



INTERNAL AUDIT DIVISION

REPORT 2017/116

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

There was a need to address control
deficiencies in partnership management,
cash-based interventions, registration
activities, financial management, vendor
management, and risk management

13 November 2017
Assignment No. AR2017/131/02

Audit of the operations in Tunisia 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 Tunisia. The audit covered the period from 1 January 2015 to 31 March 2017 and included a review of: (i) partnership management; (ii) emergency preparedness and response; (iii) cash-based interventions (CBI); (iv) fair protection process and documentation; (v) financial tracking and reporting; (vi) procurement and vendor management; (vii) security and staff safety; and (viii) enterprise risk management.

There was a need for the Representation to: (i) strengthen controls over management of projects implemented through partners; (ii) strengthen emergency preparedness arrangements; (iii) strengthen CBI programming; (iv) enhance controls over registration activities; (v) enforce full compliance with the UNHCR rules and procedures for financial management; (vi) improve management controls and oversight over vendor management and procurement; (vii) address the outstanding weaknesses in security arrangements; and (viii) strengthen risk management procedures.

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

- Strengthen procedures over budgeting and payment of partners' personnel costs, assessment of partners' capacity to procure, planning of livelihoods projects, and project performance monitoring;
- Strengthen controls over emergency preparedness in terms of information management, maintenance of contingency stock of non-food items, and identification of suitable campsites;
- Review the design and implementation of CBI by completing a market assessment, obtaining approval from UNHCR headquarters for the revised standard operating procedures, undertaking post-distribution monitoring and an impact assessment, and developing an exit strategy;
- Establish anti-fraud controls over pre-registration activities, update the standard operating procedures on registration, and introduce a refugee file tracking system;
- Enhance supervisory controls over financial management;
- Review the vendor database and undertake capacity building of members of the Local Committee on Contracts;
- [REDACTED]
- Align the risk management processes with the protection strategy, and assign clear responsibilities and timelines for managing priority risks.

Following suitable action taken by the Representation, five recommendations were closed. The Representation has initiated action to implement the remaining three recommendations.

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

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit the operations in Tunisia for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The role of UNHCR in Tunisia is to co-operate with the Government in carrying out international protection and humanitarian assistance functions in favour of refugees and other persons of concern. According to UNHCR's strategic prioritization in Tunisia, such services relate primarily to: strengthening favourable protection environment; building capacities on protection and response; emergency preparedness and response; provision of basic needs and services; and identifying durable solutions through livelihoods programming. The programme in Tunisia is implemented by the UNHCR Representation in Tunisia (hereinafter referred to as 'the Representation').
3. The Representation was originally established as an Honorary Representation in Tunisia in 1963 and operated under that status as a Liaison Office until 18 June 2011, when the office was changed to a Country Office. The Representation assisted 1,135 asylum seekers in 2015; however, by the end of 2016 the number of asylum seekers had decreased to 757 persons due to timely processing of the pending asylum applications by the Representation. During this period, the number of refugees also experienced a similar declining trend from 901 to 665 due to spontaneous departures, durable solutions found outside of Tunis, and a decrease in the rate of arrival of Syrian refugees following the introduction of a visa requirement in Algeria. Most of the persons of concern were from Syria and the sub-Saharan region, who lived in urban centers across the country with some being settled in remote or rural areas.
4. The Representation was headed by a Representative at the D-1 level. It had a Country Office in Tunis, and a Field Office in Zarzis. In addition, the Representation maintained its presence in other areas of the country like Sfax and Medenine through partners and affiliate workforce. As at March 2017, the Representation had 37 regular posts. There were also five affiliate staff positions. The Representation's expenditure was \$3.5 million in 2015, \$3.6 million in 2016, and \$0.8 million in the three months to March 2017. In 2015, the Representation worked with five partners through which it spent \$1.2 million, while in 2016 it worked with five partners through which it spent \$1.8 million. In 2017, it signed agreements to work with five partners with a total project budget of \$1.9 million.
5. Comments provided by the Representation are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over UNHCR operations in Tunisia.
7. The audit was included in the 2017 risk-based work plan of OIOS because of the risks associated with the complexity of operations in Tunisia due to the fragile socio-economic situation and an unstable security context.
8. The audit was conducted between April and July 2017. The audit covered the period from 1 January 2015 to 31 March 2017. Based on an activity-level risk assessment, the audit covered higher and medium risk processes and activities pertaining to the operations in Tunisia, which included: (i) partnership

management, with emphasis on partners implementing livelihoods and health projects; (ii) emergency preparedness and response; (iii) cash-based interventions (CBI); (iv) fair protection process and documentation; (v) financial tracking and reporting; (vi) procurement and vendor management; (vii) security and staff safety; and (viii) enterprise risk management (ERM).

9. 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, and performance data from Focus, the UNHCR results-based management system; (d) testing of controls using stratified random sampling; (e) visits to the Representation's Country Office in Tunis and Field Office in Zarzis; (f) visits to the offices of three partners and their project sites, including the beneficiaries of livelihoods projects; and (g) the Representation's warehouse in Zarzis.

III. OVERALL CONCLUSION

10. OIOS concluded that there was a need for the Representation to: (i) strengthen controls over management of projects implemented through partners; (ii) strengthen emergency preparedness arrangements; (iii) enhance CBI programming; (iv) strengthen anti-fraud controls over registration of persons of concern; (v) enforce full compliance with UNHCR rules and procedures for financial management; (vi) improve management controls and oversight over vendor management and procurement; (vii) [REDACTED] and (viii) align the risk management processes with the protection strategy, and assign clear responsibilities and timelines for managing priority risks.

IV. AUDIT RESULTS

A. Partnership management

There was a need to strengthen controls over management of projects implemented through partners

11. According to UNHCR Implementing Partnership Management Guidance, the Representation is required to: (i) select or retain partners through a multi-functional Implementing Partnership Management Committee (IPMC) to ensure that the process is carried out with adequate due diligence and in a timely manner; (ii) sign Project Partnership Agreements (PPAs) before commencement of the project year; (iii) diligently budget and monitor payment of partners' personnel costs; (iv) monitor project activities through a risk-based and multi-functional approach; (v) arrange for building capacity of the partners when necessary; and (vi) assess partners' capacity to procure before signing PPAs with them.

12. The Representation entered into 17 PPAs during the period under review with a total expenditure of \$1.2 million in 2015 and \$1.8 million in 2016; budgeted \$1.9 million for partner projects in 2017; and entrusted its partners with procurement for a total of \$230,000 in 2015 and 2016. The total expenditure of the partners during the audit period accounted for 52 per cent of its programme expenditure. Notably, and as the largest project activity, the Representation implemented livelihoods activities worth \$340,670 through a partner in 2015 and 2016 combined, and budgeted a further \$187,216 for this activity in 2017.

13. The Representation constituted an IPMC in July 2013. The Committee conducted two partner selection exercises in November 2014 and December 2015 for the 2015 and 2016 programme cycles and recommended five partners for selection/retention, which were approved by the Representative. In October 2016, based on a desk review, vetted by the IPMC, the Representation retained the same five

partners for the 2017 programme cycle. The Representation also provided training and capacity building to its partners, based on identified needs. However, the Representation did not ensure that the IPMC: (i) assessed if the partner selected for implementing the livelihoods activities in 2015 had sufficient capacity to implement these activities; and (ii) reviewed the past performance and contribution to the project resources of partners retained for 2017 programme cycle, or examined the availability of alternative partners in the country.

14. The Representation signed the PPAs generally before commencement of the project years. However, while preparing the PPAs and related budgets, the Representation did not:

- (i) Maintain consistency in budgeting UNHCR contributions towards partner personnel costs in the 2016 and 2017 PPAs, as the salary ranges varied considerably; for example, from \$240 to \$420 for Drivers; from \$480 to \$784 for Sociologists; and from \$640 to \$784 for Psychologists;
- (ii) Correctly calculate the overhead costs paid to a partner for a 2017 PPA although the Representation had reported that it had taken the necessary corrective action in response to a control weakness pointed out by OIOS regarding payment of project support costs in the previous audit of UNHCR operations in Tunisia in 2013 (OIOS report number 2013/026);
- (iii) Assess the partners' capacity to procure before signing the PPAs; and
- (iv) Design the PPAs in consideration of the lessons learnt in implementing the livelihoods activities, particularly in the backdrop of: (a) absence of a feasibility study and impact analysis; (b) a 150 per cent increase in the targets set for 2017 over the previous year; and (c) its experience of beneficiaries dropping out of the programme frequently.

15. The Representation had constituted a multi-functional team for the purpose of financial and performance monitoring of partners. However, OIOS review of the adequacy of the Representation's project monitoring arrangements indicated that the Representation did not:

- (i) Prepare annual risk based monitoring work plans for any of the PPAs in 2015 and 2016, although it did prepare them for the 2017 PPAs;
- (ii) Put in place arrangements for sharing the mission reports from the Field Office in Zarzis with the project control staff at the Country Office to facilitate country-wide risk based monitoring; and
- (iii) Ensure that: (a) the multi-functional team undertook performance monitoring of partners; (b) the multi-functional team reviewed key internal controls of partners, such as in relation to pre-registration and CBI; for example, while reviewing the cash payments made to persons of concern for education purposes involving about \$9,000 the team did not verify if the children were the actual dependents.

16. The main reason for the cited weaknesses was that the Representation did not identify and prioritize the controls required to address the risks inherent in partnership management. As a result, it was at a risk of not being able to obtain best value from projects implemented by partners.

(1) The UNHCR Representation in Tunisia should strengthen the process of identification of risks related to projects implemented through partners and put in place appropriate controls to ensure that: (i) budgeting and payment of partner personnel costs are diligently monitored; (ii) partners' capacity to procure is assessed; (iii) performance monitoring of project activities is undertaken through a risk-based and multi-functional approach; and (iv) livelihoods project agreements are designed by taking into consideration the results of an impact analysis of the programme.

UNHCR accepted recommendation 1 and stated that: (i) the Representation had launched the process for commissioning a salary survey and the finalised results would be reflected in the following budget year's partnership agreements; (ii) the Representation had undertaken partner performance monitoring and shared a sample of monitoring reports with OIOS; and (iii) the livelihoods project agreements would be designed in consideration of the results of the livelihoods impact analysis which would be available by the end of 2017. Recommendation 1 remains open pending receipt of: (i) signed project agreements demonstrating that the partners' personnel costs are consistent; and (ii) signed livelihoods project agreements designed in consideration of the results of the impact analysis.

B. Emergency preparedness and response

The Representation needed to further strengthen its emergency preparedness arrangements

17. The UNHCR Emergency Handbook requires the Representation to: (i) develop a contingency plan as a part of its emergency preparedness and response; (ii) develop a business continuity plan for continuation of its operations during an emergency; and (iii) maintain consistent contingency stock of non-food items (NFIs) for distribution to its persons of concern. The Representation is also required to establish a set of minimum preparedness actions in the pre-emergency phase that includes undertaking risk assessments with partners and updating the preparedness actions at least annually.

18. In co-ordination with the Government, other humanitarian agencies and the Bureau for the Middle East and North-Africa, the Representation: developed a draft contingency plan in November 2016 that included minimum emergency preparedness actions and an emergency coordination structure; and drafted standard operating procedures for treating persons rescued at sea. Following an assessment of the suitability of potential campsites in Tunisia, done in March 2016, the Division of Programme Support and Management (DPSM) recommended to the Representation to assess the suitability of these sites, including confirmation of the ownership of these lands, among others.

19. Nevertheless, OIOS noted that the Representation did not prepare a business continuity plan and implement the recommendations of DPSM with regard to potential campsites. In addition, although stated as requirements in its draft contingency plan, it did not establish an information management working group, review the stockpile of NFIs available with other humanitarian agencies, and maintain a minimum contingency stock of NFIs.

20. After the Libya emergency in 2011, the Representation had recognized the potential impact of the lack of an up-to-date contingency plan as a 'major' risk in its risk register. However, despite its sustained efforts in advocacy and finalizing the contingency plan, emergency preparedness activities in general did not receive sufficient attention. As a result, the Representation was at a risk of not being able to respond to a possible influx of persons of concern due to fast changing humanitarian situation in the region. Whilst the audit was still ongoing, the Representation: (a) developed a business continuity plan; and (b) revised its contingency plan.

(2) The UNHCR Representation in Tunisia should strengthen its emergency preparedness actions, including: (i) establishing an information management working group and maintaining a contingency stock of non-food items; and (ii) in co-ordination with the Division of Programme Management and Support (DPSM), putting in place an action plan for ensuring implementation of the DPSM recommendations with regard to suitability of alternate campsites.

UNHCR accepted recommendation 2 and stated that the Representation had: (i) developed terms of reference for the information management working group; (ii) maintained contingency stock of NFIs sufficient for 2,000 persons while it placed a purchase order for a few other items; and (iii) sought clarification from the Government regarding the ownership of the lands identified for potential campsites. Although the confirmation was awaited, the Representation continued to maintain a sustained advocacy with the Government for this purpose. Based on the action taken and documentation provided by UNHCR, recommendation 2 has been closed.

C. Cash-based interventions

The Representation needed to strengthen controls over management of its CBI programme

21. The UNHCR policies and guidance for CBI require the Representation to: (a) effectively plan and design its CBI programme after undertaking a risk assessment and a market analysis and after assessing the feasibility of such a programme; (b) develop standard operating procedures approved by headquarters; and (c) monitor the performance of CBI; and (d) establish an exit strategy.

22. To meet exceptional and emergency financial needs of its persons of concern, the Representation provided cash assistance worth \$258,560 in 2015 and \$186,786 in 2016, and budgeted \$159,136 for 2017. The Representation had developed standard operating procedures for CBI and constituted a committee to review and approve payments. However, OIOS review of a sample of 23 applicants involving cash disbursements worth \$93,244 paid towards health and educational needs of persons of concern indicated that the Representation did not:

- (i) Conduct a market analysis or a feasibility assessment of the local markets;
- (ii) Ensure that cash disbursements met the stipulated criteria; for example, in four cases worth \$2,320 the amount disbursed exceeded the limit allowed, and in another two cases worth \$1,610 the beneficiaries did not meet the stipulated vulnerability criteria;
- (iii) Define in the standard operating procedures the required timelines for approval and review processes, criteria for providing rental benefits to persons of concern in urban areas, and the post-distribution mechanisms;
- (iv) Obtain approval for its standard operating procedures on CBI;
- (v) Reconcile the CBI recipients list with the list of beneficiaries sent to its government partner;
- (vi) Undertake any post-distribution monitoring;
- (vii) Undertake an impact assessment of the CBI programme; and
- (viii) Develop an exit strategy.

23. These shortcomings occurred because the Representation did not adequately design its CBI programme in alignment with UNHCR policies and guidance on the subject, including in terms of the monitoring and control arrangements that needed to be put in place. Consequently, the Representation was exposed to the risk of failure to adequately deliver its CBI programme. Whilst the audit was still ongoing, the Representation updated its standard operating procedures on CBI.

(3) The UNHCR Representation in Tunisia should review the design and implementation of its cash-based interventions programme by: (i) completing a market assessment; (ii) obtaining UNHCR headquarters approval for the revised standard operating procedures; (iii) implementing a process for regular post-distribution monitoring and undertaking an impact assessment; and (iv) developing an exit strategy.

UNHCR accepted recommendation 3 and stated that: (i) a market assessment was underway; (ii) UNHCR headquarters had provided feedback on the Representation's standard operating procedures on CBI and the Representation was now in the process of finalising them; (iii) the Representation had developed a guidance on conducting post-distribution monitoring; and (iv) the Representation had developed a CBI exit strategy. Recommendation 3 remains open pending receipt of: (i) the results of the market assessment conducted; and (ii) the finalised version of the standard operating procedures on CBI.

D. Fair protection process and documentation

The Representation needed to strengthen anti-fraud controls over the registration process

24. According to the UNHCR Protection Manual, the Representation is required to: (i) maintain appropriate reception conditions to its persons of concern as appropriate; (ii) undertake profiling, registration and mandate refugee status determination, with due respect to the fundamental principles of confidentiality and safety and dignity of persons of concern, by sufficiently trained staff through appropriate standard operating procedures and periodic monitoring of the activities; and (iii) ensure data integrity and safe data storage, establish anti-fraud controls, and ensure appropriate physical security of refugee files.

25. During the audit period, the Representation: ensured appropriate reception conditions for persons of concern; undertook registration of over 700 persons of concern through a partner who was responsible for pre-registration interviews and distribution of asylum seeker certificates approved by the Representation; and developed standard operating procedures for registration, refugee status determination and resettlement activities.

26. Nevertheless, OIOS noted that the Representation did not ensure that the partner implemented supervisory reviews of the pre-registered asylum seeker applications before sending them to the Representation. Consequently, in one case observed, the partner's staff sent an application without affixing the applicant's photograph. Additionally, the Representation did not ensure that the partner established an adequate complaint monitoring system in its offices. The Representation also did not establish in its offices appropriate controls over: (a) tracking of confidential refugee files; (b) reconciliation of the stationery used for printing asylum seeker certificates; and (c) review of changes made to proGres (an information technology application used globally for registering UNHCR's persons of concern) data by the partner's staff.

27. The cited weaknesses occurred because the Representation did not sufficiently prioritise the risks associated with the registration activity, especially fraud and corruption risks, and implement the necessary controls to manage those risks. Consequently, there was a risk that the Representation would not be able to maintain reliable information on its persons of concern to provide appropriate protection solutions. Whilst the audit was still ongoing, the Representation established a system of reconciling the stationery used for printing asylum seeker certificates.

(4) The UNHCR Representation in Tunisia should strengthen risk management procedures over the registration activity by: (i) establishing anti-fraud controls over pre-registration, updating the standard operating procedures on registration, and regularly reviewing the changes made by the partner to proGres data; and (ii) putting in place a tracking system for confidential refugee files.

UNHCR accepted recommendation 4 and stated that the Representation had: (i) revised the standard operating procedures on registration (including preventive measures for addressing fraud

risks); and (ii) installed a file tracking system in its Tunis and Zarzis offices. Based on the action taken and documentation provided by UNHCR, recommendation 4 has been closed.

E. Financial tracking and reporting

There was a need to enforce full compliance with UNHCR rules and procedures for financial management

28. The UNHCR financial rules and regulations as well as its policies and procedures over financial management, require the Representation to design, implement and maintain delegation of authority to mitigate risks of incompatible functions; establish, implement and monitor adequate controls over the management of cash and cash in bank accounts; control disbursements of administrative expenditures; monitor and report open items to UNHCR headquarters; and ensure timely and accurate submission of monthly reports to headquarters.

29. During the period under review, the Representation had total administrative expenditure of \$1.3 million. OIOS review of a stratified sample of 45 vouchers worth \$646,489 indicated that the Representation had: adequately segregated duties and delegated authority in financial management; reconciled its bank accounts; managed its administrative expenditures within the limits set; and appointed petty cash custodians. Nevertheless, OIOS noted the following cases where the Representation did not establish adequate controls to:

- (i) Ensure timely submission of its monthly reports to the UNHCR headquarters;
- (ii) Ensure that staff could not approve payments to themselves as noted by OIOS in 22 cases involving \$50,482. They were made for justified purposes, but the practice exposed the Representation to risk of financial irregularities;
- (iii) Ensure that payment vouchers were prepared and reviewed systematically. For instance: (a) two payments involving \$43,720 in relation to salaries paid to a staff seconded to UNHCR were not supported by relevant loan agreements; (b) initial rental advance payment worth \$13,200 was not supported by a contractual agreement; and (c) construction works worth \$23,724 were not supported by bills of quantities; and
- (iv) Ensure timely liquidation of 46 open items worth \$32,653 as at the end of March 2017. They included four items pertaining to former staff totalling \$1,777.

30. The Representation attributed the above control weaknesses to the additional workload associated with financial and administrative activities of the UNHCR Libya Mission, located in Tunis. However, OIOS associated the weaknesses primarily to inadequate supervisory arrangements to enforce full compliance with UNHCR rules on financial management which increased the risk of exposure to incorrect financial reporting and loss of funds.

(5) The UNHCR Representation in Tunisia should develop and implement an action plan for achieving full compliance with UNHCR financial rules and procedures, which should include enhancing supervisory controls over voucher preparation and review process and ensuring timely submission of complete monthly reports to UNHCR headquarters.

UNHCR accepted recommendation 5 and stated that: (i) the Representation had liquidated the outstanding open items; (ii) the Representation had developed a set of procedures that strengthen the supervisory controls over voucher preparation and review process; and (iii) a dedicated Administration/Finance Officer would be assigned to Tunisia effective 1 January 2018. Based on the action taken and documentation provided by UNHCR, recommendation 5 has been closed.

F. Procurement and vendor management

The Representation needed to strengthen management supervision and oversight arrangements over its procurement and vendor management activities

31. UNHCR procurement rules and procedures require the Representation to: (a) prepare an annual procurement plan according to the identified needs; (b) establish an effective vendor management system; (c) initiate timely procurement activities in accordance with the procurement plan to facilitate transparent and competitive procurement; and (d) ensure adequate oversight over the procurement activities to get the best value for money.

32. The Representation: issued 171 purchase orders to procure goods and services amounting to \$1.2 million; constituted a Vendor Review Committee (VRC) in March 2015; and established a Local Committee on Contracts (LCC) in January 2015. However, OIOS review of the Representation's vendor management and procurement activities, including a review of 18 purchase orders totalling \$115,667, indicated that the Representation did not:

- (i) Ensure that the VRC evaluated vendors before including them in the vendor database;
- (ii) Undertake a review of the vendor database which contained 27 vendors with duplicate records;
- (iii) Ensure that goods and services were procured as per the annual procurement plan. For example, in 2016, security services worth \$141,201, rental services worth \$54,068, telephone services worth \$26,207, and internet services worth \$25,910 were procured although they were not included in the plan;
- (iv) Ensure that it obtained minimum number of bids, as required, in five cases worth \$323,651;
- (v) Ensure that it placed purchase orders before receiving the invoices in 96 cases worth \$401,954; and
- (vi) Obtain authorisation from the relevant committees on contracts in eight cases worth \$572,979. For instance, seven cases worth \$355,345 pertained to the LCC while one case worth \$217,634 pertained to the Headquarters Committee on Contracts.

33. The Representation attributed these weaknesses to the absence of adequate number of supply staff, and its relatively inexperienced staff. However, OIOS associated the main cause with inadequate management supervision and oversight arrangements over the vendor management and procurement activities. Additionally, skill gaps among the LCC members in the area of UNHCR procurement rules and procedures also contributed to these weaknesses. As a result, the Representation was exposed to an increased risk of financial losses, and not receiving value for money spent on procurement of the goods and services. Whilst the audit was still ongoing, the Representation developed a procurement plan for 2017, and introduced standard operating procedures to monitor procurement activities.

(6) The UNHCR Representation in Tunisia should strengthen management supervision and oversight arrangements over vendor management and procurement activities to ensure that: (i) vendor performance is assessed and vendor database is reviewed; and (ii) members of the Local Committee on Contracts are adequately trained to provide oversight over the integrity of the procurement process.

UNHCR accepted recommendation 6 and stated that the Representation was now regularly conducting vendor performance assessments and the vendor database was being reviewed at six monthly intervals. Capacity building had been arranged for LCC members. Based on the action taken and documentation provided by UNHCR, recommendation 6 has been closed.

G. Security and staff safety

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

H. Enterprise risk management

There was a need to align the risk management processes with the protection strategy and assign clear responsibilities and timelines for managing priority risks

38. In order to effectively manage risks to its operational objectives the Representation needs to: (i) understand its operational context; (ii) identify its key risks; (iii) analyse and evaluate these risks; and (iv) develop and implement a plan to treat these risks. The Representation is also required to monitor and report on its risk management processes and ensure that these processes are communicated and that relevant key staff are effectively trained and consulted. This should be done in accordance with the UNHCR ERM Framework to ensure consistency across the organization.

39. The Representation: identified, classified, and assessed its key risks with the involvement of relevant key staff and senior management; designated a risk focal point to facilitate the ERM process and to maintain the risk register; trained its staff on ERM; reviewed its risk register annually; and identified 19 risks, including 5 high risks and 14 medium risks. It prioritized 5 of those 19 risks, and they contained appropriate mitigation actions. Nevertheless, the Representation did not ensure that some of its key priorities identified in its protection strategy fully fed into the risk register to facilitate effective treatment of risks. For instance, it did not identify any risks in relation to the enactment of a national asylum law, discussed earlier in this report, although it had prioritised it in its protection strategy. Additionally, it did not identify the staff or units responsible for implementing the risk mitigation activities for priority risks, set target dates for risk treatments, and actively monitor the priority risks.

40. The above shortcomings occurred because of insufficient prioritization of control measures needed to implement the ERM Framework requirements. Ineffective management of priority risks could result in failure to achieve key operational objectives.

(8) The UNHCR Representation in Tunisia should develop an action plan to: (i) align its risk management processes with its protection strategy; and (ii) identify timelines and staff responsible for the implementation of risk treatments for priority risks and put in place procedures to regularly monitor them at the management level.

UNHCR accepted recommendation 8 and stated that the Representation was putting in place procedures to ensure that priority risks are regularly monitored at all levels. Recommendation 8 remains open pending receipt of documentary evidence that procedures are in place to regularly monitor priority risks.

V. ACKNOWLEDGEMENT

41. 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 Tunisia 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 Tunisia should strengthen the process of identification of risks related to projects implemented through partners and put in place appropriate controls to ensure that: (i) budgeting and payment of partner personnel costs are diligently monitored; (ii) partners' capacity to procure is assessed; (iii) performance monitoring of project activities is undertaken through a risk-based and multi-functional approach; and (iv) livelihoods project agreements are designed by taking into consideration the results of an impact analysis of the programme.	Important	O	Submission to OIOS of: (i) signed project agreements demonstrating that the partners' personnel costs are consistent; and (ii) signed livelihoods project agreements designed in consideration of the results of the impact analysis.	30 June 2018
2	The UNHCR Representation in Tunisia should strengthen its emergency preparedness actions, including: (i) establishing an information management working group and maintaining a contingency stock of non-food items; and (ii) in coordination with the Division of Programme Management and Support (DPSM), putting in place an action plan for ensuring implementation of the DPSM recommendations with regard to suitability of alternate campsites.	Important	C	Action completed	Implemented
3	The UNHCR Representation in Tunisia should review the design and implementation of its cash-based interventions programme by: (i) completing a market assessment; (ii) obtaining UNHCR	Important	O	Submission to OIOS of: (i) the results of the market assessment conducted; and (ii) the finalised version of the standard operating procedures on CBI.	30 June 2018

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 Tunisia 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
	headquarters approval for the revised standard operating procedures; (iii) implementing a process for regular post-distribution monitoring and undertaking an impact assessment; and (iv) developing an exit strategy.				
4	The UNHCR Representation in Tunisia should strengthen risk management procedures over the registration activity by: (i) establishing anti-fraud controls over pre-registration, updating the standard operating procedures on registration, and regularly reviewing the changes made by the partner to proGres data; and (ii) putting in place a tracking system for confidential refugee files.	Important	C	Action completed	Implemented
5	The UNHCR Representation in Tunisia should develop and implement an action plan for achieving full compliance with UNHCR financial rules and procedures, which should include enhancing supervisory controls over voucher preparation and review process and ensuring timely submission of complete monthly reports to UNHCR headquarters.	Important	C	Action completed	Implemented
6	The UNHCR Representation in Tunisia should strengthen management supervision and oversight arrangements over vendor management and procurement activities to ensure that: (i) vendor performance is assessed and vendor database is reviewed; and (ii) members of the Local Committee on Contracts are adequately trained to provide oversight over the integrity of the procurement process.	Important	C	Action completed	Implemented

STATUS OF AUDIT RECOMMENDATIONS

Audit of the operations in Tunisia 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
8	The UNHCR Representation in Tunisia should develop an action plan to: (i) align its risk management processes with its protection strategy; and (ii) identify timelines and staff responsible for the implementation of risk treatments for priority risks and put in place procedures to regularly monitor them at the management level.	Important	O	Submission to OIOS of documentary evidence that procedures are in place to regularly monitor priority risks.	30 June 2018

APPENDIX I

Management Response

Management Response

Audit of the operations in Tunisia 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 Tunisia should strengthen the process of identification of risks related to projects implemented through partners and put in place appropriate controls to ensure that: (i) budgeting and payment of partner personnel costs are diligently monitored; (ii) partners' capacity to procure is assessed; (iii) performance monitoring of project activities is undertaken through a risk-based and multi-functional approach; and (iv) livelihoods project agreements are designed by taking into consideration the results of an impact analysis of the program.	Important	Yes	Associate Programme Officer	June 2018	<p>i. The Representation has launched the process for commissioning a salary survey. The results will be discussed with partners and, once finalized, reflected in the following budget year's partnership agreements. Supporting documentation has been provided to the auditors.</p> <p>ii. A sample of partner performance monitoring reports has been provided to the auditors.</p> <p>iii. The livelihoods impact analysis results, which will be available in late 2017, will inform the design of partnership agreements for livelihoods projects in 2018. Evidence will be provided upon full implementation of the recommendation.</p>
2	The UNHCR Representation in Tunisia should strengthen its emergency preparedness actions, including: (i) establishing an information management working group and maintaining a	Important	Yes			Closed

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.

Management Response

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Rec. no.	Recommendation	Critical ¹ / Important ₂	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	contingency stock of non-food items; and (ii) in co-ordination with the Division of Programme Management and Support (DPSM), putting in place an action plan for ensuring implementation of the DPSM recommendations with regard to suitability of alternate campsites.					
3	The UNHCR Representation in Tunisia should review the design and implementation of its cash-based interventions programme by: (i) completing a market assessment; (ii) obtaining UNHCR headquarters approval for the revised standard operating procedures; (iii) implementing a process for regular post-distribution monitoring and undertaking an impact assessment; and (iv) developing an exit strategy.	Important	Yes	Senior Protection Officer	June 2018	<p>i. A market assessment is underway and the results will be shared when they become available.</p> <p>ii. Headquarters provided feedback on an August draft of the Representation's Standard Operating Procedures on CBI. The Representation is now in the process of finalizing the Standard Operating Procedures on CBI. These SOPs will be shared with auditors when they are finalized.</p> <p>iii. In October 2017 the Representation developed, in consultation with CBI colleagues, guidance on conducting post distribution monitoring, which will improve the post distribution monitoring practice in the operation. Evidence has been shared with the auditors.</p> <p>iv. The exit strategy has been developed and has been shared with the auditors.</p>
4	The UNHCR Representation in Tunisia should strengthen risk management procedures over the	Important	Yes	Assistant Admin Officer	October 2017	The File Tracking System was installed in Tunis and in Zarzis in October 2017. Evidence has been shared with the auditors.

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	registration activity by: (i) establishing anti-fraud controls over pre-registration, updating the standard operating procedures on registration, and regularly reviewing the changes made by the partner to proGres data; and (ii) putting in place a tracking system for confidential refugee files.					
5	The UNHCR Representation in Tunisia should develop and implement an action plan for achieving full compliance with UNHCR financial rules and procedures, which should include enhancing supervisory controls over voucher preparation and review process and ensuring timely submission of complete monthly reports to UNHCR headquarters.	Important	Yes	Assistant Admin Officer	October 2017	<p>i. Outstanding open items were cleared in August. Evidence has been shared with the auditors.</p> <p>ii. Supervisory controls over voucher preparation and review process have been strengthened. All measures taken are detailed in the note shared with auditors.</p> <p>A dedicated admin/finance officer will be assigned to Tunisia effective 1 January, to strengthen financial controls.</p>
6	The UNHCR Representation in Tunisia should strengthen management supervision and oversight arrangements over vendor management and procurement activities to ensure that: (i) vendor performance is assessed and vendor database is reviewed; and (ii) members of the Local Committee on Contracts are adequately trained to provide	Important	Yes	Assistant Admin Officer	October 2017	The Representation is regularly conducting vendor performance assessments. The vendor database is reviewed every six months. Evidence has been shared with auditors.

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Rec. no.	Recommendation	Critical ¹ / Important ₂	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	oversight over the integrity of the procurement process.					
8	The UNHCR Representation in Tunisia should develop an action plan to: (i) align its risk management processes with its protection strategy; and (ii) identify timelines and staff responsible for the implementation of risk treatments for priority risks and put in place procedures to regularly monitor them at the management level.	Important	Yes	Senior Protection Officer	June 2018	Building on the action plan, procedures are being put into place to ensure that priority risks are regularly monitored at all levels. Evidence of implementation of these procedures will be shared in future updates.