



## **INTERNAL AUDIT DIVISION**

### **REPORT 2018/097**

---

#### **Audit of the operations in Uganda for the Office of the United Nations High Commissioner for Refugees**

**There were serious risk management and control deficiencies and accountability lapses in the Representation's operational and administrative activities, which affected its ability to meet its objectives**

**17 October 2018  
Assignment No. AR2018/111/01**

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

## EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the operations in Uganda for the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess whether the Representation in Uganda was managing the delivery of services to its persons of concern in a cost-effective manner and in compliance with UNHCR's policy requirements, and whether it had put appropriate risk management, control and accountability mechanisms in place. The audit covered the period from 1 July 2016 to 31 December 2017 and included a review of: (i) partnership management; (ii) procurement and vendor management; (iii) registration activities; (iv) construction activities; and (v) non-food item (NFI) distribution and warehouse management.

The weak risk culture and internal control environment in the UNHCR operations in Uganda contributed to serious risk management and control deficiencies and accountability lapses in operational and administrative activities, which adversely affected the Representation's ability to meet its objectives, including in terms of the emergency response.

OIOS made six critical and six important recommendations. To address issues identified in the audit, the Representation needed to:

- Ensure full compliance with the partner selection process; and develop and implement a strategy for building the capacity of local partners (**critical**);
- Implement procedures to ensure procurement is designated to partners after assessing the comparative advantage of doing so and their capacity to conduct large procurement; and more effectively monitor compliance with relevant procurement rules;
- Adequately plan and coordinate project monitoring activities between its different functions and offices to ensure that: (i) risk based monitoring plans are implemented; (ii) Project Control forms part of the multi-functional team; and (iii) an integrated performance monitoring approach is implemented and linked with financial monitoring;
- Review the project agreement and budget with its Ugandan Government counterpart, the Office of the Prime Minister (OPM), and implement mitigating measures to reduce the risks of poor use of resources, irregularities, potential conflict of interest and weak controls; and undertake a detailed review of the purchase of a plot of land, being used as a parking lot, by OPM and take appropriate action, including if warranted, recovery of the amount of \$320,000 or part of it (**critical**);
- Continue to implement arrangements for sustainable water supply; seek to resolve the disputed amounts with the vendors for water trucking services; and ensure that the resulting expenditure and liabilities are correctly estimated and recorded;
- Reach an agreement with OPM on its future involvement in registration activities; implement procedures for continuous registration; and implement measures to mitigate the risk of registering Ugandan nationals in the ongoing verification;
- Find a sustainable solution for the maintenance of constructed roads; and verify the total kilometers of roads built and make appropriate recoveries (**critical**);
- Strengthen supervisory and monitoring controls over NFI distributions; and
- Ensure that: (a) staff are kept abreast of the warehouse management procedures; (b) all warehouses controlled by UNHCR are recorded in the accounting system; (c) controlling of inventories is strengthened; and (d) the physical security of warehouses is improved.

In addition, OIOS recommended that the Regional Bureau for Africa should lead and coordinate efforts to develop and implement an action plan to strengthen procurement activities in the Representation (**critical**);

Finally, the following two recommendations were addressed to UNHCR executive management:

- Assess what accountability measures need to be taken for the undue prolongation of expensive and unsustainable emergency water trucking services, absence of competitive tendering, override of controls and poor contract management (**critical**);
- Conduct a lessons learned exercise over registration activities in Uganda, establish accountability for failure to take timely corrective measures on the irregularities in these activities, and implement effective risk management procedures in registration (**critical**).

UNHCR accepted the recommendations and developed a comprehensive management action plan to address them.

# CONTENTS

|  | <i>Page</i> |
|--|-------------|
| I. BACKGROUND  | 1           |
| II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY             | 2           |
| III. AUDIT RESULTS                                     | 2-21        |
| A. Partnership management                              | 2-8         |
| B. Procurement   | 8-13        |
| C. Registration  | 13-16       |
| D. Construction activities                             | 16-18       |
| E. Non-food item distribution and warehouse management | 18-21       |
| F. Follow-up on pending audit recommendations          | 21-22       |
| IV. ACKNOWLEDGEMENT                                    | 22          |
| ANNEX I      Status of audit recommendations           |             |
| APPENDIX I   Management response                       |             |

# **Audit of the operations in Uganda 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 Uganda for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The UNHCR Representation in Uganda (hereinafter referred to as ‘the Representation’) was established in 1965 to provide refugees, asylum seekers and other persons of concern with international protection and humanitarian assistance. Between July 2016 and July 2017, Uganda faced three simultaneous refugee influxes, with 736,765 new refugee arrivals of whom 716,732 were from South Sudan, 39,745 were from the Democratic Republic of the Congo (DRC) and 7,288 were from Burundi. This meant providing reception assistance and relocation from border points to settlements of on average 2,000 refugees per day. The Representation together with partners managed 29 collection points and transit centers and nine reception centers, equipped with infrastructure and resources to provide new refugee arrivals with basic assistance, including communal shelter, sanitation facilities, water, hot meals, medical screening, identification of persons with specific needs, and registration. The Representation and its Ugandan Government counterpart, the Office of the Prime Minister (OPM), were responsible for the overall coordination of the emergency response.
3. As at 31 December 2017, the Representation provided assistance to 1,350,504 refugees and asylum seekers of whom 1,037,412 (77 per cent) were from South Sudan and 226,192 (17 per cent) from DRC. The refugees resided in 30 settlements scattered across the country, mainly in the north and south-western parts. In 2017, the Representation supported the opening of three new refugee settlements (Imvepi, Palabek and Rhino extension) to host the newly arrived South Sudanese refugees in the north of the country covered by its Sub Offices in Adjumani and Arua. The Representation was compelled to invest extensive resources to clear the land for these new settlements as they were covered in dense bushes, and to pay for costs related to site development and infrastructure, including access roads, household and social services facilities, and emergency and longer-term water supply systems.
4. Uganda’s progressive refugee policy grants refugees the freedom of movement, the right to seek employment and establish businesses, and access to public services such as education, health care and justice. The Comprehensive Refugee Response Framework for Uganda was launched in March 2017, with a view to harness a whole-of-society approach in responding and finding solutions to refugee crises. Developmental and humanitarian partners and the Government of Uganda worked together in a multi-stakeholder self-reliance and resilience approach to enhance social services delivery in refugee hosting areas through integration with local government systems while supporting the gradual socio-economic empowerment of refugees and their host communities.
5. The Representation was headed by a Representative at the D-2 level, whereas the incumbent of the post during the period of the scope of the audit was at the level of D-1, and it had, as at 31 March 2018, 512 regular staff posts and 58 affiliate staff. It had a Country Office in Kampala, four Sub Offices in Adjumani, Arua, Hoima and Mbarara, two Field Offices in Yumbe and Moyo, and five Field Units in Kisoro, Kyaka, Kyangwali, Kiryandongo and Rwamwanja. The Representation recorded total expenditures of \$129.9 million in 2016 and \$211.0 million in 2017. It worked with 27 partners in 2016 and 40 in 2017. The partner expenditures represented 66 per cent of the total programme-related expenditure in 2017.
6. Comments provided by the Representation are incorporated in italics.

## II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess whether the Representation in Uganda was managing the delivery of services to its persons of concern in a cost-effective manner and in compliance with UNHCR's policy requirements, and whether it had put appropriate risk management, control and accountability mechanisms in place to manage its operations effectively.

8. This audit was included in the 2018 risk-based internal audit work plan of OIOS due to risks related to the increase in size and complexity of the operations in Uganda because of the large refugee influxes.

9. OIOS conducted this audit from January to May 2018. The audit covered the period from 1 July 2016 to 31 December 2017. Based on an activity-level risk assessment, the audit covered higher risk processes and activities pertaining to the operations in Uganda, which included: partnership management; procurement and vendor management; registration activities; construction activities; and non-food item (NFI) distribution and warehouse management.

10. 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, as well as inputs from proGres version 3, the UNHCR registration and case management system; (d) sample testing of controls using both systematic and random sampling methods; (e) visits to the Representation's Country Office in Kampala, Sub Offices in Adjumani and Arua, and the offices of five partners implementing UNHCR projects; and (f) observation of programme activities implemented in five refugee settlements.

## III. AUDIT RESULTS

### A. Partnership management

There was a critical need for the Representation to address risks in partnership management and comply with UNHCR's policy requirements

11. The UNHCR Enhanced Framework for Implementing with Partners and various policies on partnership management require the Representation to: (i) select or retain partners through a process with adequate authorization, objectivity, transparency, consistency and timeliness; (ii) sign Project Partnership Agreements (PPAs) and transfer project instalments to partners in a timely manner; (iii) monitor project activities and expenditures through a risk-based and multi-functional approach; (iv) effectively use and monitor the external audit reports issued on partner projects; and (v) arrange for capacity building of partners when necessary.

#### Partner selection

12. The Representation had established an Implementing Partnership Management Committee (IPMC) for selection of international and local partners for 2018 projects. The Committee launched a call for expression of interest with a deadline for submissions by 30 June 2017. After review and scoring done by the various sub offices, the IPMC developed a list of partners that achieved a score of at least 50 per cent for the South Sudanese refugee programme and 60 per cent for the DRC/other and urban refugee programmes. In early October 2017, the IPMC submitted to the Representative for decision-making its recommendations for 50 partners that were the most qualified and experienced to implement UNHCR activities.

13. UNHCR's policy on partner selection requires the Representative to either confirm each IPMC recommendation or reject the first recommended partner and select the next one on the recommended list. The process should be restarted if the Representative does not select from the IPMC recommended partners.

14. The Representative discussed the IPMC results with OPM prior to making his decision on which partners to select. The Representative cited that this was appropriate as OPM grants permission to agencies to operate in refugee settlements and all PPAs were tripartite agreements. However, this is not a standard procedure in other UNHCR country operations, and the policy on partner selection does not envisage involvement of a government partner in selecting partners, as it could undermine the objectivity and transparency of the process. UNHCR, however, agreed that there was a need to further clarify at the institutional level the host government's role in the overall partner selection process.

15. The Representative selected three local partners for the 2018 projects: two for the management of transit centers and one for multi-sectoral protection activities. These partners were not on the IPMC recommended list due to their low scores of below 40 per cent. The Representative did not document his justification for deviating from normal selection procedures. The Representative explained to OIOS that these partners were selected because OPM had advised UNHCR to include more local partners and he had accordingly overruled the IPMC recommendations. The Representative also decided to 'twin' international partners with some local non-governmental organizations (NGOs) to increase their capacity. None of the local NGOs selected for twinning had been recommended by the IPMC. This was because: (a) two of them had not submitted a proposal for the activities assigned; (b) one local NGO did not have adequate sectoral experience; and (c) another local NGO had been proven to have misappropriated UNHCR funds in the past.

16. In the view of OIOS, while enhancing the capacity of local NGOs is a good practice, UNHCR had not developed a strategy or considered the additional resources required both by UNHCR and its international partners in implementing a capacity-building programme and selecting the best fit local partners for such an arrangement. It had also not considered whether the timing was right, particularly as it was during the height of an emergency, and diverting resources during this time may have impacted the effectiveness of the emergency response.

17. For the urban refugee programme, in 2018, the Representative decided to retain the existing partner, although it was not on the list of IPMC recommended partners as fraudulent activities had been uncovered in an investigation conducted by UNHCR Investigation Service at this partner in 2016. However, as the defrauded amounts were repaid by the partner, the Representation in cooperation with UNHCR Headquarters agreed to give the partner another chance, and developed a plan of action with them to improve its performance and internal controls. Despite assistance from the Representation, the partner made slow progress during 2017, and performance remained poor and controls weak. As a result, UNHCR had to take over part of the partner's activities related to provision of assistance to vulnerable urban refugees. The 2016 external audit report for the project provided a qualified opinion due to weak controls and unauthorized over-expenditures of \$75,000. In the opinion of OIOS, the Representation needed to reconsider its association with this partner due to a potentially damaging impact on its role and reputation in protecting and assisting refugees.

18. Given the above-mentioned observations, OIOS concluded that the Representation did not select partners that were the best fit for delivering services to refugees. OIOS acknowledged that there were improvements in the partner selection process since its previous 2016 audit (report 2016/101); however, continued non-compliance with established policies, re-selection of underperforming partners, and selection of partners without the requisite experience increased the risk that partners would not deliver on their project objectives.

**(1) The UNHCR Representation in Uganda should: (a) ensure full compliance with the partner selection process for the 2019 Project Partnership Agreements; and (b) develop and implement a strategy for building the capacity of local partners and operationalizing the twinning approach.**

*UNHCR accepted recommendation 1 and stated that the Representation would conduct a desk review on the adequacy of performance of existing partners and the scope of their project activities, and evaluate if retention was merited before entering into the second year of partnership with them. Based on the results of this review, the IPMC would recommend whether it was in the best interest of UNHCR to retain the specific partners for additional two programme cycles and/or raise a call for expression of interest for specific activities/projects. The strategy for capacity building of partners including the operationalization of the twinning approach was being developed and would be implemented for the 2019 programme cycle. Recommendation 1 remains open pending submission to OIOS of: (a) evidence of the implementation of an adequate and transparent partner selection process for 2019; and (b) the finalized capacity building strategy explaining the purpose, phases and targets of local partners for twinning and evidence of its implementation.*

#### Project Partnership Agreements

19. The Representation signed a Letter of Mutual Intent (LOMI) with 15 partners in 2017, but they were only signed in February 2017 because of the ongoing emergency, inadequate funding and lack of staff to prepare PPAs. As LOMI's are an ad hoc arrangement, and while they have a budget, they do not have performance indicators and targets and the project description is very short. The lack of defined project objectives and outcomes resulted in insufficient monitoring of the related project activities over the first six months of 2017. The PPAs were signed for all partners between April and June 2017, but this late signing negatively affected project implementation, resulting *inter alia* in delays in procurement and construction activities. The situation improved in 2018, and as at 6 March 2018, only 7 of the 46 PPAs were awaiting signature by partners.

#### Designation of procurement to partners

20. The Representation designated procurement over \$100,000 totalling \$31.2 million in 2017 to 31 partners, mainly in the areas of construction, fuel, water trucking, medicines and services.

21. The Representation did not conduct a cost-benefit analysis or an assessment of the capacity of partners to conduct procurement prior to delegating it to them, as required by UNHCR procedures. The Representation also did not implement adequate monitoring and management oversight at different levels to ensure compliance with UNHCR procedures.

22. OIOS noted weaknesses in procurement procedures at all five partners visited. For instance, one international partner approved payments totalling \$400,000 to vendors based on copies of supporting documentation, instead of the original documents, increasing the risk of duplicate payments. In addition, the same partner did not undertake competitive bidding for the construction of communal latrines and temporary waiting shelters and instead reused previous tenders. As a result, based on OIOS analysis, it paid higher prices (by up to \$63,000) for the items procured than what was currently available on the market. While the Representation's monitoring had highlighted one case of lack of proper bidding by the partner, it had accepted the related expenditures and did not take action to correct the identified control weaknesses. It also did not hold the partner accountable for financial losses due to the lack of competitive procurement.

23. The Representation also did not adequately consider Value Added Tax (VAT) implications, when designating procurement to partners, which unlike UNHCR could not reclaim 18 per cent VAT back from



the Government. As a result, given that all partners were paying 18 per cent VAT on purchases in Uganda, the Representation had foregone recovery of \$4.8 million in VAT payments by designating procurement to partners in 2017.

24. OIOS had raised the same observations on partner procurement in its 2016 audit, but the Representation did not take action to mitigate the identified risks, and instead significantly increased the total value of procurement entrusted to partners. OIOS calculated that there were potential losses of VAT \$4.8 million due to UNHCR's decision to continue to delegate high-value procurement to partners, without ensuring that such an approach was cost-effective. The Representation continued to be exposed to the risk of loss of financial resources.

**(2) The UNHCR Representation in Uganda should implement procedures to ensure procurement is only designated to partners after assessing the comparative advantage of doing so and their capacity to conduct large procurement; and more effectively monitor compliance with relevant procurement rules.**

*UNHCR accepted recommendation 2 and stated that the Representation had implemented measures to significantly strengthen its supply management function. Actions to improve oversight and compliance over partner procurement included: assessment of the procurement capacity of selected partners prior to signing the PPA; assessment by the multi-functional team of the capacity of partners in the different activities; and organizing training sessions on procurement for 110 participants including relevant staff from the Government and partners. Recommendation 2 remains open pending receipt of the assessments conducted for designating procurement to partners prior to completing the PPAs for 2019, and evidence of effective monitoring of procurement procedures at partners, commensurate with the risks involved. In determining the comparative advantage of partners to procure using UNHCR funds, the VAT implications should be duly considered.*

### Monitoring

25. The Representation included monitoring plans for partner projects in the 2017 PPAs; however, they were not risk-based. Multi-functional teams were established in Adjumani and Arua for each PPA, but due to shortage of project control staff, there was no coordination between performance and financial monitoring. As of March 2018, the risk-based monitoring plans for 2018 had not been developed.

26. Project performance monitoring was generally weak, with no performance monitoring conducted in the first half of 2017 because of the late signing of PPAs. From the middle of 2017:

- Sub Office Adjumani conducted one performance monitoring visit to each partner. However, their reports were not shared with Project Control and therefore, not reconciled with the results of financial monitoring activities. Also, in late November, the performance monitoring team concluded that 7 of 10 project activities for all partners were either partially implemented or not implemented, and recommended that the project budget for one partner be reduced. No action was taken to address the underperformance and reduce the budget at this partner.
- Sub Office Arua conducted its planned performance monitoring activities in August 2017 for eight high-risk partners and conducted further monitoring in November 2017. Sub Office Arua did not share its observations with Project Control and therefore, the link with financial monitoring could not be established.
- The Country Office in Kampala was responsible for monitoring two partners. No performance monitoring was conducted for one partner, and for the other partner, performance monitoring reports did not assess project progress against work plan targets.

27. In 2017, Project Control conducted financial verifications of expenditures reported by partners and documented the results, but did not adequately follow up to ensure identified deficiencies in the areas of storage, warehousing of medicines and procurement were adequately addressed. As a result, OIOS identified that these control weaknesses continued.

28. The Representation had not conducted sufficient performance and financial monitoring of its partners prior to releasing additional instalments. Also, when deficiencies were noted, adequate attention was not given to address them, and subsequent instalments were released despite these weaknesses. As a result, poor performance and financial irregularities were not addressed in a timely manner to avoid reoccurrence.

**(3) The UNHCR Representation in Uganda should adequately plan and coordinate monitoring activities between its different functions and offices to ensure that: (a) risk based monitoring plans are implemented; (b) Project Control forms part of the multi-functional team; and (c) an integrated performance monitoring approach is implemented and linked with financial monitoring to support the approval of subsequent instalments to partners.**

*UNHCR accepted recommendation 3 and stated that: (a) the Representation's risk based monitoring plans were being reviewed; (b) the Representation placed strong emphasis on the implementation of a multi-functional approach across its operations and that Project Control was represented in all multi-functional team activities including monitoring and verification exercises, IPMC meetings and risk assessments; and (c) the integrated approach of linking financial with performance monitoring was in place and had been implemented during the 2018 mid-year exercise. Recommendation 3 remains open pending receipt of: (a) a sample of the finalized risk based monitoring plans for partner projects for 2019; and (b) evidence of effective follow-up on/resolution of findings in financial and performance monitoring reports to support the approval of release of installments to partners.*

#### Projects implemented by OPM

29. OIOS conducted, on a sample basis, a review of financial management and procurement controls and procedures at OPM, which implemented registration and profiling projects funded by UNHCR worth \$4.9 million in 2016 and \$5.0 million in 2017. The Representation had identified several weaknesses in OPM's activities in the areas of procurement, staffing and financial management, but had not taken adequate action to address them.

30. After approval by UNHCR, OPM procured a plot of land adjacent to its office for \$320,000. According to the Representation, the reason for the purchase was to expand the OPM office for refugee registration activities; however, at the time of the audit, the land was being used as a vehicle parking lot. OIOS concluded that the price paid for the land was inordinately high noting that: (a) the Government's valuer had valued the plot at \$140,000; and (b) similar sized plots in that area ranged from \$110,000 to \$165,000. OPM was not able to provide to OIOS the title deed for the land to confirm its ownership, and UNHCR could not demonstrate that sufficient due diligence had been done prior to approving the purchase, such as a needs assessment. UNHCR Headquarters was not consulted on this purchase.

31. Designated senior government officials approved all agreements related to UNHCR projects, such as procurement contracts and partner reports. They were also responsible for signing the PPAs with UNHCR, which clearly stated that signatories to the PPA should not derive an economic benefit from the PPA. However, these individuals were receiving up to annual allowances of \$24,000 from the UNHCR project, and were provided with UNHCR vehicles and fuel allocations. Such arrangements gave rise to a conflict of interest, and could also expose UNHCR to a reputational risk.

32. For the 2016 project implemented by OPM, the external auditor had reported concerns regarding fuel management, and recommended recovery of fuel expenditures of \$250,000. OIOS confirmed that the same control weaknesses and potential irregularities continued in the 2017 project. For example: (a) fuel payment receipts were in exact sequential order from the same fuel pump signed by the same attendant, even though there were gaps of days between fueling; (b) none of the fuel requisitions were approved; (c) there were no consumption reports to assess average fuel consumption rate per vehicle; and (d) the logbooks of vehicles were not always updated. OIOS analysis showed that UNHCR vehicles assigned to OPM recorded excessive fuel usage. The Representation had not monitored the fuel consumption or undertaken an assessment of the use of the vehicles in relation to the UNHCR projects.

33. Contrary to its own procurement procedures, OPM never held an open tender and systematically contacted only three potential vendors for submitting bids. No assurance therefore could be taken that the Representation was receiving value for money from these contracts. Also, OPM's contracts committee systematically convened with only the chair, one member and the secretary instead of the required quorum of five members. This practice did not provide a fair representation for review of procurement procedures.

34. OPM paid monthly allowances to 72 civil servants totaling \$283,000 annually, but was unable to provide to OIOS documentation to substantiate that these civil servants were working on UNHCR projects, as there were no staff contracts, terms of reference or timesheets. The partner also engaged temporary labourers without a contract, which did not allow the Representation to confirm that agreed allowances were paid and whether the labourers paid were working on UNHCR project activities. OPM paid some temporary labourers a total of \$147,000 in cash in 2017. It was not clear who had paid the cash and whether receipt was witnessed. For refugees receiving incentives, their registration identification number was not included on the pay sheets. As a result, there was no audit trail to confirm the existence of payments to individuals as well as their validity.

35. For 2018, the Representation had not yet reviewed and revised the PPA budget or vehicle needs for the project, although UNHCR took over the activity to directly conduct the verification of the refugee registration data, to reflect the reduction in their responsibilities.

36. The weak controls implemented by OPM, and the lack of action by the Representation to hold them accountable, increased the risk to UNHCR of financial loss, fraud and other irregularities. Therefore, until the capacity of OPM is developed and assurance is provided that adequate controls are in place, the Representation needs to consider further reducing the level of activities delegated to OPM in the areas of procurement, fuel and staff allowances. UNHCR's quality of monitoring at all levels also needed to be significantly improved to ensure timely corrective action is taken.

**(4) The UNHCR Representation in Uganda should: (a) review the Project Partnership Agreement and budget with the Office of the Prime Minister (OPM), and implement mitigating measures to reduce the risks of poor use of resources, irregularities, potential conflict of interest and weak controls; and (b) undertake a detailed review of the purchase of a plot of land being used as a parking plot by OPM and take appropriate action, including if warranted, recovery of the amount of \$320,000 or part of it.**

*UNHCR accepted recommendation 4 and stated that to address the audit findings and the identified risks under the PPA with OPM, the operation initiated an immediate and high level dialogue with OPM officials and relevant government authorities. In July 2018, UNHCR and OPM organized a joint retreat to review their partnership and drafted a report with a consolidated matrix containing action points. Implementation of these action points was being monitored by both parties. The above mentioned report also included, as an action point, the review of the purchase of a plot of land noted in the audit recommendation. Subsequently, UNHCR established a task force, comprising of colleagues from Programme, Project Control and Supply Units, to review this purchase in terms of its purpose and current usage and consult with the Legal Affairs Service on the legal aspects. The preliminary report is due by mid-December 2018. Recommendation 4 remains open pending receipt of evidence of: (a) the review of the PPA and budget with OPM with the aim to significantly reduce the risks of unproductive use of resources, irregularities, potential conflict of interest situations and weak controls; and (b) the review of the purchase of the plot of land, including if warranted, recovery of the amount of \$320,000 partly or fully.*

#### Risk management in relation to partners

37. One of the underlying root causes for weaknesses in partnership management was the lack of adequate risk management. For instance, the Representation had not adequately addressed the significant risks it was exposed to taking into account the environment it was working in, and had not implemented mitigating measures in the areas of partner selection, designation of procurement to partners, and performance and financial monitoring. The Representation also did not conduct a fraud risk assessment as required by UNHCR's Strategic Framework for the Prevention of Fraud and Corruption and therefore, fraud under partnership management had not been considered. Such a risk assessment would have highlighted the need to implement measures such as increasing due diligence and monitoring activities. OIOS does not raise a separate recommendation on this but urges the Representation to implement risk management procedures in all phases of partnership management, including in connection with implementation of recommendations 1 to 4 of this report.

## **B. Procurement**

There was a critical need for the Representation to undertake proper procurement planning, monitor contracts and payments to vendors, and adhere to UNHCR approval limits

38. To ensure the integrity of the procurement process and value for money, the UNHCR Manual on Supply Management requires that UNHCR operations: (i) prepare an annual procurement plan according to identified needs; (ii) establish an effective vendor management system; (iii) initiate timely procurement activities in accordance with the procurement plan; and (iv) ensure adequate oversight of the procurement activities by establishing a Local Committee on Contracts (LCC).

39. During the audit period, the Representation procured goods and services worth \$69 million. OIOS reviewed minutes of the LCC meetings, a sample of 37 purchase orders and contracts valued at \$13.8

million, and submissions by the Supply Unit to the LCC. OIOS determined that the Representation only implemented competitive bidding for \$6.2 million (or 45 per cent) of the \$13.8 million reviewed.

40. The Representation developed procurement plans for 2016 and 2017, but did not include service contracts, leases, fuel for programme vehicles, transportation services, and drugs and medicines in these plans. There was also no mechanism in place to monitor contracts and frame agreements. As a result, OIOS identified 13 cases where amounts approved by the LCC exceeded the authority of the Committee. There were also several requests for waivers of competitive bidding and post-facto notifications to the committees on contracts, and management and staff approving contracts above their authorized limits and without approval of the appropriate committee on contracts. In summary, during the audit period, the Representation paid for goods and services worth \$34.6 million without the required approvals from the LCC, the Headquarters Committee on Contracts (HCC) or the Regional Committee on Contracts (RCC). The Representation also paid \$24.6 million for various goods and services where the purchase orders were prepared only after receiving the invoices.

41. Additionally, as part of the emergency programme, the Representation transported refugees from reception centers to settlements by bus or truck at a total cost of \$5.6 million. The related procurement process did not ensure best value for money. This was because the invitation to bid (ITB) required suppliers to quote prices per kilometer travelled to and from the selected towns/refugee settlements, and while the ITB contained proposed routes and distances, during the period of the contract new settlements were opened as the emergency escalated. OIOS noted that:

- Transporters quoted for round-trips regardless of the number of passengers transported even though buses were empty in outbound trips; and
- For new sites, transporters' invoices had different distances for the same routes. For example, from Elegu to Palorinya the round-trip invoiced by different transporters varied from 240 kilometers to 330 kilometers. Using Google map, OIOS calculated the distance as 101 kilometers, i.e. 202 kilometers for a round-trip.

42. There was also no process to request for transportation of persons of concern and their belongings, and therefore movements of buses and trucks were not optimized and not supported by approved requisitions for each trip, which could have been the supporting document used to pay the invoices from the vendors.

43. The Representation explained that it did not have enough staff with the requisite skills to deal with emergency procurement needs. However, although staffing was a contributory factor, the weaknesses in the procurement procedures had already been raised in previous audits, with insufficient action taken to address them. UNHCR therefore continued to be exposed to the risks of inefficiencies, lack of accountability, inability to achieve value for money from procurement, and possibly other irregularities.

**(5) The UNHCR Bureau for Africa, in coordination with the Regional Service Centre in Nairobi, the Division of Emergency, Security and Supply and the Representation in Uganda, should develop and implement an action plan to strengthen procurement undertaken by the Representation to ensure that: (a) comprehensive procurement plans are prepared to ensure cost-effective procurement; (b) transporters' invoices are reviewed and distances to be covered are agreed prior to the delivery of the services; and (c) mechanisms exist to monitor procurement approval limits and that amounts spent do not exceed the total amounts approved.**

*UNHCR accepted recommendation 5 and stated that an action plan to address these issues had been put in place by the Bureau for Africa in consultation with the relevant Divisions in Headquarters, the Senior Regional Supply Officer in Nairobi, and the Representation. The plan included measures such as: review of the delegation of financial authority for procurement related activities to ensure proper internal control and segregation of duties; continuous and targeted capacity building through-out the implementation year; and additional controls on accuracy and veracity of payments such as verification of logbooks for transport services, confirmation of deliveries, and spot checking. Lastly, updates and sample vouchers and documents referring to recurring and high value procurement of goods and services were now being sent to the Bureau for re-verification on a random basis. Recommendation 5 remains open pending receipt of evidence of the implementation of a comprehensive procurement plan with target dates to reduce ad hoc procurement and waivers, and evidence of implementation of controls to consistently monitor procurement approval limits and the integrity of the procurement process as a whole.*

Weak management of contracts for transport of refugees, non-food items and supply of water had led to financial losses and waste of resources

44. Following the influx of refugees from South Sudan in July 2016, there was an urgent need to open new settlements, transport persons of concern from border points to settlements, and provide them with safe drinking water and other assistance. An overview of the transportation costs along with the status of the invoices for 2016 and 2017 showed that as at the end of 2017, UNHCR was invoiced \$90 million by vendors of which \$27 million was paid. The balance was being disputed between UNHCR and vendors and the contested invoices were pending resolution.

*Poor planning and lack of consideration of sustainable alternatives risked water trucking activities*

45. A review of water trucking, distribution of NFIs and transportation of persons of concern identified serious deficiencies by the Representation in defining its requirements, the contract award process and management of contracts.

46. Emergency water trucking is typically a short-term, life-saving intervention to provide water to persons to meet survival needs. The Representation did not have a water trucking plan that included data such as: volume of water needed per site; number of beneficiaries; travel distances and times from water source to distribution point; and storage capacities. The Representation also did not develop a well-defined water trucking exit strategy such as repairing or rehabilitating water systems to ensure a longer term sustainable water supply and to steadily decrease dependence on expensive water trucking. It was only in January 2018, 18 months after the influx, that the Representation developed a comprehensive action plan to reduce dependency on water trucking by drilling boreholes. This action plan was built on a strategy initiated in May 2017 as well as discussions with the Government in October 2017 on how the constructed boreholes would be maintained to ensure sustainable delivery of water services and to integrate refugee water needs into the government water programmes.

47. Due to the lack of a proper analysis of water requirements from the outset and delays in phasing out the activity, water trucking activities were not properly managed and vast sums of UNHCR funds were expended on what should have been a short-term solution.

*Lack of competitive tendering, poor contract management and overriding of critical controls led to failure to obtain value for money*

48. From September 2016, without following competitive tendering procedures, the Representation signed contracts with multiple vendors initially at values under \$20,000, eventually totalling \$27 million. The Representation submitted the case to the HCC on a post-facto basis only much later, in May 2017. The HCC expressed serious concerns about the significant amounts spent by the Representation without approval of the competent committee and declined to consider an ex-post facto notification.

49. UNHCR rules require that a purchase order is issued based on the requisition for any goods and services valued above \$4,000, and appropriate controls, including three-way matching of purchase orders, receipts and accounts payable vouchers, are built into MSRP. The Representation did not comply with applicable rules and the proper sequence of the procurement process for transportation services. The Representation, *inter alia*: (a) processed purchase orders in MSRP amounting to \$23 million after the relevant invoices were received; (b) received services from the vendors without formally placing purchase orders; (c) certified receipts of services in MSRP although it did not receive them; (d) accepted unsolicited services without requisitions for transportation services valued at over \$60 million; (e) misclassified over \$13 million expenditures incurred on transporting water, NFIs and persons of concern and their belongings to an account code intended for local transport of staff members; (f) paid \$5.4 million to vendors on the basis of ‘notes for the file’ and lists of invoices, i.e. without valid invoices; and (g) even after becoming aware of likely overpayments, proposed a further payment of \$2.7 million to vendors on 21 February 2018 supported only by email correspondence, which eventually did not go through for technical reasons.

50. The contracts entered into with suppliers did not ensure value for money and did not safeguard the interests of UNHCR. This was because the water trucking contracts specified that a 10,000-liter capacity truck was to be used and UNHCR would pay UGX 12,000 (\$3.30) per kilometer. In implementing the contract, vendors used larger capacity trucks (20,000, 30,000 and 40,000 liters) and invoiced UNHCR at two, three and four times the contracted rate. In the view of OIOS, this was not reasonable, as the distance was the same. The practice resulted in substantial overpayments, as evidenced by the considerably lower prices that UNHCR’s partners were paying for the same services.

51. To review the significant over-invoicing, the Representation appointed a Task Force in October 2017 to: (a) review all invoices, contracts and supporting documents and establish the amounts due from UNHCR; (b) establish the actual quantities of water and relief items delivered and the total number of persons of concern transported; and (c) make recommendations on the lessons learned and to improve controls in the supply chain process. The Task Force made an initial assessment that there was: a breakdown of systems to monitor the water supplies; poor record-keeping; lack of coordination; and over-invoicing leading to a potential overpayment of \$7.7 million out of the \$27 million paid to vendors. The Representation, together with the Bureau, the Legal Affairs Service and the Division of Financial and Administrative Management (DFAM) were in the process of calculating the fair price for the services rendered, and preparing a negotiation strategy for resolution of this matter with relevant suppliers.

*Documentation arrangements were flawed and the Representation was not in compliance with Ugandan VAT requirements and its own rules*

52. Weak record-keeping severely compromised the ability of UNHCR to effectively manage the transport contracts. OIOS confirmed the findings of the Task Force, *inter alia* that: the UNHCR tracking sheets were not pre-numbered; there were numerous corrections and overwriting of the number of trips and water quantities; some invoices were missing dates on which services were provided; the quantity of water received was not mentioned in many cases; the number of persons transported was not specified; the name of individuals receiving the services could not be verified; and the capacity of the water tanks receiving the water was not mentioned. There was also no summary information on the quantities loaded at the different water source points or on the water quantities offloaded at different delivery points.

53. For the Representation to reclaim VAT from the Government, vendors needed to separately disclose the amount on the invoice. Of its transport suppliers, only one of the seven companies submitted invoices disclosing the VAT component. This invoice was for \$12.5 million, including VAT of \$1.9 million. For this invoice, due to an accounting error, the Representation recorded that VAT of \$1.1 million was due, with the balance of \$0.8 million erroneously mis-posted and therefore, not submitted to the Government for reimbursement. The other six vendors did not disclose VAT separately on their invoices, which aggregated to \$14.5 million. Therefore, on the unpaid invoices of \$63 million, the VAT amount would be approximately \$10 million, which still needed to be properly accounted for and recovered.

54. The above issues occurred because UNHCR management severely underestimated the magnitude of the problems with the transportation contracts and failed to sufficiently consider and put in place mitigating measures to address risks inherent in such a challenging logistics operation. Numerous UNHCR Headquarters' missions in 2016 and 2017 had identified the challenges, and made recommendations to address them, but the Representation did not take corrective actions in a timely manner leading to pervasive non-compliance with rules. Although the Representation achieved the objective of ensuring adequate water for persons of concern, the breakdown in controls over these activities and their mismanagement led to substantial loss of resources, and loss of donor confidence. OIOS understands that another targeted management review was being undertaken by UNHCR on the water trucking issue, the results of which are awaited.



**(6) The UNHCR Representation in Uganda, in coordination with the Bureau for Africa, should: (a) with the assistance of technical experts continue to implement arrangements for sustainable water supply, including consideration to integrate refugee water needs into Government programmes; (b) ensure that the Task Force completes its work expeditiously in order to resolve disputed amounts with the vendors, in consultation with the Legal Affairs Service; and (c) ensure that the resulting expenditure and liabilities are correctly estimated and recorded in MSRP.**

*UNHCR accepted recommendation 6 and stated that it: (a) implemented sustainable water schemes in all refugee settlements resulting in the reduction of water trucking from 37 per cent in May 2017 to 12 per cent in August 2018 and deliberated to engage government mandated utilities to take over management of water supply in the settlements and host communities; (b) discussed with suppliers and undertook a further review of the figures, invoices and distances to facilitate a fair and reasonable resolution; and (c) was working to verify and confirm the final figures to be paid to the respective suppliers to confirm the appropriate amount to be recorded in MSRP. Recommendation 6 remains open pending receipt of: (a) an update on the arrangements for ensuring sustainable water supply; (b) evidence of resolution on the disputed amounts, including reconciliation of the VAT amounts; and (c) evidence of recording in MSRP of the final expenditures and liabilities related to water trucking.*

**(7) UNHCR should assess what accountability measures need to be taken for the undue prolongation of expensive and unsustainable emergency water trucking services, absence of competitive tendering, override of controls and poor contract management, leading to substantial loss of resources, failure to achieve value for money, and the creation of a potentially significant liability outside its accounting records.**

*UNHCR accepted recommendation 7 and stated that a management review had been conducted on water trucking in Uganda and the Representation organized a retreat in this regard attended by senior government officials from OPM and the national authorities. These initiatives led to a clear action plan that, among other objectives, aimed to institute measures to improve and address accountability issues that were impacted during the implementation of water trucking activities. Action plans were agreed with the relevant stakeholders, elevated to the attention of UNHCR senior managers in Headquarters, and their implementation was being monitored. At the corporate level, UNHCR had embarked on the development of a standard contract document for water trucking, development of an electronic water trucking monitoring system, and publication of water trucking guidelines. Recommendation 7 remains open pending receipt of a confirmation of the measures taken to establish accountability following the issuance of the management review report on water trucking to senior management at Headquarters.*

## **C. Registration**

### UNHCR needed to ensure effective risk mitigation and oversight of registration activities

55. The UNHCR Handbook for Registration requires the Representation to: (a) monitor procedures for continuous registration of refugees to keep data up-to-date by regularly recording births, deaths, marriages and departures, and by validating the population data; and (b) issue identification/status documents to refugees for protection purposes.

56. The refugee response in Uganda was led and coordinated by OPM, and UNHCR was following the Refugee Coordination Model<sup>1</sup> in close consultation with other United Nations agencies and partners. The Comprehensive Refugee Response Framework<sup>2</sup> puts the responsibility on receiving States in cooperation with UNHCR to register refugees individually, including through biometric technology. In March 2015, the Government took over the registration responsibilities from UNHCR, using its own Refugee Information Management System (RIMS) database as opposed to UNHCR's proGres system. The Representation fully funded the refugee registration activities, which totalled \$11.5 million (\$1.6 million in 2015, \$4.9 million in 2016 and \$5.0 million in 2017) and it was implemented by the Department of Refugee Affairs of OPM. The Representation also procured assets, materials and covered other costs to support the OPM registration activities for \$3.1 million (\$0.3 million in 2015, \$0.7 million in 2016 and \$2.1 million in 2017).

57. Despite UNHCR's persistent efforts, OPM did not provide the Representation access to registration data for almost three years up to the beginning of 2018, with one exception when data was shared in January 2017. The Representation's Country Operation Plan for 2018 specifically mentioned that the lack of access to refugee data was a major obstacle for UNHCR programming, distribution of assistance, resettlement processing, case management, and planning of cash-based interventions. Also, although the Representation did not have access to the registration data, there were sufficient risk indicators related to the registration process, such as the quality of available data and the inadequacy of the system implemented by OPM to manage the process. For example, there were no overarching standard operating procedures (SOPs) to guide the process and ensure consistency across the country. The Representation also reported that: (a) specific refugee needs were not consistently recorded; (b) there were double registrations due to ineffective use of biometrics; (c) refugee locations were not recorded; (d) there was no audit reporting feature in RIMS to highlight high risk changes to registration data; and (e) the assistance provided to refugees was not always recorded. Risks related to OPM's capacity to deal with the caseload were also reported by UNHCR, due to the relentless mass influx of refugees in 2016 and 2017, reaching 8,000 individuals per day. The registration process required extensive resources in terms of staffing, equipment and infrastructure for reception and registration, and OPM did not have the capacity to deal with this.

58. Despite UNHCR's concerns and identification of the inability of OPM to deal effectively with the registration process, the Representation released instalments to OPM prior to conducting the required project monitoring. It also did not leverage the funding it provided to OPM under successive PPAs to secure access to the refugee data, which was a major failure. Throughout 2017, information on weaknesses and allegations of irregularities in the OPM registration information were increasing from partners, the World Food Programme and key donors in Uganda, who all questioned the reliability of the registered refugee numbers.

59. While the Representation, with support from UNHCR Headquarters, made efforts to manage the associated risks, these were generally neither adequate nor timely to mitigate the negative effects on the refugee programme. In December 2017, the Representation eventually reached an agreement with OPM for a RIMS enhancement project to improve the quality of the biometric feature, harmonize registration procedures and conduct a country-wide verification exercise. Earlier in September 2017, the Representation agreed on a data sharing agreement with OPM to enable data link between RIMS and proGres.

---

<sup>1</sup> The Refugee Coordination Model (RCM) is the basis for leading and coordinating refugee operations. It is an articulation of UNHCR's shared duty towards refugees, and a statement of both an integrated humanitarian vision and a distinct responsibility.

<sup>2</sup> Comprehensive Refugee Response Framework (CRRF), adopted by all 193 Member States of the United Nations in September 2016, contains historic and wide-ranging commitments that reaffirm the commitment by Member States to respect the human rights of refugees and migrants and to support the countries that welcome them (General Assembly Resolution A/RES/71/1)

60. At the end of January 2018, United Nations agencies and key donors reported to the Uganda's Prime Minister suspicions of corruption, fraud and other irregularities in the registration process. The allegations of corruption and irregularities resulted in some donors suspending funds for the refugee programme in Uganda. Following the visit of the High Commissioner and discussions with the Government, the Ugandan Prime Minister requested UNHCR to conduct a verification exercise of the population of concern using proGres and the Biometric Identity Management System (BIMS). This verification exercise was expected to cost UNHCR \$11.0 million over a period of eight months starting March 2018.

61. At all levels and for a number of years, UNHCR was fully aware of the key weaknesses in the registration process and its system, and associated risks. The Country Operation Plans for 2017 and 2018 described extensively the concerns regarding the registration system, and these plans were reviewed by the Bureau for Africa. Also, successive missions by the UNHCR Regional Service Centre in 2015, March 2016, December 2016 and March 2017, OIOS (2016 audit), Bureau for Africa and various UNHCR Divisions highlighted grave concerns about the situation. Additionally, the Representation's risk register rated registration as a priority risk with disastrous impact and very high likelihood. However, the mitigating measures documented in the risk register were not implemented which allowed financial, fraud and reputational risks to persist.

**(8) UNHCR should: (a) establish accountability for failure to take timely corrective measures on the irregularities in registration activities; and (b) conduct a lessons learned exercise over registration activities in Uganda and implement effective risk management procedures over registration, including risk mitigation measures, regular management reviews of risks, and timely escalation of high risks to appropriate management levels for action.**

*UNHCR accepted recommendation 8 and stated that the Joint Technical Task Force composed of the Government of Uganda, donors, UNHCR and World Food Programme had developed a Joint Action Plan to support the identification and escalation of risks identified in registration. A lessons learned exercise would be organized by December 2018 following completion of the verification in October 2018. In addition, the Strategic Oversight Service of the Inspector General's Office (IGO) had initiated a review by an external consultant with the objective of providing recommendations and improving accountability on registration activities. Recommendation 8 remains open pending receipt of evidence of: (i) the implementation of effective risk management procedures over registration; (ii) the completion of the lessons learned exercise on registration activities in Uganda; and (iii) concrete accountability measures taken on this issue following the IGO review.*

There was a need to address risks related to the ongoing verification project and continuous registration activities and to effectively deal with the results of the verification project

62. At the time of the audit, the Representation started verifying the population of concern in Uganda and entering registration data into proGres while using BIMS for biometrics to identify any multiple registration and ghost refugees. The aim of this verification exercise was to ensure reliability of the data and availability of refugees needs data at both individual and aggregated level.

63. OIOS noted, however, that the Representation had not yet agreed to the future cooperation modalities with OPM regarding the use of the proGres system or BIMS for registration and how continuous registration would be implemented to ensure up-to-date registration data. The Representation planned to await the results of the verification exercise prior to embarking on negotiations on future cooperation with OPM on registration. The absence of an agreement increased the risk of inaccurate and outdated registration data. Furthermore, the ongoing verification exercise, did not, in OIOS's assessment, adequately address the risk

that Ugandan nationals could be registered as refugees. The Representation had not prioritized these shortcomings for appropriate mitigation at the time of the audit.

64. Also, at the end of the verification exercise, if the number of verified refugees is significantly less than the number used as a basis for UNHCR programming, UNHCR would need to consider reviewing its current staffing structure, allocation of budgets to partners, and procurement needs.

**(9) The UNHCR Representation in Uganda, in cooperation with the Bureau for Africa, should, building on existing efforts: (a) reach an agreement with the Government of Uganda on its future involvement in registration including the use of biometric systems; (b) implement procedures for continuous registration; and (c) implement measures to mitigate the risk of registering Ugandan nationals in the ongoing verification exercise.**

*UNHCR accepted recommendation 9 and stated that negotiations between UNHCR and OPM for the verification exercise began in March 2018 which led to the signing of a Memorandum of Understanding in July 2018, covering the entire verification exercise which started on 1 March 2018. The Government of Uganda had issued directives for use of UNHCR tools for registration, allowing the use of UNHCR tools. The proGres version 4 system was implemented at the end of the verification for each site. The continuous registration SOPs drafted by UNHCR in collaboration with OPM were under review for finalization. The National Identity Registration Authority had been engaged and nationality screening procedures had been incorporated in continuous registration exercise. Measures to mitigate the risks of registering Ugandan nationals in the on-going verification exercise had been incorporated in the SOPs. Recommendation 9 remains open pending receipt of evidence of: (a) the final agreement reached on future involvement of OPM in registration including the use of biometric systems and data sharing; (b) the implementation of finalized procedures for continuous registration; and (c) concrete measures implemented to mitigate the risk of registering Ugandan nationals in the ongoing verification exercise.*

#### **D. Construction activities**

There was a critical need to verify the actual kilometers of roads constructed and find a sustainable solution for the maintenance of the roads

65. To manage risks associated with construction activities, the Representation is required to ensure that partners implementing these activities: a) adequately plan based on the identified needs; b) involve technical experts in the preparation of solicitation documents, evaluation of bids, monitoring of progress of construction activities, and conduct of a final inspection; and c) provide adequate oversight over the construction activities.

66. Major construction activities undertaken by the Representation's partners in Uganda included construction and gravelling of roads in refugee settlements and construction of classrooms and dormitories and staff accommodation. Generally, the construction of classrooms, dormitories and staff accommodation was satisfactorily carried out; however, there were serious control weaknesses in road constructions implemented by a partner as discussed below.

## *Planning*

67. A UNHCR logistics partner was given a budget of \$7.9 million in 2017 for road construction projects totaling 1,226 kilometers in West Nile refugee settlements. The partner was prequalified to undertake procurement using UNHCR funds and was selected as it quoted the lowest price in the bidding process; however, it did not have experience in road construction. The partner decided to directly implement the project through hiring equipment such as road graders, bull dozers, compactors/rollers, excavators, etc., rather than contracting road construction companies.

68. The partner, due to its inexperience, did not manage the hiring of expensive road construction equipment effectively. For example, to be efficient, the partner should have only hired rollers/compactors towards the end of the project and for a few hours per day, instead the Representation's engineers reported that equipment was lying idle. There was also no system in place to monitor the utilization of equipment as: daily machine utilization sheets were not prepared at construction sites; the utilization rate of the equipment was not indicated; and the sheets were not always signed by the operator/drivers. OIOS observed that the partner did not have the capacity to implement the scale and number of the roads that were to be constructed, as explained below.

## *Procurement of murram<sup>3</sup>*

69. The partner did not procure the required murram in a cost-effective manner. It paid brokers \$9.72 per trip for the delivery of murram using a dump truck it had hired. The total amount paid to the brokers was \$809,000. The brokers paid landowners an unspecified amount after deducting their margin. The partner also hired the excavators to dig and load the murram on to the dump truck which were also hired by the partner. Therefore, OIOS questioned the added value of the services provided by the broker. This arrangement increased the risk of overcharges because the cost of services and supply of murram could not be distinguished. The partner also did not have copies of the agreement between the brokers and the landowners. These should have been obtained as the partner had responsibility in some cases to rehabilitate murram sites after excavation. If this was not done, there was a risk that the landowner would request UNHCR to backfill the excavation sites, resulting in additional cost.

70. The contracts between the partner and the brokers required the brokers to provide supporting documentation such as delivery notes and goods received notes as proof of delivery of murram. However, the payments made to brokers were not supported by any delivery or goods received notes. Also, the dump trucks hired to deliver murram to the road construction sites were required to conduct 17 trips per day, but were on average doing between 6 and 8 trips. Despite this, the partner continued paying the contracted daily rate per truck of \$211 for the period when the trucks were hired. Due to the lack of delivery and goods received notes, OIOS was unable to verify whether the payments made were eligible expenditures. As at December 2017, the partner had paid \$2.6 million for the supply of murram and hiring of trucks and excavators.

## *Monitoring, oversight and sustainability*

71. The Representation did not put in place adequate monitoring of the partner's road construction activities, and the kilometers of road completed had not been reconciled to the budget and project plans. There was also no independent certification from, for example, the Uganda National Roads Authority that the 1,226 kilometers of roads had been completed. Additionally, the Representation had not adequately considered in its 2018 projects the need to plan and budget for the sustainability of the roads network, which would require a substantial budget every year for repairs and maintenance after the rainy season. The

---

<sup>3</sup> A form of laterite soil used for road surfaces in Asia and Africa

Representation, together with the Government and/or development partners, needed to find a sustainable solution on this issue.

72. The above issues arose as a result of inadequate oversight of construction activities and poor decisions in delegating significant road construction activities to an inexperienced partner. Considering the nature of such activities and the lack of monitoring there was an increased risk of irregular payments for the procurement of murrum and hiring of equipment, as well as an increased likelihood that the kilometers of road constructed were fewer than set in the target. The Representation was aware of some of these issues; however, in 2016 it had only one physical site planner and one assistant covering Adjumani and Arua and, therefore, could not carry out adequate monitoring and oversight.

**(10) The UNHCR Representation in Uganda should: (a) review the prequalified status of the logistics partner to conduct procurement on UNHCR’s behalf and the partner’s capacity to implement construction activities in future, in view of the numerous weaknesses identified in its road construction activities; (b) find a sustainable solution for the maintenance of constructed roads; and (c) verify the total kilometers of roads constructed to ensure they have been completed as planned and make appropriate recoveries if warranted.**

*UNHCR accepted recommendation 10 and stated that the Representation had started the assessment of the capacity of prospective partners to procure using UNHCR funds. UNHCR noted that the specific partner was overburdened with project activities which included construction and road maintenance works in addition to the overall management of logistics. This may have impacted its performance on its logistic responsibilities. From 2019, the Representation would therefore streamline the logistics sector under one specialized partner. For a suitable solution for the maintenance of constructed roads, UNHCR had engaged with the relevant district authorities and the Uganda National Road Authority. The UNHCR Technical Unit had conducted several site visits to inspect the conditions of the constructed roads and instituted regular monitoring of the construction activities, which would be the basis for establishing recoveries from the partner, if applicable. Recommendation 10 remains open pending receipt of evidence of: (a) a review conducted to reassess the prequalification status of the logistics partner to conduct procurement on behalf of UNHCR, as well as a review undertaken of the partner’s capacity to undertake UNHCR construction activities in future; (b) an action plan developed for the maintenance of constructed roads; and (c) verification of the total kilometers of roads built and appropriate recoveries made.*

## **E. Non-food item distribution and warehouse management**

There was a need to implement sustainable monitoring controls over the distribution of NFIs

73. To ensure delivery of NFIs to beneficiaries in a timely manner, the Representation should: a) establish beneficiary targeting criteria; b) develop and deliver a distribution plan that is communicated to recipients; c) monitor the actual distribution of NFIs; and d) conduct distribution monitoring and reconciliations to ensure items reached the intended beneficiaries.

74. In 2017, the Representation distributed NFIs directly and through partners valued at \$6.5 million. The Representation conducted vulnerability assessments based on established beneficiary targeting criteria and identified persons with specific needs. However, OIOS identified the following weaknesses in controls over distribution of NFIs:

- a) The Representation’s staff did not review and sign the beneficiary distribution lists and systematically obtain partners’ distribution reports to confirm that: (i) the total number of identified

beneficiaries agreed with the distribution lists; (ii) the identity of beneficiaries was verified before handing over the items; (iii) the total number of beneficiaries who had received NFIs agreed with the distribution lists; and (iv) NFIs left over after distributions were fully accounted for and returned to the warehouses, duly supported by Goods Received Notes.

- b) The Representation was not reconciling NFIs issued from the warehouses with the distributed items. For example, for Sub Office Adjumani's distributions in two refugee settlements in November 2017 the quantities issued exceeded the actual distributions for soaps, blankets and plastic sheets. At Sub Office Arua, there were major discrepancies between the quantities issued per waybills and the hygiene materials distributed in November and December 2017, calling into question the veracity and accuracy of the distribution reports.

75. The Representation also had significant stock levels, which in some cases seemed excessive since the quantities on hand exceeded the total issuances for the past 12 months. For example, as at 31 December 2017, the Representation had 288,843 blankets, 117,668 slashers, 63,345 kitchen sets, 50,580 wheelbarrows and 1,313 donated kitchen sets. Also, the lack of an adequate distribution plan meant that Sub Office Adjumani only distributed sanitary materials once in 2017 for 8 out of the 19 refugee resettlements, while Sub Office Arua regularly distributed sanitary materials. Sub Office Adjumani cited the lack of funds, procurement delays, and prioritization of distributions to emergency influx of refugees in two settlements for the low number of distributions, even though the provision of sanitary materials had been prioritized in the Representation's Country Operation Plan.

76. The controls over distribution of NFIs were lax due to difficulties of the Representation in coping with the large refugee influx, and insufficient supervision of those involved in NFI distributions at the Sub Offices, as well as the lack of proper planning and monitoring of country-wide distributions by the Country Office in Kampala. As a result, the Representation was unable to account for all the items distributed, including those left over after the distributions, and did not appropriately mitigate the risk of loss, theft or misappropriation of NFIs.

**(11) The UNHCR Representation in Uganda should strengthen supervisory and monitoring controls over planning of distribution of non-food items, reconciliation of items received and distributed, and accounting for leftovers.**

*UNHCR accepted recommendation 11 and stated that it envisioned a number of improvements in the management and distribution of NFIs including monitoring, reporting and reconciliation. This included: (i) updating of the NFI distribution scale; (ii) strengthening the guidelines for one-off distributions to new arrivals to be tracked in real-time digital database; (iii) using the Global Distribution Tool to record all repeat NFI distributions; (iv) finalizing SOPs to further strengthen different areas and stages in the overall distribution and reconciliation process; and (v) performing reconciliation between quantities released from UNHCR warehouses to distribution partners and quantities actually distributed to refugees which would also ensure tracking and recording of leftovers. Recommendation 11 remains open pending receipt of documentary evidence of the procedures implemented to effectively control NFI distribution planning, reconciliation of NFIs, and accounting for leftovers.*

There was a need to strengthen controls over warehouse management

77. For an efficient and effective delivery of goods to the persons of concern, it is important to: (a) plan and maintain adequate and secure facilities to store inventories; (b) control and monitor inventories through complete and accurate records including periodic physical verification; and (c) provide adequate insurance cover for inventories.

78. The Representation had three warehouses, located in Kampala, Mbarara and Yumbe, for which the inventory was recorded in MSRP. These warehouses contained NFIs valued at \$7.3 million as at 31 December 2017. The Representation also maintained 11 distribution points which were managed by two partners. The inventory held at these locations was not recorded in MSRP although they contained NFIs valued at \$3.5 million as at 31 December 2017. The Representation expensed inventory when it was issued from a MSRP-recorded warehouse, even though in many instances it was only being transferred to a distribution point for storage. This practice was implemented, as the Representation considered distribution points as short-time storage facilities. OIOS noted, however, that NFIs were stored in these distribution points for months or even years. For example, there were 1,313 kitchen sets in Adjumani in storage since March 2014.

79. Some of the distribution points had poor access and security controls. Inventory controls were also weak, as OIOS observed errors in recording of quantities received and issued. Also, adjustments were made for shortage or overage based on the partners' periodic physical counts without explanation. Such practices increased the risk of loss of inventory through theft. For instance, the Representation's Project Control discovered in February 2018 that 15,000 solar lamps worth \$279,860 and 29,525 sanitary pads worth \$10,248 were missing from one distribution point. The stock balance was simply adjusted without proper investigation. Additionally, while the NFIs in the warehouses in MSRP were insured, the items stored in the distribution points were not covered by insurance.

80. OIOS test counted inventory in the warehouses in Kampala and Yumbe and noted that the Representation was conducting annual physical counts and reconciling between the counts and records. Warehouse equipment was in place and considered adequate. Nonetheless, OIOS noted that 135 wheelbarrows and 2,350 plastic toilet slabs were placed outside of warehouses due to insufficient space inside, and established procedures on stock piling and distance between piles were not followed. Goods owned by another United Nations agency and OPM were stored in Yumbe without proper separation, increasing the risk of disputed ownership. Security measures were inadequate, as: (a) there were no logbooks recording the date and time of opening and closing of the warehouses in Kampala and Yumbe; (b) the keys to warehouses were not adequately controlled; (c) the perimeter fence in one warehouse was only made of chained-link wire easily allowing unauthorized access; and (d) fire prevention measures such as conducting fire drills and testing of fire alarms were not in place and all warehouses did not have fire extinguishers, smoke detectors and fire related proper signage.

81. The Representation advised that the weak inventory practices occurred because of lack of sufficient staff capacity and understanding of UNHCR warehouse management procedures. However, OIOS in its 2016 audit had already reported on many of the concerns mentioned above. The Representation had taken insufficient action to address them. Additionally, the Representation did not implement the recommendations contained in the Supply Management and Logistics Service's mission reports which identified poor warehousing and inventory controls in Uganda. Consequently, UNHCR inventories continued to be exposed to the risk of loss, theft or misappropriation. For instance, a theft of 10 plastic tarpaulins was reported in September 2017 at one warehouse.

82. OIOS subsequently held discussions with DFAM on the issue of expensing inventories. DFAM stated that it was not necessary for inventory to be distributed to the final beneficiary for it to be considered distributed and therefore expensed. It also stated that distributions to "uncontrolled" distribution centers/warehouses (e.g. partner managed) could be expensed, while distributions to controlled UNHCR warehouses (i.e. MSRP-recorded warehouses) were not expensed. It added that this interpretation was made after careful consideration and in consultation with other United Nations organizations. However, DFAM agreed that there was a need to ensure that those warehouses considered to be controlled by UNHCR were recorded in MSRP, including the inventories stored in those warehouses.



**(12) The UNHCR Representation in Uganda, in coordination with the Bureau for Africa and the Division of Emergency, Security and Supply, should put in place arrangements to ensure that: (a) concerned staff are kept abreast of the warehouse management procedures; (b) the distribution points are reviewed to assess if they meet the definition of being controlled by UNHCR and, if so, they are recorded in MSRP, including the inventories stored therein; (c) recording and controlling of inventories are strengthened; and (d) the physical security of warehouses is improved.**

*UNHCR accepted recommendation 12 and stated that the Representation had fully implemented all UNHCR policies and procedures in relation to inventory management in the three main MSRP warehouses in Kampala, Yumbe and Nakivale. The current stock reconciliation reports were being updated. The Supply Unit in Kampala was diligently monitoring the implementation of procedures in all three warehouses. The security services at Yumbe warehouse had been enhanced. Security enhancements such as installation of smoke detectors and alarm system had already been planned and initiated. Recommendation 12 remains open pending receipt of documentary evidence of: (a) training and capacity-building provided to relevant staff on UNHCR's warehouse management procedures; (b) a review of all distribution points (partner managed warehouses) to assess if they meet the definition of being controlled by UNHCR and, if so, recording of them in MSRP; (c) procedures implemented to record and control inventories in the warehouses, including monitoring thereof at the warehouses managed by partners; and (d) completion of arrangements made to improve the physical security of all warehouses.*

## **F. Follow-up on pending audit recommendations**

There was an urgent need for the Bureau for Africa to ensure full implementation of open 2012 and 2016 OIOS audit recommendations

### *Lack of compliance with Minimum Operating Security Standards*

83. In 2012, OIOS made a recommendation for the Representation to implement measures to achieve full Minimum Operating Security Standards (MOSS). At the time of the current audit, the recommendation was still open, as 13 out of 16 UNHCR offices were only compliant with limitations, continuing to expose staff to safety and security risks. Therefore, action was required by the Bureau for Africa to ensure the Representation addresses them.

### *Lack of adequate controls over fuel and fleet management*

84. In its 2016 audit, OIOS recommended that the Representation develop and implement an action plan to ensure effective and efficient allocation and utilization of vehicles and fuel among partners and UNHCR offices. Sufficient action had not been taken by the Representation, and the weaknesses in fuel and fleet management remained unaddressed. For 2017, the Representation continued to operate about 450 vehicles and reported fuel expenditures of \$3.5 million. The current audit noted serious inefficiencies in the allocation of vehicles and fuel to partners, as follows:

- a) There was no needs assessment or justification for the allocation of 230 programme vehicles to partners. Therefore, it was not possible to link project needs to vehicle requirements, increasing the risk of inefficient use of UNHCR funds through the unnecessary provision of vehicles.
- b) Thirty-one partners were provided fuel totaling \$3.3 million in 2017 for which \$500,000 related to VAT paid by the partners. Also, as noted above in paragraph 32, an external auditor had questioned the 2016 fuel expenditures at OPM amounting to \$250,000, and the control weaknesses had not

been addressed. Partners were not submitting justifications for fuel allocations, and as with the assignment of vehicles, it was not possible to link fuel needs to project requirements. For example, in Adjumani each partner vehicle was provided with a monthly fuel allocation of 500 liters irrespective of the project needs.

85. The Representation still did not have strong controls over the receipt of fuel and use of fuel cards at UNHCR offices. For example, each UNHCR office had one fuel card for administration vehicles for which the PIN code was shared between drivers. Also, even though most UNHCR offices prepared reports on fuel consumption by vehicle, these reports were not reviewed to detect irregularities in fuel consumption. At each office visited by OIOS there were examples of vehicles for which the fuel consumption rate was higher than the standard rate; however, the Representation had not followed up on these differences.

86. While the audit was ongoing, the Representation prepared and shared the first draft of a control framework for fuel and fleet management. OIOS pointed out that the control framework did not fully address the risks of inefficiency and irregularities. As a result, high unmitigated risks had persisted in the management of vehicles and fuel since the 2016 audit. The Bureau had also not taken sufficient action to ensure adequate measures were implemented, continuing to expose the Representation to increased risk of fraud and mismanagement.

87. The Bureau confirmed that the implementation of these recommendations was a top priority and prompt action would be taken. OIOS will continue to monitor the recommendations related to MOSS compliance and fleet and fuel management.

#### **IV. ACKNOWLEDGEMENT**

88. 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 Uganda for the Office of the United Nations High Commissioner for Refugees

| Rec. no. | Recommendation  | Critical <sup>1</sup> /<br>Important <sup>2</sup> | C/<br>O <sup>3</sup> | Actions needed to close recommendation  | Implementation date <sup>4</sup> |
|----------|---|---|----------------------|---|----------------------------------|
| 1        | The UNHCR Representation in Uganda should: (a) ensure full compliance with the partner selection process for the 2019 Project Partnership Agreements; and (b) develop and implement a strategy for building the capacity of local partners and operationalizing the twinning approach.  | Critical  | O                    | Submission to OIOS of: a) evidence of the implementation of an adequate and transparent partner selection process for 2019; and (b) the finalized capacity building strategy explaining the purpose, phases and targets of local partners for twinning and evidence of its implementation.  | 31 December 2018                 |
| 2        | The UNHCR Representation in Uganda should implement procedures to ensure procurement is only designated to partners after assessing the comparative advantage of doing so and their capacity to conduct large procurement; and more effectively monitor compliance with relevant procurement rules.   | Important   | O                    | Submission to OIOS of the assessments conducted for designating procurement to partners prior to completing the PPAs for 2019, and evidence of effective monitoring of procurement procedures at partners, commensurate with the risks involved. In determining the comparative advantage of partners to procure using UNHCR funds, the VAT implications should be duly considered. | 30 November 2018                 |
| 3        | The UNHCR Representation in Uganda should adequately plan and coordinate monitoring activities between its different functions and offices to ensure that: (a) risk based monitoring plans are implemented; (b) Project Control forms part of the multi-functional team; and (c) an integrated performance monitoring approach is implemented and linked with financial monitoring to support the approval of subsequent instalments to partners. | Important   | O                    | Submission to OIOS of: (a) a sample of the finalized risk based monitoring plans for partner projects for 2019; and (b) evidence of effective follow-up on/resolution of findings in financial and performance monitoring reports to support the approval of release of installments to partners.   | 31 December 2018                 |
| 4        | The UNHCR Representation in Uganda should: (a) review the Project Partnership Agreement and budget with the Office of the Prime Minister (OPM),   | Critical  | O                    | Submission to OIOS of evidence of: (a) the review of the PPA and budget with OPM with the aim to significantly reduce the risks of  | 15 December 2018                 |

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by UNHCR in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

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

| Rec. no. | Recommendation  | Critical <sup>1</sup> /<br>Important <sup>2</sup> | C/<br>O <sup>3</sup> | Actions needed to close recommendation   | Implementation date <sup>4</sup> |
|----------|---|---|----------------------|--|----------------------------------|
|          | and implement mitigating measures to reduce the risks of poor use of resources, irregularities, potential conflict of interest and weak controls; and (b) undertake a detailed review of the purchase of a plot of land being used as a parking plot by OPM and take appropriate action, including if warranted, recovery of the amount of \$320,000 or part of it.   |   |                      | unproductive use of resources, irregularities, potential conflict of interest situations and weak controls; and (b) the review of the purchase of the plot of land, including if warranted, recovery of the amount of \$320,000 partly or fully.   |                                  |
| 5        | The UNHCR Bureau for Africa, in coordination with the Regional Service Centre in Nairobi, the Division of Emergency, Security and Supply and the Representation in Uganda, should develop and implement an action plan to strengthen procurement undertaken by the Representation to ensure that: (a) comprehensive procurement plans are prepared to ensure cost-effective procurement; (b) transporters' invoices are reviewed and distances to be covered are agreed prior to the delivery of the services; and (c) mechanisms exist to monitor procurement approval limits and that amounts spent do not exceed the total amounts approved. | Critical  | O                    | Submission to OIOS of evidence of the implementation of a comprehensive procurement plan with target dates to reduce ad hoc procurement and waivers, and evidence of implementation of controls to consistently monitor procurement approval limits and the integrity of the procurement process as a whole. | 31 December 2018                 |
| 6        | The UNHCR Representation in Uganda, in coordination with the Bureau for Africa, should: (a) with the assistance of technical experts continue to implement arrangements for sustainable water supply, including consideration to integrate refugee water needs into Government programmes; (b) ensure that the Task Force completes its work expeditiously in order to resolve disputed amounts with the vendors, in consultation with the Legal Affairs Service; and (c) ensure that the resulting expenditure and liabilities are correctly estimated and recorded in MSRP.   | Important   | O                    | Submission to OIOS of: (a) an update on the arrangements for ensuring sustainable water supply; (b) evidence of resolution on the disputed amounts, including reconciliation of the VAT amounts; and (c) evidence of recording in MSRP of the final expenditures and liabilities related to water trucking.  | 31 December 2018                 |
| 7        | UNHCR should assess what accountability measures need to be taken for the undue   | Critical  | O                    | Submission to OIOS of a confirmation of the measures taken to establish accountability   | 30 June 2019                     |

## STATUS OF AUDIT RECOMMENDATIONS

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

| Rec. no. | Recommendation   | Critical <sup>1</sup> /<br>Important <sup>2</sup> | C/<br>O <sup>3</sup> | Actions needed to close recommendation   | Implementation date <sup>4</sup> |
|----------|--|---|----------------------|--|----------------------------------|
|          | prolongation of expensive and unsustainable emergency water trucking services, absence of competitive tendering, override of controls and poor contract management, leading to substantial loss of resources, failure to achieve value for money, and the creation of a potentially significant liability outside its accounting records.  |   |                      | following the issuance of the management review report on water trucking to senior management at Headquarters.   |                                  |
| 8        | UNHCR should: (a) establish accountability for failure to take timely corrective measures on the irregularities in registration activities; and (b) conduct a lessons learned exercise over registration activities in Uganda and implement effective risk management procedures over registration, including risk mitigation measures, regular management reviews of risks, and timely escalation of high risks to appropriate management levels for action.  | Critical  | O                    | Submission to OIOS of evidence of: (i) the implementation of effective risk management procedures over registration; (ii) the completion of the lessons learned exercise on registration activities in Uganda; and (iii) concrete accountability measures taken on this issue following the IGO review.  | 30 June 2019                     |
| 9        | The UNHCR Representation in Uganda, in cooperation with the Bureau for Africa, should, building on existing efforts: (a) reach an agreement with the Government of Uganda on its future involvement in registration including the use of biometric systems; (b) implement procedures for continuous registration; and (c) implement measures to mitigate the risk of registering Ugandan nationals in the ongoing verification exercise.                       | Important   | O                    | Submission to OIOS of evidence of: (a) the final agreement reached on future involvement of OPM in registration including the use of biometric systems and data sharing; (b) the implementation of finalized procedures for continuous registration; and (c) concrete measures implemented to mitigate the risk of registering Ugandan nationals in the ongoing verification exercise.   | 31 December 2018                 |
| 10       | The UNHCR Representation in Uganda should: (a) review the prequalified status of the logistics partner to conduct procurement on UNHCR's behalf and the partner's capacity to implement construction activities in future, in view of the numerous weaknesses identified in its road construction activities; (b) find a sustainable solution for the maintenance of constructed roads; and (c) verify the total kilometers of roads built to ensure they have | Critical  | O                    | Submission to OIOS of evidence of: (a) a review conducted to reassess the prequalification status of the logistics partner to conduct procurement on behalf of UNHCR, as well as a review undertaken of the partner's capacity to undertake UNHCR construction activities in future; (b) an action plan developed for the maintenance of constructed roads; and (c) verification of the total kilometers of roads built and appropriate recoveries made. | 31 December 2018                 |

## STATUS OF AUDIT RECOMMENDATIONS

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

| Rec. no. | Recommendation  | Critical <sup>1</sup> /<br>Important <sup>2</sup> | C/<br>O <sup>3</sup> | Actions needed to close recommendation  | Implementation date <sup>4</sup> |
|----------|---|---|----------------------|---|----------------------------------|
|          | been completed as planned and make appropriate recoveries if warranted.   |   |                      |   |                                  |
| 11       | The UNHCR Representation in Uganda should strengthen supervisory and monitoring controls over planning of distribution of non-food items, reconciliation of items received and distributed, and accounting for leftovers.   | Important   | O                    | Submission to OIOS of documentary evidence of the procedures implemented to effectively control NFI distribution planning, reconciliation of NFIs, and accounting for leftovers.  | 30 November 2018                 |
| 12       | The UNHCR Representation in Uganda, in coordination with the Bureau for Africa and the Division of Emergency, Security and Supply, should put in place arrangements to ensure that: (a) concerned staff are kept abreast of the warehouse management procedures; (b) the distribution points are reviewed to assess if they meet the definition of being controlled by UNHCR and, if so, they are recorded in MSRP, including the inventories stored therein; (c) recording and controlling of inventories are strengthened; and (d) the physical security of warehouses is improved. | Important   | O                    | Submission to OIOS of evidence of: (a) training and capacity-building provided to relevant staff on UNHCR's warehouse management procedures; (b) a review of all distribution points (partner managed warehouses) to assess if they meet the definition of being controlled by UNHCR and, if so, recording of them in MSRP; (c) procedures implemented to record and control inventories in the warehouses, including monitoring thereof at the warehouses managed by partners; and (d) completion of arrangements made to improve the physical security of all warehouses. | 31 December 2018                 |

# **APPENDIX I**

## **Management Response**

## Management Response

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

| Rec. no. | Recommendation   | Critical <sup>1</sup> / Important <sup>2</sup> | Accepted? (Yes/No) | Title of responsible individual | Implementation date | Client comments   |
|----------|--|--|--------------------|---------------------------------|---------------------|---|
| 1        | The UNHCR Representation in Uganda should: (a) ensure full compliance with the partner selection process for the 2019 Project Partnership Agreements; and (b) develop and implement a strategy for building the capacity of local partners and operationalizing the twinning approach. | Critical                                       | Yes                | Assistant Rep (Prog)            | 31 October 2018     | <p>a) In compliance to the UNHCR policy on selection and retention of partners, UNHCR Office in Uganda will conduct a desk review (by a multi-functional team headed by Programme Unit) on the adequacy of performance of existing partners, the scope of activities, and evaluate if retention is merited before entering into the second year of partnership. Based on the result of this review, the Implementing Partnership Management Committee (IPMC) will recommend whether it is in the best interest of the organization to retain the specific partner/s for an additional two programme cycles and/or raise a call for expression of interest for specific activities/projects, as applicable and in line with said policy.</p> <p>(b)The strategy for capacity building of partners including the operationalization of the twinning approach is being developed. Its implementation will start in line with the programme cycle for 2019. This strategy formulation will be part of the agenda in the coming detailed planning session for 2019 in collaboration with the relevant partners and other stakeholders.</p> |
| 2        | The UNHCR Representation in Uganda should implement procedures to ensure procurement is only designated to partners after assessing the comparative advantage of doing so and their capacity to conduct large procurement; and more effectively monitor                                | Important                                      | Yes                | Assistant Rep (Prog)            | 30 November 2018    | <p>Starting in June 2018, UNHCR Office in Uganda has commenced and instituted several measures to significantly strengthen its supply management function and the related monitoring of compliance on the country operations' procurement process.</p> <p>Actions have been taken with several other measures planned in the near future to improve oversight and compliance on procurement conducted by partners using UNHCR funds. These actions include:</p>   |

<sup>1</sup> 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.

<sup>2</sup> 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.



|   |   |           |     |                      |                   |  |
|---|---|-----------|-----|----------------------|-------------------|--|
|   | compliance with relevant procurement rules.   |           |     |                      |                   | <p>a) Following the retention/selection process to be undertaken from September to October of 2018, the procurement capacity of selected partners will be assessed prior to signing of their respective Project Partnership Agreements (PPA).</p> <p>b) A multi-function team, composed of Programme, Project Control and technical staff, has already started the formal process of capacity assessment of partners in the different activities.</p> <p>c) Supply Unit organized training sessions on procurement for 110 participants including relevant staff from Government of Uganda and partners countrywide. This training was focused on project monitoring and in areas noted by external auditors during the annual project audit. The main objectives are to mitigate the identified risks and improve overall compliance.</p>   |
| 3 | The UNHCR Representation in Uganda should adequately plan and coordinate monitoring activities between its different functions and offices to ensure that: (a) risk based monitoring plans are implemented; (b) Project Control forms part of the multi-functional team; and (iii) an integrated performance monitoring approach is implemented and linked with financial monitoring to support the approval of subsequent instalments to partners. | Important | Yes | Assistant Rep (Prog) | 30 September 2018 | <p>(a) The UNHCR Office in Uganda has risk-based monitoring plans which are currently in the process of review. A new Senior Risk Management and Compliance Advisor has assumed her function and will be actively participating in this review to ensure that there is cohesion and that the assessments of risks are regularly updated through-out the implementation period. The existing risk based monitoring plans are in place and available, while the revised version after the risk review is completed will be finalized by end of October 2018, replacing the current plans.</p> <p>(b) The office has put strong emphasis to the implementation of a multi-functional approach across its operations. The Project Control Unit (PCU) is represented in all Multi-Functional Team (MFT) activities, to include, monitoring and verification exercises, IPMC meetings, risk assessments, among others.</p> <p>(c) The UNHCR Office in Uganda has reviewed its Project Monitoring Plans which include financial and performance monitoring for 2019. This will continually ensure that the office has an integrated approach on risk assessment and monitoring activities prior to releasing the instalments to partner organizations.</p> <p>This integrated approach (e.g. linking financial with performance indicators) is already fully in place and has been implemented during the mid-year exercise for 2018.</p> |

|   |  |          |     |                      |                  |   |
|---|--|----------|-----|----------------------|------------------|---|
|   |  |          |     |                      |                  | In our view, this recommendation is implemented.  |
| 4 | The UNHCR Representation in Uganda should: (a) review the Project Partnership Agreement and budget with the Office of the Prime Minister (OPM), and implement mitigating measures to reduce the risks of poor use of resources, irregularities, potential conflict of interest and weak controls; and (b) undertake a detailed review of the purchase of a plot of land being used as a parking plot by OPM and take appropriate action, including if warranted, recovery of the amount of \$320,000 or part of it.                        | Critical | Yes | Assistant Rep (Prog) | 15 December 2018 | <p>(a) In order to address the audit findings and the identified risks under the PPA with OPM, the Operation has initiated an immediate and high level dialogue with OPM officials and relevant government authorities. Subsequently, in July 2018, UNHCR and OPM organized a joint retreat to review their partnership and made common recommendations to address the identified gaps. Following the retreat, a report with a consolidated matrix containing action points were drafted. UNHCR and OPM agreed on these action points to address the identified gaps and to improve partnership, in general. Implementation of these action points is monitored by both parties.</p> <p>(b) The above mentioned report also includes as an action point, the review of the previous purchase of a plot of land as noted by the auditors in this recommendation. Subsequently, UNHCR has established a task force comprising of colleagues from Programme, Project Control and Supply Units, to review this purchase in terms of its purpose and current usage and consult with the Legal Affairs Service on the legal aspects, as applicable. The preliminary report is due by mid of December 2018.</p>  |
| 5 | The UNHCR Bureau for Africa, in coordination with the Regional Service Centre in Nairobi, the Division of Emergency, Security and Supply and the Representation in Uganda, should develop and implement an action plan to strengthen procurement undertaken by the Representation to ensure that: (a) comprehensive procurement plans are prepared to ensure cost-effective procurement; (b) transporters' invoices are reviewed and distances to be covered are agreed prior to the delivery of the services; and (c) mechanisms exist to | Critical | Yes | Sr. Supply Officer   | August 2018      | <p>An Action Plan to address these recommendations has been put in place by the Bureau in consultation with the relevant division/s in HQ, senior regional supply officer in Nairobi, and with UNHCR Office in Uganda. The action plan reflects the measures and initiatives by the second line of defence to include Division of Financial and Administrative Management (DFAM) and Division of Emergency, Supply and Security (DESS). The plan also includes measures already put in place by the country office together with other action points that are planned through-out the year.</p> <p>As an example, HQ level measures include: Africa Bureau to consistently add compliance and oversight agenda item in the regular taskforce meetings held in Geneva. Agenda and minutes of task force meetings to reflect the key actions agreed upon as well as monitoring of their implementation, to include timely and regularly updated procurement plans, compliance with procurement rules and procedures particularly purchases with significant amount, avoidance of post facto, waivers of bidding etc. This will be supported by individual follow-up and discussions led by the Bureau on a more technical and detailed basis with the relevant divisions in HQ, regional supply officer and the country office.</p> |

|  |   |  |  |  |  |  |
|--|---|--|--|--|--|--|
|  | <p>monitor procurement approval limits and that amounts spent do not exceed the total amounts approved.</p> |  |  |  |  | <p>Measures that have already been put in place by the country office include:</p> <p>The delegation of financial authority for procurement related activities is reviewed and amended across the operations including Sub-Offices (SO) to ensure proper internal control and segregation of duties. This included the revision of thresholds.</p> <p>Subsequent to the review of the Delegation of Authority Plan (DOAP) and procurement processes, the authority for waiver of competitive bidding is centralized and remains with the UNHCR Representative and the Local Committee of Contracts at Kampala as applicable.</p> <p>Continuous and targeted capacity building are also planned through-out the implementation year. Information sessions were held for all members of Committees on Contracts (CoC) in Uganda. Several members of the local CoC also attended the DFAM organized CoC training sessions. Local CoC Compositions in Kampala and SOs are updated as of end of August 2018. Training of all (110) UNHCR Office in Uganda Supply staff on the revised procurement rules has been done.</p> <p>Finally, additional control on accuracy and veracity of payments have been reinstated such as verification of logbooks for transport services, confirmation of deliveries, spot checking, etc. Updates and sample vouchers and documents referring to recurring and high value procurement of goods and services are sent to the Bureau for re-verification on a random basis.</p> <p>UNHCR believes that this recommendation has been fully addressed and provides assurances that these measures will be continuously implemented and further improved as needed.</p> |
|--|---|--|--|--|--|--|

|   |  |           |     |                      |                 |  |
|---|--|-----------|-----|----------------------|-----------------|--|
| 6 | <p>The UNHCR Representation in Uganda, in coordination with the Bureau for Africa, should: (a) with the assistance of technical experts continue to implement arrangements for sustainable water supply, including consideration to integrate refugee water needs into Government programmes; (b) ensure that the Task Force completes its work expeditiously in order to resolve disputed amounts with the vendors, in consultation with the Legal Affairs Service; and (c) ensure that the resulting expenditure and liabilities are correctly estimated and recorded in MSRP.</p> | Important | Yes | Assistant Rep (Prog) | 31 October 2018 | <p>(a) UNHCR and Partners embarked on development of sustainable water schemes in all refugee settlements. Overall, water trucking has reduced from a high of 37% in May 2017 to 12% in August 2018 but with an increase due to new refugee arrivals from the Democratic Republic of Congo (DRC). Overall, a total of 126 water schemes and 1,248 hand pumps have been constructed, providing for 88% of the water needs of both refugees and host communities. It's expected by December 2018, that only 3% of the total water needs of the population will be supplied through water trucking. Discussions are underway to engage government mandated utilities to take over management of water supply services in the settlements and hosting population.</p> <p>(b) Discussions are underway between UNHCR and the suppliers for a mutually acceptable resolution. In July 2018, a UNHCR HQ Task Force held a face-to-face meeting with the suppliers in Uganda to discuss the ongoing review of all invoices (paid and unpaid). At the same time, UNHCR has undertaken a further review of figures, invoices and distances to facilitate a fair and reasonable resolution, coordinated by DFAM and with the legal support of LAS and external legal counsel. UNHCR is hopeful that settlement may be reached in the coming months with many of the suppliers.</p> <p>(c) The Controller's office (UNHCR HQ) in conjunction with the Africa Bureau, LAS and UNHCR Office in Uganda are currently working to verify and confirm the final figures to be paid to the respective suppliers in order to confirm the appropriate amount to be recorded in its books.</p> |
| 7 | <p>UNHCR should assess what accountability measures need to be taken for the undue prolongation of expensive and unsustainable emergency water trucking services, absence of competitive tendering, override of controls and poor contract management, leading to substantial loss of resources, failure to achieve value for money, and the creation of a</p>   | Critical  | Yes | Bureau Director      | 30 June 2019    | <p>The UNHCR HQ team composed of representatives from the Bureau, DESS, DFAM and IGO conducted a management review on water trucking in Uganda. At the country level, the UNHCR Office organized a retreat attended by senior government officials from OPM and the national authorities. Both of these initiatives led to a clear action plan that, among other objectives, aims to institute measures to improve and address accountability issues that were impacted during the implementation of water trucking activities by UNHCR Office in Uganda. These measures include the immediate improvements on procedures, approval of expenditures, contracting, instituting stronger oversight, among others. These actions plans have been agreed with the relevant stakeholders, elevated to the attention of UNHCR senior managers in HQ and closely monitored their implementation.</p>  |

|   |   |          |     |   |              |   |
|---|---|----------|-----|---|--------------|---|
|   | potentially significant liability outside its accounting records.   |          |     |   |              | <p>In addition, at the corporate level, the following initiatives have been commenced:</p> <ul style="list-style-type: none"> <li>• Drafting of Standard Water Trucking Contract Document and Technical Quality Specification</li> <li>• Development of an electronic Water Trucking Monitoring system for accurate measurement of the volume of water delivered and number of kilometres travelled</li> <li>• Publication of Water Trucking Guidelines for UNHCR Country operations</li> </ul>   |
| 8 | UNHCR should: (a) establish accountability for failure to take timely corrective measures on the irregularities in registration activities; and (b) conduct a lessons learned exercise over registration activities in Uganda and implement effective risk management procedures over registration, including risk mitigation measures, regular management reviews of risks, and timely escalation of high risks to appropriate management levels for action. | Critical | Yes | <p>Country Representative (a)</p> <p>Assistant Rep – Protection (a)</p> | 30 June 2019 | <p>The Strategic Oversight Service of the IGO has initiated a review to be conducted by an external consultant with the objective of drawing lessons learned, providing recommendations and improving accountability on registration activities. The first draft of the report on this review is expected by the end of October 2018.</p> <p>A lessons learned exercise will be organized by December 2018 following completion of the verification exercise in October 2018. The Joint Technical Task Force composed of Government of Uganda, Donors, UNHCR and WFP, has developed a Joint Action Plan to support the identification and escalation of risks identified in registration (among other areas).</p> <p>At the completion of the verification activity, UNHCR will discuss with government any discrepancy between the projected numbers of individuals registered by the government and the total verified at the end of this activity.</p> <p>Risks identified during the lessons learned exercise will be incorporated into the existing corporate risk register during the annual mandatory risk review, particularly the relevant and emerging risks related to registration activities. This risk review that will be conducted during the detailed planning period will evaluate the mitigation measures, escalate risk, if applicable, to the appropriate unit in UNHCR HQ and institute a regular review of the assessment and mitigation of the risks triggered by changes in the operations.</p> <p>Risks associated with the preservation of integrity in registration activities should include the systematic review of individuals who are identified as multiple enrollees in BIMS and the monitoring of data management</p> |

|   |  |           |     |                            |                  |  |
|---|--|-----------|-----|----------------------------|------------------|--|
|   |  |           |     |                            |                  | <p>practices in the registration of newly arrived persons of concern, including nationality screening.</p> <p>The position of Senior Registration Officer has been created to coordinate registration matters with the government to ease coordination and overall risk management related to registration activities. This position has been filled since March 2018.</p> <p>OPM issued a directive in June this year, allowing the use of UNHCR's tools, in the interim, for continuous registration following completion of verification. Continuous registration has thus been rolled out in all locations where verification is completed. It is considered that the completion of the verification exercise and planned lessons learned exercise will provide the basis for discussions on future of registration in Uganda and possibly further afield. In the meantime, UNHCR and the Government signed a Memorandum of Understanding (MoU) outlining the current agreement.</p>   |
| 9 | The UNHCR Representation in Uganda, in cooperation with the Bureau for Africa, should, building on existing efforts: (a) reach an agreement with the Government of Uganda on its future involvement in registration including the use of biometric systems; (b) implement procedures for continuous registration; and (c) implement measures to mitigate the risk of registering Ugandan nationals in the ongoing verification exercise. | Important | Yes | Assistant Rep (Protection) | 31 December 2018 | <p>Negotiations between UNHCR and OPM for the verification exercise began in March 2018 which led to the signing of the MOU on the 8<sup>th</sup> of July 2018. The MoU effectively covers the entire verification exercise which started since 1 March 2018. As mentioned above, the directives for use of UNHCR tools for registration was issued by the Government, allowing the use of UNHCR tools. The proGres v4/GDT was implemented at the end of verification for each site</p> <p>The continuous registration SOPs drafted by UNHCR in collaboration with OPM is currently under review for finalization.</p> <p>National Identity Registration Authority (NIRA) has been engaged. Nationality screening procedures has been incorporated in continuous registration exercise. The measures to mitigate the risks of registering Ugandan nationals in the on-going verification exercise has been incorporated in the SOPs.</p> <p>UNHCR is not directly engaged in nationality screening. This is a political decision at the prerogative of the country due to security considerations. Given the situation in Uganda, nationality screening at the point of registration has been incorporated in the SOPs, in order to mitigate this risk and screen out nationals.</p> |

|    |   |          |     |                      |                  |   |
|----|---|----------|-----|----------------------|------------------|---|
| 10 | <p>The UNHCR Representation in Uganda should: (a) review the prequalified status of the logistics partner to conduct procurement on UNHCR's behalf and the partner's capacity to implement construction activities in future, in view of the numerous weaknesses identified in its road construction activities; (b) find a sustainable solution for the maintenance of constructed roads; and (c) verify the total kilometers of roads built to ensure they have been completed as planned and make appropriate recoveries if warranted.</p> | Critical | Yes | Assistant Rep (Prog) | 31 December 2018 | <p>UNHCR Office in Uganda has already started the assessment of the capacity of each prospective partner to procure using UNHCR funds. The delegation of procurement to partners to procure goods and service on behalf of UNHCR will be made in line with the outcome of this exercise and will be the basis for the selection of partners for the implementation of projects in 2019.</p> <p>In addition to the delegation of procurement, UNHCR Office in Uganda is reviewing its logistics activities that will subsequently impact on the performance review and assessment of the specific partner involved in logistics.</p> <p>Since May 2018, UNHCR has been engaging with a specific partner to review its capacity and to make recommendations as appropriate, including measures to establish central management and appropriate documentation of transport requests over the truck fleet, monitoring of vehicle movements through the Vehicle Tracking System and establishment of weekly utilization/expense reports. These instituted internal controls, including use of monitoring tools, will allow UNHCR to strengthen management over its fleet in a more effective manner with the aim of improving cost management and efficiency.</p> <p>After a diligent assessment, UNHCR has noted that the specific partner is currently overburdened with project activities which included construction and road maintenance works in addition to the overall management of logistics. This has imposed challenges to the partner that may have impacted its performance on its logistic responsibilities. UNHCR Office in Uganda will therefore streamline the logistics sector under one specialized partner starting from 2019.</p> <p>In order to find a suitable solution for the maintenance of constructed roads, UNHCR has engaged the relevant district authorities and Uganda National Road Authority (UNRA). At the same time, UNHCR technical unit, has conducted several site visits to inspect the conditions of the constructed roads and instituted a regular monitoring of the construction. UNHCR is currently developing a road rehabilitation strategy which includes mapping and classifications of roads in refugee-hosting districts taking note of its specifications (quality and length). This inspection and closer monitoring of the construction will be the basis of UNHCR in establishing recoveries from the partner, if applicable.</p> |
|----|---|----------|-----|----------------------|------------------|---|

|    |   |           |     |                       |                  |  |
|----|---|-----------|-----|-----------------------|------------------|--|
| 11 | The UNHCR Representation in Uganda should strengthen supervisory and monitoring controls over planning of distribution of non-food items, reconciliation of items received and distributed, and accounting for leftovers. | Important | Yes | Sr. Field Coordinator | 30 November 2018 | <p>The management and distribution of Non-Food Item (NFI) has been strengthened in the areas identified by the audit, to include monitoring, reporting, and reconciliation. There are several stages envisioned for the full implementation of these improvements as follows:</p> <p>i.Updating of the NFI distribution scale specifying the macro-level distribution plan in conjunction with population planning figures and actual influxes has been done.</p> <p>ii.For “one-off” NFI distributions to new arrivals, guidelines for NFI management and distribution will be strengthened. Actual distributions to refugees will be tracked real-time with a digital database. Data entry through a mobile device application at field level will be followed by reconciliation with Material Supply Requisition (MSR) in MSRP.</p> <p>iii.Secondary (repeat) NFI distributions of soap and hygiene kits will be linked to refugee biometric registration data, and will possibly be combined with food distributions. As a new practice, UNHCR intends to use its Global Distribution Tool (GDT) to record all repeat NFI distributions. The process will be integrated with World Food Programme (WFP) food distribution also using the GDT.</p> <p>iv.Draft SOPs have been developed, in consultation with relevant field staff and partners, to further strengthen different areas and stages in the overall distribution process. Once finalised, SOPs will introduce new innovative digital tools supporting the reconciliation as mentioned above.</p> <p>Furthermore, reconciliation of NFIs (i.e. between quantities released from UNHCR warehouses to distribution partners, and quantities actually distributed to refugees) has been strengthened at field level. The programme section at sub-offices, and management of field offices, receive and check distribution records from implementing partners and check them against stock releases. Multi-functional monitoring missions has been scheduled in a more frequent basis improving presence at distribution sites. This enhanced monitoring activities will also ensure appropriate tracking and recording of left overs.</p> |
|----|---|-----------|-----|-----------------------|------------------|--|



|    |  |           |     |                    |                  |  |
|----|--|-----------|-----|--------------------|------------------|--|
| 12 | The UNHCR Representation in Uganda, in coordination with the Bureau for Africa and the Division of Emergency, Security and Supply, should put in place arrangements to ensure that: (a) concerned staff are kept abreast of the warehouse management procedures; (b) unrecorded warehouses are recorded in MSRP; (c) recording and controlling of inventories are strengthened; and (d) the physical security of warehouses is improved. | Important | Yes | Sr. Supply Officer | 31 December 2018 | <p>UNHCR Uganda has fully implemented the audit recommendations concerning UNHCR inventory and warehouse management policy and procedures with the following measures put into place.</p> <p>All UNHCR policy and procedures in relation inventory management are fully implemented in the three main MSRP warehouse in Uganda (Kampala, Yumbe and Nakivale). The current stock reconciliation reports have shown discrepancies in the course of 2018 and these are now being reconciled and updated accordingly. The Supply Unit in Kampala is diligently monitoring the implement of MSRP procedures in all the three warehouse.</p> <p>The security services at Yumbe warehouse has been enhanced. As recommended, concrete slab in the warehouses has been built. Other MOSS requirements and security enhancement such as smoke detectors and alarm system have already been planned and initiated.</p> |
|----|--|-----------|-----|--------------------|------------------|--|