



INTERNAL AUDIT DIVISION

REPORT 2022/077

Audit of operations in China, Japan, Kyrgyzstan (National Office), Republic of Korea and Tajikistan for the Office of the United Nations High Commissioner for Refugees

The Regional Bureau for Asia and the Pacific needed to enhance its oversight of country processes related to partnership management, procurement and cash-based interventions

**19 December 2022
Assignment No. AR2022-141-01**

Audit of operations in China, Japan, Kyrgyzstan (National Office), Republic of Korea and Tajikistan for the Office of the United Nations High Commissioner for Refugees

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of operations in China, Japan, Kyrgyzstan (National Office), Republic of Korea and Tajikistan for the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess whether the Representations were managing the delivery of services to persons of concern (PoCs) in a timely, cost-effective manner, and in compliance with UNHCR's policy requirements. The audit covered the period from 1 January 2021 to 30 June 2022 and included (a) strategic planning and resource allocation; (b) enterprise risk management; (c) programme management; (d) procurement and contract management; (e) Administrative Budget and Obligation Document (ABOD) expenditures; (f) human resource management; (g) fundraising; and (h) Cash-Based Interventions (CBIs).

The UNHCR Representations and National Office operated in countries with relatively small numbers of PoCs and were characterized by relatively small budgets and staff resources. The Representations in China, Japan and Korea were involved in fundraising and resource mobilization.

UNHCR was yet to differentiate requirements for operations of different sizes, capacities and mandates and therefore the operations relied on and received support from the Regional Bureau for Asia and the Pacific or, in the case of Kyrgyzstan national office, the Kazakhstan Multi-Country Office in the delivery of their mandates. OIOS found that some areas in partnership management, procurement and CBIs needed further strengthening, and the Regional Bureau responded quickly to address audit observations.

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

- Ensure that the Representation in Tajikistan strengthens the selection and monitoring of partners;
- Ensure that partner integrity capacity and support costs are correctly calculated, budgeted and paid;
- Strengthen controls over procurement to ensure that best value is obtained;
- Update CBI standard operating procedures to guide the implementation of programme activities;
- Ensure that the Representations in China and Tajikistan strengthen the collection and validation of beneficiary information; and
- Ensure that the Representation in Tajikistan properly documents all cash assistance payments.

UNHCR accepted all recommendations and had initiated action to implement them. Actions required to close the recommendations are indicated in Annex I.

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Audit of operations in China, Japan, Kyrgyzstan (National Office), Republic of Korea and Tajikistan 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 operations in China, Japan, Kyrgyzstan (National Office), Republic of Korea and Tajikistan for the Office of the United Nations High Commissioner for Refugees (UNHCR).

2. The Representations in China, Japan, Republic of Korea and Tajikistan report to the Regional Bureau of Asia and the Pacific (hereinafter referred to as ‘the Regional Bureau’). The operation in Kyrgyzstan is a National Office under the Multi-Country Office (MCO), Almaty, Kazakhstan. The Representation in Tajikistan reported to MCO, Almaty, Kazakhstan until 31 March 2022 when its reporting line was changed to the Regional Bureau. Relevant details for the five operations are summarized in Table 1.

Table 1: Summarized view of the five Operations

| Operation | Summary of Persons of Concern (PoCs) | Summary of country staff | Total operating level budget 2021-2022 (\$) | Number of partners |
|------------------------------|--|--|---|------------------------------|
| China | 1,155 PoCs (338 refugees and 817 asylum-seekers) from 46 countries of origin. | Representative at D1 level assisted by a Deputy Representative at P5 level. 32 staff positions. No vacancies | 8,403,609 | None |
| Japan | 1,390 refugees and humanitarian status holders, predominantly from Myanmar. | Representative at D1 level. 22 staff. 2 vacancies | 7,430,787 | 2 (10 per cent of budget) |
| Kyrgyzstan (National Office) | 1,006 PoCs (319 refugees, 683 asylum seekers and 4 stateless persons), predominantly from Afghanistan. | National Office is headed by a National Officer – C. 4 staff. 2 vacancies | 1,561,972 | 2 (31 per cent of budget) |
| Republic of Korea | 3,607 persons recognized as refugees or granted humanitarian status, predominantly from Syria and Yemen. | Representative at D1 level. 1 P4, 13 national staff. 1 vacancy | 4,062,707 | 7 (56 per cent of budget) |
| Tajikistan | 14,000 refugees, predominantly from Afghanistan. | Representative at P4 level. 16 staff positions. No vacancies | 9,268,609 | 6 (27 per cent of budget) |

3. Comments provided by UNHCR are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

4. The objective of the audit was to assess whether the Representations were managing the delivery of services to persons of concern in a timely, cost-effective manner and in compliance with UNHCR’s policy requirements, with due regard to the operational context.

5. This audit was included in the 2022 risk-based work plan of OIOS in accordance with OIOS audit cycle for country operations rated as low risk. OIOS conducts limited scope audits for countries assessed as low risk every five years to provide the required minimum level of assurance.

6. OIOS conducted this audit remotely from July to September 2022. The audit covered the period from 1 January 2021 to 30 June 2022. Based on an activity-level risk assessment, the audit covered higher and medium risks areas, which included: (a) strategic planning and resource allocation; (b) enterprise risk management; (c) programme management; (d) procurement and contract management; (e) Administrative Budget and Obligation Document (ABOD) expenditures; (f) human resource management; (g) fundraising; and (h) Cash-Based Interventions (CBIs). The audit also assessed the adequacy and effectiveness of the Regional Bureau’s oversight, guidance and support to the field operations.

7. The audit methodology included: (a) interviews with key personnel; (b) a 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, performance data from FOCUS, the UNHCR results-based management system, sample testing of payment vouchers and purchase orders and relevant records from partners and utilization of data analytics from UNHCR Power BI, the UNHCR business intelligence application; and (d) sample testing of controls.

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

III. AUDIT RESULTS

A. Strategic planning and resource allocation

Gaps in strategic planning and resource allocation were timely addressed

9. The gap between operational needs and available budgets in the two years under audit ranged between \$45,319 to \$7 million for the five countries, as shown in table 2.

Table 2: Analysis of operational needs and budgets

| Five operations | 2021 | | | 2022 | | |
|------------------------------|-----------------------|-----------------------|-----------|------------|-----------|-----------|
| | Total OP ¹ | Total OL ² | Gap | Total OP | Total OL | Gap |
| China | 3,983,841 | 3,938,522 | 45,319 | 4,465,086 | 4,465,086 | - |
| Japan | 3,873,639 | 3,530,787 | 342,852 | 4,037,067 | 3,895,306 | 141,761 |
| Kyrgyzstan (National Office) | 930,929 | 880,638 | 50,291 | 744,011 | 696,334 | 47,677 |
| Republic of Korea | 2,254,572 | 1,850,980 | 403,592 | 2,307,912 | 2,211,727 | 96,185 |
| Tajikistan | 12,026,002 | 5,016,052 | 7,009,950 | 10,800,920 | 4,252,557 | 6,548,363 |

Source: Global focus and PowerBI

10. This called for reinforced strategic planning if the needs were to be met, i.e., (i) assessment and prioritization of needs; (ii) strategies to direct programmes; (iii) reliable data for decision-making; (iv) robust resource allocation; and (v) performance management.

11. Except for the Republic of Korea that had a one-year interim strategy, China, Japan, Tajikistan and Kyrgyzstan (National Office) all had multi-year strategies in place. The five countries also had key strategic and operational strategies to direct their programmes. For instance, the Representation in Tajikistan had a three-year strategy and strategies for shelter and Non-Food Item (NFI), protection and solutions, and communication.

¹The operations plan (OP) is the need-based budget which reflects all activities that UNHCR may implement in a given annual budget cycle if it has all the necessary funding.

² The Operating Level (OL) is the prioritized budget within the OP and represents the allocated spending authority.

12. The Representations' operational planning processes were effective except for Tajikistan that had not conducted formal participatory assessments to obtain a good understanding of PoCs' protection needs especially considering the rise in the numbers due to instability in the region. The Representation stated that it identified PoC needs through other activities such as the 2020 profiling exercise, inter-agency and partner coordination meetings and CBI post distribution monitoring, since the travel restrictions caused by the COVID-19 pandemic prevented direct engagement with the PoCs. However, these fora were inadequate for collecting the required information because they did not follow the required mainstreaming approach for PoC age, gender, and diversity. In the Bureau's response, the Representation in Tajikistan committed to conduct a formal participatory needs assessment by March 2023 to inform the 2024 programming. Therefore, OIOS did not make a recommendation.

13. Two Representations did not have reliable PoC data to inform their programme design and decision-making processes. In Japan, the Representation was unable to obtain official PoC data and thus relied on partners and their networks for related information. This and its limited contact with PoCs impacted the Representation's ability to monitor the majority of the outcome and impact indicators listed in COMPASS. In the absence of official data, the Representation in Japan relied on information collected by its implementing and operational partners. In Tajikistan, the Representation did not have reliable PoC data since this information was not available from Government sources and because most PoCs entered the country on tourist visas. The Representation in Tajikistan conducted a verification of beneficiaries in September 2022 and updated proGres v4 and this would be used to inform future programming.

14. The audit noted that resource allocation was not always aligned to strategic objectives. The Representation in China advocated for improved access for PoCs to national systems because refugees had limited or no access to government services. Consequently, the Representation allocated 66 per cent of its operations budget resources (excluding staff and administrative budget portions), to meeting the basic needs of refugees. This affected the funding available for meeting its other strategic priorities, e.g., 'favorable protection environment', which received only 12 per cent of the budget. The Representation explained that until its advocacy to have inclusion of PoCs in national plans bears fruit, it must continue allocating resources in this manner to take care of PoCs' basic needs in the meantime. In its response, the Regional Bureau stated that it was closely monitoring the situation to ensure that resource allocations were aligned to the operation's strategic objectives and reflected the required focus and prioritization. Therefore, OIOS did not make a recommendation.

15. Additionally, performance management needed strengthening. The performance framework did not have indicators to reflect key programme activities such as advocacy and fundraising that was core to the mandates in China and Japan. In Japan, the COMPASS system was not set up to recognize the need for identification of secondary achievements of the Representation's efforts drawn from other sources in 2022. The roll out of COMPASS is expected to mitigate these issues and no recommendation is raised in this regard.

16. Based on the responses received from the Regional Bureau, OIOS was satisfied that the issues raised on operations' strategic planning and resource allocation have been addressed in their operational contexts.

B. Enterprise risk management

The Regional Bureau committed to address identified weaknesses in enterprise risk management

17. Effective management of risks was imperative if the five Representations were to achieve their strategic objectives. This included identification, assessment, mitigation and, where necessary, escalation of risks. All the five Representations except China and Tajikistan had risk registers in place that ranked

risks at medium and low. China had one high risk on the impact of the pandemic/epidemic and Tajikistan had three high risks, namely: inadequate preparedness against refugee influx; sexual exploitation and abuse; and lack of safeguard on universal birth registration in the Law on Civil Registration. All registers had actions proposed to mitigate identified risks.

Table 3: **Number of risks identified by country offices**

| Countries | Number of risks | | | | |
|------------------------------|-----------------|--------|-----|----------|-------|
| | High | Medium | Low | Positive | Total |
| China | 1 | 8 | 0 | 1 | 10 |
| Japan | 0 | 11 | 2 | 1 | 14 |
| Kyrgyzstan (National Office) | 0 | 1 | 0 | 0 | 1 |
| Republic of Korea | 0 | 14 | 2 | 3 | 19 |
| Tajikistan | 3 | 5 | 1 | 0 | 9 |

Source: *ERM operational risk registers*

18. While ERM controls were generally in place, the audit identified the following gaps:

- Some of the registers were not comprehensive. For instance, the Representation in Tajikistan had not identified the risk related to the lack of reliable PoC data, which impacted its planning process. Also, the register did not reflect the risks that PoCs' inability to access the national banking system would have on the CBI programme.
- The audit questioned the ranking and effectiveness of treatments to some risks, e.g., the risk of UNHCR losing credibility as a recipient of the Chinese government funding due to inability to meet donor requirement for project delivery and reporting was rated as medium risk despite its potential impact on the Representation's fundraising. The Representation needed increased support from the Bureau to mitigate this risk since it required multiple owners spanning different country offices.
- Some of the risk treatments were indicated as being 'in place' while they were still work-in-progress. For example, while the Representation in China reflected that advocacy for legislation and refugee inclusion in government services was 'in place', it remained ineffective as refugees still did not have access to government services. Following the audit, the Representation, in consultation with the Regional Bureau, changed the status of these risk treatments to "in place recurring" to show that mitigation efforts were continuing.

19. In its response, the Regional Bureau stated that the gaps identified in the audit had been addressed. As part of its quality assurance mechanism, the Regional Bureau and the Enterprise Risk Management Service at Headquarters conducted annual reviews and updated operational risk registers accordingly. The current year's annual risk review was underway, and the Regional Bureau would ensure that identified gaps are addressed. Accordingly, OIOS is not raising a recommendation in this area.

C. Partnership management

Need to strengthen controls related to management of partners

20. Altogether, implementation through partners in the four countries accounted for \$2.9 million (or 38 per cent) of the Representations' two-year programme budgets. All the Representations except China signed agreements with partners to implement programme activities. To ensure that partners achieve expected programme results, the Representations needed to select partners through a transparent process, conclude partner agreements, disburse funds in a timely manner and monitor partner activities.

21. Internal controls over partnership management in Japan, Kyrgyzstan (National Office) and the Republic of Korea were generally satisfactory. OIOS found that the Tajikistan Representation's partner selection process showed preference for local partners over international partners, as evidenced by the former being consistently rated higher than the latter. Even in the one instance where the sole applicant was an international partner, the Representation selected a national partner based on a waiver. The Representation explained its preference for local partners by the fact that those international partners would not be able to access border areas. This fact should have been included in the expression of interest documents and considered as one of the partner selection criteria. Additionally, when selecting partners, the Representation in Tajikistan did not consider the recurrent issues in partnership agreements that were raised by the Multi-Functional Team on personnel costs, procurement, accounting systems, recording and reporting on assistance to beneficiaries.

22. The OIOS review of expenditures at three partners in Tajikistan revealed the following issues, which had not been identified by the Multi-Functional and Project Control Teams:

- The following payments were made without adequate supporting documentation: disability and medical expenses (\$1,599); salaries (\$7,569); and tuition fees for 35 out of 65 participants (the total paid for 65 participants was \$1,598).
- Payments for activities in the city of Khujand (\$6,192) were made to an individual.
- A partner awarded three construction-related contracts (\$272,049) to three vendors without a competitive bidding process, based on exigency of work. The cost of the projects exceeded internal estimates by \$40,466 (15 per cent). The work involved the construction of transition shelters in anticipation of an influx of PoCs but that did not happen, and the shelters remained unused at the time of the audit. Another partner procured items (\$14,224) without evidence of competitive bidding, although its rules required competitive processes for purchases exceeding \$1,360.
- Six 2021 partner agreements did not budget for Partner Integrity Capacity and Support Costs (PICSC) amounting to \$50,369. In 2022, the Representation correctly budgeted for PICSC in two agreements but did not include these costs in two other agreements (\$9,555) and applied a wrong rate to the fifth agreement (which resulted in an over budgeting of \$2,415).
- A partner in Tajikistan made advance payments to suppliers on a recurrent basis, which was against their procurement rules.

23. The Representation in Korea incorrectly calculated PICSC. On the error being pointed out, the Representation acted promptly and recovered the overpaid PICSC amounts and amended the 2022 Project Partnership Agreements to bring allocations in line with the policy. These gaps were the result of weaknesses in monitoring, which needed to be addressed for cost effective implementation of programme activities by partners.

(1) The Representation in Tajikistan should ensure that: (i) partners are selected/retained on the basis of agreed upon criteria, objective scoring and considering the results of monitoring reviews by the Multi-Functional Team; (ii) partner expenditures are adequately supported; and (iii) monitoring of partner activities by the Project Control Team is enhanced.

UNHCR accepted recommendation 1 and stated that the Representation in Tajikistan confirmed that the required procedures for partner selection were in place, and it would ensure that selection criteria are followed as established and based on the operational context and would fully document situations requiring waivers. Regarding the recurrent MFT observations on partner's financial and procurement management, it had set a joint roadmap to rectify the observations by February 2023. It would also strengthen project control capacity.

(2) All Representations, in coordination with the Regional Bureau for Asia and the Pacific, should ensure that Partner Integrity Capacity and Support Costs are correctly calculated, budgeted and paid.

UNHCR accepted recommendation 2 and stated that the Regional Bureau conducted a region-wide review of budgeted and reported PICSC in November 2022 and ensured that corrective actions were implemented on deviations noted. Another review will be conducted in March 2023 after the operations finalize the 2023 partnership agreements.

D. Procurement and contract management

Need to strengthen procurement related controls to ensure value for money

24. The five Representations issued 131 purchase orders (POs) totaling \$2.4 million in the period under audit. The items purchased primarily related to food, internet services, non-standard desktops for partners, refurbishing services, property lease, cleaning, office security, visibility items, translation services, software maintenance and printing services. To ensure that best value is received on procurement, the Representation needed to plan, procure, oversee and manage contracts in accordance with UNHCR policy on procurement. The Regional Bureau ably supported the five operations through the Regional Committee on Contracts, for high value procurement.

25. The audit reviewed 39 POs with a total value of \$1.5 million (63 per cent) and noted that the Representations generally conducted procurements in compliance with the rules. OIOS identified some instances of non-compliance with relevant UNHCR guidelines went undetected, as shown below.

- The Representation in China awarded a security contract amounting to \$675,672 to the vendor with the lower overall score of the two bidders who participated in the Request for Proposals. The Representation considered that the difference in the overall scores was not much and, among other technical factors, the bidder scoring higher was outsourcing security services to other companies. OIOS notes that if the latter reason was an important consideration in the award of the contract, it should have been included in the technical evaluation criteria.
- A youth center in Vahadat, Tajikistan was renovated at a cost of \$27,429 without a bill of quantities (BOQ) in place to ensure technical integrity. The BOQ would have provided a benchmark against which costs would be assessed. The Representation stated that they wanted to avoid the cost of hiring a consultant to prepare BOQ.
- The Representation in Tajikistan paid for food items worth \$16,998 based on delivery notes and without confirmation that inspections were done to assure that the food was of good quality.
- The Representation in Korea had not established a vendor review committee (VRC). Acting swiftly and at the advice of OIOS, the Representation established a VRC.

26. The Representations in China and Tajikistan did not prepare procurement plans for activities amounting to \$669,631 and \$569,678 respectively, which were significant enough to warrant such a plan. The Representation in the Republic of Korea had annual procurement plans in place. The remaining two Representations in Japan and Kyrgyzstan (National Office) had not prepared annual procurement plans due to the low volume of procurement. OIOS noted that UNHCR had not specified the requirements for procurement plan based on country operation size, capacity and mandate. In the absence of this, the Bureau should have provided the Representations with an exemption where needed.

(3) The Representations should strengthen their oversight of procurement activities to reduce and detect instances of noncompliance with UNHCR procurement rules. In particular, all Representations should seek the guidance of the Regional Bureau for Asia and the Pacific to ascertain whether their operating contexts require an exception to procurement rules, including for the development of a procurement plan.

UNHCR accepted recommendation 3 and stated that the Representations would strengthen the oversight of procurement processes including ensuring the preparation of procurement plans in a timely manner and seeking authorization from the Bureau whenever any possible deviations. In order to support the operations, Regional Bureau will organize a refresher training on all the aspects of procurement including the development of procurement plans.

E. Fundraising

Fund raising was managed effectively

27. Core to the strategic priorities of the Representations in China, Japan and Korea was fundraising/resource mobilization. Country operations are required to develop resource mobilization plans in consultation with the Regional Bureau and the Division of External Relations and engage donors at the country level, identify fundraising opportunities and prepare funding proposals. They should also ensure that funds are spent in accordance with donor agreements and prepare donor reports.

28. The Representation in Japan supported the mobilization of funds with an upward trend noted in the last four years and total funds raised amounting to \$147 million. The contribution from Government of Korea has been increasing in recent years, reaching \$27 million in 2021 and \$21 million in 2022 as of 30 June. The Representation in China supported the mobilization of earmarked funds with a combined value of \$4 million for two projects, one in Afghanistan and another one jointly in Kenya, Tanzania and South Sudan.

29. Overall, the Representations had established well-functioning donor relations and fundraising programmes as evidenced by continued increases in contributions received despite the limited capacity noted in some instances. Except for minor delays in donor reporting which were not attributable to the Representations, the programme was managed effectively and efficiently.

F. Cash Based Interventions

Need to strengthen controls over implementation of the CBI programme

30. The operations in China, Kyrgyzstan (National Office) and Tajikistan provided assistance to PoCs using the CBI modality, for expenditures amounting to \$619,444, \$105,929 and \$166,718 respectively. To provide effective CBI programming and delivery, Representations needed to assess the feasibility of

implementing the programme, develop standard operating procedures to guide the identification and distribution of cash assistance to beneficiaries, and monitor programme performance in meeting PoC needs.

31. The distribution of CBI was done either directly (China) or through partners (Kyrgyzstan National Office and Tajikistan). The Representations in China and Tajikistan, guided by the Regional Bureau and supported by Headquarters' CBI Unit, developed Standard Operating Procedures (SOPs) that detailed the selection of beneficiaries alongside the payment modalities.

32. OIOS identified some gaps in CBI controls in Tajikistan related to:

- Lack of consolidated beneficiary information, such as: number of people who received cash assistance; and disaggregated data by age, gender, population group and people with specific needs.
- Inconsistent constitution of the Joint Assistance Committee to select beneficiaries as detailed in the SOPs. Furthermore, the minutes of the Committee meetings were not signed.
- Medical cards were not available for all 144 PoCs that received health assistance totaling \$4,912.
- The CBI SOP for the Tajikistan operation needed revision as it did not include the CBI modality related to legal fees and documentation for permits and visas. This assistance was implemented by a partner and the related modality was not captured in the SOP.

33. The Representation in China used online surveys submitted by PoCs to identify beneficiaries. They did not conduct home visits to validate the data that was submitted by PoCs. The Representation attributed this to the fact that beneficiaries were sparsely spread across more than 20 provinces, which made home visits difficult. However, it was prudent to conduct house visits to mitigate against the assessed risk of beneficiary fraud.

34. Additionally, the Hong Kong sub-office under the Representation in China routinely utilized unused CBI funds at end of year to purchase supermarket vouchers to assist PoCs under stress. However, the Representation's CBI SOPs did not address the administration of and controls over the supermarket vouchers mode of CBI operation. Additionally, as of August 2022, 88 per cent of vouchers (\$3,335) purchased in December 2021 had not been distributed. The Representation explained that the sub-office in Hong Kong keeps the CBI budget line liquid to meet emergency needs, which OIOS considers as a satisfactory explanation.

35. The gaps in CBI controls in Tajikistan noted in paragraph 32 above were attributed to the lack of technical staff to manage the programme. These gaps could lead to failure in providing assistance to vulnerable PoCs.

(4) The Representations, in coordination with the Regional Bureau for Asia and the Pacific, should ascertain that their CBI Standard Operating Procedures are up to date.

UNHCR accepted recommendation 4 and stated that the Representation in Tajikistan had revised the CBI standard operating procedures (SOPs) to reflect existing CBI modalities. The Representation was also updating CBI SOPs related to partners in accordance with the goals and specifications agreed upon in the 2023 partnership agreements.

(5) The Representations in China and Tajikistan should strengthen the collection and validation of beneficiary information.

UNHCR accepted recommendation 5 and stated that the Representation in China added a pro-active fraud risk treatment to its risk register and will conduct home visits to validate the socio-economic data collected online. The Representation in Tajikistan had rolled out proGres v4 that includes PoC biometrics data. It also verified the data for more than 11,000 individuals and trained partner staff on proGres v4.

- (6) The Representation in Tajikistan should strengthen the functioning of the Joint Assistance Committee and ensure all cash assistance payments are properly documented.**

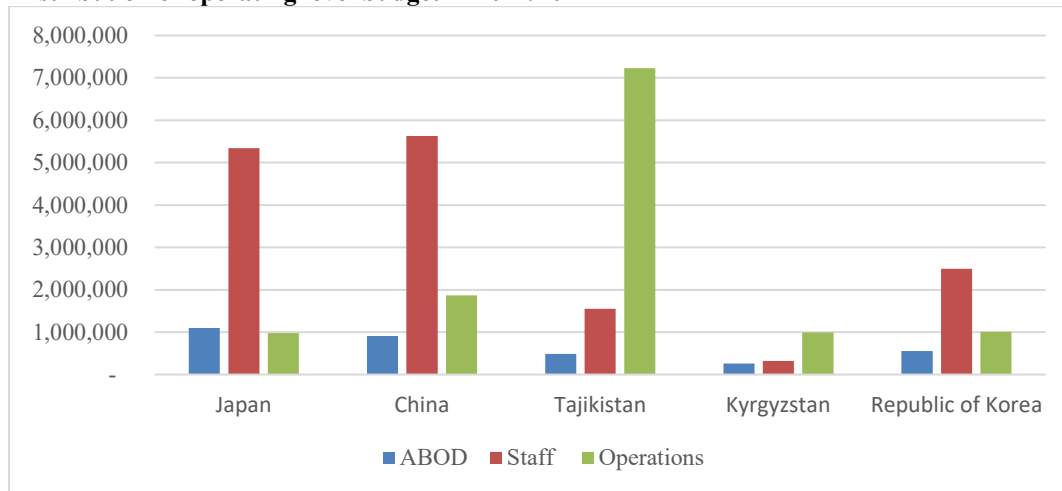
UNHCR accepted recommendation 6 and stated that the Representation in Tajikistan facilitated the Joint Assistance Committee meetings that involved partners and Afghan representatives. The cash assistance payments were recorded in proGres v4, which had been rolled out in June 2022.

G. Human resource and financial management (including Administrative Budget and Obligation Document (ABOD) expenditures)

Appropriate financial controls were in place

36. Expenditures for the five Representations were as shown below.

Chart 1: **Distribution of operating level budget in 2021/2022**



Source: PowerBI and Global Focus

37. Expenditures on staffing constituted a major component of expenditures. The Representations were staffed with international, national and affiliate work force staff members. Staffing review took place in the National Office in Kyrgyzstan. In the Representation of Tajikistan, the multi-year strategy referred to the need for enhancement in human resources in light of the refugee influx and four fast track appointments were provided in December 2021. The Representation in the Republic of Korea analyzed its gaps in staffing and successfully advocated for the creation of four new positions in 2021 and 2022. Training needs assessment were carried out by the Representations and contingency plans existed to mitigate staff absences.

38. ABOD expenditures were well managed and implementation rates in 2021 were over 90 per cent across all five operations. Bank reconciliations were prepared timely and correctly in MSRP. The Representations provided sufficient evidence of their active engagement in closing the open items. OIOS

sampled non-PO vouchers and Medical Insurance Plan (MIP) claims. OIOS confirmed that there were no non-PO purchases above \$4,000. The audit confirmed appropriate financial controls were in place and transactions reviewed were certified, approved, and adequately supported with documentation.

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.

(Signed) Anne Rwego
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Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

**Audit of operations in China, Japan, Kyrgyzstan (National Office), Republic of Korea and Tajikistan for the
Office of the United Nations High Commissioner for Refugees**

| Rec. no. | Recommendation | Critical ³ / Important ⁴ | C/ O ⁵ | Actions needed to close recommendation | Implementation date ⁶ |
|----------|---|---|----------------------|---|----------------------------------|
| 1 | The Representation in Tajikistan should ensure that: (i) partners are selected/retained on the basis of agreed upon criteria, objective scoring and considering the results of monitoring reviews by the Multi-Functional Team; (ii) partner expenditures are adequately supported; and (iii) monitoring of partner activities by the Project Control Team is enhanced. | Important | O | Receipt of evidence that: (i) partners are selected/retained based on agreed upon criteria, objective scoring and considering the results of monitoring by the MFT; (ii) partner expenditures are adequately supported; and (iii) monitoring of partner activities by project control is enhanced. | 31 December 2023 |
| 2 | All Representations, in coordination with the Regional Bureau for Asia and the Pacific, should ensure that Partner Integrity Capacity and Support Costs are correctly calculated, budgeted and paid. | Important | O | Receipt of evidence that Partner Integrity Capacity and Support Costs are correctly calculated and budgeted in the 2023 partnership agreements. | 31 March 2023 |
| 3 | The Representations should strengthen their oversight of procurement activities to reduce and detect instances of noncompliance with UNHCR procurement rules. In particular, all Representations should seek the guidance of the Regional Bureau for Asia and the Pacific to ascertain whether their operating contexts require an exception to procurement rules, including for the development of a procurement plan. | Important | O | Receipt of evidence: (i) of actions taken to strengthen oversight and ensure compliance with UNHCR procurement rules; and (ii) that Representations sought guidance from the Regional Bureau for Asia and the Pacific to ascertain whether their operating contexts require an exception to procurement rules, including for the development of a procurement plan. | 31 March 2023 |
| 4 | The Representations, in coordination with the Regional Bureau for Asia and the Pacific, should ascertain that their CBI Standard Operating Procedures are up to date. | Important | O | Submission of: (i) updated SOPs for Tajikistan covering CBI modality for legal fees, permits and visas; (ii) updated CBI SOPs related to partners in accordance with the goals and specifications agreed upon in the upcoming 2023 partnership agreements. | 31 December 2023 |

³ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

⁴ Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

⁵ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

⁶ Date provided by UNHCR in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

**Audit of operations in China, Japan, Kyrgyzstan (National Office), Republic of Korea and Tajikistan for the
Office of the United Nations High Commissioner for Refugees**

| Rec. no. | Recommendation | Critical ³ / Important ⁴ | C/ O ⁵ | Actions needed to close recommendation | Implementation date ⁶ |
|----------|---|---|----------------------|---|----------------------------------|
| 5 | The Representations in China and Tajikistan should strengthen the collection and validation of beneficiary information. | Important | O | Submission of: (i) Multi-Functional Team report for China on visits to households to validate beneficiary information; and (ii) report on the verification of PoC data by the Representation in Tajikistan. | 31 March 2023 |
| 6 | The Representation in Tajikistan should strengthen the functioning of the Joint Assistance Committee and ensure all cash assistance payments are properly documented. | Important | O | Submission of evidence that cash assistance payments are being systematically recorded in proGres v4. | 31 March 2023 |

APPENDIX I

Management Response

Management Response

**Audit of operations in China, Japan, Kyrgyzstan (National Office), Republic of Korea and Tajikistan for the
Office of the United Nations High Commissioner for Refugees**

| Rec. no. | Recommendation | Critical ⁷ / Important ⁸ | Accepted? (Yes/No) | Title of responsible individual | Implementation date | UNHCR comments |
|----------|---|---|-----------------------|---------------------------------------|------------------------|--|
| 1 | The Representation in Tajikistan should ensure that: (i) partners are selected/retained on the basis of agreed upon criteria, objective scoring and considering the results of monitoring reviews by the Multi-Functional Team; (ii) partner expenditures are adequately supported; and (iii) monitoring of partner activities by the Project Control Team is enhanced. | Important | Yes | Representative | 31 Dec 2023 | <p>The Representation in Tajikistan confirms that all the required procedures with respect to partner selection are in place as per the requirements of the UN Partner Portal. This includes IPMC capturing all reflections and comments of each member evaluating the Concept Notes from the Partners against set goals and specifications outlined in the Call for Expression of Interest. The operation will ensure that selection criteria are always properly established based on the operational context and fully documented for situation requiring waiver.</p> <p>Regarding the recurrent MFT observations on some aspects of partner`s financial and procurement management and despite the fact that some existing roadmaps aiming at rectifying identified issues and improving existing procedures/controls did not properly materialize due to COVID-</p> |

⁷ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

⁸ Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

| Rec. no. | Recommendation | Critical ⁷ / Important ⁸ | Accepted? (Yes/No) | Title of responsible individual | Implementation date | UNHCR comments |
|----------|--|---|-----------------------|--|------------------------|---|
| | | | | | | <p>19 restrictions and the hectic period during the Afghan emergency, coupled with other competing office priorities, limited staff capacity, currently, the Office has set a joint roadmap to rectify observations (the roadmap is being shared in the supporting documents) and is planning to implement them all by February 2023.</p> <p>In the meantime, while the Representation will strengthen the Project Control capacity as well as seek support from the Bureau, an existing staff member from the Program Team has been nominated to participate in the learning and certification opportunity as Certified Fraud Examiner offered by DPSR/IMAS.</p> |
| 2 | All Representations, in coordination with the Regional Bureau for Asia and the Pacific, should ensure that Partner Integrity Capacity and Support Costs are correctly calculated, budgeted and paid. | Important | Yes | Regional Controller, RBAP Programme/Project Control Officers (Tajikistan, Republic of Korea, National Office Kyrgyzstan and Japan) | 31 Mar 2023 | The Regional Bureau has conducted a region-wide review of budgeted and reported PICSC in early November 2022 for compliance and highlighted the very few deviations to the concerned operations and corrective actions were immediately taken. Operations will be starting the preparation and signing of 2023 Partnership Agreements (PAs) from mid-December 2022 into January 2023. In February – March 2023, the Bureau will be conducting the PICSC budget region-wide review following the signature of the 2023 partnership agreements. |

| Rec. no. | Recommendation | Critical⁷/ Important⁸ | Accepted? (Yes/No) | Title of responsible individual | Implementation date | UNHCR comments |
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| | | | | | | In case of any deviations from the policy, the relevant operations will be requested to rectify any such deviations. The evidence of the review, as well as any required action from the review, as relevant to the five operations that are part of this audit, will be shared with OIOS. |
| 3 | The Representations should strengthen their oversight of procurement activities to reduce and detect instances of noncompliance with UNHCR procurement rules. In particular, all Representations should seek the guidance of the Regional Bureau for Asia and the Pacific to ascertain whether their operating contexts require an exception to procurement rules, including for the development of a procurement plan. | Important | Yes | Regional Supply Coordinator, RBAP | 31 Mar 2023 | <p>Representations will strengthen the oversight of procurement processes, ensuring that the procurement plans are prepared timely and whenever any possible deviations from requirement are needed, such is authorized by the Bureau.</p> <p>In order to support the operations, Regional Bureau will be organizing a training refresher on all the aspects of procurement (including the requirement of development of procurement plans) in the first quarter of 2023 for all the five operations. The training is tentatively scheduled for the 8th of February 2023. Bureau shares as supporting document the relevant correspondence on the refresher training that will take place in February 2023.</p> |
| 4 | The Representations, in coordination with the Regional Bureau for Asia and the Pacific, should ascertain that their CBI Standard Operating Procedures are up to date. | Important | Yes | Community Based Protection Officer | 31 Dec 2023 | The Representation has revised the SOP to reflect all the existing CBI modalities. The Representation is also in the process of updating the CBI SOPs related to the partners in |

| Rec. no. | Recommendation | Critical ⁷ / Important ⁸ | Accepted? (Yes/No) | Title of responsible individual | Implementation date | UNHCR comments |
|----------|---|---|-----------------------|--|-----------------------------|---|
| | | | | | | accordance with the set goals and specifications agreed upon in the 2023 Partnership Agreements. |
| 5 | The Representations in China and Tajikistan should strengthen the collection and validation of beneficiary information. | Important | Yes | Snr. Protection Officer (China) / Community Based Protection Officer (Tajikistan) | Implemented 23 Nov. 2022 | <p>In order to mitigate the risk of fraud among CBI recipients, UNHCR China already added a pro-active treatment in our Risk Register to cross-check the socio-economic data collected online with the data collected during home visits of households. This supports the identification of eligible and ineligible PoCs in the CBI assessments.</p> <p>As evidence, the following documents were attached by UNHCR:</p> <ul style="list-style-type: none"> • Copy of the Risk Register where the above treatment has been indicated. • Copy of the “Refugee Assistance Review Committee (RARC) Meeting Minutes of 23 November 2022 - CBI Eligibility Assessments” to show that cross-checking exercise during household visits has been conducted. This exercise will continue and will be a part of all future household visits and reports. Kindly note the last paragraph of the attached Minutes, states the following findings: |

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| | | | | | | <p>“The Multi-Functional Team conducted 20 home visits to 20 households, of which 15 households are included in this quarterly CBI assessment. The MFT assessed each of the household’s socio-economic situation by observing their living situations and conducting the CBI eligibility assessment face-to-face in order to cross-check the online collected data. Through the home visits, MFT concluded that 1) the RARC’s decision on 12 households’ eligibility for CBI are correct, 2) 1 household (311-12C00156) that should be ineligible was considered eligible in the last assessment 3) 2 households (311-17C00287, 311-21-00211) that should be eligible were considered ineligible. Both inclusion and exclusion errors are corrected in this assessment”. Operation considers this recommendation implemented.</p> <p>The Representation in Tajikistan has the proGres v4 rolled out -the tool includes biometrics data of the individuals and the system allows to verify the refugee data. So far verified the data of 11,135 individuals (since July 2022) has been verified. The partner staff are trained and capacitated with the required knowledge and equipment to make use of proGres v4 in delivery of assistance.</p> |

| Rec. no. | Recommendation | Critical ⁷ / Important ⁸ | Accepted? (Yes/No) | Title of responsible individual | Implementation date | UNHCR comments |
|----------|---|---|-----------------------|---------------------------------------|------------------------|---|
| 6 | The Representation in Tajikistan should strengthen the functioning of the Joint Assistance Committee and ensure all cash assistance payments are properly documented. | Important | Yes | Protection Officer | Implemented | <p>UNHCR has ascertained that the Joint Assistance Committee takes place and is documented with the participation of the Partner, UNHCR and the Afghan Representatives. Minutes of the Joint assistance Committee were attached as supporting documents.</p> <p>The assistance payments are also being recorded in the proGres v4 Tool (rolled out in June 2022) for which the partner staff are trained.</p> <p>As a supporting document a screenshot of the assistance payments entered by the partner staff was shared (please note the refugee identifier number was deleted). Operation considers this recommendation implemented.</p> |