



INTERNAL AUDIT DIVISION

REPORT 2015/071

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

Overall results relating to management of the operations in Ukraine were initially assessed as unsatisfactory. Implementation of two critical and three important recommendations remains in progress.

FINAL OVERALL RATING: UNSATISFACTORY

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AUDIT REPORT

Audit of the operations in Ukraine 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 Ukraine for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The UNHCR Regional Representation in Ukraine (hereinafter referred to as ‘the Representation’) is responsible for UNHCR country operations in Ukraine, Belarus and Moldova. The three offices were initially established as independent country offices in the mid-1990s. They were fully consolidated into a Regional Representation with a single budget in 2009. Prior to 2014, the population of concern relevant to the Representation consisted of approximately 3,500 refugees and 9,500 stateless people across the three countries. However, following the events in Crimea and eastern Ukraine in early 2014, Ukraine has had a growing number of internally displaced people (IDPs). In December 2014, the government reported that it had identified 610,413 IDPs in Ukraine. The Representation had to respond to the emergency in the context of a rapidly changing political environment as well as difficult security and geographical challenges. With the help of emergency deployments and additional staff resources the Representation established field presences in Kharkov, Dnepropetrovsk, Mariupol and Severodonetsk, primarily to support and provide technical advice to local authorities with monitoring of IDP movements and verifying the reported numbers of displaced persons.
4. The Representation was headed by a Regional Representative at the D-1 level and had 110 staff as of December 2014. Its total budget for 2014 was \$15.3 million. As of 31 December 2014, it had spent \$12.2 million (or 80 per cent) of this amount.
5. Comments provided by UNHCR are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNHCR governance, risk management and control processes in providing reasonable assurance regarding the **effective management of the operations in Ukraine**.
7. The audit was included in the OIOS 2015 risk-based internal audit work plan for UNHCR due to the risks associated with managing an emergency response for the protection and assistance of internally displaced persons in Ukraine.
8. The key controls tested for the audit were: (a) strategic planning; (b) project management; and (c) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

- (a) **Strategic planning**- controls that provide reasonable assurance that the Representation's strategic plans for programme and protection activities, including for emergency situations, are implemented in alignment with UNHCR global strategic priorities.
- (b) **Project management** - controls that provide reasonable assurance that there is proper planning and implementation as well as accurate and complete monitoring and reporting of the Representation's project activities.
- (c) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the management of the operations in Ukraine; (ii) are implemented consistently by the Representation; and (iii) ensure the reliability and integrity of financial and operational information.

9. The key controls were assessed for the control objectives shown in Table 1.

10. OIOS conducted the audit from January to March 2015. The audit covered the period from 1 January to 31 December 2014. The audit team visited the Regional Representation in Kiev and conducted field missions to Dnepropetrovsk, Kharkov and Slovansk.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

12. The UNHCR governance, risk management and control processes examined were initially assessed as **unsatisfactory** in providing reasonable assurance regarding the **effective management of the operations in Ukraine**. OIOS made seven recommendations to address issues identified in the audit.

13. There was a critical need for the Representation to: (i) strengthen its mechanisms over the supply chain for non-food items; (ii) strengthen its supply capacity and oversight arrangements over procurement and vendor management; and (iii) put in place appropriate monitoring mechanisms over operational advances. In addition, there was a need to: (i) develop an implementation plan for the emergency response in the areas of profiling, contingency planning and delivery of priority protection interventions; (ii) put in place appropriate management oversight mechanisms and dedicate sufficient staff resources to management of partnerships; (iii) formalize standard operating procedures over cash based interventions and conduct a post implementation review and a lessons learned exercise of the implementation of the 2014 cash programme; [REDACTED]

14. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **unsatisfactory** as the implementation of two critical and three important recommendations remains in progress.

Table 1
Assessment of key controls

Business objectives	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of UNHCR operations in Ukraine	(a) Strategic planning	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Project management	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory
	(c) Regulatory framework	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory
FINAL OVERALL RATING: UNSATISFACTORY					

A. Strategic planning

Need to develop an implementation plan for the emergency response in the areas of profiling, contingency planning and delivery of priority protection interventions

15. According to UNHCR emergency procedures and guidelines, every emergency operation should: establish emergency coordination structures and inter-agency partnerships; conduct needs assessments; and prepare an emergency response plan, a contingency plan and a protection strategy. The emergency procedures and guidelines also require the Representation to prepare an implementation plan showing who should do what, where and when in terms of the emergency operation.

16. The Representation initiated action to put the required emergency infrastructure in place for the IDP operation in Ukraine in terms of establishing inter-agency partnerships, having coordination meetings with stakeholders, preparing needs assessments, and developing an emergency response plan, protection strategy and funding appeal. The inter-agency cluster system was activated in December 2014 with UNHCR leading the shelter/non-food items (NFIs) cluster and co-leading the protection cluster. Field level coordination structures were also established. In December 2014, a multi-disciplinary team from headquarters assisted the Representation in preparing the “2015 UNHCR Strategy to Protect and Assist Persons Affected by the Conflict in Eastern Ukraine” (hereinafter referred to as ‘the 2015 Strategy’).

17. There was, however, scope to strengthen the following three key processes in the emergency response:

- **Profiling of IDPs:** The Representation did not have accurate and up-to-date information on the population of concern. It relied on the IDP registration database maintained by the government to carry out IDP profiling. The database was not updated with the changes in the profile of IDPs and returnees. In addition, there may have been many other IDPs not officially registered in the national registry. The Representation had not developed a national level plan to undertake profiling of direct beneficiaries in a uniform way across all field locations. This affected targeting of interventions, such as distribution of NFIs and winterization of collective centers.
- **Contingency planning:** The Representation did not have an updated contingency plan in place. Although a contingency plan was developed in 2014 by the United Nations Country Team, it had become outdated due to the escalation of conflict in the Donbass region and was no longer

relevant for UNHCR operations in Ukraine. A contingency plan was essential to allow for rapid responses, as it would have identified alternative scenarios, the resource needs for each scenario and the key actions to be taken.

- **Implementation of protection strategy:** Although the Representation had developed a protection strategy and identified priority intervention areas for the three zones created in the 2015 Strategy, it had not developed a detailed plan for implementing the strategy to meet the relevant protection needs. As a result, the Representation was not able to ensure that the protection interventions reflecting the priorities of the different zones were implemented and monitored.

18. The above shortcomings were attributed to a lack of an implementation plan for the emergency response for undertaking profiling of IDPs, contingency planning, and delivery of the protection priorities, including in terms of proper allocation of time and resources and clear deliverables. As a consequence, the Representation was at risk of not being able to adequately address the needs of IDPs.

(1) The UNHCR Regional Representation in Ukraine should develop an implementation plan with clear deliverables and milestones for: a) undertaking profiling of its direct beneficiaries; b) updating the contingency plan for the emergency; and c) ensuring that protection interventions reflecting the priorities of the different zones are implemented and monitored.

UNHCR accepted recommendation 1 and stated that the Representation conducted an extensive participatory assessment in five locations with high density of IDPs, to guide its protection response and priorities as well as targeting of interventions. It streamlined its protection monitoring activities which were implemented through a local partner and also developed a Protection Operational Plan that operationalized its 2015 Strategy. In addition, the Representation was in the process of developing a contingency plan for the emergency. Recommendation 1 remains open pending receipt of: a) an approved contingency plan for the emergency; and b) the final Protection Operational Plan and evidence of how it is monitored.

B. Project management

Need to put in place appropriate management oversight mechanisms and dedicate sufficient staff resources to management of partnerships

19. In accordance with the UNHCR framework for implementing with partners, the Representation is required to: a) develop a framework for planned results with performance targets as part of the Project Partnership Agreement with each partner; and b) establish a plan for monitoring to be conducted by a multi-functional monitoring team to verify the intermediate and end of project narrative and financial reports of partners.

20. As part of its IDP response, the Representation signed seven partnership agreements with a combined budget of \$1.6 million in 2014. None of these agreements included the table of planned results which meant that clear impact and output indicators, baselines and targets were not established for any of the partners. Although the Representation verified the intermediate financial reports of all partners before releasing subsequent expenditures, it did not have a monitoring plan in place and had not established a multi-functional monitoring team. However, the Representation did work closely with its partners and had continuous informal communication with them.

21. Due to the lack of a completed table for planned results and the absence of a structured monitoring plan, the Representation was at risk of not being able to adequately assess the performance of

its partners and the impact of their work, and to identify areas for improvement at the partners. The lack of a multi-functional monitoring team meant that monitoring visits were disjointed. As a consequence, the Representation did not detect an issue where one partner undertook procurement of shelter materials amounting to \$58,000 without a competitive bidding process. In addition, the Representation did not address the fact that two partners undertook work that was not included in any formal agreement. Also, for a period of time, one partner's staff members reported directly to UNHCR staff, performed UNHCR roles and used UNHCR e-mail addresses and business cards, and were therefore in effect UNHCR staff without having any formal contractual status.

22. The main reason for the above shortcomings was that the Representation's management had not dedicated sufficient attention and resources to the development of partnership agreements and monitoring of performance against them.

(2) The UNHCR Regional Representation in Ukraine should put in place appropriate management oversight mechanisms and dedicate sufficient staff resources to partnership management to ensure: a) the establishment of frameworks for planned results in partnership agreements for 2015; and b) the implementation of a risk-based plan for financial and performance monitoring against the frameworks for planned results to be conducted by a multi-functional team.

UNHCR accepted recommendation 2 and stated that the Representation established a multi-functional team with representation from all functional units. The team developed frameworks for planned results in partnership agreements for 2015. The team also developed a risk-based monitoring plan for combined financial and performance monitoring against the frameworks for planned results. Recommendation 2 remains open pending receipt of the composition memo for the multi-functional monitoring team and a sample of partner monitoring reports prepared by the team.

Need to strengthen mechanisms over the supply chain for non-food items

23. In accordance with the UNHCR Global Management and Accountability Framework, the Representation is required to have an effective local supply chain strategy that enables it to meet the needs of persons of concern. The Representation is also responsible for establishing and monitoring the NFI distribution system. This includes: establishing distribution plans; regular on-site distribution monitoring; post distribution monitoring; updating the actual quantities distributed in an electronic system; and preparing reconciliation reports.

24. The Representation, from the start of the emergency, began procuring, storing and distributing NFIs to assist persons of concern. It distributed over \$2.5 million worth of goods during 2014. However, the following weaknesses were noted in how the Representation managed its NFI supply chain:

- **Planning:** The Representation did not establish an NFI strategy, a list of standardized NFIs to be distributed, and procurement plans defining the items and quantities of NFIs to be procured during the year. As a result, the Representation undertook ad-hoc purchases of items like pans, spoons, knives, forks, washing machines and refrigerators that were not standard NFIs distributed by UNHCR.
- **Warehousing:** The Representation had prepositioned stocks at seven different locations for ease of distribution. However, only two warehouse locations in Kharkov and Kiev were recorded in the Managing for Systems, Resources and People (MSRP) system, the UNHCR enterprise resource planning system. As a result, goods received in the other five warehouses were not properly accounted for and the stocks at these warehouses, valued at approximately \$506,000, were not shown in MSRP. Moreover, the warehouses visited by OIOS in Kharkov and

Dnepropetrovsk were not suitable for loading and unloading, and did not have pallets and fork lifts to facilitate the warehouse operations, or fire extinguishers to mitigate fire risks. Also, staff in the field locations performed warehouse related responsibilities without having the necessary delegation of authority.

- **Distribution:** NFIs were distributed based on lists provided by the local authorities. There was no independent assessment of the needs or evaluation of the controls in place to ensure that any duplication of assistance was avoided. The distributions were conducted in a disjointed and uncoordinated manner by UNHCR staff, partner staff responsible for protection monitoring, local NGOs and volunteers. In Mariupol, the distributions were done through operating partners with whom the required memoranda of understanding, specifying responsibilities and reporting requirements, were not signed.
- **Monitoring:** During the initial phases of the emergency, distribution reports with beneficiary signatures and reconciliation reports, for NFIs valued at approximately \$413,000, were not accurately and consistently maintained. There were no controls in place to reconcile and monitor the quantities of NFIs received and distributed and the balance in stock. NFIs valued at \$462,895 procured from various vendors were charged as consumables and not routed through the warehouses. Hence, the distribution of such items could not be monitored.

25. The above shortcomings happened because of lack of management prioritization for the need to develop and implement a sound strategy and control framework over the supply chain for NFIs, in line with the UNHCR requirements. Although the Representation had developed interim guidelines on NFI and shelter interventions in December 2014, they remained to be finalized and implemented. As a result, there was a risk that the NFIs may not have reached some intended beneficiaries.

(3) The UNHCR Regional Representation in Ukraine should establish: a) a supply chain strategy for the acquisition, storage and distribution of non-food items; and b) local guidelines specifying the selection criteria, distribution methodology, and responsibilities for monitoring, reconciling and recording non-food item distributions.

UNHCR accepted recommendation 3 and stated that the Representation developed a supply chain strategy for the acquisition, storage and distribution of NFIs, as well as local guidelines for the distribution of non-food items. Based on the action taken and the documentation provided by UNHCR, recommendation 3 has been closed.

Need to formalize standard operating procedures over cash based interventions and conduct a post implementation review and a lessons learned exercise of the implementation of the 2014 cash programme

26. In accordance with “Introduction to Cash Based Interventions in UNHCR” issued in 2013, in delivering its cash based assistance programme the Representation needs to establish controls to ensure that limited resources are targeted at the most vulnerable beneficiaries and that these persons are accurately identified and receive the assigned money.

27. In 2014, the Representation signed agreements with 11 separate State Administrations for over \$2.8 million to identify and make payments to vulnerable persons of concern. The Representation decided to make payments through the State Administrations in order to avoid beneficiaries being charged tax on receipt of assistance and to take advantage of the registration data that the State Administrations held on IDPs. In its two pilot schemes the Representation established five separate controls over the payments. These were: 1) verifying the beneficiary lists before disbursement; 2) reviewing the processes of the State Administration and testing beneficiary files for completeness and accuracy on a sample basis; 3) reconciling signed bank statements showing all payments made against the pre-agreed beneficiary lists; 4) conducting phone surveys; and 5) conducting home visits to beneficiaries on a sample basis after the

disbursement of funds. The aim of these controls was to provide reasonable assurance that the agreed beneficiaries met the selection criteria and received the correct payments as intended and allowed for the impact of the scheme to be assessed. However, formal standard operating procedures covering all these controls were not established to ensure that they were consistently and correctly applied in 2014. In addition, there was no concrete action plan for when the envisaged post implementation review of the cash assistance programme would be conducted.

28. The lack of formal procedures meant that the Representation did not have clear criteria for the payments and the post disbursement monitoring. As a result, there was an increased risk that the cash assistance programme was not implemented effectively in 2014 and that controls would not be consistently applied in the management of the 2015 cash assistance programme. This situation arose because the Representation needed to distribute assistance to persons of concern quickly after long delays in obtaining funding, and finding a suitable modality for the cash distributions meant that disbursements could only begin at the start of winter.

(4) The UNHCR Regional Representation in Ukraine should develop standard operating procedures for its cash based interventions programme and conduct a post implementation review and a lessons learned exercise of the 2014 cash programme.

UNHCR accepted recommendation 4 and stated that the Representation conducted a comprehensive post-delivery monitoring of its 2014 cash assistance. The design of the cash components of the 2015 programme included comprehensive post-delivery monitoring which was set out in standard operating procedures. Based on the action taken and the documentation provided by UNHCR, recommendation 4 has been closed.

C. Regulatory framework

Need to strengthen supply capacity and oversight arrangements over procurement and vendor management

29. The Representation is required to comply with UNHCR procurement rules and procedures, which include: a) establishing an effective vendor management system; b) preparing an annual procurement plan according to identified needs; c) initiating timely procurement activities in accordance with the procurement plan to facilitate transparent and competitive procurement; d) establishing a supply unit and ensuring adequate segregation of duties; and e) ensuring adequate oversight over procurement activities.

30. In 2014, the Representation procured approximately \$4.0 million worth of goods and services. A review of general procurement controls and a sample of 15 procurement cases with a value of \$1.8 million (representing 45 per cent of all procurement during the year) highlighted the following weaknesses in the procurement and vendor management activities undertaken:

- The Representation did not have a dedicated supply unit.
- The Representation did not establish a Vendor Review Committee, and did not have any processes in place for registering qualified vendors, maintaining files for 968 vendors and evaluating their performance.
- The Representation did not prepare a procurement plan for 2014.
- In the absence of a supply unit, the Programme Unit undertook the solicitation, bid opening, bid evaluation, representation in the Local Committee of Contracts (LCC), contract award, inventory and payment functions. As a result, segregation of duties was not ensured, increasing the risk of irregularities and fraud.

- During the initial phases of the emergency, the Representation used operational advances to undertake urgent procurement without following competitive and transparent procurement procedures.
- The Representation did not compile a list of all the waivers used when reporting on the use of exceptional procedures to the Headquarters Committee on Contracts, as required. OIOS review indicated that the Representation obtained 19 waivers of competitive bidding during the emergency period valued at \$700,631, which was excessive.
- The Representation did not submit seven of the 15 procurement cases exceeding \$20,000 and with an aggregated value of \$749,159 for review and approval by the relevant committee on contracts.

31. The above shortcomings happened due to the absence of supply staff, inadequate monitoring by the Representation's management and inadequate oversight by the LCC. The Representation had also not determined the required staffing capacity and the related allocation of roles and responsibilities in ensuring segregation of duties in the procurement function. As a result, the Representation did not ensure that all its vendors were genuine and that it was receiving value for money for goods supplied and services received.

(5) The UNHCR Regional Representation in Ukraine should: a) ensure that the supply function has sufficient capacity and that the roles and responsibilities in the supply function have been appropriately allocated; and b) put in place adequate monitoring and oversight arrangements, which should address the weaknesses in the vendor management process, lack of procurement plans, and non-compliance with procurement rules and procedures with respect to exceptional procedures and waivers.

UNHCR accepted recommendation 5 and stated that the Representation strengthened the supply capacity by creating a new organizational structure, reporting lines and a number of new positions, the recruitment process for which was ongoing. It also established a Vendor Review Committee and was in the process of registering qualified vendors. Strict monitoring of requests for waivers of competitive bidding was put in place, decreasing its utilization to a minimum. The Representation further prepared a procurement plan for 2015. Recommendation 5 remains open pending receipt of: a) confirmation that the new supply positions have been filled; b) evidence that a database of qualified vendors has been prepared; and c) evidence of reduction in the number of exceptional procedures and waivers.

Need to put in place appropriate monitoring mechanisms over operational advances

32. The UNHCR Manual requires the Representation to ensure that cash advances given to authorized field staff to cover operational expenses are regularly reimbursed and that expenses are recorded in MSRP on a monthly basis. If the practice of cash advances is expected to be required over the long term, a separate petty cash account needs to be established for this purpose. UNHCR rules and regulations forbid the mixing of UNHCR funds with personal funds. In spending operational advances, the Representation is required to adhere to UNHCR rules, regulations and thresholds related to procurement.

33. In the absence of UNHCR bank accounts in the field locations in Ukraine, financial transactions were managed through operational cash advances. During 2014, the Representation issued over \$203,000 worth of operational advances. A review highlighted several cases of non-compliance with the rules and procedures related to operational advances. These included: staff using their own money for operational expenses and then claiming reimbursement for them; operational advances being issued before previously issued advances were cleared; gaps in supporting documentation for currency exchanges; an operational

advance of \$10,000 being handed to a non-UNHCR staff member employed by a partner; and absence of reviews of supporting documentation by the Finance Unit. OIOS also identified one voucher where payment of an emergency operational advance of \$15,000 was made directly to the personal bank account of a staff member on 22 August 2014. This advance was cleared in MSRP on 14 October 2014 when NFIs worth approximately \$5,200 were purchased through his personal bank card. The remaining balance of \$9,800 was returned by the staff member through a bank transfer, but not until three months later on 15 January 2015. In another case reviewed, two operational advances were taken by the same staff member to purchase \$40,000 worth of NFIs in cash directly from a supermarket without following any procurement procedures or obtaining approval from the LCC. Operational advances were still in frequent use at the time of the audit fieldwork in January 2015, and no petty cash or bank accounts had been established outside of Kiev.

34. The reason for the above weaknesses was that the management of the Representation was not monitoring and overseeing the process of operational advances and demonstrating commitment to adherence to UNHCR financial rules and regulations. As a result, several established controls had been allowed to be bypassed and the Representation could not ensure that all of the \$203,000 issued through operational advances were used properly and in the best interests of the organization.

(6) The UNHCR Regional Representation in Ukraine should: a) put in place appropriate monitoring mechanisms to ensure that operational advances are cleared on a monthly basis, adequate documentation is maintained to support the payment and clearance of advances, and UNHCR and staff members' personal funds are not mixed; and b) request the Division of Financial and Administrative Management to create bank accounts with appropriate limits for the field presences in Ukraine, in order to limit the need for operational advances.

UNHCR accepted recommendation 6 and stated that the Representation established several additional controls over the use of operational advances. It also obtained approval for the creation of a second bank account for the Sub-Office in Dnipropetrovsk, in order to handle the payment cycle and reduce the operational advances, and expected to open the account during June. Recommendation 6 remains open pending receipt of: a) documentary evidence that operational advances are cleared on a monthly basis with adequate supporting documentation and that UNHCR funds are not mixed with personal funds; and b) confirmation that a new bank account for the Sub-Office in Dnepropetrovsk has been opened.

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[Redacted]

IV. ACKNOWLEDGEMENT

38. OIOS wishes to express its appreciation to the Management and staff of the UNHCR Representation in Ukraine for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

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

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNHCR Regional Representation in Ukraine should develop an implementation plan with clear deliverables and milestones for: a) undertaking profiling of its direct beneficiaries; b) updating the contingency plan for the emergency; and c) ensuring that protection interventions reflecting the priorities of the different zones are implemented and monitored.	Important	O	Submission to OIOS of: a) an approved contingency plan for the emergency; and b) the final Protection Operational Plan and evidence of how it is monitored.	30 July 2015
2	The UNHCR Regional Representation in Ukraine should put in place appropriate management oversight mechanisms and dedicate sufficient staff resources to partnership management to ensure: a) the establishment of frameworks for planned results in partnership agreements for 2015; and b) the implementation of a risk-based plan for financial and performance monitoring against the frameworks for planned results to be conducted by a multi-functional team.	Important	O	Submission to OIOS of the composition memo for the multi-functional monitoring team and a sample of partner monitoring reports prepared by the team.	30 September 2015
3	The UNHCR Regional Representation in Ukraine should establish: a) a supply chain strategy for the acquisition, storage and distribution of non-food items; and b) local guidelines specifying the selection criteria, distribution methodology, and responsibilities for monitoring, reconciling and recording non-food item distributions.	Critical	C	Action completed	Implemented
4	The UNHCR Regional Representation in Ukraine should develop standard operating procedures for	Important	C	Action completed	Implemented

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNHCR in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

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

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	its cash based interventions programme and conduct a post implementation review and a lessons learned exercise of the 2014 cash programme.				
5	The UNHCR Regional Representation in Ukraine should: a) ensure that the supply function has sufficient capacity and that the roles and responsibilities in the supply function have been appropriately allocated; and b) put in place adequate monitoring and oversight arrangements, which should address the weaknesses in the vendor management process, lack of procurement plans, and non-compliance with procurement rules and procedures with respect to exceptional procedures and waivers.	Critical	O	Submission to OIOS of: a) confirmation that the new supply positions have been filled; b) evidence that a database of qualified vendors has been prepared; and c) evidence of reduction in the number of exceptional procedures and waivers.	30 July 2015
6	The UNHCR Regional Representation in Ukraine should: a) put in place appropriate monitoring mechanisms to ensure that operational advances are cleared on a monthly basis, adequate documentation is maintained to support the payment and clearance of advances, and UNHCR and staff members' personal funds are not mixed; and b) request the Division of Financial and Administrative Management to create bank accounts with appropriate limits for the field presences in Ukraine, in order to limit the need for operational advances.	Critical	O	Submission to OIOS of: a) documentary evidence that operational advances are cleared on a monthly basis with adequate supporting documentation and that UNHCR funds are not mixed with personal funds; and b) confirmation that a new bank account for the Sub-Office in Dnepropetrovsk has been opened.	30 July 2015

APPENDIX I

Management Response

Management Response

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

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Regional Representation in Ukraine should develop an implementation plan with clear deliverables and milestones for: a) undertaking profiling of its direct beneficiaries; b) updating the contingency plan for the emergency; and c) ensuring that protection interventions reflecting the priorities of the different zones are implemented and monitored.	Important	Yes	Deputy Representative Head of Sub-office Senior Protection Officer	30.07.2015	<p>On 16 March 2015, UNHCR launched a Participatory assessment in five locations with high density of IDPs. The objective of the assessment is to engage the IDPs in the process of identification and prioritization of needs by the community itself. The Participatory Assessment included more than 100 focus group discussions with the expected participation of 1000 internally displaced persons of more than 20 AGD and vulnerable profiles. The results of the PA led UNHCR protection response and priorities as well as targeting in the implementation of the annual programme and planning of interventions.</p> <p>In addition since November 2014, UNHCR has streamlined its protection monitoring activities which is implemented through a local partner. The implementing partner monitors on the basis of a protection checklist. The monitoring is done through the key informants interviews and community based monitoring (focus group discussions and individual family interviews). The protection monitoring indicators have shaped the 2015 Country Operation Plan, in particular in regard to protection, community based and assistance interventions.</p> <p>In March 2015, UNHCR has developed a Protection Operational Plan that operationalizes its Protection Strategy developed by a Multi-Functional team in December 2014. The plan is included in the UNHCR Ukraine 2015 COP and remains valid. The plan includes 8 protection objectives and areas of intervention.</p> <ol style="list-style-type: none"> 1. Advocacy for the legislation practical and institutional changes for IDP protection; 2. Protection monitoring and community outreach; 3. Legal assistance to IDPs; 4. Prevention and response to SGBV; 5. Peaceful coexistence and inter-cultural dialogue;

⁵ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

⁶ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

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

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>6. Community Mobilization and Participation; 7. Persons with Specific Needs; 8. Protection Coordination.</p> <p>An internal UNHCR contingency plan for emergency is being developed while discussions on an inter-agency plan continue under the leadership of OCHA.</p>
2	The UNHCR Regional Representation in Ukraine should put in place appropriate management oversight mechanisms and dedicate sufficient staff resources to partnership management to ensure: a) the establishment of frameworks for planned results in partnership agreements for 2015; and b) the implementation of a risk-based plan for financial and performance monitoring against the frameworks for planned results to be conducted by a multi-functional team.	Important	Yes	Senior Programme Officer	implemented	The UNHCR Regional Representation in Ukraine in order to put in place appropriate management oversight mechanisms for partnership management established a multi-functional team whereby all the functional units are represented. The ToRs of this team were stipulated in the memo issued in this regard. We mention the main tasks include: a) The establishment of frameworks for planned results in partnership agreements for 2015; and b) the implementation of a risk-based monitoring plan for combined financial and performance monitoring against the frameworks for planned results.
3	The UNHCR Regional Representation in Ukraine should establish: a) a supply chain strategy for the acquisition, storage and distribution of non-food items; and b) local guidelines specifying the selection criteria, distribution methodology, and responsibilities for monitoring, reconciling and recording non-food item distributions.	Critical	Yes	Senior Supply Officer Senior Programme Officer	implemented	<p>UNHCR Representation in Ukraine has developed a supply chain strategy for the acquisition, storage and distribution of NFIs that enables the country operation to meet the needs of persons of concern.</p> <p>Acquisition of goods, works and services is performed strictly as per Chapter 8 of the UNHCR Manual, taking into consideration strict selection of procurement methods and scope of the committees' functions (LCC, HCC).</p> <p>b) Guidelines specifying the selection criteria, distribution methodology, and responsibilities for monitoring, reconciling and recording non-food item distributions have been developed and shared with the fields for further implementation.</p>
4	The UNHCR Regional Representation in Ukraine should develop standard operating procedures for its cash based interventions programme and conduct a post implementation review and a lessons learned exercise of the 2014 cash programme.	Important	Yes	Cash and Protection Expert	implemented	In January 2015, UNHCR conducted a comprehensive post-delivery monitoring of its 2014 cash Programme, in the regions of Kyiv, Dnipropetrovsk, Zaporizhya, Zakarpattya, Kherson, Odessa, Kirovograd, Vinnitsa, Chernigiv and Cherkassy, where the Programme was implemented. Post-delivery monitoring encompassed a telephone survey, complemented by visits of UNHCR and its affiliated staff to counterpart welfare

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						<p>departments and random home visits to beneficiaries. The lessons learned from this post-delivery monitoring exercise will support the design and implementation of the multi-purpose stabilization grant as part of the 2015 cash-based interventions. The cash for shelter component of the 2015 planned cash-based interventions will be planned from the scratch. The design of both cash components of the 2015 Programme included comprehensive post-delivery monitoring. SOPs for cash assistances have been developed.</p>
5	<p>The UNHCR Regional Representation in Ukraine should: a) ensure that the supply function has sufficient capacity and that the roles and responsibilities in the supply function have been appropriately allocated; and b) put in place adequate monitoring and oversight arrangements, which should address the weaknesses in the vendor management process, lack of procurement plans, and non-compliance with procurement rules and procedures with respect to exceptional procedures and waivers.</p>	Critical	Yes	<p>Senior Supply Officer</p> <p>Senior Programme Officer</p>	30.07.2015	<p>UNHCR Representation established supply capacity in order to ensure optimum procurement functions in Kyiv and at the field offices level. Based on recommendations of GSC Budapest, the Representation has created G-5 positions in each of the Field Offices, in addition to the three Supply positions in Kiev Office (P-3, and two G-posts: one G-6 and one G-5 positions). These positions are structured appropriately in order to ensure the roles and responsibilities according to the delegation of authority plan. The reporting lines are clarified (G-5 Sen. Supply Assistants are operationally reporting to the Programme Officer in Dnipropetrovsk (through the Head of Field Offices), and functionally to Sen. Programme Officer in Kyiv (through Supply Officer in Kyiv). The recruitment is expected to be finalized on June 10th, 2015 the latest.</p> <p>Office has established a Vendor Review Committee and now is registering qualified vendors based on VRG (Vendor Registration Form) and evaluates their performance. The Office is running this process in full compliance with UNHCR rules and regulations and Chapter 8 (Vendor Management) of the UNHCR Manual.</p> <p>The Supply unit put in place strict monitoring on Waiver on Competitive Bidding requests, decreasing its utilization to a minimum. Supply unit also monitors implementation of procurement rules and regulations in order to keep the process in compliance with UNHCR rules and regulations and Chapter 8.</p> <p>The Supply unit established Frame Agreements for transportation services under the Global FA, within Ukraine, among all UNHCR Field Offices, except Donetsk Filed Office due to the security situation. UNHCR is using WFP logistical channels to deliver its assistance to the PoC.</p>

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						<p>For distribution in each field office, local transportation companies were engaged and contracts were signed after a competitive bidding.</p> <p>Warehousing: Based on audit recommendations, UNHCR Representation assessed once more all warehouses in Ukraine and based on current state assessment cleared and closed those warehouses which were not in compliance with UNHCR standards. New warehouses were identified in a transparent process, lease agreements were signed and UNHCR Representation has sent request to GSC Budapest, together with Feasibility Study on warehouses, for registering three (3) warehouses in Ukraine into MSRP (Kiev, Dnipropetrovsk and Severodonetsk). All staff in the field is trained in inventory management. The UNHCR Representation is carrying a recruitment process of Supply Assistants to be based in the field offices. Training sessions are planned for the newly recruited staff on MSRP and the DOAP will be updated accordingly in order to grant access to the relevant staff.</p>
6	<p>The UNHCR Regional Representation in Ukraine should: a) put in place appropriate monitoring mechanisms to ensure that operational advances are cleared on a monthly basis, adequate documentation is maintained to support the payment and clearance of advances, and UNHCR and staff members' personal funds are not mixed; and b) request the Division of Financial and Administrative Management to create bank accounts with appropriate limits for the field presences in Ukraine, in order to limit the need for operational advances.</p>	Critical	Yes	Admin/Finance Officer	30.07.2015	<p>a) Operational advances are issued in the name of the Heads of Field Offices; Each Head of Field Office receives an authorization Memorandum describing detailed procedures related to reporting on the expenditure incurred from the Field Operational Advance and confirms agreement with such by providing a signature; Operational advances are issued in the local currency (in which expenditure is incurred) to avoid any currency mismatch. As of 25th of each month Field Offices report with on the expenditure by providing detailed expenditure report, indicating cash receipts/disbursements supported by individual Petty Cash Vouchers for each line of expenditure with the original supporting documents, such as invoices and any related background correspondence. Individual vouchers are duly authorized by the spending/purchase approvers designated through the updated DOAP. Cash Count is performed at the end of each month for the remaining balance against the field operational advance to confirm that balance at hand as in the expenditure report coincide with each other. Field Operational advances are solely used to cover minor immediate needs for day-to-day office running needs and lower level expenses under the direct implementation. All staff costs, as well as those related</p>

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						<p>to the large-scale procurement or service provision, are settled through bank transfer.</p> <p>b) An approval for opening a local currency bank account with a bank in Ukraine was received from Treasury on 3 June 2015. Bank signatories and single cheque limits are also established. The bank will be approached with the original documents and bank account will be opened during the month of June.</p>

