



## INTERNAL AUDIT DIVISION

# REPORT 2016/077

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Audit of the operations in the Syrian Arab Republic for the Office of the United Nations High Commissioner for Refugees

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

FINAL OVERALL RATING: UNSATISFACTORY

20 July 2016

Assignment No. AR2015/131/03

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# AUDIT REPORT

## Audit of the operations in the Syrian Arab Republic 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 the Syrian Arab Republic 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 Representation in Syria (hereinafter referred to as ‘the Representation’) started its operations in 1991. Since 2011, the country has experienced an internal war and a humanitarian crisis. According to the Office for the Coordination of Humanitarian Affairs, which leads the United Nations coordinated emergency response, 12.2 million persons were in need of international protection in Syria in 2015, while 7.6 million of them were internally displaced. The Representation was assisting 3.5 million registered persons of concern. As there were no camps in Syria, the internally displaced persons (IDPs) were staying mostly with the host communities. The Representation’s caseload also consisted of 150,000 stateless persons and 24,300 Iraqi refugees. The continued conflict, depleting economic resources and destroyed infrastructure caused economic hardships for IDPs and the host communities alike. The Representation coordinated with the humanitarian community, including through the cluster and sector approach, to ensure uninterrupted delivery of protection and support to its population of concern. It was the lead agency for the protection, community services, and shelter and non-food items (NFI) sectors.

4. The Representation was headed by a Representative at the D-2 level and had seven offices, including a Branch Office in Damascus, five Field Offices in Aleppo, Hassakeh, Homs, Tartus and Sweida, and one Field Unit in Damascus. It had a total of 238 staff. It incurred total expenditure of \$205.0 million in 2014 and \$88.7 million in 2015 in the 8-month period up to 31 August. It worked with 19 partners in 2014 and 29 in 2015. The partners spent 47 per cent of the Representation’s programme related expenditure in 2014. The United Nations Department of Safety and Security (UNDSS) had set the security level at “five” for most areas of the country, except Deir Ezzor where it was set at “six”, i.e. the highest, and the cities of Tartus, Latakia and Sweida where the security level was “four”.

5. The UNHCR Bureau for the Middle East and North Africa (hereinafter referred to as ‘the Bureau’ or ‘the Bureau for MENA’) allocated a total of \$44.2 million in 2014 and 2015 to the Representation for United Nations Security Council authorized cross-border operations. However, the Bureau assigned the actual responsibility for the implementation of cross-border operations in Northern Syria to the UNHCR Field Office in Gaziantep, Turkey, whereas the Bureau directly supervised the operations in Southern Syria through its office in Amman, Jordan until 31 July 2015. In August 2015, the Bureau handed over the implementation of cross-border operations in Southern Syria to the UNHCR Representation in Jordan. Therefore, although the Representation included cross-border operations in its Country Operations Plan (COP) and budget, it did not have an operational role in the implementation, monitoring and reporting of these operations in 2014 and 2015.

6. Comments provided by UNHCR are incorporated in *italics*.

## II. OBJECTIVE AND SCOPE

7. 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 the Syrian Arab Republic**.

8. The audit was included in the OIOS 2015 risk-based internal audit work plan for UNHCR due to risks related to the implementation of the UNHCR country programme in Syria in a very challenging and volatile operational environment due the prolonged conflict in the country.

9. 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 in terms of emergency preparedness and response, are implemented in alignment with the UNHCR global strategic priorities and in accordance with established planning procedures and guidelines.

(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 Syria; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

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

11. OIOS conducted the audit from November 2015 to March 2016. The audit covered the period from 1 January 2014 to 31 October 2015. In addition to the Branch Office in Damascus, the audit team visited the Representation's Field Offices in Homs and Tartous.

12. 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

13. The UNHCR governance, risk management and control processes examined were initially assessed as **unsatisfactory**<sup>1</sup> in providing reasonable assurance regarding the **effective management of UNHCR operations in the Syrian Arab Republic**. OIOS made seven recommendations to address the issues identified.

14. There was a critical need for the Representation to: (i) strengthen its mechanisms over strategic and emergency planning, including contingency planning; and [REDACTED]

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<sup>1</sup> 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.

The Bureau for MENA needed to strengthen the supervision and oversight arrangements over the implementation of cross-border operations in Syria, mandated by the United Nations Security Council, including the related accountability and coordination mechanisms. There was also a need for the Representation to: (a) strengthen arrangements over performance monitoring of partners; (b) improve procedures over cash-based interventions; (c) strengthen controls over the administration of referral health care services; and (d) ensure full compliance with established procurement rules and procedures.

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

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 the Syrian Arab Republic | (a) Strategic planning   | Unsatisfactory                     | Unsatisfactory                               | Unsatisfactory         | Unsatisfactory                                  |
|  | (b) Project management   | Partially satisfactory             | Partially satisfactory                       | Partially satisfactory | Partially satisfactory                          |
|  | (c) Regulatory framework | Unsatisfactory                     | Unsatisfactory                               | Unsatisfactory         | Unsatisfactory                                  |
| <b>FINAL OVERALL RATING: UNSATISFACTORY</b>                          |                          |                                    |  |                        |   |

## A. Strategic planning

### The Representation needed to significantly strengthen its mechanisms over strategic and emergency planning, including contingency planning

16. The UNHCR Emergency Handbook requires the Representation to cooperate with the United Nations Country Team (UNCT) to develop a consolidated emergency response plan. The Representation is also required to develop, and continuously review and update, a contingency plan for its operations after considering different scenarios to ensure its readiness to deal with any critical events. As part of this process, the Representation should develop a business continuity plan for continuation of its operations during conflict. The UNHCR Global Management Accountability Framework requires the Representation, based on a comprehensive needs assessment done through a participatory age, gender and diversity mainstreaming exercise, to prepare an annual COP that identifies objectives for different population planning groups. The COP should be aligned with UNHCR's global strategic priorities and the UNCT emergency response plan, and include baselines and targets for identified priorities and indicators for measuring performance.

17. The Representation coordinated with UNCT on the development of the annual Syrian Arab Republic Humanitarian Response Plan in 2014 and the Strategic Response Plan in 2015. It also prepared COPs for 2014 and 2015 that were in line with the global strategic priorities and the above-mentioned United Nations emergency response plans. The COPs included UNHCR's protection and operational

strategies for Syria, established goals and objectives, defined outputs and activities with allocated budgets, and identified deliverables for each year. To ensure adequate implementation of the COPs, the Representation developed Standard Operating Procedures (SOPs) for each priority activity.

18. However, OIOS review of the Representation's strategic planning mechanisms, including for emergency preparedness and response, indicated that:

- Although the Representation maintained contingency stock, it did not develop a contingency plan for its emergency response. The Representation and UNCT had developed an interagency contingency plan only for the period from October 2012 to March 2013. The UNCT initiated a revision of the plan in June 2015, but the process was discontinued.
- The Representation drafted a business continuity plan in September 2013; however, the plan was not finalized. A review of the draft plan indicated that it did not include: measures for mitigating the risks of operating in Syria; alternate work modalities; and related monitoring and reporting mechanisms. The plan had also not been tested using simulation exercises as required by the UNHCR Emergency Handbook, and it was out of date as it referred to personnel who had already left the operation.
- As UNHCR staff had limited access to locations in Syria due to the security situation and bureaucratic procedures of the host government, the Representation assigned the responsibility for undertaking the needs assessment of the population of concern to its partners. However, it did not ensure that the partners used participatory needs assessment techniques like age, gender and diversity mainstreaming as required by UNHCR procedures. Furthermore, the Representation: (a) utilized data provided by the other cluster and sector members without confirming that their procedures for beneficiary needs assessments were compatible with UNHCR standards; and (b) despite conducting limited focus group sessions in 2015, did not put in place arrangements for validating the needs assessment data reported by the partners or the cluster and sector members.

19. The above-mentioned deficiencies exposed the Representation to risks related to ineffective emergency response capacity and not adequately addressing the needs of the population of concern. The cited control weaknesses were the result of the Representation not giving adequate attention and not reallocating sufficient resources to strategic and emergency planning, including contingency planning. According to the Representation, this was because it was preoccupied with the demands of the emergency response. The Representation also stated that the UNCT had decided to adopt "preparedness" rather than "contingency plans" as it had determined that traditional contingency planning was not an option in Syria.

**(1) The UNHCR Representation in Syria should prioritize the development and implementation of an action plan for: (i) the updating, continuous review and testing of a business continuity plan for its operations; (ii) the preparation of a contingency plan for its refugee emergency response; and (iii) the establishment of controls for monitoring and data validation of needs assessments undertaken by partners and cluster and sector members.**

*UNHCR accepted recommendation 1 and stated that the Representation had finalized a business continuity plan covering the Syria operations and a contingency plan for the refugees from Iraq. It was also working on systematizing and expanding the participatory needs assessments and validating data through regular meetings with partners and spot checks by phone interviews. Recommendation 1 remains open pending receipt of evidence that: the Representation's business continuity plan has been tested; and data for needs assessments has been gathered as per the data*

monitoring and validation methodology for the sectors led by UNHCR as well as for the sectors which constitute its main programmatic interventions in Syria.

## **B. Project management**

There was a need to strengthen supervision and oversight over the implementation of cross-border operations, including the related accountability and coordination arrangements

20. The United Nations Security Council resolutions 2165 (2014) and 2191 (2015) authorized United Nations agencies and their partners to arrange emergency humanitarian assistance for IDPs in Syria through four border crossings in Jordan and Turkey. UNHCR was required to put in place mechanisms for coordination, planning, monitoring and reporting on cross-border operations in cooperation with other cluster/sector members. In August 2015, the Bureau for MENA issued Guidance on Implementation and Management of the Syria Cross-Border Operations 2015-2017 (the Guidance). The Guidance stipulated that UNHCR cross-border teams in Gaziantep and Amman were responsible for the implementation of the operations and for the management of partners, and the operations would share one cost centre at the Representation in Damascus. The Guidelines on Joint Operational Plans issued by the Inter-Sector/Cluster Coordination Group of UNCT in Syria required the cluster and sector focal points to provide consolidated reports on cross-border activities for their respective sectors.

21. The Bureau for MENA had overarching responsibility for organizing cross-border operations, with the help of UNCT. However, despite allocating to the Representation in 2014 and 2015 an amount of \$44.2 million for cross-border operations, the Bureau did not assign to them any operational responsibilities. It was only after the audit that the Bureau transferred the budget for cross-border operations to the Director's Office in Amman. OIOS review of the controls in place for planning, monitoring and reporting on cross-border operations in Northern and Southern Syria indicated weaknesses as explained in the following paragraphs.

### a. Coordination and accountability mechanisms

22. The Guidance stated that the plans for cross-border operations would be reflected in the 2015 COP of the Syria Representation. The COP did not indicate any plans or strategies on cross-border operations. In addition, in spite of repeated reminders from the Representation, the cross-border team at UNHCR Gaziantep did not provide information on the operations for the Representation to incorporate these activities into the consolidated cluster and sector reports. This was because the Bureau had not delegated formal authority to the Representation to request the cross-border teams to provide such information. Whilst the audit was ongoing, the Bureau initiated measures to strengthen the accountability structure by approving the deployment of additional staff in Amman and Gaziantep and establishing linkages between the UNHCR offices involved in cross-border operations.

### b. Selection of the partners

23. The Bureau was initially responsible for the selection of partners to implement cross-border operations on UNHCR's behalf from Amman and Gaziantep. The Bureau, for operational reasons, made a request in March 2015 to the Implementing Partnership Management Service at UNHCR headquarters to grant an ex-post facto waiver for selection of two partners in 2014 and five partners in 2015 for distribution of NFIs to IDPs in Syria. As the Bureau did not receive any response, in spite of sending a reminder in May 2015, it recorded in a Note for the File, dated 30 September 2015, that it was exceptionally using these partners for cross-border operations. As a result, the Bureau had neither conducted a competitive and transparent partner selection process for cross-border operations, nor did it

obtain a formally approved waiver from such a process. While the audit was still ongoing, the Field Office in Gaziantep informed OIOS that it was in the process of undertaking a full selection process in line with UNHCR requirements.

c. Identification of beneficiaries

24. The Project Partnership Agreements (PPA) for cross-border operations required the partners to solicit the needs of women, men, boys and girls of all ages and backgrounds affected by the project activities. The Bureau trained the partners on the application of participatory techniques for needs assessment of the beneficiaries, which is a UNHCR requirement for programme planning and a key protection tool. The partners provided lists of potential recipients of NFIs generated through their local partners in Northern and Southern Syria. However, there was no documentary evidence to substantiate that the partners used participatory techniques in their beneficiary identification.

d. Monitoring and reporting

25. Partners submitted distribution reports after each distribution of NFIs. In those reports, they confirmed that they and their local partners had attended the distributions and, in some cases, taken photos as evidence. However, the UNHCR offices involved in cross-border operations did not conduct post-distribution monitoring or implement remote monitoring techniques to ascertain the reliability of the distribution reports. Therefore, UNHCR did not obtain reasonable assurance that the NFIs had reached the intended beneficiaries. In addition, in 2014, the Bureau distributed NFIs through a sector member, which was also an operational partner of UNHCR under a Global Memorandum of Understanding (MOU). The MOU did not include any implementation arrangements, because such arrangements should be included in separate project agreements. However, the Bureau did not sign a PPA with the concerned operational partner to agree on the terms and conditions for the distribution of NFIs, including criteria for selection of beneficiaries, monitoring and reporting. As a result, the operational partner arranged the distribution of NFIs to beneficiaries in Syria through a private company but, despite requests by the Bureau, it did not share a copy of the contract executed with the company, stating that it could not be shared with a third party. The report on the distribution of NFIs shared with the Bureau by the UNCT lead for the Syria emergency response, compiled on the basis of information received from the private company, did not meet the UNHCR requirements for on-site reporting and post-distribution reporting because it was not supported with relevant evidence. While the audit was still ongoing, the Bureau initiated arrangements for third party performance monitoring of cross-border operations.

26. The above-mentioned weaknesses happened because the Bureau, in its attempt to provide humanitarian assistance in difficult and highly volatile security environments, did not put in place adequate supervision, oversight and coordination mechanisms over cross-border operations. Consequently, UNHCR was exposed to increased financial and reputational risks if the Security Council mandated cross-border activities were not efficiently and effectively implemented.

**(2) The UNHCR Bureau for the Middle East and North Africa should develop and implement procedures for adequate supervision and oversight over the implementation of cross-border operations, while ensuring that the accountability and coordination arrangements are clearly identified and documented, including the monitoring and reporting responsibilities of the Representation in Syria.**

*UNHCR accepted recommendation 2 and stated that the Bureau had implemented and disseminated a revised guidance on the implementation and management of cross-border operations which specified accountability and coordination arrangements between the Representation in Syria, and UNHCR Amman (Jordan) and Gaziantep (Turkey) offices. Based on the action taken and*



documentation provided by UNHCR, recommendation 2 has been closed.

The Representation needed to strengthen performance monitoring arrangements over the activities implemented through partners

27. According to the UNHCR Enhanced Framework for Implementing with Partners, the Representation is required to ensure that project activities implemented by partners are monitored through site visits and meetings with the partners, and that the financial controls and project expenditures incurred by partners are verified, based on an annual risk-based monitoring plan. The Representation should put in place arrangements for reconciliation of statistics on achievement of impact indicators reported on by the partners and data gathered by the multi-functional teams during performance monitoring visits.

28. Although the Representation did not prepare annual risk based monitoring plans for either year, it conducted at least two financial verifications of each partner both in 2014 and in 2015. The Representation's multi-functional teams conducted on-site financial verification of the partners who had their headquarters in Damascus, and requested the partners who did not have presence in Damascus to supply the accounts books and related documents at the Representation's office. OIOS reviewed a sample of financial verification reports related to six of the partners that implemented projects valued at \$29.7 million in 2014 and 2015. The review of the reports indicated that the verification teams reviewed high value and complex financial transactions of partners, examined the procurement activities and followed up on the audit recommendations. Therefore, OIOS assessed that the Representation's procedures over financial monitoring of partners were effective.

29. Regarding performance monitoring, in 2014, the Representation received quarterly narrative progress reports from its partners; however, it did not undertake any performance monitoring visits to project sites and partners because of security constraints and access restrictions posed by the Government. In addition, it entered the performance information from the progress reports into FOCUS, the UNHCR tool for results-based management, without adequate review and validation of the data. In 2015, it set up multi-functional teams which conducted performance monitoring visits to 25 of the 29 partners. The four partners who could not be visited, again for security and access reasons, implemented project activities amounting to \$2.3 million.

30. OIOS review of a sample of 10 performance monitoring reports prepared in 2015 indicated the following instances of non-compliance with UNHCR requirements for project performance monitoring:

- The Representation's multi-functional teams did not describe the methodology of collecting, validating and analysing data on performance of the partners in their reports.
- The multi-functional teams did not record the results of their on-site visits, number of interviews held, surveys conducted or focus group discussions undertaken during the performance monitoring visits, and did not attach to the monitoring reports the documentation reviewed to support the work done regarding these requirements.
- Some performance monitoring visits lacked the required thoroughness. For example, there was no documentary evidence in the monitoring report related to one partner in support of 186 psycho-social counselling sessions provided by the partner.
- The multi-functional teams did not provide specific, measurable and achievable recommendations to improve the performance of the partners.

- The multi-functional teams did not share the performance monitoring reports with the Representation's designated impact focal points who were responsible for compiling statistics on achievement of indicators.
- The impact focal points did not compare and validate the results reported by the partners in their quarterly narrative reports with the targets agreed in the PPAs. FOCUS indicators for 2014 showed that targets were exceeded in 41 out of 117 cases by 100 to 200 per cent. The Representation could not explain the reasons for these cases of over-performance.

31. The reason for these shortcomings was that the Representation did not pay adequate attention to the need to establish a risk-based approach to monitoring the performance of partners in implementing UNHCR projects. Appropriate management supervision and oversight mechanisms were also not established to ensure the reliability and accuracy of the reported performance information. This exposed the Representation to the risk of not obtaining value for money from its partnerships.

**(3) The UNHCR Representation in Syria should document a risk-based approach and establish appropriate management supervision and oversight mechanisms for ensuring effective performance monitoring of partners based on an annual monitoring plan.**

*UNHCR accepted recommendation 3 and stated that the Representation had organized a risk analysis workshop in May 2016 in which members of the multi-functional team developed a risk analysis methodology for performance monitoring of partners. This methodology and the risk analysis at the output/performance indicator level would serve as a basis for revising the partner monitoring plans. Recommendation 3 remains open pending receipt of a sample of performance monitoring reports to show the monitoring activities conducted on the basis of the revised risk-based monitoring plans.*

Procedures over cash-based interventions needed improvement

32. The UNHCR Guidance on Cash-Based Interventions requires the Representation to prepare local SOPs which clearly spell out the criteria for selecting the beneficiaries for cash assistance and the time required for processing the payments. The Representation should also review each case of continuing cash assistance after a predetermined time and cease payment to those beneficiaries whose economic conditions have improved over time. Since cash payments are exposed to high risk of loss and theft, related controls need to be in place, such as bio-metric identification of beneficiaries.

33. During the period covered by the audit, the Representation disbursed \$25.5 million under cash for food and financial assistance programmes for its population of concern. The Representation developed SOPs in line with UNHCR Guidance on Cash-Based Interventions. However, the SOPs did not prescribe time limits for processing of payments to beneficiaries. The complete process from identification of a beneficiary to payment took three to four months on average which OIOS considered to be too long for a destitute refugee who had no other sources of income. The Representation also did not have procedures for the reassessment of the vulnerability status of each beneficiary, which exposed it to a risk of continuing to pay assistance to non-deserving beneficiaries. In addition, the Representation did not introduce biometric techniques for identification of the beneficiaries, but relied on photo identification controls only.

34. The above control deficiencies had arisen because the Representation had not assessed the key risks pertaining to cash assistance programmes and had not identified and addressed the control gaps in its SOPs.

**(4) The UNHCR Representation in Syria should review its standard operating procedures on cash-based interventions based on a risk assessment and put in place appropriate controls to mitigate the risks identified.**

*UNHCR accepted recommendation 4 and stated that in May 2016, the Representation arranged a risk analysis workshop for the multi-functional team of the Country Office in Damascus under the supervision of the Programme/Cash Unit. In the workshop, the team developed a risk register after assessment of the risks related to cash-based interventions, their impact, likelihood and controls to mitigate them. Based on the risk register, the Programme/Cash Unit started revising the SOPs for cash-based interventions. Recommendation 4 remains open pending receipt of the revised SOPs integrating all types of cash interventions implemented by the Representation in Syria.*

Controls over the administration of referral health care services needed to be strengthened

35. According to UNHCR Principles and Guidance for Referral Health Care for Refugees and Other Persons of Concern, the Representation is required to have written agreements with hospitals and ensure that the cost of health referrals is divided among all stakeholders according to predetermined criteria. The Representation's internal guidelines on UNHCR-supported health services in Syria stipulate that referrals involving more than \$3,000 should be submitted to its Exceptional Care Committee consisting of the Public Health Officer and two external doctors for approval.

36. In 2014 and 2015, the Representation provided referral health care services to 11,635 refugees and asylum seekers at a cost of \$4.1 million through one of its partners and government run health care centers. OIOS review of controls in place for administering the referral health care system indicated that the Representation: (i) referred 635 patients to two hospitals with whom it had no contractual arrangements; and (ii) paid for all the hospitalization charges of \$4.1 million, instead of implementing an arrangement for sharing the costs with the persons of concern and the service providers; and (iii) did not present 37 cases of health referrals for review and approval by the Exceptional Care Committee.

37. The above deficiencies happened as the Representation did not put in place adequate monitoring and reporting mechanisms through its Public Health and Programme Units. As a result, the Representation was exposed to the risk of providing inadequate health services for its persons of concern at an excessive cost.

**(5) The UNHCR Representation in Syria should strengthen controls over the administration of referral health care services through: (i) signing of agreements with all service providers; (ii) implementation of arrangements for sharing the cost of referrals with the beneficiaries and the service providers; and (iii) monitoring of compliance with the procedures for submission of referrals to the Exceptional Care Committee for approval.**

*UNHCR accepted recommendation 5 and stated that after approval by the relevant committees on contracts, the Representation had signed service contracts with three service providers in 2016. The Representation would consider introducing a flat rate system for the medical referrals of refugees in 2017 and beyond, provided the security situation improved and access to some public hospitals was granted to the refugees. The Representation's medical team was now performing regular monitoring and follow up of all referred cases. Recommendation 5 remains open pending receipt of evidence of implementation of arrangements for cost-sharing of medical referrals or a concrete action plan for the introduction of a flat rate system for medical referrals, as well as a sample of monitoring reports on the health care providers prepared by the Representation's medical team.*

### C. Regulatory framework

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

41. [REDACTED]

[REDACTED]

There was a need to ensure full compliance with established procurement rules and procedures

42. 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 the needs identified; (c) implementing controls to ensure that procurement actions are undertaken in a competitive and transparent manner; and (d) establishing robust procurement oversight arrangements through the Local Committee on Contracts (LCC).

43. The Representation established a Vendor Review Committee in 2015. However it did not: (i) maintain vendor files with relevant information like registration forms, contact details and financial reports for the 1,367 vendors recorded in its vendor database; (ii) review the vendor database for duplicate records for the same vendors (the audit identified duplicate records for 16 vendors); (iii) weed out those

vendors with whom it did not carry out any business during the last three years as required by UNHCR vendor registration procedures. The Representation attributed this to the unwillingness of vendors to comply with documentation requirements of UNHCR.

44. In 2014 and 2015 (until October 2015), the Representation entered into 105 frame agreements and individual contracts for procurement of various goods and services totaling \$133.0 million. OIOS review of 31 high value contracts involving \$88.5 million and representing 67 per cent of the total value of the contracts indicated that the Representation generally followed the procurement rules and procedures, including in respect of: (a) technical and financial evaluation of bids; (b) issuance of purchase orders; (c) maintenance of necessary documents, such as contracts, purchase orders and requisitions; and (d) execution and monitoring of contracts. The LCC held 25 meetings in 2014 and 18 meetings in 2015. However, OIOS observed the following deficiencies in procurement activities:

- The Representation did not prepare procurement plans for goods and services required by the office in accordance with UNHCR requirements, as its annual procurement plans contained only the requirements for core relief items (which accounted for 50 per cent of the total annual procurement value in 2014 and 67 per cent of the procurement value up to October 2015).
- The Representation did not present four contracts with a combined value of \$179,380 to LCC for review, although each of them exceeded the threshold of \$20,000 requiring LCC approval.
- The Representation did not provide sufficient time for vendors to respond to the invitation to bid for procurement of medical equipment worth \$829,232. It attributed this to receipt of funding at the end of the year, thereby putting it under pressure to shorten the period for the bids.

45. The above control deficiencies had arisen because of inadequate monitoring and oversight arrangements over the procurement and vendor management process. This could have as a consequence that UNHCR may not be obtaining best value from its procurement of goods and services.

**(7) The UNHCR Representation in Syria should put in place an action plan for: (i) cleaning up the vendor database and preparing complete vendor files; (ii) developing a comprehensive procurement plan based on assessment of its procurement needs; and (iii) establishing controls to ensure that the Local Committee on Contracts receives all contracts above \$20,000 for approval and systematically reviews that the prescribed bidding times have been respected.**

*UNHCR accepted recommendation 7 and stated that the Representation removed all multiple entries from the vendor database and deactivated all vendors that had not had business with UNHCR for three years and more. The annual procurement plan for 2016 was finalized and the Representation had developed mechanisms for monitoring procurement and ceiling amounts. Based on the action taken and documentation provided by UNHCR, recommendation 7 has been closed.*

#### **IV. ACKNOWLEDGEMENT**

46. OIOS wishes to express its appreciation to the Management and staff of UNHCR Representation in Syria 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 the Syrian Arab Republic for the Office of the United Nations High Commissioner for Refugees

| Recom. no. | Recommendation  | Critical <sup>2</sup> /<br>Important <sup>3</sup> | C/<br>O <sup>4</sup> | Actions needed to close recommendation   | Implementation date <sup>5</sup> |
|------------|---|---|----------------------|--|----------------------------------|
| 1          | The UNHCR Representation in Syria should prioritize the development and implementation of an action plan for: (i) the updating, continuous review and testing of a business continuity plan for its operations; (ii) the preparation of a contingency plan for its refugee emergency response; and (iii) the establishment of controls for monitoring and data validation of needs assessments undertaken by partners and cluster and sector members. | Critical  | O                    | Submission to OIOS of evidence that: (i) the Representation's business continuity plan has been tested; and (ii) data for needs assessments has been gathered as per the data monitoring and validation methodology for the sectors led by UNHCR as well as for the sectors which constitute its main programmatic interventions in Syria. | 31 August 2016                   |
| 2          | The UNHCR Bureau for the Middle East and North Africa should develop and implement procedures for adequate supervision and oversight over the implementation of cross-border operations, while ensuring that the accountability and coordination arrangements are clearly identified and documented, including the monitoring and reporting responsibilities of the Representation in Syria.  | Important   | C                    | Action completed   | Implemented                      |
| 3          | The UNHCR Representation in Syria should document a risk-based approach and establish appropriate management supervision and oversight mechanisms for ensuring effective performance monitoring of partners based on an annual monitoring plan.   | Important   | O                    | Submission to OIOS a sample of performance monitoring reports prepared by the Representation, as evidence of the monitoring activities conducted on the basis of the revised risk-based monitoring plans.  | 31 August 2016                   |
| 4          | The UNHCR Representation in Syria should review its standard operating procedures on cash-based interventions based on a risk assessment and  | Important   | O                    | Submission to OIOS of the revised SOPs integrating all types of cash interventions implemented by the Representation in Syria.   | 31 August 2016                   |

<sup>2</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>3</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>4</sup> C = closed, O = open

<sup>5</sup> Date provided by UNHCR in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the operations in the Syrian Arab Republic for the Office of the United Nations High Commissioner for Refugees

| Recom. no. | Recommendation   | Critical <sup>2</sup> /<br>Important <sup>3</sup> | C/<br>O <sup>4</sup> | Actions needed to close recommendation   | Implementation date <sup>5</sup> |
|------------|--|---|----------------------|--|----------------------------------|
|            | put in place appropriate controls to mitigate the risks identified.  |   |                      |  |                                  |
| 5          | The UNHCR Representation in Syria should strengthen controls over the administration of referral health care services through: (i) signing of agreements with all service providers; (ii) implementation of arrangements for sharing the cost of referrals with the beneficiaries and the service providers; and (iii) monitoring of compliance with the procedures for submission of referrals to the Exceptional Care Committee for approval.                        | Important   | O                    | Submission to OIOS of evidence of implementation of arrangements for cost-sharing of medical referrals or a concrete action plan for the introduction of a flat rate system for medical referrals, as well as a sample of monitoring reports on the health care providers prepared by the Representation's medical team. | 31 December 2016                 |
|            |  |   |                      |  |                                  |
| 7          | The UNHCR Representation in Syria should put in place an action plan for: (i) cleaning up the vendor database and preparing complete vendor files; (ii) developing a comprehensive procurement plan based on assessment of its procurement needs; and (iii) establishing controls to ensure that the Local Committee on Contracts receives all contracts above \$20,000 for approval and systematically reviews that the prescribed bidding times have been respected. | Important   | C                    | Action completed   | Implemented                      |



# **APPENDIX I**

## **Management Response**

## Management Response

## Audit of the operations in the Syrian Arab Republic for the Office of the United Nations High Commissioner for Refugees

| Rec. no. | Recommendation  | Critical <sup>6</sup> /<br>Important <sup>7</sup> | Accepted?<br>(Yes/No) | Title of responsible individual   | Implementation date | Client comments   |
|----------|---|---|-----------------------|-----------------------------------|---------------------|---|
| 1        | The UNHCR Representation in Syria should prioritize the development and implementation of an action plan for: (i) the updating, continuous review and testing of a business continuity plan for its operations; (ii) the preparation of a contingency plan for its refugee emergency response; and (iii) the establishment of controls for monitoring and data validation of needs assessments undertaken by partners and cluster and sector members. | Critical  | Yes                   | (i) Deputy Rep. (Protection)      | (i) Implemented     | (i) The Representation has finalized its Business Continuity Plan, including the Medical Evacuation plan (MEDEVAC) covering the Syria operations (Damascus and Field Offices).  |
|          |   |   |                       | (ii) Deputy Rep. (Operations)     | (ii) Implemented    | (ii) The Representation has finalized a contingency plan for the displacement of Iraqis to Syria.   |
|          |   |   |                       | (iii) Assistant Rep. (Protection) | (iii) August 2016   | (iii) UNHCR's multi-functional team (MFT) has developed a methodology and tool for structured community discussions (needs assessment) that will be carried out from 10-24 July 2016 in UNHCR's 51 community centers (in 10 out of 14 governorates) of Syria to collect data on the three sectors led by UNHCR (Protection, Shelter and NFI) as well as livelihoods, education and cash-based interventions which |

<sup>6</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>7</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

## Management Response

## Audit of the operations in the Syrian Arab Republic for the Office of the United Nations High Commissioner for Refugees

| Rec. no. | Recommendation   | Critical <sup>6</sup> /<br>Important <sup>7</sup> | Accepted?<br>(Yes/No) | Title of responsible individual                   | Implementation date | Client comments   |
|----------|--|---|-----------------------|---|---------------------|---|
|          |  |   |                       |   |                     | constitute main programmatic interventions by UNHCR.  |
| 2        | The UNHCR Bureau for the Middle East and North Africa should develop and implement procedures for adequate supervision and oversight over the implementation of cross-border operations, while ensuring that the accountability and coordination arrangements are clearly identified and documented, including the monitoring and reporting responsibilities of the Representation in Syria. | Important   | Yes                   | DOiA  | June 2016           | On 16 May 2016, the final Guidance Note on the implementation of the cross-border operations was presented, discussed and agreed upon by all concerned parties.<br><br>Ongoing oversight and support of these arrangements is provided by the Office of the Director in Amman, including through the functions of the roving Whole of Syria function in place since January 2016. |
| 3        | The UNHCR Representation in Syria should document a risk-based approach and establish appropriate management supervision and oversight mechanisms for ensuring effective performance monitoring of partners based on an annual monitoring plan.  | Important   | Yes                   | Assistant Rep. (Programme)/Snr. Programme Officer | July 2016           | On 3 May 2016, UNHCR's multi-functional team (MFT) held a risk analysis workshop in Damascus. The workshop was led by the Programme Unit with the participation of MFT members from the Protection/Community Services, Shelter, Health and Field Operations Units. The objective of the workshop was to establish a   |

## Management Response

## Audit of the operations in the Syrian Arab Republic for the Office of the United Nations High Commissioner for Refugees

| Rec. no. | Recommendation   | Critical <sup>6</sup> /<br>Important <sup>7</sup> | Accepted?<br>(Yes/No) | Title of responsible individual              | Implementation date | Client comments  |
|----------|--|---|-----------------------|--|---------------------|--|
|          |  |   |                       |  |                     | <p>risk analysis methodology related to performance monitoring of implementing partners and to analyse the risks of sub-standard and non-implementation accordingly.</p> <p>The Project Control and the Programme/Cash Units will initiate a review of the risks at the implementing partner level with the MFT, and in consultation with each partner, which will serve as a basis for revising the partner monitoring plans.</p> |
| 4        | The UNHCR Representation in Syria should review its standard operating procedures on cash-based interventions based on a risk assessment and put in place appropriate controls to mitigate the risks identified. | Important   | Yes                   | Snr. Protection Officer<br>Programme Officer | August 2016         | On 4 May 2016, the MFT held a risk analysis workshop led by the Programme/Cash Unit and with the participation of the MFT members from the Protection/Community Services, Registration and Admin/Finance Units in Damascus. The MFT created a cash-based intervention (CBI) risk register and analysis and defined several parameters related to each risk, including impact, likelihood   |

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## Audit of the operations in the Syrian Arab Republic for the Office of the United Nations High Commissioner for Refugees

| Rec. no. | Recommendation  | Critical <sup>6</sup> /<br>Important <sup>7</sup> | Accepted?<br>(Yes/No) | Title of responsible individual | Implementation date                       | Client comments  |
|----------|---|---|-----------------------|---------------------------------|---|--|
|          |   |   |                       |                                 |   | and required controls and mitigating measures to be introduced into the CBI processing.<br>The Protection Unit, in collaboration with the Programme Unit, has revised the Financial Assistance Standard Operating Procedures to ensure the integration of recommended procedural safeguards.<br>The Representation is in the process of developing consolidated SOPs that will integrate all types of cash interventions in one document to ensure consistency and better accountability and monitoring of procedures. |
| 5        | The UNHCR Representation in Syria should strengthen controls over the administration of referral health care services through: (i) signing of agreements with all service providers; (ii) implementation of arrangements for sharing the cost of referrals with | Important   | Yes                   | Snr. Public Health Officer      | (i) Implemented<br><br>(ii) December 2016 | (i) Following approval by the relevant Committee on Contracts, service contracts have been signed with several service providers in 2016.<br><br>(ii) Since the beginning of the Syrian crisis, vulnerable refugees registered with UNHCR cannot afford the  |

## Management Response

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| Rec. no. | Recommendation  | Critical <sup>6</sup> /<br>Important <sup>7</sup> | Accepted?<br>(Yes/No) | Title of responsible individual | Implementation date | Client comments  |
|----------|---|---|-----------------------|---------------------------------|---------------------|--|
|          | the beneficiaries and the service providers; and (iii) monitoring of compliance with the procedures for submission of referrals to the Exceptional Care Committee for approval. |   |                       |                                 | (iii) August 2016   | <p>cost of tertiary health care, such as cancer treatment and cardiovascular surgical interventions. Refugees do not have any source of income to contribute to the cost of sharing medical referrals inside Syria. Introduction of a flat rate system to the medical referrals could be introduced in 2017 and beyond if the security situation improves and access to some public hospitals is granted.</p> <p>(iii) The Representation does not have a formal Exceptional Care Committee (ECC) in place; however, UNHCR's Senior Public Health Officer assigned a medical team to each single out contracted health provider for the proper monitoring and follow up of all referred cases. Regular field site visits to the health care providers by the UNHCR medical team are conducted to follow up the referral cases at the hospitalized stage and prior to the discharge from the health</p> |

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Audit of the operations in the Syrian Arab Republic for the Office of the United Nations High Commissioner for Refugees

| Rec. no.   | Recommendation   | Critical <sup>6</sup> /<br>Important <sup>7</sup> | Accepted?<br>(Yes/No) | Title of responsible individual | Implementation date | Client comments   |
|------------|--|---|-----------------------|---------------------------------|---------------------|---|
|            |  |   |                       |                                 |                     | facility. The UNHCR medical team reviews all medical bills from the health providers on a monthly basis for the purpose of verification.  |
| [REDACTED] |  |   |                       |                                 |                     |   |
| 7          | The UNHCR Representation in Syria should put in place an action plan for: (i) cleaning up the vendor database and preparing complete vendor files; (ii) developing a comprehensive | Important   | Yes                   | Snr. Supply Officer             | Implemented         | (i) The overall clean-up of the vendor database was started in September 2015 (all multiple entries were removed in October 2015). The Representation is currently deactivating all vendors that have not had |

Management Response

Audit of the operations in the Syrian Arab Republic for the Office of the United Nations High Commissioner for Refugees

| Rec. no. | Recommendation  | Critical <sup>6</sup> /<br>Important <sup>7</sup> | Accepted?<br>(Yes/No) | Title of responsible individual | Implementation date | Client comments  |
|----------|---|---|-----------------------|---------------------------------|---------------------|--|
|          | procurement plan based on assessment of its procurement needs; and (iii) establishing controls to ensure that the Local Committee on Contracts receives all contracts above \$20,000 for approval and systematically reviews that the prescribed bidding times have been respected. |   |                       |                                 |                     | <p>business with UNHCR for three years and more.</p> <p>(ii) A procurement plan for 2016 has been finalized.</p> <p>(iii) Since early 2016, the operation has developed mechanisms for monitoring procurement and ceiling amounts. The Administration Unit runs Non-PO voucher reports on a monthly basis to facilitate monitoring of all purchases/procurement planned under the Budgets.</p> |