



INTERNAL AUDIT DIVISION

REPORT 2016/039

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

**Overall results relating to the effective
management of the operations in Djibouti
were initially assessed as unsatisfactory.
Implementation of five important
recommendations remains in progress**

**FINAL OVERALL RATING: PARTIALLY
SATISFACTORY**

3 May 2016

Assignment No. AR2015/112/05

United Nations Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

TO: Mr. Filippo Grandi
A: United Nations High Commissioner for Refugees

DATE: 3 May 2016

REFERENCE: IAD: 16-00213

FROM: Eleanor T. Burns, Director
DE: Internal Audit Division
Office of Internal Oversight Services



SUBJECT: **Report 2016/039 on an audit of the operations in Djibouti for the Office of the United Nations High Commissioner for Refugees (Assignment No. AR2015/112/05)**

Overall results relating to the effective management of the operations in Djibouti were initially assessed as unsatisfactory. Implementation of five important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

1. Attached please find the final report on the above-mentioned audit.
2. Please note that OIOS will report on the progress made to implement its recommendations in its annual report to the General Assembly. OIOS will also report to the Secretary-General quarterly for critical recommendations and annually for important recommendations.
3. Please also note that OIOS will post a redacted version of the final report on its website 30 days after its issuance in line with General Assembly resolution 69/253.
4. 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.

cc: Ms. Kelly T. Clements, Deputy High Commissioner, UNHCR
Mr. George Okoth-Obbo, Assistant High Commissioner (Operations), UNHCR
Mr. Volker Türk, Assistant High Commissioner (Protection), UNHCR
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INTERNAL AUDIT DIVISION • DIVISION DE L'AUDIT INTERNE

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AUDIT REPORT

Audit of the operations in Djibouti 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 Djibouti for the Office of the United Nations High Commissioner for Refugees (UNHCR).

2. The UNHCR Representation in Djibouti (hereinafter referred to as ‘the Representation’) was established in 1978 to provide refugees with protection and humanitarian assistance. As of 30 September 2015, the Representation was assisting a legacy case-load of 18,955 refugees from Somalia, Ethiopia and Eritrea. In addition, the arrival of 24,176 people of mixed nationalities from Yemen, between 26 March and 1 September 2015, prompted a UNHCR emergency response plan, with dedicated funding of \$2.4 million. The Representation’s strategic priorities in its Country Operations Plan for 2015 were: (i) protection activities with particular emphasis on assistance and documentation to new refugees, collaboration with the government to ensure access to the territory and freedom of movement and durable solutions; and (ii) assistance to refugees in the key sectors of education, shelter, health, non-food items (NFI), and water, sanitation and hygiene (WASH).

3. The Representation had a Country Office in Djibouti, a Field Office in Ali Sabieh, and a Field Unit in Obock. It managed three refugee camps in Ali Addeh, Holl Holl and Markazi. The Representation was headed by a Representative at the P-5 level, and as of 30 September 2015, it had 44 posts. It had total expenditure of \$7.4 million in 2014 and \$6.4 million for the nine-month period up to 30 September 2015 against an operating level budget for 2015 of \$10.9 million. The Representation worked with six partners in 2014 and seven in 2015. These partners spent \$3.7 million in 2014 and \$1.9 million in 2015 (as of 30 September) on UNHCR projects, which represented 83 per cent and 58 per cent, respectively, of the Representation’s programme related expenditure in 2014 and 2015.

4. Comments provided by the Representation are incorporated in italics.

II. OBJECTIVE AND SCOPE

5. 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 UNHCR operations in Djibouti**.

6. The audit was included in the OIOS 2015 risk-based internal audit work plan for UNHCR due to risks associated with the growth of the operations in Djibouti caused by the crisis in Yemen.

7. 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 planning for its programme and protection activities are implemented in alignment with the 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 Djibouti; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

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

9. OIOS conducted the audit from September to December 2015. The audit covered the period from 1 January 2014 to 30 September 2015. During the audit, OIOS visited the Representation's offices in Djibouti, Ali Sabieh and Obock, the refugee camps in Ali Addeh and Markazi, and four partners.

10. 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

11. The UNHCR governance, risk management and control processes examined were initially assessed as **unsatisfactory**¹ in providing reasonable assurance regarding the **effective management of UNHCR operations in Djibouti**. OIOS made nine recommendations to address the issues identified.

12. There was a critical need for the Representation to strengthen management supervision and oversight arrangements over procurement and vendor management. In addition, the Representation needed to: (i) ensure the accuracy and completeness of the refugee registration data; (ii) develop operational strategies for education, health and nutrition, and WASH; (iii) develop and execute a risk-based plan for monitoring the accuracy and completeness of project activities implemented and reported on by partners; (iv) strengthen controls over procurement entrusted to partners; (v) strengthen controls over warehouse management and distribution of NFIs; (vi) improve management supervision arrangements over financial management; (vii) strengthen controls over fuel management; [REDACTED]

13. The initial overall rating was based on the assessment of key controls presented in Table 1. The final overall rating is **partially satisfactory**² as implementation of five important recommendations remains in progress.

¹ A rating of "**unsatisfactory**" means that one or more critical and/or pervasive important deficiencies exist in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² A rating of "**partially satisfactory**" means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Table 1
Assessment of key controls

Business objective	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 Djibouti	(a) Strategic planning	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(c) Regulatory framework	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Strategic planning

There was a need to ensure the accuracy and completeness of the refugee registration data

14. According to the UNHCR Handbook for Registration, the Representation is required to maintain current registration data, which reflects significant changes that affect protection activities and the provision of assistance.

15. The Representation finalized the latest verification of its persons of concern at the refugee camps in Ali Addeh and Holl Holl and its urban caseload in February 2015, five years after it had conducted the previous verification. The 2015 verification exercise resulted in a substantial decrease in the number of refugees, from 24,583 to 15,584, due to repatriations and voluntary departures during these five years. However, OIOS was of the opinion that a new verification exercise was needed in the Markazi refugee camp where 3,371 refugees were initially registered, due to the high mobility of the refugees.

16. The above situation happened because the Representation did not have procedures in place to ensure completeness of the registration data and because it did not undertake the verifications sufficiently frequently. This resulted in the Representation basing its planning and fundraising activities on an inaccurate number of refugees. It also resulted in misstated statistics in donor reporting posing a reputational risk to UNHCR. This same issue had been raised in two of the previous OIOS audits in Djibouti, in 2006 and 2011.

(1) The UNHCR Representation in Djibouti should put in place procedures to maintain its refugee registration data current, accurate and complete.

UNHCR accepted recommendation 1 and stated that the pilot launch of using biometric data had been successful in the Holl Holl camp. Procedures were developed for maintaining the veracity of the registration data. UNHCR and a sister United Nations agency had decided to implement the system in all three refugee camps in Djibouti. The roll out in Ali Addeh camp was also completed. Recommendation 1 remains open pending submission of evidence that the procedures put in place consistently ensure the accuracy and completeness of the refugee registration data.

The Representation needed to formalize operational strategies for education, health and nutrition, and water, sanitation and hygiene to improve planning and delivery of these services

17. The UNHCR Global Education Strategy for 2012-2016 and the UNHCR Global Strategy for Public Health 2014-2018 require the Representation to articulate strategies for the provision of education, health and nutrition, and WASH services to persons of concern at the country level. The UNHCR results framework defines the programmatic metrics to be adopted and reported on by the Representation and minimum standards to be achieved in each programmatic area.

18. The Representation had not prepared operational strategies for education, health and nutrition and WASH. It started to prepare a local education strategy in 2013 but this was still at the draft stage at the time of the audit. The Representation only had a concept note for the health strategy and no WASH strategy at all. Based on a visit of the facilities in Markazi and Ali Addeh and review of available documentation, OIOS observed that: standards for the number of female teachers and the teacher-to-children ratio were not met; high malnutrition rates of refugees had persisted since 2010; WASH facilities were poorly maintained; the number of latrines was insufficient; and the quality and quantity of water were not up to standard.

19. The above shortcomings occurred because the Representation's management had not enforced the requirement to develop operational strategies. The Representation explained that as the emergency funding of \$2.4 million received for the Yemeni caseload could not be utilized for the benefit of its protracted legacy case load, it was difficult to prioritize funds and guide action for these programmatic areas. The lack of strategies in these areas resulted in the Representation failing to provide adequate education, health and nutrition, and WASH services to its persons of concern.

(2) The UNHCR Representation in Djibouti should develop operational strategies for education, health and nutrition, and water, sanitation and hygiene that clearly define how and when it plans to meet UNHCR standards for these programmatic areas.

UNHCR accepted recommendation 2 and stated that the operational strategies for WASH, health, nutrition and education had been updated. The UNHCR Regional Service Centre in Nairobi through the Senior Regional Officers was providing support and technical advice to the Representation on the respective sectors. Recommendation 2 remains open pending submission of the finalized and approved country level operational strategies for WASH, health, nutrition and education.

B. Project management

There was a need to develop and execute a risk-based plan for monitoring the accuracy and completeness of project activities implemented and reported on by partners

20. The UNHCR Manual requires the Representation to monitor project activities implemented and reported on by partners on an ongoing basis to assess whether they are proceeding according to plan and targets. The Representation should prepare an annual risk-based monitoring plan and establish a multi-functional monitoring team to conduct performance and financial monitoring activities in a comprehensive and coordinated manner.

21. The Representation verified the financial reports of all partners in 2014 and 2015. OIOS visited four partners to assess the extent and quality of the financial verifications undertaken and concluded that they were adequately performed and documented and included a follow up on observations made by prior verifications and project audits conducted by external auditors. However, the Representation did not

compare the financial expenditures incurred by partners with the actual progress in project implementation. In addition, in the absence of an annual monitoring plan, the Project Control Officer, the Programme Officer and thematic experts performed monitoring activities in a disjointed manner.

22. The above weaknesses occurred because management had not prioritized the requirement to develop a risk-based monitoring plan to be implemented by a multi-functional monitoring team. As a result, the Representation was exposed to risk of failure to achieve the intended project objectives.

(3) The UNHCR Representation in Djibouti should develop and execute a risk-based plan for monitoring the accuracy and completeness of project activities implemented and reported on by partners in a comprehensive and coordinated manner.

UNHCR accepted recommendation 3 and stated that, based on a risk analysis, a monitoring plan for each project would be prepared to ensure timely implementation of project activities and accuracy of reporting. The Representation would also prepare an impact monitoring plan for data collection and verification of impact indicators. Recommendation 3 remains open pending submission of evidence that the Representation has developed a risk-based plan for monitoring project activities implemented by partners and has made adequate arrangements for execution of the plan.

Controls over procurement entrusted to partners required strengthening

23. Effective 1 November 2014, the UNHCR Policy and Procedures on Procurement by Partners with UNHCR Funds requires the Representation to ensure that an Implementing Partnership Management Committee is established to review each designation of procurement authority to partners. The Representation should also assess each partner's capacity to undertake procurement activities effectively and competitively on UNHCR's behalf. During project implementation the Representation is required to undertake regular monitoring of the partners' procurement activities.

24. For 2015, the Representation entrusted procurement valued at \$708,000 to its partners. However, the Implementing Partnership Management Committee did not assess the partners' capacity to undertake procurement on UNHCR's behalf. The Representation regularly reviewed partners' procurement as part of financial verification visits. However, OIOS observed that the partners did not maintain a vendor database, were not aware of the requirement to document the receipt of goods, did not have a system to track the cumulative value of procurement by vendor over the financial year, and did not systematically conduct competitive procurement and meet the required documentation requirements to ensure transparency of the procurement processes. The Representation had not identified these control weaknesses during its financial verifications.

25. The main reason for the above control weaknesses was lack of effective management supervision procedures to ensure compliance with UNHCR rules on procurement by partners. This exposed the Representation to a risk of not obtaining value for money from procurement by partners.

(4) The UNHCR Representation in Djibouti should put in place appropriate management supervision procedures and an action plan to ensure that: (i) the partners' capacity to undertake procurement effectively and to provide value for money to UNHCR is assessed before entrusting procurement to them; and (ii) compliance of partners with the agreed procurement rules and procedures is regularly monitored as part of financial verifications.

UNHCR accepted recommendation 4 and stated that the Representation had implemented corrective actions by reviewing partners' capacity to undertake procurement effectively and by ensuring compliance of partners with procurement rules and procedures. Recommendation 4

remains open pending submission of evidence that: (i) the partners' capacity to undertake procurement effectively and to provide value for money to UNHCR has been assessed before entrusting procurement to them for 2016; and (ii) compliance of partners with the agreed procurement rules and procedures is regularly monitored as part of financial verifications.

There was a need to strengthen controls over warehousing and distribution of non-food items

26. UNHCR procedures on warehouse and inventory management require the Representation to perform monthly inventory reconciliations, ensure adequate and safe storage conditions, and keep accurate records of all inventory movements. The UNHCR Manual and policies on commodity distribution require the Representation to develop NFI distribution plans, monitor on-site distribution of NFIs to beneficiaries, and prepare reconciliation reports between items issued and distributed.

27. The Representation was directly managing a warehouse in Djibouti, provided by a government partner. The Representation was also storing various goods, including NFIs stored in two home-made sheds and on the terrace of the office at the Field Unit in Obock (which lacked basic protection against atmospheric elements, insects and theft). The Representation had also not put in place standard controls over NFI distributions, such as distribution plans, waybills, receipt forms signed by refugees, regular record updates, and reconciliation reviews between issuance and distribution. Between January 2014 and October 2015, the Representation reported as having issued NFIs amounting to \$718,365 destined to the three camps. However, the Representation had only limited documentary information on the distribution of the items and only for the period between September 2014 and January 2015.

28. The above shortcomings in warehousing and NFI distribution occurred because the Representation had not paid sufficient management attention to establishing adequate control arrangements for these areas. In particular, it had not taken a holistic risk management approach and adequately identified, analyzed and responded to risks associated with warehousing and distribution of NFIs. For example, the decision not to appoint a logistics partner meant that the Representation was directly managing the process, without the required capacity. Consequently, the quantity and value of inventory recorded in Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system, was likely to be misstated, losses may have occurred due to poor safeguarding of inventory, and NFIs may not have reached all the intended beneficiaries.

(5) The UNHCR Representation in Djibouti should identify all key risks related to warehousing and distribution of non-food items, analyze and evaluate these risks, and develop and implement a plan to respond to the risks with adequate control procedures.

UNHCR accepted recommendation 5 and stated that Standard Operating Procedures for warehousing had been approved by the Representation's Supply, Administration and Programme Sections. The risk analysis, including for distribution of NFI, was continually reviewed and improved as needed. Based on the action taken and documentation provided by UNHCR, recommendation 5 has been closed.

C. Regulatory framework

There was a critical need to strengthen management supervision and oversight arrangements over procurement and vendor management activities

29. The Representation is required to comply with UNHCR procurement rules and procedures, which include: establishing an effective vendor management system; preparing an annual purchasing plan;

implementing competitive and transparent bidding procedures; and, through the Local Committee on Contracts (LCC), ensuring adequate oversight over procurement activities and management of contracts.

30. OIOS reviewed the vendor management and procurement procedures put in place by the Representation and tested on a sample basis 36 purchase orders worth \$691,540, representing 43 per cent of the total local procurement volume of \$1.6 million in the audit period, to assess compliance with UNHCR procurement rules and procedures. The Representation had 572 vendors recorded in the MSRP vendor database but 15 of these vendors had duplicate or triplicate identification numbers, increasing the risk of double payments.

31. The Vendor Review Committee (VRC), established on 22 January 2015, did not hold any meetings to vet and evaluate vendors and the Representation did not maintain the required registration forms, contact details and financial reports for its active vendors. The Representation also did not have an approved procurement plan for either 2014 or 2015. Of the 36 purchase orders reviewed, 33 (or 92 per cent) had insufficient documentation to support the procurement process and, therefore, OIOS could not determine whether adequate procurement procedures had been followed.

32. The LCC was established in August 2015. However, the review observed weaknesses in procurement oversight and contract management including:

- Purchase orders totalling \$584,000 were raised without LCC approval;
- \$330,000 was paid to two vendors without any contracts in place;
- Purchase orders were raised for fuel and construction materials worth \$18,000 outside of MSRP;
- Purchase orders amounting to \$356,000 were raised after the invoice date;
- Purchase orders totalling \$109,000 were raised without requesting the minimum number of bids and with no note for file justifying this exception; and
- Procurement worth \$80,000 was conducted without advertising it.

33. The above shortcomings were partly due to staffing constraints in the Representation's Supply Section which consisted of one general service staff and one International United Nations Volunteer who both lacked sufficient knowledge of UNHCR procurement rules and procedures. A professional staff, on a temporary appointment for six months, only arrived in June 2015. However, the Representation had also not established adequate management supervision and oversight arrangements over its procurement and vendor management activities, including in terms of preparation of procurement plans, maintenance of adequate documentation on procurement transactions, and ensuring that the LCC and VRC members were sufficiently aware of their responsibilities. This exposed it to an increased risk of financial losses, inefficient operations, and not receiving best value for money from the acquisition of goods and services.

(6) The UNHCR Representation in Djibouti should establish and implement appropriate supervision and oversight arrangements to ensure that: (i) the Supply Section has sufficient capacity and competence to discharge its duties; and (ii) the members of the Vendor Review Committee and Local Committee on Contracts are trained on their respective roles and responsibilities.

UNHCR accepted recommendation 6 and stated that the Representation's newly hired Supply Officer organized three meetings with the VRC members and briefed the members on their roles and responsibilities. The VRC would now meet once a month. The Supply Officer also organized a meeting with the members of the LCC and briefed them on the procurement process, and their roles and responsibilities. Based on the action taken and documentation provided by UNHCR, recommendation 6 has been closed.

Management supervision of financial management activities needed improvement

34. The UNHCR Financial Internal Control Framework requires the Representation to ensure that payment approvers do not approve payments when they can benefit directly or indirectly from the transaction. It further requires the Representation to send a month-end financial reporting package to UNHCR headquarters within 10 days after the end of each month and to send a complete mid-year review file of all receivable and payable accounts and the associated supporting documents as part of the June month-end package. The UNHCR rules on Value Added Tax (VAT) require the Representation to maintain a file which includes, *inter alia*, copies of recovery vouchers, VAT status reports and information on the frequency of recoveries.

35. OIOS reviewed the Representation's arrangements for financial management from January 2014 to September 2015 and observed the following control weaknesses:

- An International United Nations Volunteer was given the incompatible roles of purchase order preparer and goods receiver. Another staff member approved a payment to himself for mission allowance and maintenance services worth \$7,079. Although the payments were for legitimate purposes, this represented a weakness in segregation of duties.
- The financial reporting packages in 2014 and 2015 were sent to headquarters within the 10 days of the following month as required. However, the mid-year review of all receivables and payables was not sent as part of the June 2014 and 2015 packages.
- Between January 2012 and July 2015, the Representation made overall submissions for VAT totalling \$55,564 for the period from 2011 to 2014. The cumulative total VAT outstanding recorded in MSRP as at 5 October 2015 amounted to \$78,693, leaving a difference of \$23,039 to be reconciled by the Representation and to be submitted to the Government for reimbursement.

36. The above weaknesses were due to inadequate management supervision over financial management activities. As a result, the Representation was exposed to a risk of loss of financial resources and incorrect financial reporting.

(7) The UNHCR Representation in Djibouti should put in place adequate management supervision arrangements to ensure that: (i) financial reporting to headquarters is complete; (ii) financial roles are properly segregated; and (iii) Value Added Tax claims are submitted to the Government for reimbursement in a timely manner.

UNHCR accepted recommendation 7 and stated that: (i) financial reporting to headquarters was now in place; (ii) a new Delegation of Authority Plan had been approved and a reminder on the segregation of roles sent to all staff; and (iii) the VAT reimbursement process was in place. Based on the action taken and documentation provided by UNHCR, recommendation 7 has been closed.

Controls over fuel management needed strengthening

37. According to the UNHCR Manual, the Representation is required to put in place procedures to monitor fuel consumption, control fuel related expenditures and ensure that adequate fuel stocking and transportation infrastructure is in place.

38. OIOS reviewed the Representation's controls in place for fuel management and observed that the Representation: (a) did not use waybills or goods received notes to transport fuel; (b) utilized fuel drums that did not have adequate perimeter protection; (c) did not perform any fuel consumption analyses in the

period of the review and could not account for fuel usage totalling approximately \$110,000; and (d) used pre-paid cards to purchase fuel without adequate segregation of duties.

39. These weaknesses happened because the Representation had not put in place adequate controls over fuel management. It had also not designated a qualified transportation manager to supervise fleet and fuel management activities. This resulted in an increased risk of fraud, waste and loss related to fuel.

(8) The UNHCR Representation in Djibouti should designate a transportation manager with responsibilities for fuel management to ensure provision of adequate fuel stocking and transportation infrastructure, perform monthly fuel consumption analyses to identify and address waste and over-consumption of fuel, and monitor controls over use of pre-paid fuel cards.

UNHCR accepted recommendation 8 and stated that the Representation has designated a transportation manager with responsibilities for fuel management. Standard Operating Procedures for fuel management had been approved by Supply and Administration Sections. Monthly consumption reports were regularly prepared and analyzed. Recommendation 8 remains open pending submission of evidence that the new Standard Operating Procedures for fuel management are systematically implemented for controlling the fuel stocking and transportation infrastructure and monitoring of the use of pre-paid fuel cards.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

IV. ACKNOWLEDGEMENT

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

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

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

Recom. no.	Recommendation	Critical ³ / Important ⁴	C/ O ⁵	Actions needed to close recommendation	Implementation date ⁶
1	The UNHCR Representation in Djibouti should put in place procedures to maintain its refugee registration data current, accurate and complete.	Important	O	Submission to OIOS of evidence that the procedures put in place consistently ensure the accuracy and completeness of the refugee registration data.	31 May 2016
2	The UNHCR Representation in Djibouti should develop operational strategies for education, health and nutrition, and water, sanitation and hygiene that clearly define how and when it plans to meet UNHCR standards for these programmatic areas.	Important	O	Submission to OIOS of the finalized and approved country level operational strategies for WASH, health, nutrition and education.	30 June 2016
3	The UNHCR Representation in Djibouti should develop and execute a risk-based plan for monitoring the accuracy and completeness of project activities implemented and reported on by partners in a comprehensive and coordinated manner.	Important	O	Submission to OIOS of evidence that the Representation has developed a risk-based plan for monitoring project activities implemented by partners and has made adequate arrangements for execution of the plan.	30 June 2016
4	The UNHCR Representation in Djibouti should put in place appropriate management supervision procedures and an action plan to ensure that: (i) the partners' capacity to undertake procurement effectively and to provide value for money to UNHCR is assessed before entrusting procurement to them; and (ii) compliance of partners with the agreed procurement rules and procedures is regularly monitored as part of financial verifications.	Important	O	Submission to OIOS of evidence that: (i) the partners' capacity to undertake procurement effectively and to provide value for money to UNHCR is assessed before entrusting procurement to them for 2016; and (ii) compliance of partners with the agreed procurement rules and procedures is regularly monitored as part of financial verifications.	30 June 2016

³ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

⁴ Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

⁵ C = closed, O = open

⁶ Date provided by UNHCR in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

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

Recom. no.	Recommendation	Critical ³ / Important ⁴	C/ O ⁵	Actions needed to close recommendation	Implementation date ⁶
5	The UNHCR Representation in Djibouti should identify all key risks related to warehousing and distribution of non-food items, analyse and evaluate these risks, and develop and implement a plan to respond to the risks with adequate control procedures.	Important	C	Action completed	Implemented
6	The UNHCR Representation in Djibouti should establish and implement appropriate management supervision arrangements to ensure that: (i) the Supply Section has sufficient capacity and competence to discharge its duties; and (ii) the members of the Vendor Review Committee and Local Committee on Contracts are trained on their respective roles and responsibilities.	Critical	C	Action completed	Implemented
7	The UNHCR Representation in Djibouti should put in place adequate management supervision arrangements to ensure that: (i) financial reporting to headquarters is complete; (ii) financial roles are properly segregated; and (iii) Value Added Tax claims are submitted to the Government for reimbursement in a timely manner.	Important	C	Action completed	Implemented
8	The UNHCR Representation in Djibouti should designate a transportation manager with responsibilities for fuel management to ensure provision of adequate fuel stocking and transportation infrastructure, perform monthly fuel consumption analyses to identify and address waste and over-consumption of fuel, and monitor controls over use of pre-paid fuel cards.	Important	O	Submission to OIOS of evidence that the new Standard Operating Procedures for fuel management are systematically implemented for controlling the fuel stocking and transportation infrastructure and monitoring of the use of pre-paid fuel cards.	30 June 2016

APPENDIX I

Management Response

Management Response

Audit of the operations in Djibouti 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	Client comments
1	The UNHCR Representation in Djibouti should put in place procedures to maintain its refugee registration data current, accurate and complete.	Important	Yes	Snr Protection Officer	Holl Holl and Ali Addeh camp - implemented 31 May 2016	The pilot launch of using biometric data has been successful in Holl Holl camp. The mission report outlines the procedures to maintain the veracity of the registration data among other recommendations. The UNHCR Representation and its sister UN agency have decided to implement this in all the three refugee camps. As of 28 March, the roll out started in Ali Addeh camp and ended 7 days later.
2	The UNHCR Representation in Djibouti should develop operational strategies for education, health and nutrition, and water, sanitation and hygiene that clearly define how and when it plans to meet UNHCR standards for these programmatic areas.	Important	Yes	Programme Officer	Development of strategies - Implemented	The operational strategies for WASH, health, nutrition and education have been updated. The Regional Service Center in Nairobi through the Senior Regional Officers is providing support and technical advices to the country office on their respective sectors.
3	The UNHCR Representation in Djibouti should develop and execute a risk-based plan for monitoring the accuracy and completeness of project activities implemented and reported on by partners in a comprehensive and coordinated manner.	Important	Yes	Project Control Officer + Programme Officer	30 June 2016	Based on this risk analysis, a monitoring plan for each project will be prepared to ensure the timely implementation of project activities and accuracy of reporting. The plans will be formulated in consultation with the multi-functional team and partners. The Representation will also prepare an impact monitoring plan for the data collection and verification of impact indicators.
4	The UNHCR Representation in Djibouti should develop and implement appropriate management supervision procedures and an action plan to ensure that: (i) the partners'	Important	Yes	Supply Officer + Project Control Officer	Implemented	The Representation has implemented corrective actions by reviewing partners' capacity to undertake procurement effectively and by ensuring compliance of partners with procurement rules and procedures.

⁷ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

⁸ Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

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	capacity to undertake procurement effectively and to provide value for money to UNHCR is assessed before entrusting procurement to them; and (ii) compliance of partners with the agreed procurement rules and procedures is regularly monitored as part of financial verifications.					
5	The UNHCR Representation in Djibouti should identify all key risks related to warehousing and distribution of non-food items, analyse and evaluate these risks, and develop and implement a plan to respond to the risks with adequate control procedures.	Important	Yes	Project Control Officer + Supply Officer	30 June 2016	Standard Operating Procedures (SOPs) for warehousing have been designed and approved by Supply, Administration and Programme Sections in March 2016. Specific risk analysis including for distribution of NFI is continually reviewed and improved as needed.
6	The UNHCR Representation in Djibouti should establish and implement appropriate management supervision arrangements to ensure that: (i) the Supply Section has sufficient capacity and competence to discharge its duties; and (ii) the members of the Vendor Review Committee and Local Committee on Contracts are trained on their respective roles and responsibilities.	Critical	Yes	Supply Officer	Implemented	The newly hired Supply Officer organized three meetings with the Vendor Review Committee (VRC) members and briefed the members on their roles and responsibilities. The VRC will now meet once a month. The Supply Officer also organized a meeting with the members of the Local Committee on Contracts (LCC) and briefed them on the process, their roles and responsibilities.
7	The UNHCR Representation in Djibouti should put in place adequate management supervision arrangements to ensure that: (i) financial reporting to headquarters is complete; (ii) financial roles are properly segregated; and (iii) Value Added Tax claims are submitted to the Government for reimbursement in a timely manner.	Important	Yes	Admin Officer	Implemented	The Representation has taken the following actions to address this recommendation: (i) the financial reporting to HQ is in place. Attached is the latest month-end submission. (ii) a new DOAP has been submitted, approved and is currently under implementation; a reminder on the segregation of roles has been sent to all staff; (iii) timely VAT reimbursement process is in place.

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						Attached as evidence of monitoring is a follow-up letter on VAT reimbursement that has been sent to the Ministry of Finance.
8	The UNHCR Representation in Djibouti should designate a transportation manager with responsibilities for fuel management to ensure provision of adequate fuel stocking and transportation infrastructure, perform monthly fuel consumption analyses to identify and address waste and over-consumption of fuel, and monitor controls over use of pre-paid fuel cards.	Important	Yes	Admin Officer + Supply Officer	Implemented	The Representation has designated a transportation manager with responsibilities for fuel management. Standard Operating Procedures for fuel management have been designed and approved by Supply and Administration sections in March 2016. Monthly consumption reports are prepared and analyzed since January 2016. UNHCR requests closure of this recommendation.