



INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/065 (REDACTED)

Audit of United Nations High
Commissioner for Refugees operations
in Nigeria

Overall results relating to the effective management of UNHCR operations in Nigeria were initially assessed as partially satisfactory. Implementation of four important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY
SATISFACTORY

15 August 2013
Assignment No. AR2012/111/03

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AUDIT REPORT

United Nations High Commissioner for Refugees operations in Nigeria

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of United Nations High Commissioner for Refugees (UNHCR) operations in Nigeria (the Representation).
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 Representation was opened in 1999 to support efforts of the Government of Nigeria to provide protection and assistance to 25,947 refugees and 11,311 asylum seekers living in Nigeria as of September 2012. It is part of the Regional Representation for West Africa, based in Dakar, Senegal, and comprises a Branch Office (BO) located in Abuja and a Sub Office (SO) in Lagos. The Representation has been working with three implementing partners since 2011 with expenditures amounting to \$793,240 in 2011 and \$289,000 in 2012. The total expenditures for the Representation were \$1 million in 2010 and \$1.2 million in 2011. The 2012 budget was \$3.4 million. As of 1 March 2013, the operation had 22 posts of which two were vacant.
4. Comments provided by the United Nations High Commissioner for Refugees are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

5. The audit of United Nations High Commissioner for Refugees operations in Nigeria was conducted to assess the adequacy and effectiveness of the Representation's governance, risk management and control processes in providing reasonable assurance regarding **the effective management of UNHCR operations in Nigeria**.
6. The audit was included in OIOS' 2012 risk-based annual work plan, in agreement with the Bureau for Africa, to assess the risks presented by a budget which had tripled from \$1 million in 2010 to over \$3 million in 2012, and the operation had not been audited for ten years.
7. The key controls tested for the audit were: (a) project management; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:
 - (a) **Project management** – controls that are designed to provide reasonable assurance that there is accurate and complete monitoring and reporting of the Representation's project activities, and project activities have been carried out in compliance with UNHCR policies and procedures.
 - (b) **Regulatory framework** – controls that provide reasonable assurance that policies and procedures exist, are adequate and are effective in guiding the Representation in its operations to ensure compliance with UNHCR policies and procedures.
8. The key controls were assessed for the control objectives shown in Table 1.

9. OIOS conducted this audit from July to November 2012. The audit covered the period from 1 January 2011 to 30 May 2012.

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

III. AUDIT RESULTS

11. The UNHCR Representation's governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding **the effective management of UNHCR operations in Nigeria**. OIOS made four recommendations to address issues identified in the audit. Controls over project management were assessed to be satisfactory as action was taken to update the planning data pertaining to the population of concern and implementing partner management was undertaken in compliance with the relevant rules. Controls over regulatory framework were assessed to be partially satisfactory because the Representation needed to: (a) clear long outstanding receivables; (b) establish a vendor registration and evaluation process; and, (c) review and dispose of obsolete assets. Action had been taken to strengthen controls over supply chain management and payment processing.

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

Table 1:
Assessment of key controls

Business objective(s)	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 Nigeria	(a) Project management	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(b) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Project management

Action was taken to complete full verification of the population of concern to support effective programme implementation

13. Full verification of the population of concern was last carried out in 2008 and staff shortages had prevented verifications of refugee and asylum seekers in 2011 and 2012 as required by UNHCR Manual Chapter 4 which is, to collect and analyze assessment data of the population of concern as an essential

first step in planning to identify key problem areas and develop the programme strategy. Furthermore, the planning process had not included an assessment of protection risks and underlying causes. As the data was not up to date, it was not possible for the Representation to be certain that the assumptions it used for planning programme implementation were correct, and thus there was an underlying risk that resource allocation could be incorrect. The need to update such data was recognized and addressed by the Regional Representation for West Africa, which conducted refugee verification exercises in its region for Nigeria by the end of 2012. In view of the action taken, no recommendation was raised.

Actions were taken to ensure that implementing partner management was in line with the rules

14. In view of the following actions taken after the fieldwork for the audit, to strengthen controls over implementing partner management, no additional recommendations were raised. The Representation:

- Took steps to ensure that performance indicators in key areas of protection, water, sanitation, shelter, environment and education were formulated in accordance with UNHCR's Results Based Management Framework. This was done in all project proposals having detailed descriptions, mid-year reports, year-end reports and implementing partner narrative reports. The Representation also used the performance-monitoring matrix developed by the Regional Representation for West Africa region for 2012.
- Set up an implementing partner selection committee in October 2012 to ensure adequate justification for retention of implementing partners in 2013 and beyond.
- Developed a monitoring plan for 2013 that was incorporated in detailed project descriptions that were included in sub-agreements with implementing partners. The dates for both financial and performance monitoring by a multifunctional team were clearly specified in project descriptions. A plan was also put in place to monitor reports from the field, assessing implementing partner project performance against targets and work plans.
- Put in place a matrix to follow up on implementing partner audit reports, and to ensure adequate follow up of recommendations raised in audit reports. For 2011, corrective actions were completed on pending recommendations from implementing partner audit reports.

B. Regulatory framework

Action needed to ensure staff receivables are recovered in a timely manner

15. Receivable were not being followed in a timely manner as required by UNHCR rules. Consequently, as of 30 June 2012, accounts receivables from staff in Nigeria, totalled \$712,218. Some staff receivables dated back to 2004 increasing the risk of failure to recover. The cause was the absence of an action plan to address how receivables would be tackled in the face of staff shortages.

(1) The UNHCR Representation in Nigeria should establish an action plan to recover long outstanding receivables or, when recovery is not possible, make write-off recommendations to the Headquarters Asset Management Board.

The UNHCR Representation in Nigeria accepted recommendation 1 and stated that the receivables amounting to \$712,218 in question are composed of: a) \$441,962 medical evacuation advance requiring Headquarters approval to clear under Medical Insurance Plan (MIP, and b) \$ 270,255 other receivables including the outstanding rental advances for international staff and salary

advances for national staff. All the outstanding salary advances for national staff were recovered by 31/12/2012, as has been the practice. Please refer to the 2012 open items justification which was sent to Field Information and Coordination Section as part of the year-end account closure process. All the long overdue receivables were cleared by 31/12/2012 except the medical evacuation amounting to \$441,962. The Representation received the approval to clear this amount on 23rd April 2013. This open item has now been cleared as authorized. OIOS appreciates the progress made on clearing the long outstanding staff receivables. Per the recent the Managing for Systems, Resources and People (MSRP) system open item listing, the Representation remained with long outstanding receivables totaling \$118,613 that needed to be recovered or cleared. Recommendation 1 remains open pending receipt of supporting documentation of recovery or clearance of the last long outstanding receivables in the MSRP receivable records.

Action needed to establish a vendor review process

16. The Representation had not established a vendor review process as required by the rules. There was no vendor review committee, no prequalification of vendors, and, no evaluation of vendor performance. Consequently, there were no vendor files for the 135 vendors recorded in MSRP whose procurement totaled \$1.4 million from 1 January 2011 to 31 May 2012.

(2) The UNHCR Representation in Nigeria should establish a vendor review process, which should include a vendor review committee, vendor files, vendor vetting and a vendor performance evaluation process in compliance with UNHCR rules.

The UNHCR Representation in Nigeria accepted recommendation 2 and stated that UNHCR Nigeria established a vendor review committee in January 2013. All new vendors now complete the vendor registration form as specified in the IOM 045 - FOM 045/2010 'vendor registration process'. A sample of one vendor registration form is attached as evidence. Recommendation 2 remains open pending receipt of supporting documentation that vendor evaluation procedures have been implemented and reviewed by the vendor review committee.

Action needed to review and dispose of assets that were not in use

17. Fifty-four Serially Tracked Items (STIs) and assets were fully depreciated (purchased in 2005) and stored within the Representation. These included printers, computer desktops, laptops, Satellite equipment, Very High Frequency (VHF) Equipment, and mobile phones. They were not disposed off as required by the rules because the Representation did not have a Local Asset Management Board (LAMB) and the Representation was waiting for the Regional Representation's supply manager to evaluate the assets.

(3) The UNHCR Representation in Nigeria should review and assess usability of assets and initiate corrective action to dispose of as appropriate.

The UNHCR Representation in Nigeria accepted recommendation 3 and stated that UNHCR Nigeria submitted the minutes of the 1st LAMB meeting and list of assets to be disposed to the Headquarters Asset Management Board (HAMB) in April 2013. The HAMB responded with a memo dated 10th May 2013 asking the LAMB to decide on all cases including the one referred to the HAMB since it was a disposal of a fully depreciated asset. Thereafter, the LAMB convened the second meeting. Recommendation 3 remains open pending receipt of supporting documentation that these old assets have been disposed of and taken out of the MSRP asset records.

Actions taken to strengthen supply chain management

18. In view of the following actions taken after the fieldwork for the audit, to strengthen controls over supply chain management, no additional recommendations were raised. The Representation:

- Prepared a purchasing plan for 2013 and established a Local Committee on Contracts (LCC). This Committee reviewed, on 6 February 2013, cases valued at around \$470,000 where vendors exceeded the \$20,000 contract limit.
- Completed verification of the listing of the Property, Plant and Equipment (PPE) with a book value of \$201,870, which it submitted to UNHCR Headquarters on 31 December 2012.
- Completed verification of the Serially Tracked Items (STIs) listing with a book value of \$8,750, which it submitted to UNHCR Headquarters on 31 December 2012.
- Sent to UNHCR Headquarters the listing of inventory for Non Foods items (NFIs) purchased for \$62,900 for allocation to Internally Displaced Persons as of 31 December 2012.
- Sent the Right of Use Agreement signed by all IPs to the Regional Representation for West Africa Dakar in January 2013.

Steps taken to strengthen controls over spending and payment processing

19. In view of the following actions taken after the fieldwork for the audit, to strengthen controls over spending and payment processing, no additional recommendations were raised. The Representation:

- Put in places procedures to ensure liquidation of all pending purchase orders and requisitions that had blocked funds.
- Took action from July 2012 to ensure that all invoices that had been paid were marked 'PAID',
- Put into use the payment request approval form for all payments supported by weekly payment reviews to ensure that expenditures were correctly charged.
- Required technical and payment approvers to cross check the account codes before approval.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Redacted]

[Redacted]

[Redacted]

IV. ACKNOWLEDGEMENT

22. 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) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS
United Nations High Commissioner for Refugees operations in Nigeria

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNHCR Representation in Nigeria should establish an action plan to recover long outstanding receivables or, when recovery is not possible, make write-off recommendations to the Headquarters Asset Management Board.	Important	O	Receipt of supporting documentation of recovery or clearance of the last long outstanding receivables in the MSRP receivable records totaling \$118,000.	31/12/2013
2	The UNHCR Representation in Nigeria should establish a vendor registration process, which should include a vendor review committee, vendor files, vendor vetting and a vendor evaluation process in compliance with UNHCR rules.	Important	O	Receipt of supporting documentation that vendor evaluation procedures have been implemented and reviewed by the vendor review committee.	31/12/2013
3	The UNHCR Representation in Nigeria should review and assess usability of assets and initiate corrective action to dispose of as appropriate.	Important	O	Receipt of supporting documentation that these old assets have been disposed of and taken out of the MSRP asset records.	31/12/2013

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

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

³ C = closed, O = open

⁴ Date provided by [client] in response to recommendations. [Insert "Implemented" where recommendation is closed; (implementation date) given by the client.]

APPENDIX I

Management Response

MANAGEMENT RESPONSE

Audit of United Nations High Commissioner for Refugees operations in Nigeria

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Representation in Nigeria should establish an action plan to recover long outstanding receivables or, when recovery is not possible, make write-off recommendations to the Headquarters Asset Management Board.	Important	Yes		31 December 2013	<p>The receivables amounting to \$712,218 in question are composed of:</p> <p>a) \$441,962.27 medical evacuation advance requiring HQ approval to clear under MIP and</p> <p>b) \$ 270,255.73 other receivables including the outstanding rental advances for international staff and salary advances for national staff. All the outstanding salary advances for national staff were recovered by 31/12/2012, as has been the practice. Please refer to the 2012 open items justification which was sent to FICS as part of the year-end account closure process.</p> <p>All the long overdue receivables were cleared by 31/12/2012 except the medical evacuation</p>

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

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						amounting to \$441,962.27. The Representation received the approval to clear this amount on 23rd April 2013. This open item has now been cleared as authorized.
2	The UNHCR Representation in Nigeria should establish a vendor registration process, which should include a vendor review committee, vendor files, vendor vetting and a vendor evaluation process in compliance with UNHCR rules.	Important	Yes		31 December 2013	UNHCR Nigeria established a vendor review committee in January 2013. All new vendors now complete the vendor registration form as specified in the IOM 045 - FOM 045/2010 "vendor registration process".
3	The UNHCR Representation in Nigeria should review and assess useability of assets and initiate corrective action to dispose off as appropriate.	Important	Yes		31 December 2013	UNHCR Nigeria submitted the minutes of the 1 st LAMB meeting and list of assets to be disposed to the HAMB in April 2013. The HAMB responded with a memo dated 10th May 2013 asking the LAMB to decide on all cases including the one referred to the HAMB since it was a disposal of a fully depreciated asset. Thereafter, the LAMB convened the second meeting. Also attached is a memorandum addressed to the Asset Management Unit – SMLS/DESS on the transfer of fully depreciated assets for disposal
4	[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	[REDACTED]					[REDACTED]