



INTERNAL AUDIT DIVISION

REPORT 2013/146

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

Overall results relating to the effectiveness of financial, procurement and asset management activities in UNHCR operations in Mozambique were initially assessed as unsatisfactory. Implementation of one important and three critical recommendations remains in progress.

FINAL OVERALL RATING:
UNSATISFACTORY

30 December 2013
Assignment No. AR2013/113/05

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AUDIT REPORT

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

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of financial, procurement and asset management in United Nations High Commissioner for Refugees (UNHCR) operations in Mozambique (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 1975. As of 30 January 2013, it was dealing with 9,576 refugees and asylum seekers in the Maratane camp and 4,105 refugees and asylum seekers in urban areas. The Representation comprised a branch office in Maputo and a field office in Nampula. It was working with eight implementing partners in 2012 and nine in 2011.
4. The Representation had expenditures totalling \$2.8 million in 2011 and \$1.8 million in 2012. It had a budget of \$3.2 million for 2013. As at December 2012, the operation had 18 posts of which 16 were filled (11 per cent vacancy rate). The Representation also used two petty cash accounts: one each in Maputo and in Nampula. From January 2011 to December 2012, the Representation raised 245 purchase orders with a total value of \$1.5 million, and processed 297 payments in the Managing Systems, Resources and People (MSRP) system. As at 28 January 2013, the Representation had 26 Property, Plant and Equipment (PPE) assets with a purchase price of \$576,000 and 199 Serially Tracked Items (STIs) with a purchase price of \$259,000.
5. Comments provided by UNHCR Representation in Mozambique 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 the **effectiveness of financial, procurement and asset management activities in UNHCR operations in Mozambique**.
7. This audit was included in the OIOS 2013 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.
8. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined regulatory framework as controls that provide reasonable assurance that financial, procurement and asset management policies and procedures are adequate and effective.
9. The key control was assessed for the control objectives shown in Table 1 below.

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

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 and adequacy of internal controls and conducted necessary tests to determine their effectiveness. OIOS interviewed UNHCR and implementing partner staff; reviewed relevant documents including policies, guidelines and procedures; and reviewed data available from MSRP. OIOS also visited both of the Representation’s offices in Maputo and Nampula.

III. AUDIT RESULTS

12. The Representation governance, risk management and control processes examined were initially assessed as **unsatisfactory** in providing reasonable assurance regarding the **effectiveness of financial, procurement and asset management activities in UNHCR operations in Mozambique**. OIOS made six recommendations to address issues identified in the audit.

13. Controls over regulatory framework were assessed as unsatisfactory because there was a need for: controls over the processing of payments to be strengthened; monthly bank reconciliations to be prepared consistently and accurately; and oversight and management of construction activities to be strengthened. Action was taken to strengthen management of procurement, and provide adequate supervision and training in inventory management to the staff in the Maratane camp.

14. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **unsatisfactory** as implementation of one important and three critical 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	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory
FINAL OVERALL RATING: UNSATISFACTORY					

Regulatory framework

Controls over the processing of payments needed to be strengthened

15. OIOS selected 103 payment vouchers, with a total value of \$2.7 million, processed by the Nampula office for review and observed that:

- The Nampula office was only able to locate 36 payment vouchers, which had a total value of \$1 million, out of the 103 selected for review. It was not able to locate the remaining 67 vouchers, which had a total value of \$1.7 million.
- Of the 36 available vouchers, 32 were not consistently supported by appropriate and adequate documentation such as original invoices and delivery receipts. For example, the payments for nine of the vouchers were supported with pro-forma instead of original invoices.
- Correct account codes were not used for seven vouchers. For example, the Representation used different account codes to record payments to the same vendor for the same materials. The Representation also used the wrong account to record three implementing partner refunds.
- Five payment vouchers were paid between 66 days and 190 days after receiving the invoices because the Finance Unit took a long time to locate the misplaced original invoices. The time taken to make these payments was in excess of the 30 day benchmark followed by UNHCR.
- The Representation filed vouchers by the names of the staff members who created them in Nampula and not by voucher number. The Nampula office also did not send the vouchers to the Finance Unit in Maputo for filing. This meant that vouchers could not be retrieved easily.
- The Administration/Finance Associate at Nampula wrote cheques, prepared vouchers and performed bank reconciliations, thereby combining incompatible functions within one person.

16. These shortcomings exposed the Representation to a number of risks including potential fraud, undetected waste, and the lack of accurate data for use in operational and financial reports.

17. Causes for the missing payment vouchers were improper filing of records and inadequate oversight over financial management activities. The Representation also explained that a former staff member who had been dismissed may have destroyed some of the documents. The other control weaknesses were due to inadequate administrative and financial capacity at Nampula, lack of training, and lack of appropriate local procedures for ensuring compliance with UNHCR filing requirements.

(1) The UNHCR Representation in Mozambique should: ensure that it has sufficient staff resources dedicated to the processing of payment vouchers and an appropriate segregation of duties in all of its offices; and put procedures in place for ensuring that processed payment vouchers are filed with their original supporting documents as required by the UNHCR Manual.

The UNHCR Representation in Mozambique accepted recommendation 1 and stated that the Administration/Finance Officer appointed for Maputo would be reassigned by 16 January 2014 for a three year assignment. The Delegation of Authority Plan (DOAP) had been revised and regularised since April 2013 to ensure proper segregation of duties and eliminate situations where incompatible roles were assigned to one staff. In order to ensure full segregation of duties and adequate level for the staff processing financial transactions, the Representation in Maputo would reclassify and upgrade the position of Secretary to Senior Admin/Finance Assistant. This would enable the Finance Unit to manage all financial transactions solely in Maputo and thus avoid the movement of documentation or files between offices. All transactions were closely monitored, ensuring that each payment was properly certified and approved by the designated

officer before recording in MSRP. In conjunction with the centralisation of the financial/administrative management in Maputo since end of May 2013, all financial records from 2006 to 2013 were physically relocated to Maputo. All physical records had been re-organised and filed in accordance to UNHCR Manual with available documentation. Recommendation 1 remains open pending: (a) assumption of functions by the new Administration/Finance Officer appointed for Maputo; and (b) reclassification and upgrading the position of Secretary to Senior Admin/Finance Assistant.

- (2) The UNHCR Representation in Mozambique should: (a) arrange for the staff handling administrative and finance functions to complete mandatory training sessions including those for International Public Sector Accounting Standards, the MSRP system, and Focus; and, (b) locate the 67 missing payment vouchers and review them to ensure that they are appropriately supported by original invoices and certifications of the receipt of relevant goods and services.**

The UNHCR Representation in Mozambique accepted recommendation 2 and stated that staff members had completed the IPSAS mandatory training. Colleagues were also trained in MSRP in 2013 and FOCUS training for new colleagues was expected in January 2014. The Representation continued to make efforts to locate missing supporting documentation including invoices and proof of certification of receipts of goods and services for concerned payments. Since August 2013, of the 67 missing vouchers totalling \$1.7 million, 55 vouchers, including their supporting documents, amounting to \$ 1.3 Million had been located. Efforts were being made to locate/retrieve the remaining 12 vouchers with a total value of approximately \$ 400,000. Recommendation 2 remains open pending confirmation that mandatory training for staff members had been completed and the remaining 12 payment vouchers aggregating to \$400,000 were located together with their supporting documents.

Need to ensure monthly bank reconciliations are prepared accurately in line with UNHCR rules

18. OIOS reviewed the Representation's bank reconciliations for 2012 as well as the findings of a previous Division of Financial and Administrative Management (DFAM) mission and observed that required monthly bank reconciliations had either not been prepared or had not been prepared accurately from January 2011 to January 2013. The Representation had started to address this issue and had initiated a process of reconstructing past bank reconciliations to ensure that all outstanding reconciling items were cleared.

19. The absence of accurate monthly bank reconciliations prevented the Representation from benefitting from numerous bank reconciliation advantages, which included: detection and prevention of theft and losses; ensuring the accuracy of information on bank balances; catching and preventing internal and bank errors; etc. As an example, one of the consequences of the incorrect and delayed bank reconciliations was that 47 offline payments, aggregating \$183,000, were not detected and corrected in a timely manner.

20. The Representation's bank reconciliations had not been prepared as required because of the frequent turnover of staff at all levels, inadequate supervision and oversight over Nampula financial transactions, and inadequate segregation of duties at Nampula.

- (3) The UNHCR Representation in Mozambique should: (a) put in place an action plan and enhance supervisory oversight to ensure that bank reconciliations are consistently prepared on a monthly basis; (b) finalize the reconstruction of bank reconciliations for prior periods;**

and (c) ensure that offline payments are reconciled and recorded in the Managing for Systems, Resources and People system.

The UNHCR Representation in Mozambique accepted recommendation 3 and stated that under the supervision of the Senior Admin/Finance Officer, there had been proper oversight to ensure the bank reconciliation was correctly prepared on a monthly basis since May 2013. This would be sustained with the arrival of an Admin/Finance Officer in Maputo by mid-January 2014 for a three year assignment. Exceptions in the bank reconciliations were carried over from previous years and the results of the bank reconciliation exercise for 2008-2012 were awaited. A plan was established for the process of reconstruction of the bank reconciliation, according to which the Bureau deployed a finance officer on mission who made progress on the reconstruction of the bank reconciliation for previous periods. Further guidance and advice would be sought from the Controller's Office. The Representation was working on tracing the records for the offline payments. Recommendation 3 remains open pending reconstruction of the bank reconciliation for prior periods and confirmation that offline payments were reconciled and recorded in MSRP.

Action was taken to provide supervision and training in inventory management for staff in Maratane camp

21. The Representation did not use the required perpetual inventory costing system to track inventories distributed to persons of concern. Although MSRP was updated after the initial physical count on 31 December 2012, it was not updated on a regular basis thereafter. As a result, inventory ledger accounts in MSRP were not updated immediately as required by the perpetual inventory costing system to track inventories.

22. The reason for not using the perpetual inventory costing system was that warehouse staff in Maratane camp had not been sufficiently trained on warehouse and inventory management and were not adequately supervised by the Head of Office.

(4) The UNHCR Representation in Mozambique should arrange for the staff at the Maratane camp to receive training on how to conduct inventory verifications using the perpetual inventory costing system, and ensure there is sufficient oversight by trained staff from the branch or field office.

The UNHCR Representation in Mozambique accepted recommendation 4 and stated that the Regional Supply Officer went on mission and ran inventory reports for Field Office Nampula. The Representation updated STIs for Field Office Nampula and at Maputo level. Physical inventory stock count was done by the Regional Supply Officer during his mission. Additional missions were undertaken by the Head Of Field Office Nampula and his colleagues to reconcile with records in MSRP. The new Head of Field Office was provided with MSRP access to approve material stock requests in August 2013 and since then he had approved all such requests before items were released. In addition, a regional training session on inventory and warehouse management also exhaustively covered inventory verification topics. Based on the actions taken by the Representation, recommendation 4 has been closed.

Action was taken on improving oversight, training and management of procurement activities at the Representation

23. The review of procurement activities by OIOS highlighted the following issues:

- (a) The UNHCR offices in Mozambique did not complete the required annual purchasing plans for 2011, 2012 and 2013.
- (b) A purchase order for \$242,000 for the purchase of raw materials, such as wood and bamboo, for 127 houses had the following deficiencies:
- The order did not have the required specifications or details about the descriptions and quantity of items.
 - No formal tender process was undertaken for the procurement; instead, an informal request for quotation was sent out by the supply assistant in Field Office Nampula.
 - The minutes of the Local Committee on Contracts (LCC), which approved the contracts, were not signed and no approval was obtained by the Regional Committee on Contracts (RCoC) as required for contracts above \$150,000. Instead the minutes of the LCC incorrectly stated that initial procurement would be made within its delegated authority and the amounts in excess of the delegated authority case would be submitted to the RCoC, which was not done.
 - In the quotation analysis for construction materials, four vendors submitted quotations for an identical amount of \$242,000, whilst the fifth quotation was for an amount of \$212,200. Whilst the vendor with the lowest quotation was selected, the purchase order raised was for an amount of \$242,000; i.e. the same price quoted by the four vendors, without any explanation. The vendors who had submitted identical bids all belonged to one group, which indicated that effective competition may not have taken place. The Representation explained that the failure to raise the purchase order correctly was due to a lack of oversight and inadequate supervision of the field office Nampula.
- (c) In 2011 and 2012, the Representation locally purchased drugs and medicines worth \$12,350 for refugees from a local pharmacy contrary to the UNHCR Manual, which states that local procurement of drugs requires special authorization from the Supply Management Logistics Service (SMLS) Budapest and the Regional or Global Public Health Officer. In addition, there was no competitive bidding and no contract was signed between the Representation and the pharmacy. The Representation also failed to consider whether international procurement was a cheaper option.

24. The weak controls in procurement were due to inadequately trained LCC members, supply staff and absence of oversight for Nampula transactions, where the majority of procurement activities were performed. There was only one procurement assistant in Nampula and the Administrative/Program Officer who was responsible for the oversight of procurement was relocated to Maputo in January 2012 and could not effectively undertake remote monitoring.

(5) The UNHCR Representation in Mozambique should: (a) ensure that annual procurement plans are prepared to comply with the rules; (b) provide training to procurement staff and members of the Local Committee on Contracts to ensure compliance with procurement procedures; and, (c) use international procurement for purchasing drugs, or obtain special authorization from Supply Management Logistics Service to undertake local procurement.

The UNHCR Representation in Mozambique accepted recommendation 5 and stated that a mission of Regional supply Officer to Nampula was undertaken from 26 August to 1 September 2013 during which supply management related issues were discussed and cleared. Training was provided to staff

on procurement matters and vendor registration process. A procurement plan had been prepared which would be updated as need arose. In addition, the Representation created a vendor review committee that reviewed all vendors in the system. Based on the actions taken by the Representation, recommendation 5 has been closed.

Action required to strengthen supervision of construction activities

25. The construction related activities undertaken by field office Nampula in 2011 and 2012 were valued at some \$480,000 and pertained to the purchase of materials for shelters, construction of houses for teachers and a hospital isolation ward. The Representation could not demonstrate that adequate arrangements were in place to ensure construction activities were undertaken satisfactorily. For example:

(a) Construction of 127 shelters

- The contract for the purchase of materials for 127 shelters was awarded to a vendor and a payment voucher created in MSRP for an amount of \$242,000. From documents available in the procurement file, OIOS observed that a government implementing partner estimated that the cost of raw materials to build one house would approximately be \$407 per house, which meant that 127 houses would cost \$51,700. However, as per the contract awarded, the price for one house was \$1,900 (\$242,018 / 127 houses), i.e. more than four times the price estimated by the government partner. This meant that the overall cost may have been inflated by \$190,300. The Representation attributed this to the lack of supervision for the construction of the shelters and was in the process of reviewing the construction of the shelters. The field office Nampula also had not sought assistance from UNHCR shelter specialists for specification requirements for the construction of the 127 houses.
- OIOS was unable to identify clearly what materials were delivered to the Representation because the description of items (the bamboo poles/sticks) varied in the quotation analysis, receipt and delivery notes. No assurance could therefore be obtained that the items ordered were correctly received.

(b) Construction of houses for teachers and hospital isolation ward

- The Representation signed two contracts for the construction of three houses for teachers and an isolation ward for a hospital valued at \$145,200. Both contracts stipulated that the contract would terminate on satisfactory completion of the services, but no later than 30 November 2011. OIOS noted that as of 28 February 2013, none of the planned construction projects at the Maratane camp had been completed. Windows and interior finishing were missing in the houses for teachers. The isolation ward was almost completed but was not yet ready to be used. The Representation attributed the slow pace of progress to the lack of oversight and was evaluating the construction projects.

(6) The UNHCR Representation in Mozambique should improve supervision and oversight on the construction activities that are implemented by the office. In addition, the Representation in conjunction with the Regional Representation in South Africa should review all construction related activity undertaken in 2011 and 2012 to ensure that value for money was obtained. Overpaid amounts if any identified in the review should be recovered.

The UNHCR Representation in Mozambique accepted recommendation 6 and stated that the Regional Supply Officer concluded after his mission that the exercise would be a very time

consuming task, as it entailed review of all documentation for individual construction activities. The task would require extensive interviews with colleagues on the ground, colleagues who had left the operation and suppliers in order to gain the knowledge of the specific situation in those years. As such, considering the time allocated for the mission, the task could not be carried out. Recommendation 6 remains open pending improvement in supervision and oversight on construction activities and the completion of the review of construction undertaken in 2011 and 2012, to assess if value for money had been obtained.

IV. ACKNOWLEDGEMENT

26. OIOS wishes to express its appreciation to the Management and staff of the UNHCR Representation in Mozambique 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 United Nations High Commissioner for Refugees operations in Mozambique

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNHCR Representation in Mozambique should: ensure that it has sufficient staff resources dedicated to the processing of payment vouchers and an appropriate segregation of duties in all of its offices; and put procedures in place for ensuring that processed payment vouchers are filed with their original supporting documents as required by the UNHCR Manual.	Critical	O	Assumption of functions by the new Administration/Finance Officer appointed for Maputo; reclassification and upgrading the position of Secretary to Senior Admin/Finance Assistant; and confirmation that procedures were put in place for ensuring that processed payment vouchers were filed with their original supporting documents.	30 January 2014
2	The UNHCR Representation in Mozambique should: (a) arrange for the staff handling administrative and finance functions to complete mandatory training sessions including those for International Public Sector Accounting Standards, the MSRP system, and Focus; and, (b) locate the 67 missing payment vouchers and review them to ensure that they are appropriately supported by original invoices and certifications of the receipt of relevant goods and services.	Critical	O	Confirmation that mandatory training for staff members had been completed and the remaining 12 payment vouchers aggregating to \$400,000 were located together with their supporting documents.	31 March 2014
3	The UNHCR Representation in Mozambique should: (a) put in place an action plan and enhance supervisory oversight to ensure that bank reconciliations are consistently prepared on a monthly basis; (b) finalize the reconstruction of bank reconciliations for prior periods; and (c) ensure that offline payments are reconciled and	Critical	O	Reconstruction of the bank reconciliation for prior periods and confirmation that offline payments were reconciled and recorded in MSRP.	31 March 2014

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 United Nations High Commissioner for Refugees operations in Mozambique

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	recorded in the Managing for Systems, Resources and People system.				
4	The UNHCR Representation in Mozambique should arrange for the staff at the Maratane camp to receive training on how to conduct inventory verifications using the perpetual inventory costing system, and ensure there is sufficient oversight by trained staff from the branch or field office.	Important	C	Action completed	Implemented
5	The UNHCR Representation in Mozambique should: (a) ensure that annual procurement plans are prepared to comply with the rules; (b) provide training to procurement staff and members of the Local Committee on Contracts to ensure compliance with procurement procedures; and, (c) use international procurement for purchasing drugs, or obtain special authorization from Supply Management Logistics Service to undertake local procurement.	Important	C	Action completed	Implemented
6	The UNHCR Representation in Mozambique should improve supervision and oversight on the construction activities that are implemented by the office. In addition, the Representation in conjunction with the Regional Representation in South Africa should review all construction related activity undertaken in 2011 and 2012 to ensure that value for money was obtained. Overpaid amounts if any identified in the review should be recovered.	Important	O	Improvement in supervision and oversight on construction activities and completion of the review of construction undertaken in 2011 and 2012, to assess if value for money had been obtained.	30 April 2014

APPENDIX I

Management Response

MANAGEMENT RESPONSE

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

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Representation in Mozambique should: ensure that it has sufficient staff resources dedicated to the processing of payment vouchers and an appropriate segregation of duties in all of its offices; and put procedures in place for ensuring that processed payment vouchers are filed with their original supporting documents as required by the UNHCR Manual.	Critical	Yes	Representative & Admin/Finance Officer	By 30 January 2014	<p>1.1. The Administration/Finance Officer appointed for Maputo will be reassigned by 16 January 2014 for a three year assignment.</p> <p>1.2. Delegation of Authority Plan (DOAP) has been revised and regularised since April 2013 to ensure that proper segregation of duties is established and eliminate situations where incompatible roles were assigned to one staff.</p> <p>1.3. Roles and Responsibilities of staff responsible for processing financial transactions were reviewed in early June 2013. In order to ensure full segregation of duties and adequate level for the staff processing financial transactions, the Representation in Maputo is reclassifying and upgrading the position of Secretary to Senior Admin/Finance Assistant. This will enable the Finance Unit to manage all financial transactions solely in Maputo and thus avoid the</p>

⁵ 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.

⁶ 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.

MANAGEMENT RESPONSE

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

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>movement of documentation or files between offices.</p> <p>1.4. With the centralisation of all financial transactions to Maputo and the deployment of a Senior Admin/Finance Officer for 7 months to Maputo in 2013, all transactions are closely monitored, ensuring that each payment is properly certified and approved by the designated officer (s) before recording in MSRP. The roles of certifying and approving officers, including the signing of cheques were removed from staff in the general service category in May 2013. With the arrival of the Admin/Finance Officer in mid-January 2014 in Maputo for 3 years, we are confident of the sustainability of the corrective measures being implemented.</p>
2	<p>The UNHCR Representation in Mozambique should: (a) arrange for the staff handling administrative and finance functions to complete mandatory training sessions including those for International Public Sector Accounting Standards, the MSRP system, and Focus; and, (b) locate the 67 missing payment vouchers and review them to ensure that they are appropriately supported by original invoices and certifications of the receipt of relevant goods</p>	Critical	Yes	Representative and Admin/Finance Officer	<p>(a) By end January 2014</p> <p>(b) By end of 30 March 2014</p>	<p>(a) All staff members, except the drivers, have completed the IPSAS mandatory training while other colleagues have also completed additional modules. Colleagues have been trained in MSRP in 2013 and FOCUS training for new colleagues is expected in January 2014.</p> <p>(b) In conjunction with the centralisation of the financial/</p>

MANAGEMENT RESPONSE

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

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	and services.					administrative management in Maputo since end of May 2013, all financial records from 2006 to 2013 were physically relocated to Maputo. All physical records have now been re-organised and filed in accordance to UNHCR Manual with available documentation. The Representation continues to make all efforts to locate missing supporting documentation including invoices and proof of certification of receipts of goods and services for concerned payments. Since August 2013, of the 67 missing vouchers totalling 1.7 million, 55 vouchers, including their supporting documents, amounting to USD 1,3 Million have been located so far. Efforts are being made to locate/retrieve the remaining 12 vouchers which have a total value of approximate USD 400,000.
3	The UNHCR Representation in Mozambique should: (a) put in place an action plan and enhance supervisory oversight to ensure that bank reconciliations are consistently prepared on a monthly basis; (b) finalize the reconstruction of bank reconciliations for prior periods; and (c) ensure that offline payments are reconciled and recorded in the Managing for Systems, Resources and People system.	Critical	Yes	Representative and Admin/Finance Officer with support from the Admin/Finance Section Regional Office	By end of 31 March 2014	(a) Under the supervision of the Senior Admin/Finance Officer, there has been proper oversight to ensure bank reconciliation is correctly prepared on a monthly basis since May 2013. This will be sustained with the arrival of an Admin/Finance Officer in Maputo by mid-January 2014 for a three year assignment. Exceptions in the Bank reconciliations are carried over from previous years and await the results

MANAGEMENT RESPONSE

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

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>of the bank reconciliation exercise for 2008-2012.</p> <p>(b) Further to a mission of a staff from the Controller’s Office, a plan was established for the process of reconstruction of the bank reconciliation, according to which the Bureau then deployed a finance officer on mission who made progress on the reconstruction of the bank reconciliation for previous periods. Further guidance and advice will be sought from the Controller’s Office, Division of Financial and Administration Management.</p> <p>c) Please note that the Representation has identified 7 offline payments for 2011 and 3 of these amounting to USD 63,056.90 are being recorded in the Managing for Systems, Resources and People (MSRP) System with budget space created under 2013 Operating Level (OL) budget. For an example, please see:</p> <ul style="list-style-type: none"> - Instructions from HQ to the representation on actions to be taken on one of the Partners. Detailed budget created in FOCUS and printed from MSRP. - The related Sub-project Agreement created in MSRP.

MANAGEMENT RESPONSE

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

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>Further to the list of 47 offline payments from 2012 totalling 1.68 Million MZN (58,172 USD) shared by the auditors on 7 March 2013, 19 payments totaling 629,215.51 MZN (21,697 USD) were actually already recorded in MSRP and have supporting documentation. The Office is therefore working on tracing the records for the remaining payments.</p> <p>Given that the Representation's 2013 OL budgets cannot accommodate all the offline payments, the Regional Office in South Africa is being contacted to resolve the pending ones.</p>
4	The UNHCR Representation in Mozambique should arrange for the staff at the Maratane camp to receive training on how to conduct inventory verifications using the perpetual inventory costing system, and ensure there is sufficient oversight by trained staff from the branch or field office.	Important	Yes	Representative and Head of Field Office Nampula	Implemented	<p>Field Office Nampula received the Regional Supply Officer (RSO) on mission between 26th August and 1st September 2013. During his mission, among other activities, he ran the PPE and STI reports for the operation, made recommendations and gave guidance on way forward to the Field Office. The Representation has been implementing the recommendations and has updated STIs for Field Office Nampula and at Maputo level.</p> <p>Physical Inventory stock count was done by the Regional Supply Officer during his mission of 26 August-1</p>

MANAGEMENT RESPONSE

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

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>September 2013 and two other recent ones undertaken by the Head Of Field Office Nampula and his colleagues (on 23/09/2013 and on the 25-26 Nov. 2013) to reconcile with records in MSRP. The new Head of Field Office was provided with MSRP access to approve Material Stock Request (MSR) in August 2013 and since then he has been approving all Material Stock Request before items were released.</p> <p>Relevant staff in the Field Office, Nampula, who by their functions deal with the management of inventory at the Maratane camp were trained by the Regional Supply Officer on procurement matters and implementation of vendor registration process during his mission. In addition, a Regional Training on Inventory and Warehouse Management which also covered exhaustively inventory verification topics was organized in Johannesburg between 7th - 9th Oct. 2013. Both the Supply Assistant and the Head of Field Office (HOFO) attended this training.</p>
5	The UNHCR Representation in Mozambique should: (a) ensure that annual procurement plans are prepared to comply with the rules; (b) provide training to procurement staff and	Important	Yes	Representative and Head of Field Office Nampula	Implemented and Recommendation closed.	This recommendation is closed, based on actions taken. Paragraph 30 of audit report refers.

MANAGEMENT RESPONSE

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

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	members of the Local Committee on Contracts to ensure compliance with procurement procedures; and, (c) use international procurement for purchasing drugs, or obtain special authorization from Supply Management Logistics Service to undertake local procurement.					
6	The UNHCR Representation in Mozambique should improve supervision and oversight on the construction activities that are implemented by the office. In addition, the Representation in conjunction with the Regional Representation in South Africa should review all construction related activity undertaken in 2011 and 2012 to ensure that value for money was obtained. Overpaid amounts if any identified in the review should be recovered.	Important	Yes	Representative and Head of Field Office Nampula	30 April 2014	During the mission of Regional Supply Officer to Nampula and after going through this recommendation, he concluded that this was a very time consuming task for a staff assigned to complete it at this stage, e.g. someone from Regional Office in South Africa, as it entails review of all documentation for individual construction activities. The task may require extensive interviews with colleagues on ground, colleagues who had left the operation and suppliers in order to gain the knowledge of the specific situation in those years. As such, considering the time allocated for his mission, the task could not be carried out.