



INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/088

Audit of United Nations High Commissioner for Refugees (UNHCR) operations in the Republic of Congo

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

**FINAL OVERALL RATING:
PARTIALLY SATISFACTORY**

**7 November 2013
Assignment No. AR2012/110/02**

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AUDIT REPORT

United Nations High Commissioner for Refugees Operations in the Republic of Congo

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of United Nations High Commissioner for Refugees (UNHCR) Representation responsible for the management of operations in the Republic of Congo (hereafter referred to as ‘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 commenced operations in 1982 to assist refugees and other persons of concern with international protection and humanitarian assistance. In 2012, the Representation supported 119,000 refugees and asylum seekers in the Republic of Congo. The Representation worked with seven implementing partners in 2011, and six in 2012.
4. The Representation’s expenditure was \$15.6 million in 2011 and \$13.8 million in 2012; its budget for 2013 was \$14.5 million. The reduction in expenditures was attributed to reducing caseloads due to voluntary repatriation of Congolese refugees to the Democratic Republic of Congo (DRC) and the invoking of the cessation clauses for Angolan refugees in 2012 and for Rwandans in 2013. The Representation had 12 international staff, 49 national staff and 19 United Nations Volunteers (UNVs).
5. Comments provided by the Representation are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of the Representation’s governance, risk management and control processes in providing reasonable assurance regarding **effective management of UNHCR operations in the Republic of Congo**.
7. This audit was included in IAD’s 2012 risk-based annual work plan due to risks related to the adequacy of the control environment at a time when the budget was reducing. The last audit of the Representation was in 2006.
8. 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.
 - (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.
9. The key controls were assessed for the control objectives shown in table 1 below.

10. OIOS conducted the audit from September 2012 to January 2013. The audit covered the period from 1 January 2011 to 31 December 2012.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence of internal controls and conducted necessary tests to determine their effectiveness. OIOS interviewed UNHCR staff in the Branch Office in Brazzaville and the Field Office in Impfondo; reviewed policies, guidelines, procedures and other relevant documents; and reviewed data available in the Managing for Systems, Resources and People (MSRP) system.

III. AUDIT RESULTS

12. The Representation governance, risk management and control processes examined were initially assess as **partially satisfactory** in providing reasonable assurance regarding **the effective management of UNHCR operations in the Republic of Congo**. OIOS made four recommendations to address issues identified in the audit.

13. Controls over project management were assessed to be partially satisfactory because the Representation still needed to strengthen management of implementing partners in the areas of: (a) monitoring international overhead costs; and, (b) re-evaluation of the selection of one implementing partner and the continuation of implementing partners in 2011 and 2012.

14. Controls over regulatory framework were assessed to be partially satisfactory because the Representation still needed to: (a) conduct procurement training for staff and put in place procedures for compliance with UNHCR procurement guidelines; and, (b) implement vendor-vetting procedures to regularly update the vendor database as required by UNHCR rules.

15. 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 the implementation of four 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 Republic of Congo	(a) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Project management

Action underway to put in place local procedures to monitor and ensure international implementing partners provide the appropriate supporting evidence to qualify for overhead support costs

16. In 2011 and 2012, three international implementing partners were paid overhead support costs totaling \$189,107 even though the required evidence to support the payment was not provided. To qualify for the payment, the implementing partners were required to include in the sub-agreement and the final narrative report details of significant and quantifiable contributions they had made to the UNHCR country operation with their own resources. This issue arose because there were no local procedures to monitor and ensure that staff checked that implementing partners met all the requirements for receiving overhead support costs from UNHCR. For two of the three implementing partners, a contribution had been made but had not been documented. This was corrected in the revised 2013 implementing partner agreements. For the third implementing partner, who is no longer a partner, action was ongoing to document their contribution.

(1) The UNHCR Representation in the Republic of Congo should put in place local procedures to monitor and ensure that payment of overhead costs to international implementing partners is supported by evidence of a significant and quantifiable contribution in the sub-agreement and the final narrative report. Also, the excess amounts paid to the three implementing partners should be recovered.

The UNHCR Representation in the Republic of Congo accepted recommendation 1 and stated that contributions were now being quantified in the sub-agreements and final narrative report. The Representation would henceforth recover overhead costs paid to implementing partners who do not quantify their contributions to the project. Recommendation 1 remains open pending receipt of evidence on the implementation of appropriate local procedures.

Action underway to re-evaluate the selection of one implementing partner

17. Of the seven implementing partners selected in 2011, correct procedures were used for the selection of two new partners but no evidence was provided for performance and suitability evaluations of the five partners that were retained that year. In addition, UNHCR rules were not followed for the one new and five retained partners who were selected in 2012. The Representation indicated that it could not follow the required procedures as the selections were made on an emergency basis related to the need to provide urgent assistance to the new refugees from the Democratic Republic of Congo. The Representation started, after the audit field work, following the rules to evaluate the performance of retained implementing partners. However, for the newly selected partner in 2012 the Representation did not carry out a performance and suitability evaluation but instead sought a waiver of the required procedures from the implementing partner selection committee. As this implementing partner had a history in one UNHCR operation of using UNHCR funds for private purposes, and incurring expenditure on items for which there was no budget line, a re-evaluation was required to confirm the partner's suitability.

(2) The UNHCR Representation in the Republic of Congo should: re-evaluate the selection of one implementing partner, taking into account past performance and suitability evaluations; and ensure that the continuation of partnerships, in emergency and non-emergency situations, is processed in compliance with UNHCR rules.

The UNHCR Representation in the Republic of Congo accepted recommendation 2 and stated that by 31

October 2013 it would complete the re-evaluation of one of its implementing partners in compliance with UNHCR rules. Recommendation 2 remains open pending receipt of evidence that the selection of one implementing partner has been re-evaluated.

B. Regulatory framework

Action underway to conduct procurement training and put procedures in place to ensure compliance with procurement guidelines

18. The minutes of the meetings of the Local Committee of Contracts (LCC) in 2011 and 2012 did not always contain a summary of the discussion, the decisions taken, reasons for decisions, details regarding the vendors selected, and the potential costs involved. In addition, the Representation evaluated only one, two or three vendor offers instead of the required eight. These weaknesses were attributed to inadequate training and guidance, and the absence of the use of checklists and supervisory reviews for monitoring compliance.

(3) The UNHCR Representation in the Republic of Congo should arrange to:

- i) Conduct procurement training for procurement staff and members of the Local Committee on Contracts; and,**
- ii) Put in place procedures, which include the use of checklists and supervisory reviews, to ensure that UNHCR procurement rules are complied with.**

The UNHCR Representation in the Republic of Congo accepted recommendation 3 and stated that the procurement training was prepared and would be conducted for a number of UNHCR staff in November 2013. It would also be conducted for implementing partners. Thereafter it was expected that UNHCR staff and implementing partner staff would strictly adhere to UNHCR's procurement rules and UNHCR would regularly conduct spot checks. Recommendation 3 remains open pending receipt of evidence that a) procurement training for procurement staff and members of the Local Committee on Contracts was conducted and; b) procedures, which include the use of checklists and supervisory reviews, have been put in place.

Action underway to implement vendor vetting procedures and to regularly update the vendor database

19. Although the Representation maintained a vendor registration database and had set up a vendor registration committee in 2012, it had not updated the database because the Committee had not convened since its establishment. The Committee therefore had never vetted or assessed vendors for performance and suitability to supply goods and services to UNHCR. This was due to the absence of procedures for monitoring and guiding the work of the committee.

(4) The UNHCR Representation in the Republic of Congo should implement vendor vetting procedures to ensure that the vendor registration committee regularly meets and reviews vendors, and that the results are recorded in the vendor database.

The UNHCR Representation in the Republic of Congo accepted recommendation 4 and stated that a Vendor Registration Committee was already in place and had conducted two meetings on 22 May 2013 and 02 July 2013 and minutes were attached. Recommendation 4 remains open pending receipt of evidence that vendor vetting procedures are in place ensuring that the Vendor Registration Committee regularly meets and reviews vendors, and that results are recorded in the vendors' database.

IV. ACKNOWLEDGEMENT

20. OIOS wishes to express its appreciation to the Management and staff of United Nations High Commissioner for Refugees operations in the Republic of Congo for the assistance and cooperation extended to the auditors during this assignment.

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

STATUS OF AUDIT RECOMMENDATIONS

Audit of United Nations High Commissioner for Refugees operations in Republic of Congo

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNHCR Representation in the Republic of Congo should put in place local procedures to monitor and ensure that payment of overhead costs to international implementing partners is supported by evidence of a significant and quantifiable contribution in the sub-agreement and the final narrative report. Also the excess amounts paid to the three implementing partners should be recovered.	Important	O	Receipt of evidence on the implementation of appropriate local procedures.	31/10/2013
2	The UNHCR Representation in the Republic of Congo should: re-evaluate the selection of one implementing partner, taking into account past performance and suitability evaluations; and ensure that the continuation of partnerships, in emergency and non-emergency situations, is processed in compliance with UNHCR rules.	Important	O	Evidence that the selection of one implementing partner has been re-evaluated.	31/10/2013
3	The UNHCR Representation in the Republic of Congo should arrange to: i) Conduct procurement training for procurement staff and members of the Local Committee on Contracts; and, ii) Put in place procedures, which include the use of checklists and supervisory reviews, to ensure that UNHCR procurement rules are complied with.	Important	O	Evidence that 1) procurement training for procurement staff and members of the Local Committee on Contracts was conducted and; 2) procedures including the use of checklists and supervisory review procedures to ensure compliance with UNHCR procurement rules have been put in place.	31/12/2013
4	The UNHCR Representation in the Republic of Congo should implement vendor vetting procedures	Important	O	Evidence that vendor vetting procedures are in place ensuring that the Vendor Registration	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 United Nations High Commissioner for Refugees in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of United Nations High Commissioner for Refugees operations in Republic of Congo

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	to ensure that the vendor registration committee regularly meets and reviews vendors, and that the results are recorded in the vendor database.			Committee regularly meets and reviews vendors, and that results are recorded in the vendors' database.	

APPENDIX I

Management Response

MANAGEMENT RESPONSE

Audit of United Nations High Commissioner for Refugees operations in Republic of Congo

Rec no.	Recommendation	Critical ¹ / Important ²	Accepted (Yes/No)	Title of responsible Individual	Implementation Date	Client comments
1	<p>The UNHCR Representation in the Republic of Congo should put in place local procedures to monitor and ensure that the payment of overhead costs to international implementing partners is supported by evidence of a significant and quantifiable. Contribution in the sub agreement and the final narrative report.</p> <p>Also the excess amounts paid to the three implementing partners should be recovered.</p>	Important	Yes	Programme Officer	31/10/2013	<p>In 2012, BO Brazzaville paid overhead costs to three international implementing partners (IP) based on the signed sub-agreements with those agencies. However, the financial value of the contributions made from the implementing partners own resources in those sub-agreements was not recorded.</p> <p>Two implementing partners provided UNHCR with the financial value of their actual contributions.</p> <p>The partnership with Implementing Partner 1 was discontinued in 2012, thus, no further agreement will be signed. For the years 2010 and 2011, the partner was paying the running costs as well as staff salaries in Betou and Impfondo. The Representation Office was approached by the partner regional office in Yaounde to discuss how UNHCR could cover all the running costs of the office in Brazzaville and Betou for 2012. In view of financial constraints, UNHCR declined to cover the running costs. For this reason, the Representation is of the opinion that it will appear unfair to claim the reimbursement of overhead costs paid for 2012.</p> <p>As regards to Implementing Partner 2, the amount of their contribution was disclosed in writing in late July 2013, while the Supplementary s/agreements were already signed till end September 2013. The Representation will insert this contribution in the new Supplementary sub agreement</p>

MANAGEMENT RESPONSE

Audit of United Nations High Commissioner for Refugees operations in Republic of Congo

Rec no.	Recommendation	Critical ¹ / Important ²	Accepted (Yes/No)	Title of responsible Individual	Implementation Date	Client comments
						to be signed as from 1st October 2013 with the partner for the last semester of 2013. As regards to Implementing Partner 3, the office was not able to identify the partner's contribution in 2012 as no report on the agency's contribution was received. Therefore, The Representation will recover the overhead cost paid from the last installment of 2013. Should the partner confirm in the meantime through a financial report that they have substantially contributed to the UNHCR operation in 2012, no recovery will take place.
2	The UNHCR Representation in the Republic of Congo should: re-evaluate the selection of one implementing partner taking into account past performance and suitability evaluation; and ensure that the continuation of partnerships in emergency and non-emergency situations is processed in compliance with UNHCR rules.	Important	Yes	Programme Officer	31/10/2013	By 31/10/2013, the Representation will complete the re-evaluation of the one implementing partner in compliance with UNHCR rules.
3	The UNHCR Representation in the Republic of Congo should arrange to: i) Conduct procurement training for procurement staff and members of the Local Committee; and, ii) Put in place procedures including the use of checklists	Important	YES	Associate Supply Officer	31/12/2013	Procurement training will be conducted for number of UNHCR staff in November 2013. The same training will be conducted for implementing partner also during November 2013. Thereafter, it is expected that UNHCR staff as well as the staff of implementing partners will strictly adhere to UNHCR's procurement rules and UNHCR will regularly conduct spot checks.

MANAGEMENT RESPONSE

Audit of United Nations High Commissioner for Refugees operations in Republic of Congo

Rec no.	Recommendation	Critical ¹ / Important ²	Accepted (Yes/No)	Title of responsible Individual	Implementation Date	Client comments
	and strengthen supervisory review procedures, to ensure that UNHCR procurement rules are complied with					
4	The UNHCR Representation in the Republic of Congo should implement vendor vetting procedures to ensure that the vendor registration committee regularly meets and reviews vendor, and that results are recorded in the vendor database	Important	Yes	Associate Supply Officer	31/12/2013	A Vendor Registration Committee is already in place and has conducted two meetings in 2013.