



INTERNAL AUDIT DIVISION

REPORT 2019/110

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

**There was a need to address control
deficiencies in partnership management,
procurement and vendor management, cash-
based interventions and community-based
protection activities**

**15 November 2019
Assignment No. AR2019/141/01**

Audit of the operations in Malaysia 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 Malaysia for the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess whether the UNHCR Representation in Malaysia was managing the delivery of services to persons of concern (PoCs) in a cost-effective manner and in accordance with UNHCR's policy requirements, with due regard to the risks that it was exposed to in the context in which it was operating. The audit covered the period from 1 January 2017 to 31 December 2018 and included a review of: partnership management; procurement and vendor management; health; cash-based interventions (CBI); community-based protection activities; and resettlement. The assessment of enterprise risk management and the control environment was integrated in the review of these areas.

The Representation took corrective actions to address the weaknesses noted by OIOS in its health and resettlement programmes. However, there was a need for the Representation to strengthen controls over partnership management, procurement, CBI and community-based protection activities.

OIOS made four recommendations. To address issues identified in the audit, UNHCR needed to:

- Strengthen oversight over partnership management by: (i) implementing controls to ensure an effective multi-functional team approach for performance monitoring; (ii) ensuring adequate review of procurements undertaken by partners; and (iii) ensuring requisite staffing of the Project Control function;
- Prioritize risks related to procurement to ensure: (i) active monitoring of procurement risks and corresponding controls; and (ii) improve oversight over procurement procedures;
- Review its processes to ensure adequate targeting of the most vulnerable PoCs; revise the vulnerability assessment tools for payment of cash-based assistance; and allocate funds to the CBI programme in line with its strategic priorities; and
- Reallocate funds as per the strategic importance of the community-based protection activities and approve and implement the community-based assessment tool.

UNHCR accepted the recommendations, took action to implement one recommendation and has initiated action to implement the remaining three.

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Audit of the operations in Malaysia 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 Malaysia for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The UNHCR Representation in Malaysia (hereinafter referred to as the Representation) commenced operations in 1975. Malaysia is not a signatory to the 1951 Convention or the 1967 protocol relating to the Status of Refugees and has no national asylum law to regulate the status of refugees. There is no country agreement between UNHCR and the host Government, and the Representation is working under a Letter of Invitation.
3. As at the end of December 2018, there were 163,864 refugees and asylum-seekers registered with the Representation. The Representation's strategy for 2017-2021 aims to expand the protection space and accelerate the realization of durable solutions for all persons of concern (PoCs).
4. The Representation was headed by a Representative at the D-1 level who reported to the Director Regional Bureau for Asia and the Pacific and was supported by 14 professionals, 15 national officers and 43 general service staff. The Representation had its country office in Kuala Lumpur. For 2017 and 2018, the Representation's total expenditure was \$8 million. In 2017 and 2018, the Representation worked with 14 and 15 partners, respectively, to implement projects with a combined value of \$2.8 million.
5. Comments provided by UNHCR are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess whether the UNHCR Representation in Malaysia was managing the delivery of services to its PoCs in a cost-effective manner and in accordance with UNHCR's policy requirements, with due regard to the risks that it was exposed to in the context in which it was operating.
7. This audit was included in the 2019 risk-based work plan of OIOS because of the risks related to the implementation of UNHCR activities in Malaysia.
8. The audit took place in Kuala Lumpur from 18 to 29 March 2019. The audit reviewed the Representation's activities during the period from 1 January 2017 to 31 December 2018. Based on an activity-level risk assessment, the audit reviewed the following higher and medium risk areas: (a) partnership management; (b) procurement and vendor management; (c) health; (d) cash-based interventions (CBI); (e) community-based protection activities; and (f) resettlement. The assessment of enterprise risk management (ERM) and the control environment was integrated in the review of these areas.
9. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data including financial data from Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system, and performance data from Focus, the UNHCR results-based management system; (d) review of data extracted from proGres, the UNHCR registration and case management tool; (e) sample testing of controls; and (f) visits to the offices

of UNHCR and five partners, and three units each of health clinics, community learning centres and community protection projects.

10. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. Partnership management

There was a need to strengthen oversight over partnership management

11. The Representation established a multi-functional Implementing Partnership Management Committee (IPMC) to conduct the partner selection and retention processes in accordance with UNHCR procedures. Based on the IPMC recommendations, the Representation signed, in a timely manner, nine project partnership agreements (PPAs) and five small scale agreements in 2017, and six PPAs and nine small scale agreements in 2018. During the audit and visits to five partners, OIOS noted the following weaknesses in partnership management and project monitoring:

- The Representation entrusted procurement worth \$1.2 million to its partners, and while the Representation assessed the procurement capacity of individual partners during the selection process, it did not conduct cost-benefit analysis to assess whether acquiring goods and services through the partners was more advantageous than through direct implementation. Therefore, the decision of procuring through partners with UNHCR funds was not an informed one. Whilst the audit was ongoing, the Representation conducted a cost benefit analysis for the procurement designated to the partners in 2019;
- Two partners associated with the education programme did not follow a competitive process to hire buses for transporting children to school for a total cost of \$228,331. One of the partners used the bus company initially hired in 2010 but had not compared market rates since then and consequently, there was no assurance that the rates obtained were competitive. Three other partners did not perform a vendor selection and evaluation process and did not maintain vendor registers. These weaknesses were not pointed out by UNHCR monitoring teams;
- Although multi-functional teams (MFT) were established, an integrated team approach was not followed during performance monitoring. Instead, staff from different technical units visited the partners separately, which was not an efficient process and resulted in partners having to go through the same verification process many times since they were implementing different UNHCR activities;
- Monitoring reports were not submitted timely to management for taking corrective action. Whilst the fieldwork was ongoing, the Representation started reviewing the performance of each partner in a high level joint monitoring meeting under the chairmanship of the Representative; and
- There was only one local staff member in the Project Control Unit who was overburdened with singlehandedly conducting financial verification of all the partners.

12. These control weaknesses were caused by inadequate management oversight and monitoring of partners as evidenced by the fact that that MFT approach was not adopted for performance monitoring of the partners and the financial and procurement records were not adequately verified. Furthermore, despite prioritizing the risk of lack of staffing resources in the Project Control Unit in its risk register for 2018, the Representation did not take action to strengthen the Unit. As a result, the Representation was exposed to the risk of failure to obtain value for money, financial loss, and failure to fully achieve project objectives.

(1) The UNHCR Representation in Malaysia should strengthen oversight over partnership management by ensuring: (i) the implementation of an effective multi-functional team approach for performance monitoring; (ii) adequate review of procurements undertaken by partners; and (iii) requisite staffing resources in the Project Control Unit.

UNHCR accepted recommendation 1 and stated that since May 2019, the Representation had started performance monitoring of its partners using a MFT approach. It had also carried out reviews of the procurement undertaken by the partners, in line with the relevant Guidance Note. The Representation, in consultation with the Regional Bureau for Asia and the Pacific, had also initiated a comprehensive review of the structure and staffing resources including those for the programme and project control functions. This review process was still on-going. In the meantime, the Representation had reclassified the post of Senior Field Coordinator as Senior Programme Officer. Recommendation 1 remains open pending receipt of documentary evidence of the provision of requisite staffing resources for the Project Control Unit.

B. Procurement and vendor management

There was a need to prioritize procurement-related risks and strengthen oversight over procurement and vendor management

13. In 2017 and 2018, the Representation procured goods and services worth \$2.6 million. OIOS reviewed 10 contracts and related purchase orders (POs) with an aggregate value of \$ 1.1 million (42 per cent of the procurement for the period). The review indicated the following weaknesses:

(a) Procurement planning

14. The Representation had prepared procurement plans for the period under review, but the plans lacked key details such as actual needs, time frame for procurement processing, and monitoring and follow up mechanism. As a result: (a) goods and services acquired were not included in procurement plans such as procurement of medicines for \$179,232, and cleaning services for \$177,971; (b) frame agreements were not established for frequently purchased items, for example, office renovation services were procured from same vendor for \$25,969 and hotel services were procured from one hotel for \$41,086; (c) procurement of refugee identity cards at an aggregate cost of \$179,780 between 2015 and 2018 was done without written contracts; (d) expired contracts were not renewed; and (e) a contract of \$42,166 for refugee training was signed only after commencement of the training.

(b) Vendor management

15. OIOS' review of the vendor database indicated 37 duplicate records. This occurred because the Representation did not review the vendor database in a timely manner which exposed it to the risk of duplicate payments.

(c) Procurement processing

16. The Representation did not always comply with procurement procedures and this resulted in control weaknesses such as: (a) issuance of 117 non-PO vouchers for \$2.3 million related to procurement of goods and services, whereas the POs exceeded the threshold for non-POs, i.e. \$4,000. Thus, these vouchers were not subject to monitoring under the three-way matching system for verifying POs with receipts and to ensure payment after receiving goods and services; and (b) issuing 95 POs with a total value of \$287,880 after receipt of corresponding invoices from the vendors. In order to ensure competition among the

suppliers, UNHCR's requirement for response time for invitation to bids is 6-8 weeks. However, in 12 procurements for a total value of \$708,302, the Representation gave a response time of only two weeks for responding to the invitation of bids. As a result, only one to four bids were received in these cases. In three cases for a total procurement value of \$100,723, where only one bid was received, the Representation permitted a waiver from competitive bidding without checking market prices, which restricted the competition and affected the transparency of the procurement process.

(d) Oversight by Local Committee on Contracts

17. The Local Committee on Contracts (LCC) held 11 meetings during the period under review. OIOS' review of LCC minutes indicated that in three cases, LCC awarded contracts without specifying their duration, leaving this decision to the requesting unit, which increased the risk of misinterpretation. Furthermore, in the LCC meeting held on 21 August 2018, a staff member who was also the secretary and ex-officio member of LCC by virtue of his designation, presented a case for award of a contract for cleaning services worth \$177,066. Being a requestor, he should not have participated in the decision-making since there was a conflict of interest.

18. The following additional issues were noted in relation to the work of LCC:

- There was inadequate follow up on implementation of decisions made by LCC. For example, the Committee approved a consultancy project for \$93,393 over a period of three years with directions to negotiate price with the vendor. However, the Representation proceeded with the same un-negotiated rates without notifying LCC. In another case, LCC deferred approval of a contract related to refugee training for \$36,352 and requested for more information about a potential conflict of interest of a staff member with the vendor. However, the Representation awarded the contract without submitting the required information and obtaining LCC's approval. In another case, at its meeting on 8 February 2018, LCC deferred its decision in two cases related to training of PoCs at a total cost of \$192,146. However, on 13 June 2018, the Representation requested LCC for an increase of \$63,716 to the contract value in the deferred cases stating that the original award had been approved by the Committee. LCC approved the increase without verifying the wrong premise. Furthermore, on 19 September 2015, LCC deferred an award for provision of managed printing services, but the Representation awarded the contract and later extended it up to 2018 without notifying LCC. The expenditure for this contract accumulated to \$43,626 in 2017 and 2018;
- The Representation did not obtain approval of the Headquarters Committee on Contracts for the three contracts for cleaning services (\$170,808), refugees' medical insurance services (\$161,607) and pre-printed cards (\$179,780) as required; and
- The Representation also did not monitor the aggregate value of procurement from individual vendors. Thus, it did not notify LCC about procurement of goods and services from 13 different vendors aggregating to a total value of \$516,256 which would have required approval by LCC.

19. Given these weaknesses, OIOS was of the opinion that the Representation should have prioritized procurement aspects in its risk register for active monitoring of procurement processes and adequate planning and oversight over procurement. As a consequence, the Representation was at risk of not obtaining best value for money from its procurement activities.

(2) The UNHCR Representation in Malaysia should prioritize risks related to procurement in its risk register to ensure: (i) active monitoring of procurement risks and corresponding controls; and (ii) improved oversight over procurement procedures.

UNHCR accepted recommendation 2 and stated that the Representation would finalise the risk review for the 2020 operational planning with the assistance of the Regional Bureau's Senior Risk Management and Compliance Advisor. As a result of the exercise, risk owners would be designated for monitoring risks, ensuring risk treatments and providing oversight in their respective areas. Staffing review, which was currently on-going, would further help the Representation in streamlining its supply function. Technical support on supply issues would be provided by a joint mission from the Regional Bureau for Asia and the Pacific Bureau and the Division of Emergency, Security and Supply would also visit the Representation. Recommendation 2 remains open pending receipt of evidence of actions taken to ensure: (i) active monitoring of procurement risks and corresponding controls; and (ii) improved oversight over procurement.

C. Health

Weaknesses in the country health strategy and procedures on referrals had been addressed

20. In 2017 and 2018, the Representation spent \$1.1 million on health activities (or 12 per cent of its total expenditures for the period). The Representation established a health strategy for 2017-2021, defined standard operating procedures (SOPs), conducted health access and utilization survey, and performed participatory needs assessments. It implemented activities to provide low-cost primary and secondary health care to PoCs, such as with the establishment of: a network of clinics under the management of three health partners; a process of referrals to hospitals; a health insurance scheme (Refugee Medical Insurance, or REMEDI); and a Refugee Welfare Fund (RWF). In addition, it established agreements with: academia and volunteer organizations for the implementation of targeted projects on health education, mental health and dental care; and private clinics for providing primary health care at discounted rates. Furthermore, a strategic health partner co-funded several of the Representation's health activities. Nevertheless, OIOS noted the following issues related to the management of the health programme:

(a) Access to medical services

21. Registered PoCs could access public health facilities with a 50 per cent discount over the rates applicable to foreigners, which were still costlier as compared to rates paid by Malaysian citizens. Since 2016, REMEDI started suffering losses due to the increase in health care rates and became unsustainable. Following the end of the contract with the insurance company, on 30 June 2018, the Representation was not successful in establishing a new contract due to lack of viable responses from vendors.

(b) Needs assessment and planning

22. There were inconsistencies between the country health strategy, the 2018 country operations plan, and the 2018 PPAs in areas such as vaccination of children, access to antenatal and maternity care, family planning and mental health care. The strategy identified gaps in these areas and the PPAs reflected some of them, whereas the country operations plan grouped them under the generic umbrella of "access to primary health care services", which made it difficult to monitor each area individually. The health strategy also did not include an updated and detailed mapping of initiatives from other actors in the sector that would inform a holistic understanding of gaps and risks in health services for prioritization of activities. Such an assessment was instead kept separately by the Representation. Furthermore, considering that REMEDI was no longer available, strategic objectives, enabling actions and indicators related to the insurance scheme required revision.

(c) Referrals

23. In 2017 and 2018, the Health Unit received a total of 3,382 requests for medical assistance; it prioritized 322 cases (or 9.5 per cent) and assisted 156 cases (or 48 per cent of the prioritized cases). The Health Unit reported monthly to senior management on the number of cases referred and assisted, but it did not report on the costs and outcomes of those referrals. In addition, the Unit filed referrals documentation, except Human immunodeficiency virus (HIV)-related, in the physical files of PoCs, which exposed confidential medical information of PoCs to staff working in different units.

(d) Implementation through partners

24. A sample review of two health partners, who had incurred \$479,192 (or 45 per cent) of the 2017-2018 health expenditure, indicated that: (i) in 2017, a partner did not keep adequate stock records of drugs; (ii) another partner, who controlled the stocks of drugs for tuberculosis on behalf of the Representation did not reconcile quantities delivered with the list of approved patients and existing stocks; and (iii) a clinic maintained by a partner did not provide for access for disabled and elderly persons. These issues were not detected by the Representation during its regular monitoring of the partners' activities.

(e) Monitoring and reporting

25. The country health strategy defined strategic objectives, enabling actions and indicators, but there was a disconnect between the indicators defined in the strategy and the Focus indicators. The Representation also did not define specific quantitative targets and milestones for the strategic indicators, and it did not monitor and report on the delivery of the strategy. Monitoring of Focus indicators was limited to the data reported by partners and related to the medical assistance provided directly to PoCs. The Representation was not compiling data on health care services provided to PoCs by public hospitals and related morbidity and mortality trends, because this data was not provided by the Ministry of Health.

26. The issues above were due to: (a) unavailability of sufficient data on health indicators and trends owing to lack of an agreement with the host government and due to protocols with the Ministry of Health; (b) gaps in compliance with the UNHCR's Principles and Guidance for Referral Health Care; (c) inadequate monitoring of activities implemented by partners; and (d) lack of adequate oversight over the delivery of the country health strategy. Whilst the audit was in progress, the Representation implemented adequate controls to address these weaknesses.

The need to ensure adequate definition of and oversight over the Refugee Welfare Fund had been addressed

27. RWF, managed by a partner, was established to finance urgent life-saving medical interventions of PoCs. In 2017 and 2018, the Representation's contributions to the fund totalled \$113,566. In the period under review, 135 of the assisted cases, (or 87 per cent) were channelled through RWF. According to the fund's established procedures, the Representation was required to assess medical referrals received against agreed eligibility criteria and obtain approval from the fund's referral committee for the respective funding. OIOS observed the following issues in relation to the management of RWF:

(a) Approvals of payments

28. OIOS reviewed a sample of 12 referral cases, where RWF paid in total \$41,406 (or 35 per cent of the fund's payments). The Representation did not provide key information to the fund's referral committee, such as medical reports, laboratory tests, interim hospital bills, prognosis of the treatment, assessment of the most cost-effective service provider, and reasonableness of costs so that the committee could make

informed decisions on the funding through RWF. These documents, as well as the approvals from the committee, were also not consistently available in the case files.

(b) Monitoring and reporting

29. RWF procedures required delivery of quarterly financial and narrative reports on the use of the fund and on approvals granted by the referrals committee, but such reports were not available. Even though the Representation disbursed grants to RWF under PPAs, the partner did not report the expenditures incurred against the grants in the respective project financial reports. It only referred briefly to total disbursements and balances of RWF in the narrative reports, while it reported the total amount of the grant under “new expenditures” to offset any balances due to the Representation. In OIOS’ opinion, this procedure was incorrect, as the Representation needed to establish a revolving loan agreement to complement the PPA, so that it could effectively transfer ownership of funds to the partner.

30. The issues above were due to lack of definition of and oversight over the implementation of RWF procedures by the Representation. Whilst the audit was in progress, the Representation implemented adequate controls to address these weaknesses. Nonetheless, OIOS encourages the Representation to further elaborate on the RWF fundraising strategy by including relevant targets and milestones.

D. Cash-based interventions

There was a need to review the process for targeting vulnerable persons of concern, revise the vulnerability assessment tool and allocate funds to the cash-based assistance programme

31. During 2017 and 2018, the Representation spent \$60,251 on detention release grants, \$85,131 on emergency support; \$243,805 on protection support, and \$179,120 on grants for education. It supported vulnerable PoCs through a combination of one-off emergency and regular protection grants, as well as one time payments to persons released from detention centres. It conducted a socio-economic baseline survey, a market survey, a participatory needs assessment exercise, and a risk assessment exercise before developing its CBI programme and CBI SOPs. Nevertheless, OIOS’ review of the CBI programme indicated the following shortcomings:

- The Representation did not incorporate results from risks assessment conducted for the CBI programme into ERM activities. For example, risk registers for the period did not contain risks such as growing poverty among PoCs due to shrinking self-reliance opportunities and risks related to direct distribution of cash to the PoCs. Whilst the audit was still in progress, the Representation revised its risk register for 2019 and added CBI related risks together with associated treatments and the target dates for their implementation.
- A CBI exit strategy was not available. The Representation explained that an exit strategy was not feasible until the host Government developed a legal and social framework for refugees. In the absence of such a framework, vulnerability among PoCs would continue to increase as self-reliance opportunities were limited. However, the SOPs put a cap of six months on continuous payment of CBI; after that, the Representation reassessed vulnerability and permitted further payment only in deserving cases.
- A review of a sample of 50 emergency CBI cases revealed that the Representation and its partners were disbursing different CBI amounts than those specified in the SOPs. In some cases, the disbursed amounts also differed from the amounts determined through the vulnerability assessment tool. CBI staff explained that the SOPs and the vulnerability assessment tool were outdated due to inflation and changes in the minimum wage rate in Malaysia. While the audit was ongoing, the Representation

updated and circulated its SOPs on CBI. Nevertheless, there was still a need to revise the vulnerability assessment tools.

- CBI criteria required provision of cash assistance to the most vulnerable refugees. Although six per cent of the refugees were registered as most vulnerable in proGres (9,832 of 163,864 refugees registered as at December 2018), only 644 PoCs were provided with emergency and protection support in 2018. This meant that only 7 per cent of the total registered vulnerable PoCs received CBI payments. The Representation stated that the grant was provided to those vulnerable PoCs who applied for it. However, this practice increased the risk that the vulnerable refugees having no access to the Representation or community focal points would be deprived of cash assistance.
- Although the Representation listed CBI as a strategic priority in its multi-year (2016–2020) protection strategy, it did not allocate financial resources corresponding to its strategic importance. For example, protection and social support grant disbursed to 525 beneficiaries in two years was 1.5 per cent (\$243,805) of the total expenditure for the period under audit, and the number of beneficiaries was about 5 per cent of the registered vulnerable PoCs as at December 2018. Similarly, grants for education were reduced by 75 per cent in 2018 (\$36,181 as compared to \$142,940 in 2017), hence only 20 refugee children received education grant in 2018 as compared to 106 children in 2017.

32. The main reasons for the above deficiencies were that the Representation did not: review its beneficiary targeting process; update its vulnerability assessment tool to incorporate changes in the operational environment; and allocate adequate funds to its CBI programme as per its strategic importance. This exposed the Representation to the risk that it may not be able to achieve the objectives set in its Protection and Solution Strategy 2017-2021.

(3) The UNHCR Representation in Malaysia should: (i) review its processes to ensure adequate targeting of the most vulnerable persons of concern; (ii) revise the vulnerability assessment tool for payment of cash-based assistance; and (iii) make efforts to allocate funds to its cash based assistance programme in line with the strategic priority given in its protection strategy.

UNHCR accepted recommendation 3 and reported that the Representation had revised its SOPs on CBI, outlining the eligibility criteria for targeted beneficiaries. The CBI Section of the Division of Programme Support and Management had endorsed the SOP. The Representation had also revised its Livelihood Vulnerability Assessment Tool in line with the current Malaysian national minimum wage of MYR 1,100 for a household of four persons. In addition, the Representation had increased allocation for CBI from \$189,275 in 2019 to \$331,600 in its 2020 operational plan, representing an increase of 75 per cent over the 2019 CBI allocation. Based on the action taken by UNHCR, recommendation 3 has been closed.

E. Community-based protection activities

There was a need to strengthen controls over community-based protection measures and seek fund allocations corresponding its strategic importance

33. In the period under review, the Representation spent \$1.6 million on community empowerment and community-based activities. It developed a multi-year community-based protection strategy in 2017, after conducting a risk assessment exercise and conducting participatory assessments. Nevertheless, the review of community support programme indicated the following shortcomings:

- The risk register did not reflect risks related to the programme such as weak community structures among different PoC communities such as the Rohingya and lack of coordination among community-

based organizations and stakeholders. Thus, the senior management could not provide oversight and guidance on the treatment of the risks in a sustained manner. Whilst the audit was still ongoing, the Representation revised its risk register for 2019 and added risks related to community-based programme with associated treatments and set the target dates for their implementation;

- Community-based protection strategy accorded priority to self-reliance activities, but funds spent under this objective did not correspond to its strategic importance. For example, \$165,396 were provided to 112 beneficiaries under the Micro Enterprise Development Programme in the two years under review which was equivalent to one per cent of the aggregate expenditure during the period. Furthermore, beneficiaries of the programme were only one per cent of total registered vulnerable PoCs. Furthermore, due to limited funds, the Representation could only sponsor 15 community livelihood projects under the Social Protection Fund, and 12 community sexual and gender-based violence response projects. Thus, the Representation was exposed to the risks of not adequately achieving its community protection objectives; and
- One of the objectives in the community-based protection strategy was to create an environment where the refugees belonged to self-reliant, empowered and resilient communities. However, the Representation did not develop objective criteria to measure the achievement of this goal. The Representation stated that it was developing a community-based assessment tool which would establish criteria for the measurement of the objectives of the strategy, its milestones and their timely achievement.

34. The above resulted due to lack of adequate allocation of resources to the programme in line with its strategic priority, and delay in approval and implementation of the draft community-based assessment tool. The Representation was therefore exposed to the risk of failure to achieve the community-based protection activities programme objectives.

(4) The UNHCR Representation in Malaysia should reallocate funds as per the strategic importance of the community-based protection activities and approve and implement the community-based assessment tool.

UNHCR accepted recommendation 4 and stated that the Representation had initiated a comprehensive review of its community-based protection strategy with a focus on necessary elements required for the development of strong and sustainable community-based protection activities. After concluding the review, the revised strategy would be reflected in the 2020 County Operations Plan. The Representation had finalised, approved and implemented the community-based assessment tool in October 2019. Recommendation 4 remains open pending receipt of the revised community-based protection strategy and evidence of action to allocate funds in keeping with the strategic importance of community-based protection activities.

F. Resettlement

Anti-fraud controls for resettlement had been strengthened

35. The Representation used resettlement as its main durable solution in the past years due to the lack of viability of other durable solutions. The Representation submitted 5,614 persons for resettlement in 2017 and 2018, which was 11 per cent above its target of 5,040 persons for the two years. It implemented a major group resettlement programme with the United States of America. The average processing length for this group resettlement (from initiation to submission of cases) was 395 and 331 days in 2017 and 2018, respectively.

36. The Representation implemented the following controls in resettlement processing: (a) the identification and prioritization of refugees for resettlement was based on a pre-defined set of vulnerabilities (e.g., children and adolescents, women at risk, serious medical condition, survivors of violence, etc.), with the process of review and decision through a Vulnerability Panel; (b) use of proGres, for resettlement processing, which was set up with segregated access roles; (c) internal review within the Durable Solutions Unit of Resettlement Registration Forms prior to resettlement submissions; (d) periodic reviews of pending resettlement cases and ad-hoc spot checks by the Head of the Durable Solutions Unit to verify adherence to the SOPs and reasoning for cases pending for extended periods; and (e) recently updated SOPs, including proactive case processing safeguards, such as verification of identities with biometrics prior to interviews.

37. In terms of anti-fraud measures, the Representation had: established a Fraud Management Team and a Fraud Assessment Panel to deliver investigations and decisions on fraud respectively; delivered relevant anti-fraud training both internally and externally to partners and community leaders; appointed fraud focal points in each unit to manage inconsistencies in records in proGres and to monitor and report on allegations of fraud; and updated the fraud vulnerability assessment in December 2017. The Representation had addressed or was in the process of addressing the identified gaps, including updating the SOPs of the various units to align with the requirements of the 2017 Policy on Addressing Fraud by Persons of Concern, deliver refresher training to staff, ensuring safe storage of files, and updating anti-fraud messaging; and installed complaint boxes and a dedicated email to receive complaints or allegations on fraud, as well as a review process.

38. However, OIOS noted that the Representation was not monitoring periodic changes to photos and other key biodata of records in proGres, as required by the SOPs on resettlement. These changes could be done in proGres without approval granted in the system and pass by undetected. Furthermore, even though the Representation had implemented a file tracking system and access restrictions to the filing rooms, the door of the main filing room was kept unlocked during working hours, and there was risk of unauthorized access to files. Whilst the audit was in progress, the Representation implemented adequate controls to address these weaknesses.

IV. ACKNOWLEDGEMENT

39. 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.

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STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNHCR Representation in Malaysia should strengthen oversight over partnership management by ensuring: (i) the implementation of an effective multi-functional team approach for performance monitoring; (ii) adequate review of procurements undertaken by partners; and (iii) requisite staffing resources in the Project Control Unit.	Important	O	Submission to OIOS of documentary evidence of the provision of requisite staffing resources for the Project Control Unit.	31 December 2019
2	The UNHCR Representation in Malaysia should prioritize risks related to procurement in its risk register to ensure: (i) active monitoring of procurement risks and corresponding controls; and (ii) improved oversight over procurement procedures.	Important	O	Submission to OIOS of documentary evidence of actions taken to ensure: (i) active monitoring of procurement risks and corresponding controls; and (ii) improved oversight over procurement.	31 January 2020
3	The UNHCR Representation in Malaysia should: (i) review its processes to ensure adequate targeting of the most vulnerable persons of concern; (ii) revise the vulnerability assessment tool for payment of cash-based assistance; and (iii) make efforts to allocate funds to its cash based assistance programme in line with the strategic priority given in its protection strategy.	Important	C	Action Completed.	Implemented
4	The UNHCR Representation in Malaysia should reallocate funds as per the strategic importance of the community-based protection activities and approve and implement the community-based assessment tool.	Important	O	Submission to OIOS of the revised community-based protection strategy and evidence of action to allocate funds in keeping with the strategic importance of community-based protection activities.	30 November 2019

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNHCR in response to recommendations.

APPENDIX I

Management Response

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Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments ³
1	The UNHCR Representation in Malaysia should strengthen management oversight over partnerships by ensuring: (i) the implementation of an effective multi-functional team approach for performance monitoring; (ii) adequate review of procurements undertaken by partners; and (iii) requisite staffing resources in the Project Control Unit.	Important	Yes	Associate Programme Officer Project Control Associate Admin/HR Officer	Completed 31 December 2019	The Representation has since May 2019 conducted performance monitoring using a multi-functional team approach, in line with UNHCR requirements. The Representation has carried out procurement reviews of partners, in line with the relevant Guidance Note for partnership management. The Representation, in consultation with the Regional Bureau for Asia and the Pacific (RBAP) has undertaken a comprehensive review of its structure and staffing level, including those for the programme and project control functions. This review process is still on-going and not concluded yet. In the meantime, an immediate action has been taken to reclassify the Senior Field Coordinator position to be Senior Programme Officer at P4 level, more accurately reflecting the required expertise.
2	The UNHCR Representation in Malaysia should prioritize risks related to procurement in its risk registers to ensure: (i) active monitoring of	Important	Yes	ERM focal point of UNHCR Malaysia	30 November 2019	Risk review for 2020 operations is to be conducted in the course of the 2020 Detailed Planning and Budgeting process. The updated Corporate Risk Register is expected to be completed by 30 November 2019. The Bureau's Senior Risk Management and Compliance

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² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ Please indicate feasibility and realistic timelines for implementation of the recommendation.

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	procurement risks and corresponding controls; and (ii) improved oversight over procurement procedures.			Admin/Finance Officer (focal point for Supply)	31 January 2020	<p>Advisor will provide support to the Representation to ensure the risk review process is conducted.</p> <p>As of the 2019 mandatory risk review (completion by Country Offices due by 30 November 2019), assignment of treatment owners for each identified risk treatment, which provides an effective tool for the Risk Owner (the Country Representative) to monitor progress of the implementation of risk treatments and to exercise oversight.</p> <p>The Representation – RBAP assessment of the above-mentioned comprehensive structure and staffing review outcomes included those for supply functions, with a view to streamline the Representation’s supply management capacity. This review process is currently on-going and has not yet been concluded.</p> <p>For a short-term support in supply management of the Representation, RBAP and the DESS has agreed on fielding a technical support mission to Malaysia (in a meeting on 6 November 2019 at RBAP/Bangkok).</p>
3	The UNHCR Representation in Malaysia should: (i) review its processes to ensure adequate targeting of the most vulnerable persons of concern; (ii) revise the vulnerability assessment tools for payment of cash-based assistance; and (iii) make efforts to allocate funds to its cash based assistance	Important	Yes	Assistant Programme Officer	Completed	<p>(i) The Representation has revised the CBI SOPs to clearly reflect eligibility criteria for targeted groups, which were endorsed by HQs-CBI.</p> <p>(ii) The Livelihood Vulnerability Assessment Tool (LVAT) has been adjusted to remove the capped amount of MYR700 per month. The new ceiling is in line with the current national minimum wage of MYR1,100 for a household of four. This is to assist the eligible households with their basic needs.</p>

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	programme in line with the strategic priority given in its protection strategy					(iii) The Representation during the 2020 COP Planning has increased the allocation for CBI despite its limited OL budget from US\$189,275 to US\$331,600 representing an increased by 75%.
4	The UNHCR Representation in Malaysia should (i) reallocate funds as per the strategic importance of the community based protection activities and (ii) approve and implement the community based assessment tool.	Important	Yes	Associate Protection Officer (community-based)	30 November 2019	The Representation has been comprehensively reviewing its strategy, including with a focus on necessary elements required for the development of strong and sustainable community-based protection (CBP). This review process is currently on-going and has not been concluded yet. Once the review process is concluded, a revised strategy will be reflected in the 2020 County Operations Plan to be updated through the Detailed Planning and Budgeting process. Once the review process is concluded, a revised strategy will be reflected in the 2020 County Operations Plan to be updated through the Detailed Planning and Budgeting process.
				Associate Protection Officer (Community-based)	Completed	The Representation has finalized and approved the community-based assessment tool for immediate implementation effective October 2019