



INTERNAL AUDIT DIVISION

REPORT 2013/128

Audit of financial, procurement and asset management in the United Nations High Commissioner for Refugees operations in Tanzania

Overall results regarding effectiveness of the Representation's financial, procurement and asset management activities were initially assessed as partially satisfactory. Implementation of seven important recommendations remains in progress.

**FINAL OVERALL RATING:
PARTIALLY SATISFACTORY**

**18 December 2013
Assignment No. AR2013/112/02**

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AUDIT REPORT

Audit of financial, procurement and asset management in the United Nations High Commissioner for Refugees operations in Tanzania

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of financial, procurement and asset management in the United Nations High Commissioner for Refugees (UNHCR) Representation responsible for the management of operations in Tanzania (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 was opened in 1968 to provide refugees with international protection and humanitarian assistance. The population of concern at the end of 2012 consisted of 264,000 refugees and asylum seekers from the following three neighbouring countries: Somalia, Burundi and the Democratic Republic of Congo. In 2012, the population of concern continued to decrease as a result of voluntary repatriation and resettlement.
4. The Representation worked with 12 implementing partners in 2012 and 15 in 2011. It had a branch office in Dar-es-Salaam; three field offices in Kasulu, Kigoma and Mpanda; two field units in Mishamo and Ulyankulu; one logistical outpost in Mwanza; and a liaison office in Arusha.
5. The expenditures of the Representation were \$20 million in 2012 and \$24 million in 2011. The budget for 2013 was \$19 million. As at December 2012, the operation had 165 staff posts of which 150 were filled. During 2011 and 2012, the Representation issued 557 purchase orders valued at \$19.3 million. The Representation held a total of 280 property, plant and equipment (PPE) with a purchase price of \$8.8 million and 2,377 serially tracked items (STI) assets with a purchase price of \$2.7 million as at 31 December 2012.
6. Comments provided by the Representation are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

7. 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 the **effectiveness of the Representation’s financial, procurement and asset management activities**.
8. This audit was included in IAD’s 2012 risk-based annual work plan at the request of UNHCR, due to risks related to the financial, procurement and asset management activities of the Representation.
9. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this control as the one that provides reasonable assurance that financial, procurement and asset management policies and procedures are adequate and effective.
10. The key controls were assessed for the control objectives shown in table 1 below.

11. OIOS conducted the audit from February to May 2013. The audit covered the period from 1 January 2011 to 31 January 2013.

12. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness. OIOS interviewed UNHCR staff in the branch office in Dar-es-Salaam and the field offices in Kigoma, Kasulu and Mwanza and interviewed relevant implementing partner staff. OIOS also reviewed policies, guidelines, procedures and other relevant documents and reviewed data in the Managing for Systems, Resources and People (MSRP) system.

III. AUDIT RESULTS

13. The Representation’s governance, risk management and control processes examined were initially assessed as **partially satisfactory** in providing reasonable assurance regarding the **effectiveness of the Representation’s financial, procurement and asset management activities**. OIOS made nine recommendations to address issues identified in the audit.

14. Regulatory framework was initially assessed as partially satisfactory because there was a need to undertake a review to determine the number of offices required to maintain the operations in Tanzania. There were also shortcomings in financial management, which included: (i) a lack of procedures for closing monthly accounts, (ii) the need to review banking arrangements to ensure adequate segregation of duties, and, (iii) the need to recover Value Added Tax (VAT) and excise duty valued at around \$2 million. There was a need to physically verify all assets and account for any differences with accounting records; and analyze fuel consumption per vehicle on a monthly basis. Action was taken to: implement monthly account closure requirements for all office locations; implement a vendor management system; and analyse fuel consumption per vehicle on a monthly basis.

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

Table 1
Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effectiveness of the Representation’s financial, procurement and asset management activities.	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

Regulatory framework

Need to review the number of offices required to maintain the operations in Tanzania

16. From 1 January 2011 to the time of the audit, the programme budget had been reduced by 48 per cent, the number of implementing partners by 33 per cent, and the number of staff posts by 25 per cent. In addition, several of the refugee camps had been closed. Whilst operations had declined significantly and the number of staff had reduced in each office, no review had been undertaken to determine whether the eight offices in existence at the time of the audit, were still needed to support the operation. Such a review would have been used to ensure that operational needs were being met in a cost effective manner and that the location of offices was being determined by the location of populations of concern.

17. Tanzania was left with one refugee camp in 2013, which was served by one office (Kasulu). Seven of the Representation's ten implementing partners in 2013 were operating in this camp from this office location. The other seven offices had either no operations by implementing partners (Mwanza, Arusha), or only by one or two implementing partners (Ulyankulu, Mpanda, Mishamo, Kigoma and Dar-es-Salaam). Therefore, for these offices the link with the population of concern was not always clear. The Representation maintained four offices, with 37 staff, in the Old Settlements to facilitate a decision by the Government of Tanzania on the naturalization of 162,000 Burundians, which had been stalled for two years. The Representation had calculated that the total cost of keeping the four offices open to be \$5 million annually. This cost also covered the operation of an airplane to move staff to the offices in remote locations.

18. The large number of offices with a small staff complement also meant that some administrative tasks could no longer be completed with the required segregation of duties. For example, bank accounts were being kept without having required professional staff in the field office to provide dual signatures on cheques; three staff were provided with double log-in identifications in the system allowing conflicting approval roles, that normally should not be combined, for payments; and, some payment approvers were approving their own payments due to a lack of other payment approvers in the field offices.

(1) The Bureau for Africa should review the continued need of keeping eight offices in Tanzania.

The Bureau for Africa indicated that it accepted recommendation 1 and stated that presently UNHCR has eight offices in Tanzania. The Representation has scaled down to reflect the reduction in operations including the recent closure of a refugee camp that hosted former Burundian refugees. There was a gradual reduction in staff numbers for the four offices serving the Old Settlements. The Representation has continued to advocate for a final decision by the Government on the legal status of the population in the Old Settlements as well as local integration modalities with the preferred scenario of allowing the population to remain and complete their integration in their current locations in the three Old Settlements where they have resided for at least 40 years. Pending the final decision of the Government on the naturalization and relocation exercise, UNHCR will maintain minimal presence in the Old Settlements and limit considerably its operational activities. The Government has assured UNHCR of its commitment to a long term solution. A further review of UNHCR's presence in the Old Settlements will be conducted latest by June 2014. Recommendation 1 remains open pending review of the continued need for maintaining eight UNHCR offices in the country and presence in the Old Settlements by June 2014.

Action taken to implement monthly account closure requirements for all office locations

19. The Representation should review certain reports, as part of the monthly account closure requirements, such as the Administrative Budget and Obligation Document expenditure report, the review voucher report, open item reports, the purchase order/requisition report, and the implementing partner budget/expenditure report. This review ensures the quality of financial management. There was no evidence that the Representation had run or reviewed monthly closure reports. The cause of this shortcoming was attributed to a failure on the part of management to implement the monthly closure procedure and to ensure roles and responsibilities for carrying this out were assigned.

(2) The UNHCR Representation in Tanzania should implement monthly account closure procedures for all office locations. These procedures should outline the responsibilities for producing each of the required reports and the responsibility for reviewing them before the monthly closure of accounts.

The UNHCR Representation in Tanzania accepted recommendation 2 and stated that as of February 2013, all field offices were instructed on which reports to run. The reports are reviewed by the Representation office before being sent to Headquarters. Based on actions taken recommendation 2 is closed.

Need to review current banking arrangements for the UNHCR offices in Tanzania to ensure segregation of duties is maintained

20. The Representation was operating ten bank accounts with five different banks. This had not changed despite the reduction in the size of the operations. The UNHCR rules require that country offices should ideally operate only two bank accounts. Additional accounts may be authorized on an exceptional basis depending on the need of the operation. There was no evidence of a review of the risks of operating a large number of accounts with limited staff to handle the accounts. There had also been no consideration of whether greater centralization of payments was feasible. As a result, the Representation had too few staff in place to ensure adequate segregation of duties on cheque payments. For example, in field office Ulyankulu, two general service staff, who were the only staff left in this office at the time of audit, had the authority to sign cheques. The Representation lacked sufficient staff to provide effective oversight which increased the likelihood of loss of resources.

(3) The UNHCR Representation in Tanzania, in cooperation with the Division of Financial and Administrative Management, should review the current banking arrangements in view of the reduction in size of the operations to ensure segregation of duties is maintained.

The UNHCR Representation in Tanzania accepted recommendation 3 and stated that steps have been taken towards closing the US dollar and Tanzania Shilling accounts currently run under one field office. All US dollar payments are done through Electronic Fund Transfer (EFT) using the Headquarters pay cycle. The Representation continues to monitor transactions in other field offices with the ultimate goal of reducing the number of bank accounts. The Representation also continues to regularly review the Delegation of Authority Plan (DOAP), in order to enhance segregation of responsibilities within the ambit of the DOAP, and ensure that there are no conflicting roles/responsibilities within the operation. Indeed no General Service staff has been granted anymore signatory status to any of the bank accounts within the operations. Recommendation 3 remains open pending a review of the continued need for the eight remaining bank accounts considering the risks in segregation of duties and reduced size of operations.

Need to record old reconciling items in bank reconciliations of \$121,000 relating to period 2008 to 2011

21. The Representation had amounts totalling \$121,000 appearing as reconciling items for disputed payments and unknown deposits outstanding in four bank accounts. These were from the period 2008 to 2011. There had been a lack of timely and effective action on these reconciling items by the management in Tanzania. For example, three bank reconciliations from 2011 had not been approved, two bank reconciliations were approved with a variance not effectively reconciling to the recorded amount, and five bank reconciliations were prepared more than 30 days after the bank statement date. The main reason was the lack of timely and effective action being taken on these reconciling items by the Representation. In 2012, bank reconciliations were performed adequately.

(4) The UNHCR Representation in Tanzania, in cooperation with the Division of Financial and Administrative Management should review the outstanding reconciling items in the bank reconciliations; and record them in the Managing for Systems, Resources and People system.

The UNHCR Representation in Tanzania accepted recommendation 4 and stated that the Accounts and Financial Service in cooperation with the Representation is in the process of reviewing the remaining reconciliation items. Remedial action is being taken. Recommendation 4 remains open pending receipt of supporting documentation that the reconciling items have been reviewed and recorded in MSRP.

Need to take action on recovery of Value Added Tax and Excise Duty

22. UNHCR rules require that every effort be made to recover assets before they are written off. The Representation had an outstanding receivable from the Government of Tanzania totalling \$1,980,844 of excise duty and VAT paid on fuel procured between 2003 and 2006. OIOS had also raised this issue in its 2008 report on the audit of the Representation. In January 2013, the Representation had requested the Headquarters Asset Management Board (HAMB), to write-off the receivable, stating that it was not recoverable. Although the Representation had exhausted its efforts to recover the amount locally, the matter should be taken up at a higher level, by the Bureau for Africa, and submitted to the Government of Tanzania through the Legal Affairs Service at UNHCR headquarters. The cooperation agreement with the Government states that, "Any materials and goods imported by UNHCR in connection with humanitarian assistance for refugees shall be exempted from all customs duties, prohibitions and restrictions." However, the Government of Tanzania was of the opinion that excise duty, which amounted to \$1.86 million, did not fall under this exemption, even though it had exempted UNHCR of excise duty prior to 2003.

(5) The UNHCR Representation in Tanzania in cooperation with the Bureau for Africa should raise the matter of recovering taxes of \$1.98 million with the Government of Tanzania through the Legal Affairs Service.

The UNHCR Representation in Tanzania accepted recommendation 5 and stated that they had written to the Tanzania Revenue Authority requesting a refund of outstanding VAT and Excise duty claims. Although VAT has been refunded, excise duty (particularly on fuel) has not been refunded. Advice from the Legal Affairs Services has been sought and their conclusion is that the Representation is not exempt from excise duty although VAT is claimable. The Representation has also requested through the Operations Management Team (OMT), (a management body under the UNDAP Delivering as One initiative), a letter clearly indicating that all UN agencies are not exempt from excise duty, however the letter is yet to be received.. Recommendation 5 remains open pending receipt of advice from the Legal Affairs Service and letter from the Operations Management Team regarding exemption from excise duty.

Action taken for implementation of a vendor management system

23. The Representation had not set up and implemented a vendor management system. Such a system includes a vendor review committee, vendor evaluations and a vendor registration process. It is used to streamline the process of: pre-qualifying vendors; improving transparency; putting in place a clearly defined document-trail; and enhancing the vendor database quality, sourcing infrastructure and cost effectiveness of procurement. The absence of the system made it difficult for the Representation to consistently determine whether all vendors who supplied goods and services were genuine, complied with basic requirements, were evaluated, and provided value for money for goods supplied and services rendered.

(6) The UNHCR Representation in Tanzania should: (a) establish a vendor review committee; (b) introduce a procedure for ensuring that vendors are recorded in the Managing for Systems, Resources and People (MSRP) following approval of vendor files by the vendor review committee; (c) review the existing vendor accounts in MSRP and close all duplicate accounts to reduce the risk of double payments; and (d) evaluate vendors regularly.

The UNHCR Representation in Tanzania accepted recommendation 6 and stated that the Vendor Review Committee (VRC) was established in March 2013 and procedures were in place. Regarding issue 2 on establishment of procedures for recording vendors in MSRP, procedures were established in accordance with IOM/045 – FOM/045/2010. Concerning issue 3 on review existing vendor accounts in MSRP and close all duplicate accounts, on updating, vendor details are reviewed regularly on a case by case basis. The closing of duplicate accounts is being addressed. Lastly on issue 4 concerning evaluation of vendors regularly, the VRC will sit in December 2013 to evaluate all vendors. Thereafter, the VRC will sit every three months as stipulated in the March 2013 letter from the Representative. Based on actions taken recommendation 6 is closed.

Need to review number of assets in use by each office in relation to the needs of the operation

24. UNHCR rules require assets to be disposed of in line with the needs of an office and the physical condition of the asset. The main objective of asset management in UNHCR is to achieve the best possible efficiency from the assets by ensuring maximum use of the resources, proper care and maintenance, and proper disposal in the interests of UNHCR.

25. The total number of assets was no longer in line with the requirements of the operation. Although the operations and number of staff had been reduced over time, the number of assets remained largely unchanged and there were underutilized assets which created an unnecessary cost to the Representation. For example, there were on average 3.4 computers per staff member available for the offices visited, and on average 2.7 vehicles available per UNHCR driver. Similarly, at implementing partners, there was a need to assess the number of UNHCR assets to ensure that they were in line with the requirements of the ongoing operations. For example, at one implementing partner in charge of logistics, although repatriation activities were not expected this year, 16 trucks and 15 truck drivers were employed to serve the one remaining camp.

(7) The UNHCR Representation in Tanzania should review and adjust the number of assets in use commensurate with the staffing requirements and the expected level of operations in the country, and consider selling surplus assets, redeploying them to other UNHCR operations, or disposing them through other means.

The UNHCR Representation in Tanzania accepted recommendation 7 and stated that the disposal of

assets through Transfer of Ownership to the Implementing Partners, Local Authority, Operational Partners, as well as sale of vehicles and STIs was approved. Recommendation 7 remains open pending receipt of supporting documentation evidencing that asset numbers were commensurate with the current staffing in the operation.

Need to physically verify all assets and to update asset records

26. The Representation had not conducted adequate physical verification of its assets, which had a purchase value of \$11.5 million. This was inconsistent with UNHCR's rules, which require: the annual and full physical verification of Property, Plant and Equipment (PPE), and Serially Tracked Items (STI); an update on the asset records in MSRP; and a report on the PPE physical verification to UNHCR headquarters to ensure International Public Sector Accounting Standards (IPSAS) compliance. For PPE, the Representation had not recorded UNHCR permanent buildings constructed in the camps, which included a total of more than 200 permanent buildings that the Government of Tanzania had valued at \$7 million. As a result, the IPSAS reporting to UNHCR headquarters on the verification and recording of PPE was inaccurate and consequently the PPE values reflected in the UNHCR financial statements were understated. Furthermore, the Representation had not conducted any physical verification of STI in 2011 or 2012. As a result, asset records for STI were not up-to-date. The underlying reason was that management had not given adequate attention to the importance of a full verification of PPE and STI under its responsibility.

(8) The UNHCR Representation in Tanzania should: (a) physically verify all Property, Plant and Equipment (PPE), update the related asset records in Managing for Systems, Resources and People (MSRP), and report to UNHCR headquarters the accurate PPE listing; and (b) perform a comprehensive verification of all its Serially Tracked Items, update the related asset records in MSRP, and account for any differences found.

The UNHCR Representation in Tanzania accepted recommendation 8 and stated that concerning PPE verification, a comprehensive physical verification of assets was completed in October 2013. All PPE records have been updated and final report was submitted to Headquarters. The valuation report for permanent structures in Nyarugusu camp was completed in October 2013. Buildings will now be recorded in the assets database. Regarding STI verification, the verification of STI is now completed and discrepancies identified are currently being addressed. The MSRP records will be updated in November 2013. Recommendation 8 remains open pending receipt of supporting documentation for the verification of STIs, updated asset records and differences found during the STI verification adequately accounted for.

Need to analyse monthly fuel consumption per vehicle for ageing UNHCR vehicle fleet

27. The Representation had in total 223 UNHCR vehicles in service with an average age of more than five years, of which 77 were in operation by UNHCR offices and 146 by implementing partners. The total fuel consumption totalled \$4.1 million in 2011/2012. UNHCR rules state that fuel consumption figures per vehicle should be compared monthly with fuel consumption standards in order to assess, for example vehicle performance, and detect any irregularities. The Representation had compiled fuel consumption reports for vehicles in operation in UNHCR offices, but it had not done so for 146 UNHCR vehicles in use with implementing partners (which were fully fuelled by UNHCR) since the changeover from bulk procurement of fuel to the fuel card system in 2012. Moreover, the fuel consumption reports prepared for UNHCR office vehicles had not been reviewed to explain high fuel consumption that was not in line with standard rates. For example, from the 16 vehicles operated by the branch office in Dar-es-Salaam, there were three vehicles with an average fuel consumption between 4.85 and 5.5 kilometres per litre, when other vehicles were between six and seven kilometres per litre. The Representation was

unable to explain this variance. There could be a risk of loss of fuel due to irregularities or inefficiency due to the poor condition of the ageing vehicle fleet.

(9) The UNHCR Representation in Tanzania should implement procedures to analyse monthly fuel consumption per UNHCR vehicle, including UNHCR vehicles used by implementing partners and follow up on any consumption rates outside normal standards.

The UNHCR Representation in Tanzania accepted recommendation 9 and stated that monthly fuel reports are submitted by Field Offices to the branch office Dar es Salaam in addition to the branch office fuel report. Analysis is regularly conducted including monitoring of the fuel consumption per vehicle. Based on the vehicle activity reports, vehicles are allocated fuel on a monthly basis. The Implementing Partner produces consolidated monthly reports per asset, using fuel management software. The reports are submitted to RO Dar es Salaam. A fuel focal person was appointed and has been trained on matters related to fuel consumption monitoring and analysis. The office has also introduced fuel card system used by UNHCR and all Implementing Partners based in Dar es Salaam to enhance accountability. This system has been in place since July 2013. The card system is however limited to six locations and has not been developed in the Old Settlements because all the fuel suppliers do not have a presence there (for economic reasons). Efforts are underway to explore the customized card system at two fuel depots. Recommendation 9 remains open pending receipt of evidence of follow up action on high consumption rates outside normal standards.

IV. ACKNOWLEDGEMENT

28. OIOS wishes to express its appreciation to the Management and staff of United Nations High Commissioner for Refugees operations in Tanzania 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 financial, procurement and asset management in the United Nations High Commissioner for Refugees operations in Tanzania

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The Bureau for Africa should review the continued need of keeping eight offices in Tanzania.	Important	O	Review of the need for maintaining eight UNHCR offices in the country and presence in the Old Settlements.	30/06/2014
2	The UNHCR Representation in Tanzania should implement monthly account closure procedures for all office locations. These procedures should outline the responsibilities for producing each of the required reports and the responsibility for reviewing them before the monthly closure of accounts.	Important	C	Action completed.	Implemented
3	The UNHCR Representation in Tanzania, in cooperation with the Division of Financial and Administrative Management, should review the current banking arrangements in view of the reduction in size of the operations to ensure segregation of duties is maintained.	Important	O	Review of the continued need for the remaining bank accounts considering the risks in segregation of duties and reduced size of operations	31/12/2013
4	The UNHCR Representation in Tanzania, in cooperation with the Division of Financial and Administrative Management should review the outstanding reconciling items in the bank reconciliations; and record them in the Managing for Systems, Resources and People system.	Important	O	Receipt of supporting documentation that the reconciling items have been reviewed and recorded in MSRP	31/12/2013
5	The UNHCR Representation in Tanzania in cooperation with the Bureau for Africa should raise the matter of recovering taxes of \$1.98 million with the Government of Tanzania through the Legal Affairs Service.	Important	O	Receipt of advice from the Legal Affairs Service and letter from the Operations Management Team regarding exemption from excise duty	31/12/2013
6	The UNHCR Representation in Tanzania should:	Important	C	Action completed	Implemented

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 financial, procurement and asset management in the United Nations High Commissioner for Refugees operations in Tanzania

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	(a) establish a vendor review committee; (b) introduce a procedure for ensuring that vendors are recorded in the Managing for Systems, Resources and People (MSRP) following approval of vendor files by the vendor review committee; (c) review the existing vendor accounts in MSRP and close all duplicate accounts to reduce the risk of double payments; and (d) evaluate vendors regularly.				
7	The UNHCR Representation in Tanzania should review and adjust the number of assets in use commensurate with the staffing requirements and the expected level of operations in the country, and consider selling surplus assets, redeploying them to other UNHCR operations, or disposing them through other means.	Important	O	Receipt of supporting documentation evidencing that asset numbers were commensurate with the current staffing in the operation.	31/12/2013
8	The UNHCR Representation in Tanzania should: (a) physically verify all Property, Plant and Equipment (PPE), update the related asset records in Managing for Systems, Resources and People (MSRP), and report to UNHCR headquarters the accurate PPE listing; and (b) perform a comprehensive verification of all its Serially Tracked Items, update the related asset records in MSRP, and account for any differences found.	Important	O	Receipt of supporting documentation for the verification of STIs, updated asset records and differences found during the STI verification adequately accounted for.	31/12/2013
9	The UNHCR Representation in Tanzania should implement procedures to analyse monthly fuel consumption per UNHCR vehicle, including UNHCR vehicles used by implementing partners and follow up on any consumption rates outside normal standards.	Important	O	Receipt of evidence of follow up actions on high consumption rates outside normal standards.	31/12/2013

APPENDIX I

Management Response

MANAGEMENT RESPONSE

Audit of financial, procurement and asset management in the United Nations High Commissioner for Refugees operations in Tanzania

Rec no.	Recommendation	Critical ¹ / Important ²	Accepted (Yes/No)	Title of responsible Individual	Implementation Date	Client comments
1	The Bureau for Africa should review the continued need of keeping nine offices in Tanzania.	Important	Yes	Representative/ Bureau For Africa	30 June 2014	<p>Presently, UNHCR has Eight offices in Tanzania. One Field Unit serves Regional needs (not just Tanzania). It should therefore not be considered as under Tanzania operation.</p> <p>The Representation has scaled down to reflect the reduction in operations including the recent closure of a refugee camp that hosted former Burundian refugees.</p> <p>Further still, due to the suspension of the process of local integration of newly naturalized Tanzanians (former Burundian refugees) in late 2011, there was a gradual reduction in staff numbers for the offices serving the Old Settlements. Further reductions are planned for 2014.</p> <p>Overall, the Tanzania operation has scaled down since 2012 and is expected to drop further in 2014.</p> <p>The Representation has continued advocate for a final decision by the Government on the legal status of the population in the Old Settlements as well as local integration modalities with the preferred scenario of allowing the population to remain and complete their integration in their current locations in the 3 Old Settlements where they have resided for at least 40 years.</p>

MANAGEMENT RESPONSE

Audit of financial, procurement and asset management in the United Nations High Commissioner for Refugees operations in Tanzania

Rec no.	Recommendation	Critical ¹ / Important ²	Accepted (Yes/No)	Title of responsible Individual	Implementation Date	Client comments
						<p>Pending the final decision of the Government on the naturalization and relocation exercise, UNHCR will maintain minimal presence in the Old Settlements and limit considerably its operational activities, but cannot completely close its offices in the Old Settlements as the population there remains of concern to UNHCR. Strong advocacy will continue with the Government. The Government has assured UNHCR of its commitment to a long term solution.</p> <p>A further review of UNHCR's presence in the Old Settlements will be conducted latest by June 2014.</p>
2	The UNHCR Representation in Tanzania should implement monthly closure procedures for all office locations. These procedures should outline the responsibilities for producing each of the required reports and the responsibility for reviewing them before the monthly closure of accounts.	Important	Yes	Senior Admin/ Finance Officer	30 th November 2013	As of February 2013, all Field offices were instructed on which reports to run. The reports are reviewed by the Representation office before being sent to Headquarters.
3	The UNHCR Representation in Tanzania, in cooperation with the Division of Financial and Administrative Management,	Important	Yes	Senior Admin/ Finance Officer	30 th November 2013	Steps have been taken towards closing the USD and Tanzania Shilling accounts currently run under one Field Office.

MANAGEMENT RESPONSE

Audit of financial, procurement and asset management in the United Nations High Commissioner for Refugees operations in Tanzania

Rec no.	Recommendation	Critical ¹ / Important ²	Accepted (Yes/No)	Title of responsible Individual	Implementation Date	Client comments
	should review the current banking arrangements in view of the reduction in size of the operations to ensure segregation of duties is maintained.					<p>All USD payments are done through EFT using the Headquarters pay cycle.</p> <p>The Representation continues to monitor transactions in other field Offices with the ultimate goal of reducing the number of bank accounts.</p> <p>The Representation also continues to regularly review the DOAP, in order to enhance segregation of responsibilities within the ambit of the DOAP, and ensure that there are no conflicting roles/responsibilities within the operation. Indeed no General Service staff has been granted signatory status to any of the bank accounts within the operations.</p>
4	The UNHCR Representation in Tanzania, in cooperation with the Division of Financial and Administrative Management should review the still outstanding reconciling items in the bank reconciliations; have them recorded in Managing for Systems, Resources and People.	Important	Yes	Senior Admin/ Finance Officer	30 th November 2013	The Accounts and Financial Service in cooperation with the Representation is in the process of reviewing the remaining reconciliation items. Remedial action is being taken.
5	The UNHCR Representation in Tanzania in cooperation with the Bureau for Africa should raise the matter of recovering taxes of \$1.98 million with the Government of Tanzania through the Legal Affairs Service.	Important	Yes	Senior Admin/ Finance Officer	31 st December 2013	The Representation has written to the Tanzania Revenue Authority requesting a refund of outstanding VAT and Excise duty claims. Although VAT has been refunded, excise duty (particularly on fuel) has not been refunded. Advice from the Legal Affairs Services has been sought and their conclusion is that the

MANAGEMENT RESPONSE

Audit of financial, procurement and asset management in the United Nations High Commissioner for Refugees operations in Tanzania

Rec no.	Recommendation	Critical ¹ / Important ²	Accepted (Yes/No)	Title of responsible Individual	Implementation Date	Client comments
						Representation is not exempt from excise duty although VAT is claimable. The Representation has also requested through the Operations Management Team (OMT), (a management body under the UNDAP Delivering as One initiative), a letter clearly indicating that all UN agencies are not exempt from excise duty, however the letter is yet to be received.
6	The UNHCR Representation in Tanzania should: (a) establish a vendor review committee; (b) introduce a procedure for ensuring that vendors are recorded in the Managing for Systems, Resources and People following approval of vendor files by the vendor review committee; (c) review the existing vendor accounts in Managing for Systems, Resources and People and close all duplicate accounts to reduce the risk of double payments; and (d) evaluate vendors regularly.	Important	Yes	Associate Supply Officer	30 November 2013	<p><u>Issue 1 - Vendor Review Committee:</u> Vendor Review Committee (VRC) was established in March 2013 and procedures are in place.</p> <p><u>Issue 2 – Establish procedures for recording vendors in MSRP:</u> Procedures were established in accordance with IOM/045 – FOM/045/2010.</p> <p><u>Issue 3 – Review Existing vendor accounts in MSRP and close all duplicate accounts:</u> On updating, vendor details are reviewed regularly on a case by case basis. The closing of duplicate accounts is being addressed.</p> <p><u>Issue 4 – Evaluate vendors regularly:</u> The VRC will sit in December 2013 to evaluate all vendors. Thereafter, the VRC will sit every three months as stipulated in the March 2013 letter from the Representative.</p>

MANAGEMENT RESPONSE

Audit of financial, procurement and asset management in the United Nations High Commissioner for Refugees operations in Tanzania

Rec no.	Recommendation	Critical ¹ / Important ²	Accepted (Yes/No)	Title of responsible Individual	Implementation Date	Client comments
7	The UNHCR Representation in Tanzania should review and adjust the number of assets in use commensurate with the staffing requirements and the expected level of operations in the country, and consider selling surplus assets, redeploying them to other UNHCR operations, or disposing them through other means.	Important	Yes	Supply Officer	01 Jan. – 31 Dec 2013 (Final action on 09 Nov. 2013)	<u>Issue – Review and adjust assets to actual requirements:</u> The disposal of assets through Transfer of Ownership to the Implementing Partners, Local Authority, Operational Partners, as well as sale of vehicles and STIs was approved.
8	The UNHCR Representation in Tanzania should: (a) physically verify all Property, Plant and Equipment (PPE), update the related asset records in Managing for Systems, Resources and People (MSRP), and report to UNHCR headquarters the accurate PPE listing; and (b) perform a comprehensive verification of all its Serially Tracked Items, update the related asset records in MSRP, and account for any differences found.	Important	Yes	Representative/Supply Officer	PPE Verification: Oct. 2013 Valuation Report for Nyarugusu Structure: Oct. 2013	<u>Issue 1 - PPE Verification:</u> A comprehensive physical verification of assets was completed in October 2013. All PPE records have been updated and final report was submitted to Headquarters. The valuation report for permanent structures in Nyarugusu camp was completed in October 2013. Buildings will now be recorded in the assets database. <u>Issue 2 – STI Verification:</u> The verification of STI is now completed. Discrepancies identified are currently being addressed. The MSRP records will be updated in November 2013.
9	The UNHCR Representation in Tanzania should implement procedures to analyze monthly fuel consumption per UNHCR	Important	Yes	Supply Officer/Senior Programme Officer	01 Jan – 31 Dec. 2013	<u>Issue – Analysis of fuel consumption:</u> Monthly fuel reports are submitted by Field Offices to the RO Dar es Salaam in addition to the RO Dar fuel report.

MANAGEMENT RESPONSE

Audit of financial, procurement and asset management in the United Nations High Commissioner for Refugees operations in Tanzania

Rec no.	Recommendation	Critical ¹ / Important ²	Accepted (Yes/No)	Title of responsible Individual	Implementation Date	Client comments
	vehicle, including UNHCR vehicles used by implementing partners and follow up on any consumption rates outside normal standards.					<p>Analysis is regularly conducted including monitoring of the fuel consumption per vehicle. Based on the vehicle activity reports, vehicles are allocated fuel on a monthly basis.</p> <p>The Implementing Partner produces consolidated monthly reports per asset, using fuel management software. The reports are submitted to RO Dar es Salaam.</p> <p>A fuel focal person was appointed and has been trained on matters related to fuel consumption monitoring and analysis.</p> <p>The office has also introduced fuel card system used by UNHCR and all Implementing Partners based in Dar es Salaam to enhance accountability. This system has been in place since July 2013. The card system is however limited to six locations and has not been developed in the Old Settlements because all the fuel suppliers do not have a presence there (for economic reasons). Efforts are underway to explore the customized card system at two fuel depots.</p>