiene that the Organization is aiming to achieve. The UNHCR 2012-2016 Education Strategy identifies access to quality education as key for physical protection and personal capacity development for refugees, and requires the Representation to provide education that builds relevant skills and knowledge and enables refugees to live healthy, productive lives.

26. Among basic needs and essential services, public health and education activities absorbed \$48.9 million or 41 per cent of the Representation's overall programme expenditure in the period from January 2015 to September 2016. Out of this, the Representation implemented directly \$7.9 million, while its partners implemented another \$41.0 million. Health and nutrition accounted for \$10.9 million in 2015 and \$8.0 million in 2016; water, sanitation and hygiene for \$8.6 million in 2015 and \$4.8 million in 2016; and education for \$8.5 million in 2015 and \$8.1 million in 2016.

27. OIOS reviewed the arrangements put in place by the Representation for its public health and education programmes. This included interviewing key personnel; reviewing relevant documentation, such as financial data, Project Partnership Agreements and implementation reports; and observing programme activities implemented in six refugee settlements. Activities implemented by three partners for \$18.7 million, representing 46 per cent of all partners' public health and education expenditure in the audit period, were selected for detailed audit testing.

28. The review indicated that the Representation had adequate arrangements in place for planning and implementation of its public health and education programme activities and that reported results were supported by documentary evidence and observed during OIOS site visits. In particular, the

Representation had: (i) improved the existing health infrastructure to support the provision of health, reproductive health and nutrition services to the refugee and host population, including by building new facilities and upgrading existing ones; (ii) maintained and augmented the existing water and sanitation infrastructure, including by extending services to the new settlement of Kalobieyei, the provision of elevated tanks and the solarization of nine pumps, with the resulting reduction in operating cost of fuel by one-third, and by constructing more communal latrines; and (iii) strengthened the existing educational system by adopting the Kenyan national curriculum enabling refugee students to sit national examinations with success rates in line and above national rates, providing and maintaining school infrastructures, hiring and training teachers, and providing other ancillary services for early childhood, primary and secondary educational service to both the refugee and host population.

29. As per the 2015 year-end and 2016 mid-year review of indicators in FOCUS, the Representation's performance in public health and education at the output level was generally meeting target levels set for each year but was still below UNHCR standards in areas such as number of maternal deaths, anemia and malnutrition, latrines, professional training of teachers, number of children per classroom and latrines, gender parity and study materials, due to limited funding.

30. Based on the above, OIOS concluded that, within available funding and established targets, the Representation had implemented satisfactory control arrangements for the management of its two most prominent programme activities, public health and education.

There was a need to enhance planning of distribution of NFIs to reduce the large number of items returned as undistributed

31. UNHCR guidance on commodity distributions requires the Representation to put in place adequate arrangements for planning, monitoring and reporting of the distribution of NFIs to persons of concern. According to UNHCR Manual, Chapter 8, the Representation is also required to ensure safe, secure and accessible warehousing of inventories and put in place an efficient and effective system for recording, controlling and monitoring the NFI stock. UNHCR standard operating procedures for warehouse and inventory management stipulate that returns to warehouses should be avoided by careful planning, and where items have to be returned to the issuing warehouse, the field office concerned should send the details to the Supply Management and Logistics Service at headquarters so that the items can be recorded back into MSRP Inventory Module.

32. OIOS reviewed the NFI distribution procedures implemented by the Representation and noted that the Representation: (i) utilised a biometric system for NFI distributions whereby the refugees' finger prints were scanned before they were issued with any items; (ii) prepared monitoring reports regularly; and (iii) reconciled stocks issued for distribution after completion of each distribution. OIOS concluded that controls in place for distribution of NFIs to persons of concern were generally working effectively.

33. However, the NFIs left over after distributions due to some refugees not showing up in Dadaab and Kakuma camps were not recorded back into MSRP Inventory Module as stocks returns. Examples of the main categories of items left over from distributions in Hagadera Camp, Dadaab included 6,537 kilograms of soap, 39,707 packets of sanitary pads and 24,398 sanitary pants, while in Ifo2 the major balances were 6,448 packets of sanitary pads and 2,764 kilograms of soap. OIOS associated this shortcoming with the lack of adequate planning for distributions. As a result, there was a risk of loss of stock held out of MSRP and stock being issued using manually prepared documents instead of the approved material stock requisitions in MSRP.

(2) The UNHCR Representation in Kenya should implement procedures to: (i) reduce the amount of undistributed non-food items through careful planning of quantities required;

and (ii) ensure that details of undistributed items are forwarded to headquarters for adjustment of inventory data in the Managing for Systems, Resources and People system.

UNHCR accepted recommendation 2 and stated that the Representation had implemented a new process to minimize the undistributed items. The NFIs were issued for 75 to 80 per cent of the quantity requested by the distributing partner, while the actual distribution was closely monitored to determine if the quantity requested should be increased. The items left over after distribution were compiled and provided to the Supply Management and Logistics Service at headquarters with a request to restore the balance in MSRP. Any undistributed items were returned to the warehouse immediately and reported to Supply Management and Logistics Service. Based on the action taken and documentation provided by UNHCR, recommendation 2 has been closed.

D. Supply and asset management

There was a need to measure the density of fuel delivered and to obtain Goods Received Notes as a basis for releasing payments for fuel

34. The Representation is required to put in place adequate procedures to monitor fuel consumption in its vehicles and generators, control fuel related expenditures, and ensure that adequate fuel infrastructure is in place. The frame agreement for supply of bulk fuel signed on 9 March 2015 between the Representation and a local fuel supplier for an amount of \$5.5 million requires that the fuel supplied conforms to international standards and adheres to fuel standards set by the Government of Kenya. The Kenya Bureau of Standards requires that diesel sold in Kenya must have a density between 817-867 Kg/m³ at 20 degrees centigrade.

35. OIOS reviewed the overall fuel procurement, delivery and payment procedures put in place by the Representation and observed that effective controls were implemented to ensure that the quantity of fuel ordered was delivered, monthly stock takes were undertaken and consumption reports were prepared. The Representation had also put in place the necessary infrastructure for fueling purposes and was regularly monitoring fuel consumption of vehicles and generators.

36. However, whereas the fuel vendor was complying with the requirement to measure the density of fuel at the point of origin, the Representation was not confirming the same on delivery of fuel in Dadaab and Kakuma. Measuring the density of delivered diesel fuel is important in Kenya given the high incidences reported in the local media of adulterated fuel where part of the diesel is siphoned out of the fuel tankers and replaced with low quality kerosene which is cheaper than diesel. Poor quality fuel could also damage the engines of the vehicles. The failure to measure the density of the delivered fuel at both Dadaab and Kakuma was due to the lack of staff awareness of the risk of adulterated fuel and also the lack of the required tools to measure the density and temperature before offloading the fuel.

37. In addition, copies of Goods Received Notes for diesel fuel delivered in Dadaab were not forwarded to the Nairobi Branch Office by the Representation's logistics partner. Confirmation of receipt is a necessary step to verify that the suppliers have fulfilled their obligations and should also be the basis for releasing the payment to the suppliers. This control deficiency was due to failure by the Representation to request Goods Received Notes for each fuel delivery from the logistics partner.

(3) The UNHCR Representation in Kenya should put in place mechanisms to ensure that: i) the density of diesel fuel is measured before delivery, in line with the Kenya Bureau of Standards parameters; and ii) all payments for delivered fuel are supported by a Goods Received Note.

UNHCR accepted recommendation 3 and stated that the density of the fuel delivered in Dadaab and Kakuma was now being regularly checked. For both Kakuma and Dadaab, hydrometers and air/dipping thermometers had been purchased and were now in active use for every consignment. Training in the use of the equipment and best practices in product receipt was conducted in Dadaab and Kakuma. Payments were systematically supported by delivery notes. Based on the action taken and documentation provided by UNHCR, recommendation 3 has been closed.

There was a need for the Representation to regularize vehicles that were incorrectly registered in the past and to obtain ownership logbooks for all vehicles

38. The Representation is required to put in place an effective fleet management system with supervision, monitoring and reporting over the acquisition and use of vehicles and related expenditure. The Government of Kenya regulations require that vehicles owned by UNHCR in Kenya are registered under UNHCR and issued with red diplomatic number plates bearing the numbers 62UN. However, in exceptional circumstances the local Kenyan number plates can be granted to international organizations and diplomatic missions. During a meeting held in October 2007 between the Representation and the Government of Kenya, it was agreed that UNHCR funded vehicles for use by implementing partners would be registered duty free under regular civilian number plates but would be owned by UNHCR.

39. OIOS reviewed the overall fleet management procedures put in place by the Representation, including for vehicle disposal, tracking and monitoring, and noted that adequate controls were in place in line with the requirements for supervision, monitoring, reporting and use of vehicles and related expenditure. However, OIOS noted the following exceptions related to vehicle registration:

- Twenty-three vehicles imported in 2010 were not registered by the Kenya Revenue Authority to UNHCR. The logbooks of these vehicles showed the registered owner as “Care and Maintenance Assistance for Refugees in Dadaab”, and the personal identification number (PIN) used for registration purposes with the Kenya Revenue Authority also did not pertain to UNHCR Kenya. OIOS review of the documents indicated that the Representation itself had requested the Kenya Revenue Authority to register the vehicles under the name of “Care and Maintenance for Refugees in Dadaab” and provided the personal identification number that appeared in the logbooks. However, from OIOS discussions with management there was no clarity about the entity “Care and Maintenance for Refugees in Dadaab”, which appeared to be a project name, the ownership of this entity, the origin of the PIN number, and the whereabouts of the PIN card that was used to register the vehicles. As at 31 October 2016, out of the 23 vehicles, 7 had been disposed of and the remaining 16 were still in use.
- Thirteen vehicles in Kakuma that were registered in 2005 did not have government issued number plates and instead had provisional number plates and no ownership logbooks. This had resulted in difficulties in disposing such vehicles as demonstrated during the last auction where three vehicles without logbooks could not be sold.

40. The above exceptions were mainly due to lack of adequate management oversight and follow-up on the vehicle registration with the Kenya Revenue Authority.

(4) The UNHCR Representation in Kenya should: i) follow up with the Kenya Revenue Authority to regularize the incorrectly registered vehicles; and ii) ensure that all vehicles have logbooks and are fitted with Government issued number plates.

UNHCR accepted recommendation 4 and stated that action was ongoing with the Kenya Revenue Authority to regularize the incorrectly registered vehicles. The first batch of vehicles with complete documents had been deposited on 8 May 2017 and the process would continue for the rest of the vehicles. By the end of September 2017, all the vehicles would be auctioned and the Kenya Revenue Authority would issue new logbooks to buyers. New vehicles procured were properly registered and had logbooks and Government issued plate numbers. Recommendation 4 remains open pending receipt of evidence that the issue with the old, incorrectly registered vehicles has been resolved either through re-registration or disposal of the vehicles.

There was a need to re-evaluate the contractual agreement for provision of air transport services and review and clean up the vendor database

41. The general principles of procurement in UNHCR require that all sourcing and delivery operations should be conducted fairly, honestly and transparently, consistent with equitable practices, and should be able to withstand the test of public scrutiny. The Representation is also required to take all necessary efforts to comply with UNHCR procurement rules and procedures, which include: (a) establishing an effective vendor management system; (b) preparing an annual procurement plan according to identified needs; (c) initiating timely procurement activities in accordance with the procurement plan; and (d) ensuring adequate oversight over the procurement activities, which includes the establishment of relevant committees on contracts to review and advise on all contracts above \$20,000.

42. OIOS reviewed the vendor management and procurement procedures put in place by the Representation and tested on a sample basis 35 purchase orders worth \$15.0 million from the total local procurement volume of \$45.0 million for the period from January 2015 to September 2016. The review indicated that the Representation generally adhered to the UNHCR procurement rules and procedures on solicitation, competitive and transparent bidding, selection of bidders and contracting. The Representation had also established a Vendor Review Committee which met regularly, and prepared annual procurement plans for 2015 and 2016. However, action needed to be taken to address risks posed by the following exceptions:

- The Representation paid \$2.1 million to another United Nations agency for air fares for the period from January 2015 to August 2016. This included \$0.9 million for blocked capacity (reserved seats) of 18 seats per flight for the Nairobi-Dadaab route and 12 seats per flight for the Nairobi-Kakuma route, which were not fully utilized on each flight. The United Nations agency transported 6,392 UNHCR passengers and flew 784 flights which translated to an average of eight UNHCR passengers per flight. The billing for unsold blocked seats, which came into effect in 2013, was not documented in the signed technical service agreement between UNHCR and the United Nations agency. The invoices were also not supported by copies of passenger manifests to support the accuracy of the amounts invoiced. In addition, the United Nations agency billed the Representation for all excess baggage above the agreed limit of 20 kilograms per staff per flight instead of collecting the cash during check-in. This process added extra administration work to the Representation, especially for consultants or staff on temporary appointment who had subsequently separated. The Representation was therefore bearing the risk of bad debts on behalf of the United Nations agency.
- The Representation's vendor database contained 237 vendors with multiple accounts, which exposed it to the risk of double payments to vendors with duplicate accounts.

43. The above deficiencies happened because: (i) the Representation did not undertake a detailed cost analysis of the air travel arrangements, especially regarding the number of blocked seats that it had committed to fill on each flight; and (ii) too many staff from both administration and programme were

authorized to create vendors in the vendor database, and the Vendor Review Committee had not thoroughly reviewed the database and put in place procedures for its clean-up.

(5) The UNHCR Representation in Kenya should: i) re-evaluate the service agreement for air transport services and request appropriate supporting documents for the monthly invoices; and ii) remove duplicate accounts from the vendor database and put in place a process to control the creation of vendor accounts.

UNHCR accepted recommendation 5 and stated that the Representation had held an initial meeting with relevant United Nations agencies on the service agreement for air transport services, and the matter would also be brought up during the upcoming Board of Directors meeting of the user group. The Representation was receiving manifest for the flights as additional supporting documentation to the invoices. The Representation was also reviewing the vendors with duplicate accounts and writing to each one of them to request which account should be retained. In order to control the creation of vendor accounts, a focal person would be appointed in each office. Recommendation 5 remains open pending receipt of evidence that: the service agreement for air transport services has been re-evaluated; duplicate vendor accounts have been cleaned up; and a process to control creation of vendor accounts has been put in place.

V. ACKNOWLEDGEMENT

44. OIOS wishes to express its appreciation to the management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNHCR Representation in Kenya should ensure alignment between its resettlement procedures and the resettlement workflow embedded in proGres and incorporate systematic data analysis into its management of resettlement activities to strengthen planning and monitoring.	Important	O	Submission to OIOS of evidence that the resettlement data monitoring and analysis system has been put in place.	30 September 2017
2	The UNHCR Representation in Kenya should implement procedures to: (i) reduce the amount of undistributed non-food items through careful planning of quantities required; and (ii) ensure that details of undistributed items are forwarded to headquarters for adjustment of inventory data in the Managing for Systems, Resources and People system.	Important	C	Action completed.	Implemented
3	The UNHCR Representation in Kenya should put in place mechanisms to ensure that: i) the density of diesel fuel is measured before delivery, in line with the Kenya Bureau of Standards parameters; and ii) all payments for delivered fuel are supported by a Goods Received Note.	Important	C	Action completed.	Implemented
4	The UNHCR Representation in Kenya should: i) follow up with the Kenya Revenue Authority to regularize the incorrectly registered vehicles; and ii) ensure that all vehicles have logbooks and are fitted with Government issued number plates.	Important	O	Submission to OIOS of evidence that the issue of the old, incorrectly registered vehicles has been resolved either through re-registration or disposal of the vehicles.	30 September 2017
5	The UNHCR Representation in Kenya should: i)	Important	O	Submission to OIOS of evidence that: the	30 September 2017

¹ Critical recommendations address critical and/or pervasive deficiencies 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 Important recommendations address important (but not critical or pervasive) deficiencies 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.

³ C = closed, O = open

⁴ Date provided by UNHCR in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	re-evaluate the service agreement for air transport services and request appropriate supporting documents for the monthly invoices; and ii) remove duplicate accounts from the vendor database and put in place a process to control the creation of vendor accounts.			service agreement for air transport services has been re-evaluated; duplicate vendor accounts have been cleaned up; and a process to control creation of vendor accounts has been put in place.	

APPENDIX I

Management Response

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Representation in Kenya should ensure alignment between its resettlement procedures and the resettlement workflow embedded in proGres and incorporate systematic data analysis into its management of resettlement activities to strengthen planning and monitoring.	Important	Yes	Senior Resettlement Officer	September 2017	<p>The Representation notes the recommendation of OIOS. Since the report, Nairobi, Dadaab and Kakuma have all further reviewed their SOPs and they are all in line with the published guidance in the Baseline Standard Operating Procedures on Resettlement (2011 version). All locations have mapped the resettlement process in their locations to ensure that the resettlement process follows standardized ProGres Events/Results.</p> <p>The Operation has moved towards the development of a variety of new reports and data analysis tools to aggregate/disaggregate data from ProGres to (1) better analyze ProGres data and consequently (2) to ensure better management of resettlement. The Resettlement and Registration Unit have had a number of meetings to discuss how to best accomplish these tasks. In particular, how to ensure that cases have gone through</p>

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² Important recommendations address important (but not critical or pervasive) deficiencies 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.

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>the important steps (e.g. referral; Phase 1 and review; Phase 2 and review). Further, how to best track the process through ProGres Events/Results; measure productivity of staff and schedule cases.</p> <p>Approximately, 20 key reports were identified for development and 16 reports have already been created. These reports permit authorized users, inter alia, to find out information about where referrals originate and evaluate whether cases have followed proper procedural steps. It also allows managers to gauge the performance of staff at various stages. The audit function (to identify biodata changes by users of ProGres) has also been further enhanced.</p> <p>The Registration Unit, Office of Data Management (ODM) at the Representation is also in the process of developing periodic (automatic) alerts. The idea is to alert managers when there are unauthorized data changes in the database.</p> <p>The data analysis and reporting tool will be completed before the end of</p>

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						June 2017. Thereafter, before September 2017, the Registration Officer/ODM officer will go on mission to Kakuma and Dadaab to install the reports, train staff and to ensure that they are working well in these locations. Reports will be generated on a routine basis and can be examined in Nairobi to ensure that SOPs are being adhered to and that productivity is in line with planned targets.
2	The UNHCR Representation in Kenya should implement procedures to: (i) reduce the amount of undistributed non-food items through careful planning of quantities required; and (ii) ensure that details of undistributed items are forwarded to headquarters for adjustment of inventory data in the Managing for Systems, Resources and People system.	Important	Yes	Supply Officer	March 2017	<p>The Representation has taken action and this recommendation has been implemented. In November 2016, we have implemented as a new process whereby the MSR is issued for 75 to 80 % of the quantity requested by the Implementing Partner distributing the Non-Food Items. The distribution is closely monitored to determine if the quantity requested should be increased, this helps minimize the undistributed items.</p> <p>The items leftover after distribution are compiled and provided to HQ SMLS and requested to restore the balance. Henceforth, any undistributed items are returned to the warehouse immediately and reported</p>

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						to SLMS for the balances to be restored in MSRP, this is performed in a regular and systematic manner.
3	The UNHCR Representation in Kenya should put in place mechanisms to ensure that: i) the density of diesel fuel is measured before delivery, in line with the Kenya Bureau of Standards parameters; and ii) all payments for delivered fuel are supported by a Goods Received Note.	Important	Yes	Assistant Supply Officer	March 2017	<p>The Representation has taken action and this recommendation has been implemented. The density of the fuel delivered in Dadaab and Kakuma is regularly checked. This new procedure has been put in place since January 2017.</p> <p>For both Kakuma and Dadaab, purchase of hydrometers and air/dipping thermometers was done and they are in active use for every consignment. The readings are recorded in a product delivery form which is signed by the Supplier, UNHCR Logistics Partner and finally countersigned by UNHCR Supply. A training in use of the equipment's and best practices in product receipt was conducted in Dadaab and Kakuma on 1 and 20 March 2017, respectively. This training was facilitated by the fuel service provider. The practice of measuring these parameters has become regular condition for every bulk receipt of Fuel.</p> <p>Payments have always been</p>

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						supported by delivery notes. Compliance on the same has been maintained.
4	The UNHCR Representation in Kenya should: i) follow up with the Kenya Revenue Authority to regularize the incorrectly registered vehicles; and ii) ensure that all vehicles have logbooks and are fitted with Government issued number plates.	Important	Yes	Assistant Supply Officer	September 2017	Action is going on with Kenya revenue Authority to regularize the incorrectly registered vehicles. The assemblage of the documentation for application for logbooks and plate numbers have been in process. The first batch of the vehicles with complete documents have been deposited on 8 May 2017 as per the attached list. The process will continue for the rest of the vehicles. However, it is envisaged that by the end of September 2017 all the vehicles would be auctioned and KRA would issue new logbooks to buyers. The vehicles are more than 5 years old and this will resolve the matter. New vehicles procured were properly registered, have logbooks and Government issued plate numbers.
5	The UNHCR Representation in Kenya should: i) re-evaluate the service agreement for air transport services and request appropriate supporting documents for the monthly invoices; and ii) remove duplicate accounts from the vendor	Important	Yes	Assistant Representative, Administration Sr. Supply Officer	September 2017	The implementation of this recommendation is in-progress. UNHCR has had an initial meeting with relevant UN agencies on the matter and will be brought up during the upcoming Board of Directors'

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	database and put in place a process to control the creation of vendor accounts.					<p>meeting of the user group. UNHCR is receiving manifest for the flights as additional supporting documentation to the invoices.</p> <p>UNHCR BO is reviewing the vendors with duplicate accounts and writing to each one of them to request which account should be retained. The accounts that are not required will be submitted to HQ for deactivation by July 2017. In order to control the creation of vendors account, a focal person, by office, will be appointed for vendor creation.</p>