



## INTERNAL AUDIT DIVISION

### REPORT 2017/098

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

There was a need to strengthen controls over  
fair protection process and documentation,  
partnership management, livelihoods and cash  
assistance programmes, and risk management  
processes

27 September 2017  
Assignment No. AR2017/141/01

# **Audit of the operations in India for the Office of the United Nations High Commissioner for Refugees**

## **EXECUTIVE SUMMARY**

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the Office of the United Nations High Commissioner for Refugees (UNHCR) operations in India. The audit covered the period from 1 January 2015 to 31 December 2016 and included a review of: (a) fair protection process and documentation, with focus on registration and refugee status determination (RSD); (b) partnership management; (c) livelihoods activities; (d) cash-based interventions; (e) education activities; (f) financial tracking and reporting, including processing of voluntary repatriation grants; and (g) enterprise risk management (ERM).

The Mission had implemented effective controls over its education programme and financial tracking and reporting. However, it needed to strengthen arrangements over fair protection process and documentation, the management of projects implemented through partners, the management of livelihoods and cash assistance programmes, as well as its risk management processes.

OIOS made five recommendations. To address issues identified in the audit, the Mission needed to:

- Develop a contingency plan for addressing the possibility of a significant increase in new arrivals and assess the corresponding resources required, develop and implement an action plan to address the delays in current RSD processes, and strengthen controls over issuance of standard operating procedures on registration and RSD, uncollected refugee cards and hiring of interpreters;
- Ensure that Project Partnership Agreements are concluded in a timely manner, partners' capacity and comparative advantage to undertake procurement using UNHCR funds are systematically assessed, and monitoring of projects implemented by partners is strengthened;
- Ensure that livelihoods interventions are aligned with the livelihoods strategy, performance of livelihoods partners is regularly monitored, and the impact of the livelihoods programme is assessed;
- Ensure that all categories of persons of concern are included in the cash assistance programme, random spot checks of beneficiaries are conducted to confirm receipt of cash assistance, and the impact of the cash assistance programme is assessed; and
- Identify all managers and staff who should have an active involvement in the risk management processes, train them and assign responsibilities to them accordingly, and implement procedures for identification of emerging risks and monitoring and review of priority risks which should all have comprehensive treatment plans.

UNHCR accepted the recommendations and has initiated action to implement them.

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# **Audit of the operations in India 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 India for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The UNHCR Office of the Chief of Mission in India (hereinafter referred to as the “Mission”) was established in 1969 and is headed by a Chief of Mission at the D-1 level reporting to the Director of the Bureau for Asia and the Pacific. The Mission’s Branch Office, which manages the country operation as a whole, is located in New Delhi. It’s Field Office, located in Chennai, facilitates the voluntary repatriation of Sri Lankan refugees.
3. As of 31 December 2016, the Mission had two main groups of persons of concern in India: i) 110,098 Tibetans and 63,162 Sri Lankans recognized and assisted by the Government of India; and ii) 33,813 refugees and asylum-seekers from other countries registered and assisted by UNHCR. During 2015-2016, the key operational priorities of the Mission related to: registration quality and profiling; basic needs and services, including education and health; services to persons with specific needs; cash assistance; durable solutions; and livelihoods.
4. The Mission had total expenditure of \$6.1 million in 2015, and \$5.2 million in 2016. The Mission worked with two United Nations agencies and 10 local partners in 2015. In 2016, it reduced the number of its partners to seven. It spent a total of \$6.3 million during 2015-2016 through its partners, corresponding to 94 per cent of its total operating expenditure.
5. Comments provided by UNHCR are incorporated in italics.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

6. The audit was conducted to assess the adequacy and effectiveness of governance, risk management and control processes over UNHCR operations in India.
7. The audit was included in the 2017 risk-based internal audit work plan of OIOS because of risks related to the increasing number of refugees and asylum-seekers in urban setting in India, widely spread across the country.
8. OIOS conducted the audit between January and May 2017. The audit covered the period from 1 January 2015 to 31 December 2016. Based on an activity-level risk assessment, the audit covered higher risk processes and activities pertaining to the operations in India, which included: (a) fair protection process and documentation, with focus on registration and refugee status determination; (b) partnership management, including: partner selection and retention; project agreements; designation of procurement authority to partners; and project financial and performance monitoring; (c) livelihoods activities; (d) cash-based interventions; (e) education activities; (f) financial tracking and reporting, including processing of voluntary repatriation grants; and (g) enterprise risk management (ERM).
9. The audit methodology included: (a) interviews of key personnel; (b) review of the relevant documentation; (c) analytical reviews of data, including financial data from Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system, performance data from

Focus, the UNHCR results-based management system; and data on persons of concern from proGres, the UNHCR registration system; (d) testing of controls through stratified random sampling; (e) visits to the Mission's Branch Office and four partners in New Delhi; and (f) direct observation of activities at a registration centre in Vikaspuri, an education centre in Bodella, and a livelihoods project in Chanakya Place.

### **III. OVERALL CONCLUSION**

10. The Mission had implemented effective controls over its education programme and financial tracking and reporting. However, it needed to strengthen arrangements over fair protection processes and documentation, the management of projects implemented through partners, the management of livelihoods and cash assistance programmes, as well as its risk management processes.

### **IV. AUDIT RESULTS**

#### **A. Fair protection process and documentation**

##### The Mission needed to strengthen its controls over fair protection process and documentation

11. To ensure adequate quality and efficiency of the mandate refugee status determination (RSD) operations, the Mission is required to: (i) develop and promulgate standard operating procedures for registration and RSD, covering also anti-fraud measures; (ii) put in place sufficient staffing and supervisory and monitoring controls to ensure these procedures are conducted as intended and within standard timelines; (iii) apply RSD workload standards as per established benchmarks; and (iv) implement alternative strategies when the operation registers higher caseloads. These requirements are also contained in the UNHCR Procedural Standards for RSD and the 2010 UNHCR Protection Staffing Benchmarks.

12. The Mission undertook the mandate RSD for persons of concern under its responsibility. In July 2015, it developed a consolidated RSD approach to address the increasing caseload while maintaining the credibility and quality of the process. The approach envisaged the use of simplified RSD procedures for new arrivals from Myanmar and Nigeria, increased processing efficiency (16 cases per week) of such cases per caseworker, and full RSD for other caseloads.

13. Based on direct observation of activities at the Mission's registration centre in Vikaspuri, review of relevant documents, and interviews with UNHCR and partner staff, OIOS confirmed that the Mission ensured that the partner's staff registered new arrivals in proGres; collected their biometrics data; and alerted UNHCR protection staff of identified vulnerable persons of concern. In addition, to mitigate the risk of detention of new arrivals and to provide them with protection, the Mission took measures to ensure that newly arrived asylum seekers received Under Consideration Certificates on the same day. The Mission was also in the process of ensuring same day renewal of refugee identity cards. When conducting RSD interviews at Vikaspuri and its Branch Office, the Mission ensured that all RSD assessments completed by the caseworkers were reviewed and signed by a reviewer. The physical environment of both locations was adequate, as the waiting areas were sheltered with access to water, toilets and child friendly spaces. Suitable information was available to persons of concern including posters and leaflets about their rights in relevant languages.

14. However, OIOS review indicated that the Mission needed to further improve arrangements in the following areas:

- The Mission was faced with an increasing number of arrivals from Myanmar together with rising border detentions of asylum-seekers by the authorities. However, it had not prepared a contingency

plan with alternate scenarios for meeting the protection needs in case of a significant increase in new arrivals and had not assessed the resources needed to deal with the potential increase in caseload.

- The number of individuals pending RSD increased from 6,202 in December 2015 to 9,014 in December 2016. Despite the simplified RSD procedures, the Mission could not achieve the new benchmarked RSD workload standards (16 cases per week for simplified and 6 cases per week for full RSD process). The time taken from registration to first instance interview (162 days) and from submission of appeal to notification of appeal decision (285 days) did not meet the UNHCR Procedural Standards of 120 and 150 days respectively. The Mission stated that, in addition to a large staff turnover, it needed to continue conducting detailed RSD procedures to demonstrate to the Government the credibility and quality of the process. However, it had not identified and developed a backlog reduction plan.
- The Mission had developed local standard operating procedures for registration and RSD which also included anti-fraud measures. However, these procedures were not formally approved and signed by authorized managers.
- The Mission had 407 uncollected refugee cards, issued during 2014-2016, which increased the risk of fraud and misuse of the refugee cards.
- The Mission hired over 30 interpreters through a partner to provide interpretation services. This was not in compliance with UNHCR rules on hiring interpreters, which only allowed interpreters to be hired as individual contractors or through United Nations Office for Project Services or United Nations Volunteers contracts. The Mission explained that it used this modality because these interpreters were refugees and about 50 per cent of them did not have long term visas/work permits to allow issuance of formal contracts. However, the Mission did not consult the Division of Human Resources Management (DHRM) at headquarters and ensure that the decision was formally authorized.

15. As a result of the cited shortcomings, the Mission was at risk of not being able to position itself adequately through appropriate strategies and procedures to undertake its mandate RSD work and to deliver an effective and timely response to the increasing number of new arrivals.

**(1) The UNHCR Mission in India should: (i) develop a contingency plan for addressing the possibility of a significant increase in new arrivals and assess the corresponding resources required; (ii) develop and implement an action plan to address the delays in current refugee status determination (RSD) processes; and (iii) strengthen controls over issuance of standard operating procedures on registration and RSD, uncollected refugee cards, and hiring of interpreters.**

*UNHCR accepted recommendation 1 and stated that a contingency plan was prepared. The Mission also developed backlog reduction measures including development of quick assessment templates and would continue its efforts to reduce the backlog. Standard operating procedures for RSD/Registration would be strengthened and revised. The Mission had further developed standard operating procedures and an action plan on uncollected refugee cards which were being implemented. On hiring of interpreters, the Mission had sought guidance from DHRM in early September 2017. Recommendation 1 remains open pending receipt of: a) evidence of the impact of actions taken to address the capacity and delays in RSD processes; b) an approved copy of the standard operating procedures on registration and RSD; c) a copy of the action plan designed to*

monitor uncollected refugee cards and the status of its implementation; and d) an action plan on hiring of interpreters.

## **B. Partnership management**

### There was a need to strengthen management of projects implemented through partners

16. In order to achieve the expected programme and project results through the use of partners, it is essential for the Mission to: (i) select and retain the best-fit partners following an objective, transparent and consistent selection process; (ii) conclude Project Partnership Agreements (PPA) in a timely manner; (iii) monitor the project activities through a risk-based and multi-functional approach; and (iv) arrange for building capacity of partners as and when necessary. These requirements are also promulgated in the UNHCR Enhanced Framework for Implementing with Partners.

17. The Mission established an Implementing Partnership Management Committee in August 2014 to oversee the selection and retention of partners in India. For the 2015 programme cycle, the Mission initiated a transparent selection process which included a call for expression of interest and evaluation of the concept notes received from interested partners. The Mission duly documented the decisions for the selection of 10 partners. In December 2015, the Mission retained seven partners for the 2016 programme cycle based on a desk review of the performance of existing partners, in accordance with UNHCR requirements. The Mission signed 17 PPAs with partners with clear and relevant results frameworks, budgets and work plans. It also conducted 21 capacity development activities in the form of workshops and training courses for its partners.

18. However, OIOS review indicated the following control weaknesses in partnership management:

- Four of the 17 PPAs were concluded after the commencement of the project year. This affected the implementation of programme interventions. For instance, the livelihoods activities in 2015 and the registration activities in Jammu in 2016 were delayed due to late signing of PPAs.
- In 2015 and 2016, the Mission designated procurement to four partners with a cumulative procurement value of \$490,000 and \$450,000 respectively. However, it did not assess the partners' procurement capacity and determine their comparative advantage vis-a-vis direct procurement by UNHCR. These partners incurred local taxes on procurement which would have been avoided if the same goods and services had been procured by the Mission. Of the four partners, only one partner had applied for pre-qualification to undertake procurement with UNHCR funds.
- The Mission did not develop, jointly with its partners, risk-based plans for undertaking financial and performance monitoring of the projects.
- The Mission conducted an average of four financial verifications for each partner. However, these financial monitoring visits did not systematically cover the partners' procurement activities. OIOS review of 13 procurement cases valued at \$249,510 indicated the following areas on non-compliance: (i) in six cases partners used single bids without justification; (ii) in 13 cases partners did not undertake separate technical and commercial evaluations of bids; (iii) in seven cases partners invited a lower number of bidders than required; and (iv) in four cases partners used quotations instead of the required request for proposal method for procuring services.
- The Mission's performance monitoring activities were not systematically documented in the monitoring templates and were not adequately integrated with financial monitoring. Although the

Protection and Livelihoods Units undertook continuous performance monitoring of registration and livelihoods projects implemented by partners, the monitoring of these projects was not done by a multi-functional team. Further, the monitoring teams for the health projects did not ensure that the partner had conducted an assessment to identify the most vulnerable persons of concern for receiving medical assistance.

19. The above weaknesses happened as the Mission did not identify and prioritize the controls required to address the risks inherent in partnership management, including the establishment of a multi-functional team to conduct monitoring activities and the development of risk-based project monitoring plans. In addition, the Mission had not ensured continuity in overall supervision of the partnership management process after the previous Senior Programme Officer left in June 2016 and until the post was filled again in February 2017. This led to inadequate management oversight over partnership management. As a result, the Mission was exposed to the risk of failure to achieve the intended project objectives and to obtain best value from projects implemented by partners, including in terms of project procurement undertaken by partners.

**(2) The UNHCR Mission in India should establish appropriate management controls to ensure that: (i) Project Partnership Agreements are concluded in a timely manner; (ii) partners' capacity and comparative advantage to undertake procurement on UNHCR's behalf are assessed; and (iii) monitoring of projects implemented by partners is conducted on the basis of risk-based plans, by multi-functional teams, and with due consideration to adequate integration of financial and performance monitoring.**

*UNHCR accepted recommendation 2 and stated that PPAs for 2018 would be discussed with a view to be concluded by the end of 2017 and partners' capacity and comparative advantage to undertake procurement on UNHCR's behalf would be assessed in 2017 for 2018 projects. The Mission added that a 2017 Project Performance Monitoring Plan had been drafted and that first quarter project verification had been conducted for all PPAs prior to releasing the second instalments. Financial and performance monitoring were carried out by multi-functional teams in follow up to submission of the 2nd quarter financial and narrative report. Recommendation 2 remains open pending receipt of: a) evidence of controls established to ensure that PPAs for 2018 are concluded in a timely manner and partners' capacity and comparative advantage to undertake procurement is systematically assessed; b) the finalized risk-based monitoring plan and evidence of its systematic execution; and c) copies of the latest monitoring reports conducted by multi-functional teams adequately integrating both financial and performance aspects.*

### **C. Basic needs and services**

There was need for the Mission to strengthen controls over the management of its livelihoods programme

20. To ensure proper implementation of its livelihoods programme, it is important for the Mission to: conduct a socio-economic baseline and a market assessment; use these assessments to target the beneficiaries; and develop and implement a context-specific livelihoods strategic plan. It is also important to assess the capacity of partners and the impact of the livelihoods programme. These requirements are further outlined in the UNHCR Operational Guidelines on the Minimum Criteria for Livelihoods Programming.

21. The Mission's expenditure on livelihoods activities implemented in 2015 and 2016 was \$427,156 and \$348,544 respectively. It conducted a socio-economic baseline and a market assessment in December 2014 that it used to target beneficiaries. In 2015, the Mission also developed a livelihoods strategy specific



to the operational context in India, which identified short, medium and long term interventions with various partners, in order to improve the earning capacity of persons of concern. The strategy was aligned with the UNHCR Global Strategy on Livelihoods for 2014-2018. It focused on four areas of intervention: vocational and life skill training; job placement; local language classes; and financial inclusion through improved access to banking services and other saving schemes. The strategy also included a situational analysis and an institutional mapping of potential partners.

22. OIOS, however, noted the following control weaknesses in how the livelihoods programme was implemented:

- Despite having about 50 per cent of its persons of concern living outside New Delhi, 88 per cent of the Mission's livelihoods programme budget was allocated to activities in and around New Delhi. Although the Mission ran small livelihoods activities in Jammu and Hyderabad, at the time of audit it had not selected a partner to implement the livelihoods programme for persons of concern living outside New Delhi.
- In 2014, the Livelihoods Unit at headquarters engaged a partner to provide skills development to persons of concern through the provision of a market-aligned skills training programme. In 2015, to leverage the initial investment in the partner, the Mission retained the partner to continue with the livelihoods project, despite the fact that weaknesses were identified in the partner's performance, and it spent a total of \$180,000 on this project. At the time of the project closure in 2015, 182 beneficiaries had completed training and 70 of them were placed in jobs; however, the job retention rate was zero.
- In 2015, the Mission decided to change its partner for implementing livelihoods projects. However, some of the livelihoods interventions undertaken by the new partner in New Delhi, such as yoga training and hair dressing, were not identified in the Mission's livelihoods strategy as areas which would enable refugees to access job markets.
- The Mission did not conduct the planned mid-term evaluation of its livelihoods programme in September 2016 as it had envisaged. It explained that this was because the livelihoods partner was new and conducting the planned evaluation would not give a clear longer-term picture of the impact of the programme. However, given that it was the Mission's own plan that was not implemented and only 47 of the 211 persons that received job placements were retained beyond two months, OIOS was of the opinion that a mid-term assessment of the impact of the programme was necessary.

23. These shortcomings happened because the Mission had not put in place adequate management supervision and control arrangements over the planning, implementation and monitoring of the livelihoods programme. Consequently, the Mission was at a risk of not being able to re-align its interventions to optimize the impact of its livelihoods activities in making the beneficiaries more self-reliant. It was also exposed to the risk of failure to obtain value for money spent through its partner.

**(3) The UNHCR Mission in India should identify and document the arrangements needed to strengthen management controls over the livelihoods programme to ensure that livelihoods interventions are aligned with the livelihoods strategy, performance of livelihoods partners is regularly monitored, and the impact of the livelihoods programme is assessed.**

*UNHCR accepted recommendation 3 and stated that the PPA was revised to align all livelihoods interventions with the livelihoods strategy and bi-monthly monitoring visits and monthly meetings*

*were held with the partner to address gaps. The Mission planned to design a multi-year strategy taking into consideration the lessons learned and had scheduled a review by the Senior Regional Livelihoods Officer to assess the impact, sustainability and efficiency of the livelihoods programme. Recommendation 3 remains open pending receipt of: a) copies of the revised partnership agreement and latest performance monitoring reports on livelihoods projects; b) a copy of the multi-year strategy; and c) report on the completed livelihoods programme assessment.*

The Mission needed to strengthen controls over management of its cash assistance programme

24. To ensure proper delivery of its cash assistance programme to the most vulnerable persons of concern, the Mission is required to: (i) effectively plan and design the programme based on a feasibility and risk assessment; (ii) develop standard operating procedures governing the selection of beneficiaries and monitoring and disbursement of cash assistance, covering also anti-fraud measures; and (iii) undertake post-distribution monitoring and assess the impact of the cash assistance programme. These requirements are outlined in the UNHCR policies and guidance for Cash-Based Interventions.

25. Through a partner, the Mission disbursed cash assistance of \$566,362 in 2015 and \$480,387 in 2016 to support 2,144 beneficiaries with specific needs. The Mission conducted several needs assessments, established strategies for the identification of the different categories of persons in need of cash assistance as a protection intervention, and developed standard operating procedures with clear vulnerability and selection criteria. The Mission also conducted monitoring activities, ensured that the partner obtained beneficiary acknowledgement of the cash disbursements and reconciled these disbursements with its bank statements. To mitigate against fraud risks, the Mission had segregated the different responsibilities related to cash management, including identification, assessment, approval and disbursement.

26. However, the Mission excluded the vulnerable Rohingya population from its cash assistance programme. The Mission attributed this exclusion to limitations in funding and its intention to enable persons of concern access to free government services such as education and health. In addition, OIOS review of a sample of 83 beneficiary files and cash disbursement vouchers amounting to \$143,582 indicated that the Mission: (i) had not obtained sufficient information when verifying and approving the monthly list of beneficiaries eligible for cash assistance in 4 out of 22 medical needs cases reviewed; (ii) made cash payments using bearer cheques, which could be encashed fraudulently, as the majority of the beneficiaries did not have bank accounts; and (iii) did not conduct post-distribution monitoring activities or assess the impact of the cash assistance programme.

27. These shortcomings occurred because the Mission did not adequately identify and prioritize the controls required to address the risks inherent in the cash assistance programme. Consequently, the Mission was exposed to increased risks of fraudulent activities and of failure to adequately deliver its cash assistance programme to the most vulnerable persons of concern.

**(4) The UNHCR Mission in India should put in place adequate control measures over the cash assistance programme to ensure that all categories of persons of concern are included in the programme, random spot checks of beneficiaries are conducted to confirm receipt of cash assistance, and the impact of the cash assistance programme is assessed.**

*UNHCR accepted recommendation 4 and stated that the Mission had initiated the review of the existing cash assistance programme and the beneficiary selection criteria to ensure inclusivity of all populations in need of assistance. Random spot checks were ongoing to confirm receipt of assistance by beneficiaries. A revised protection monitoring form was designed which included cash assistance monitoring. The Mission in consultation with UNHCR headquarters was assessing the feasibility of linking biometrics data with disbursements. Recommendation 4 remains open*

pending receipt of: a) a copy of the updated selection criteria; b) evidence of random spot checks of beneficiaries conducted confirming receipt of cash assistance; and c) results of an impact assessment of the cash assistance programme.

#### Controls over the education programme were effective

28. To ensure proper delivery of its education programmes, it is essential for the Mission to assess the needs and barriers to education among persons of concern and develop, implement and monitor strategies and activities to address these. Responses should be aligned with the Global UNHCR Education Strategy.

29. The Mission's education programme had expenditures of \$1.3 million during 2015-2016. Through its needs assessment, the Mission identified barriers to education access which informed its education programming. From August 2016, the Protection Unit became responsible for the education programme and the Unit developed a combined strategy on education, sexual and gender based violence, and child protection, which identified five strategic focus areas. It also developed an action plan to implement the strategy. Refugees and asylum-seekers had access to free primary and secondary education in government schools. The Mission engaged a partner to facilitate access to the government schools, and to provide tuition and language support and pre-school facilities. Through a partner, the Mission held meetings with government school principals and teachers to orient them on refugee education, to facilitate and increase enrollments, and to obtain their inputs for improving the programme. As a result, access to the national education system increased from 60 per cent in 2015 to 65 per cent in 2016. The Mission reported on one impact indicator and five performance indicators and tracked additional performance indicators through its partner. It achieved all performance indicators in 2015; however, it did not fully meet the indicator for secondary education in 2016 (538 students enrolled against a target of 740). The Mission explained that this happened as there was a low level of enrollments outside New Delhi and its programme was more focused in New Delhi. From 2017, the Mission planned to undertake increased protection monitoring outside New Delhi.

30. Based on the above, OIOS concluded that the Mission had effective controls in place to deliver its education programme.

### **D. Financial tracking and reporting**

#### The Mission's controls over financial management were effective

31. To address the risk of potential financial losses, fraud and incorrect financial reporting, it is essential for the Mission to: (i) design and implement effective controls over delegation of authority to mitigate risks of incompatible functions; (ii) establish, implement and monitor controls over the management of cash and bank accounts; (iii) control disbursements of administrative expenditures; (iv) monitor and report on open items (accounts receivable); and (v) ensure timely and accurate submission of monthly financial reports to headquarters. These requirements are promulgated in the UNHCR financial rules and procedures.

32. The Mission's total administrative expenditure in 2015 and 2016 was \$1.4 million. OIOS reviewed the general financial controls and noted that the Mission had effectively segregated incompatible duties and delegated authority to support efficient and effective operations. It systematically submitted monthly and year-end reports to UNHCR headquarters and reconciled its bank accounts. It developed a database to better monitor and control its administrative expenses within the budgeted amounts. A review of a sample of 31 administrative expense vouchers worth \$725,309 (50 per cent of the total administrative expenditure) and 35 operating expense vouchers worth \$220,994, including voluntary repatriation grants, indicated that the Mission had generally complied with UNHCR financial rules on payments and ensured that payments

were adequately supported and receivables were analysed, monitored and recovered in a timely manner. The Mission did not have any documentation authorizing the appointment of the petty cash custodian for its Chennai Field Office; however, it issued a new authorisation for appointing a petty cash custodian as soon as OIOS brought this deficiency to its attention.

33. Based on the above, OIOS concluded that controls over the Mission's financial tracking and reporting activities were effective.

## **E. Enterprise risk management**

### The Mission needed to strengthen its risk management processes

34. In accordance with the UNHCR ERM Framework, in order to effectively manage risks to its operational objectives, it is essential for the Mission to: (i) understand its operational context; (ii) identify the key risks; (iii) analyze and evaluate these risks; and (iv) develop and implement a plan to treat the risks. The Mission also needs to monitor and report on its risks and ensure that the ERM processes are adequately communicated and relevant responsibilities are assigned, and that key staff are trained.

35. The Mission developed its first risk register in March 2015 and adequately took its operational context into account. It identified, evaluated and analyzed 33 risks of which 3 were rated high. The Mission identified appropriate risk treatments for all risks. The risk register was reviewed and revised in December 2015 after the detailed planning exercise for 2016. In November 2016, the Mission updated the risk register, including the progress made in treating risks, before the detailed planning exercise for 2017. The revised register had 34 risks of which 7 were high. The Mission identified specific units responsible for implementing and managing the risks. Some overlapping risks were discussed in the multi-functional team. The Mission kept the Bureau informed about its updated risk registers.

36. However, OIOS review of the Mission's risk management processes indicated that the Mission needed to further strengthen its ERM arrangements in the following areas:

- The Mission did not include the Head of the Chennai Field Office in the risk identification and management processes. He was also not trained on the UNHCR ERM Framework. The Field Office was implementing the programme for voluntary repatriation of Sri Lankan refugees, for which the Mission's Branch Office had identified related risks in its risk register. The ERM Framework requires that communication and consultation on risks should, at a minimum, include all key international and national staff regularly associated with decision-making and planning activities. Therefore, the Field Office should have been fully involved.
- Although the Mission undertook annual reviews of the risk register, it did not follow a periodic process to allow emerging risks to be identified and captured in a timely manner. For example, the Mission did not update its risk register to include emerging risks arising from demonetization (when the 500 and 1,000 currency notes were pulled from circulation and no longer remained legal tender in India) and the national identity, which most persons of concern did not possess, becoming mandatory for accessing government services. However, despite the absence of these specific risks in its risk register, the Mission took action to mitigate the demonetization risk by distributing vouchers to the beneficiaries instead of cash. The Mission had further included the identify card issue in the planning assumptions for 2018.

- The Mission had not identified priority risks for treatment. While the audit was ongoing, the Mission took action to prioritize 12 risks; however, it still needed to set target dates for treatment of all priority risks and put a process in place to actively monitor its treatment of priority risks.

37. The above shortcomings occurred because the Mission had not fully integrated the mandatory ERM processes within its operations planning cycle. Also, the Senior Programme Officer who initially led the ERM process left the Mission in June 2016. The Mission did not appoint an interim focal point until September 2016. As a result of the identified shortcomings, the Mission was exposed to increased risk of failure to achieve operational objectives with regards to assisting persons of concern.

**(5) The UNHCR Mission in India should: (i) identify all managers and staff who should have an active involvement in the risk management processes, train them and assign responsibilities to them accordingly; and (ii) implement procedures for identification of emerging risks and monitoring and review of priority risks which should have comprehensive treatment plans.**

*UNHCR accepted recommendation 5 and stated that the Mission initiated the quarterly review of the risk register and organized a thematic management meeting for this purpose. Key staff had undertaken online ERM training. Recommendation 5 remains open pending receipt of: a) a list of staff identified for active involvement in the risk management processes and evidence that these staff have completed relevant training; b) evidence of procedures put in place for the identification of emerging risks and ongoing monitoring and review of priority risks; and c) a copy of the revised risk register showing that all priority risks have relevant treatments identified with target dates for addressing gaps.*

## V. ACKNOWLEDGEMENT

38. 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  
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## STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	The UNHCR Mission in India should: (i) develop a contingency plan for addressing the possibility of a significant increase in new arrivals and assess the corresponding resources required; (ii) develop and implement an action plan to address the delays in current refugee status determination (RSD) processes; and (iii) strengthen controls over issuance of standard operating procedures on registration and RSD, uncollected refugee cards, and hiring of interpreters.	Important	O	Submission to OIOS of: a) evidence of the impact of actions taken to address the capacity and delays in RSD processes; b) an approved copy of the standard operating procedures on registration and RSD; c) a copy of the action plan designed to monitor uncollected refugee cards and the status of its implementation; and d) an action plan on hiring of interpreters.	31 December 2017
2	The UNHCR Mission in India should establish appropriate management controls to ensure that: (i) Project Partnership Agreements are concluded in a timely manner; (ii) partners' capacity and comparative advantage to undertake procurement on UNHCR's behalf are assessed; and (iii) monitoring of projects implemented by partners is conducted on the basis of risk-based plans, by multi-functional teams, and with due consideration to adequate integration of financial and performance monitoring.	Important	O	Submission to OIOS of: a) evidence of controls established to ensure that PPAs for 2018 are concluded in a timely manner and partners' capacity and comparative advantage to undertake procurement is systematically assessed; b) the finalized risk-based monitoring plan and evidence of its systematic execution; and c) copies of the latest monitoring reports conducted by multi-functional teams adequately integrating both financial and performance aspects.	31 December 2017
3	The UNHCR Mission in India should identify and document the arrangements needed to strengthen management controls over the livelihoods programme to ensure that livelihoods interventions are aligned with the livelihoods strategy, performance of livelihoods partners is regularly	Important	O	Submission to OIOS of: a) copies of the revised partnership agreement and latest performance monitoring reports on livelihoods projects; b) a copy of the multi-year strategy; and c) the report on the completed livelihoods programme assessment.	31 December 2017

<sup>1</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>2</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>3</sup> C = closed, O = open

<sup>4</sup> Date provided by UNHCR in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

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

	monitored, and the impact of the livelihoods programme is assessed.				
4	The UNHCR Mission in India should put in place adequate control measures over the cash assistance programme to ensure that all categories of persons of concern are included in the programme, random spot checks of beneficiaries are conducted to confirm receipt of cash assistance, and the impact of the cash assistance programme is assessed.	Important	O	Submission to OIOS of: a) a copy of the updated selection criteria; b) evidence of random spot checks of beneficiaries conducted confirming receipt of cash assistance; and c) results of an impact assessment of the cash assistance programme.	31 March 2018
5	The UNHCR Mission in India should: (i) identify all managers and staff who should have an active involvement in the risk management processes, train them and assign responsibilities to them accordingly; and (ii) implement procedures for identification of emerging risks and monitoring and review of priority risks which should all have comprehensive treatment plans.	Important	O	Submission to OIOS of: a) a list of staff identified for active involvement in the risk management processes and evidence that these staff have completed relevant training; b) evidence of procedures put in place for the identification of emerging risks and ongoing monitoring and review of priority risks; and c) a copy of the revised risk register showing that all priority risks have relevant treatments identified with target dates for addressing gaps.	15 October 2017

# **APPENDIX I**

## **Management Response**



## Management Response

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Mission in India should: (i) develop a contingency plan for addressing the possibility of a significant increase in new arrivals and assess the corresponding resources required; (ii) develop and implement an action plan to address the delays in current refugee status determination (RSD) processes; and (iii) strengthen controls over issuance of standard operating procedures on registration and RSD, uncollected refugee cards, and hiring of interpreters.	Important	Yes	Senior Protection Officer	10 September 2017  On-going  ongoing  30 September 2017  ongoing	1. Contingency Plan was drafted for discussion with multi-functional team (MFT) at the end of August 2017, and was completed at the beginning of September. 2. Backlog reduction measures instituted including development of quick assessment templates. It is expected that with the introduction of simplified RSD interview and assessment templates, the office will continue its efforts to reduce the backlog. 3. (i) Standard operating procedures (SOP) compliance monitoring: Apart from the National Officer stationed daily in Vikaspuri Registration Center, the RSD officer weekly visits the center to monitor compliance to SOPs, under the overall supervision of the Senior Protection Officer. 3 (ii) RSD/Registration SOP will be strengthened and revised by the end September 2017. 3 (iii) Uncollected cards- SOP and Action plan are in place on retrieval and disposal of such cards. Uncollected card disposal committee

<sup>1</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>2</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 India for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
					31 December 2017	has been formed and met twice (June and September). All minutes are recorded. This is an on-going process as stated in the SOPs. Regular meetings take place on card disposal as a result of non-collection. 3 (iv) On hiring of interpreters, the India operation has sought guidance from DHRM in early September 2017.
2	The UNHCR Mission in India should establish appropriate management controls to ensure that: (i) Project Partnership Agreements are concluded in a timely manner; (ii) partners' capacity and comparative advantage to undertake procurement on UNHCR's behalf are assessed; and (iii) monitoring of projects implemented by partners is conducted on the basis of risk-based plans, by multi-functional teams, and with due consideration to adequate integration of financial and performance monitoring.	Important	Yes	Senior Programme Officer	31 December 2017  31 December 2017  15 September 2017  30 May 2017  15 August 2017	(i) PPAs for 2018 will be discussed with a view to be concluded by the end of 2017.  (ii) Partner's capacity will be assessed before the year end in 2017 for 2018 projects  (iii) Monitoring of projects: <ul style="list-style-type: none"> <li>• 2017 Project Performance Monitoring Plan (PMC-01) has been drafted and is pending approval of all partners, expected final signature by 15 September 2017.</li> <li>• 1<sup>st</sup> quarter Project Verification (PMC-03a) was conducted for all PPAs during the second quarter of 2017 prior to releasing 2<sup>nd</sup> instalments.</li> <li>• Financial and Performance Monitoring (PMC-02) was</li> </ul>

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						carried out by MFT as a follow-up to the submission of the 2nd quarter financial and narrative reports.
3	The UNHCR Mission in India should identify and document the arrangements needed to strengthen management controls over the livelihoods programme to ensure that livelihoods interventions are aligned with the livelihoods strategy, performance of livelihoods partners is regularly monitored, and the impact of the livelihoods programme is assessed.	Important	Yes	Durable Solutions Officer	29 June 2017  Ongoing activity  31 December 2017  31 December 2017  ongoing  03 August 2017	PPA was revised during the Mid-Year review to align all livelihoods interventions with the Livelihoods Strategy.  Bi-monthly monitoring visits are conducted in order to strengthen various livelihood interventions by the partner.  The partner is going to design a multi-year strategy taking into consideration the lessons learned from the past two years of implementation.  Furthermore, monthly meetings are to be held among technical team of UNHCR and partner to continue to address gaps timely.  Risk monitoring has been implemented by MFT for Mid-year review.  A review of the livelihoods programme in India by the Senior Regional Livelihood Officer scheduled for the mid-September 2017

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
					31 December 2017	to assess impact among other elements such as sustainability and efficiency of the current programme. A preliminary report on the review is expected by 30 September 2017.  The recommendations of the review will be included in the 2018 PPA design of the partner for implementation.
4	The UNHCR Mission in India should put in place adequate control measures over the cash assistance programme to ensure that all categories of persons of concern are included in the programme, random spot checks of beneficiaries are conducted to confirm receipt of cash assistance, and the impact of the cash assistance programme is assessed.	Important	Yes	Senior Protection Officer	Ongoing	(i) Random spot-checks were initiated by the programme unit at partner location and by the outreach staff during reach-out activities, to confirm receipt of special assistance by beneficiaries.  (ii) A more systematic approach for protection monitoring was designed for outreach staff at the end of August 2017, with monthly random spot-checks to be conducted. Protection outreach form attached – special assistance monitoring column included.  (iii) A review of the existing special assistance programme was initiated in May 2017 using the April special assistance distribution as the baseline. The

## Management Response

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Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
					<p>30 September 2017</p> <p>30 September 2017</p>	<p>review is underway to streamline the current criteria to target only those with heightened specific needs across all refugees, with the help of wider application of objective tools.</p> <p>(iv) The analysis is also being initiated to have a better understanding of the existing coping mechanisms and expenditure pattern of those receiving special assistance by looking at their additional sources of income, absence of it, expenditure pattern on rent/schooling etc. The outcome of the review will also be the basis for further discussions on strengthening special assistance processes. The updated selection criteria are likely to be finalized by end of September 2017.</p> <p>The review has also initiated a brainstorming session to find alternate cash grant support to persons with specific needs amongst Rohingya's constituting 50 per cent of the total refugee population, with most staying outside Delhi. The suggested way</p>

## Management Response

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					31 March 2018	forward will be included in the updated selection criteria.  Discussions on the feasibility of linking Global Distribution Tool with special assistance has been initiated with the Identity Management and Registration Section (IMRS) at Headquarters. It is expected that biometrics and special assistance linking will be rolled out before the end of Quarter 1, 2018.
5	The UNHCR Mission in India should: (i) identify all managers and staff who should have an active involvement in the risk management processes, train them and assign responsibilities to them accordingly; and (ii) implement procedures for identification of emerging risks and monitoring and review of priority risks which should all have a comprehensive treatment plans.	Important	Yes	Deputy Chief of Mission	Quarterly review  15 October 2017	Quarterly review of the ERM commenced in June – a thematic management meeting was organized for this purpose on 14th. Updated risk register on the website will be available by the end of September. Next management meeting review scheduled in October 2017.  Key staff have undertaken online ERM training.