



INTERNAL AUDIT DIVISION

REPORT 2017/105

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

There was a need to strengthen controls
over partnership management, shelter
activities, cash-based interventions, and
procurement and vendor management

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

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the Office of the United Nations High Commissioner for Refugees (UNHCR) operations in Jordan. The audit covered the period from 1 January 2015 to 31 December 2016 and included a review of the following areas: planning and resource allocation; partnership management; shelter and settlement; health; non-food item distributions; cash-based interventions (CBI); fair protection process and documentation; procurement and vendor management; and enterprise risk management (ERM).

The Representation took prompt action to address gaps related to strategic planning and safeguarding of asylum-seeker certificates and refugee case files. Whilst the audit was still ongoing, it also developed a registration strategy and completed the harmonization of its registration procedures. The Representation's ERM processes were generally working as intended. However, the Representation needed to strengthen controls over: (i) partnership management; (ii) shelter activities; (iii) the CBI programme; and (iv) procurement and vendor management.

OIOS made four recommendations. To address issues identified in the audit, the Representation needed to:

- Enhance controls over: timely signing of project agreements; monitoring of Government partner personnel costs and procurement activities; and monitoring of Government and cross border project activities through a risk-based and multi-functional approach;
- Establish a multi-year shelter strategy, adequately document the results of technical monitoring of shelter projects, and set country-specific criteria and data collection procedures to monitor and report on the performance of shelter activities;
- Review the design and implementation of the CBI programme by: completing a market assessment and an impact assessment; obtaining UNHCR headquarters approval for its standard operating procedures; stipulating clear timelines for processing of cash assistance payments to the beneficiaries; and developing an exit strategy; and
- Review and clean up the vendor database, establish mechanisms to ensure that mandatory waivers are obtained for advance payments, and ensure that sufficient time is allowed for vendors to respond to invitations to bid.

UNHCR accepted the recommendations and was in the process of implementing them.

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	1-2
III. OVERALL CONCLUSION	2
IV. AUDIT RESULTS	2-10
A. Planning and resource allocation	2
B. Fair protection process and documentation	3
C. Partnership management	4-6
D. Provision of basic needs and services	6-9
E. Procurement and vendor management	9-10
F. Enterprise risk management	10
V. ACKNOWLEDGEMENT	10
ANNEX I Status of audit recommendations	
APPENDIX I Management response	

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

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the operations in Jordan for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The role of UNHCR in Jordan is to manage the delivery of services to persons of concern in a cost effective manner and in compliance with mandatory policy requirements. According to UNHCR's strategic prioritization in Jordan, such services relate to: the provision of basic needs; durable solutions through resettlement; favourable protection environment and refugee documentation; health and nutrition; and shelter and livelihoods. The programme in Jordan is implemented by the UNHCR Representation in Jordan (hereinafter referred to as 'the Representation').
3. The Representation was originally established in 1997 to provide refugees, asylum-seekers and other persons of concern with international protection and humanitarian assistance. As at December 2016, the Representation assisted 720,000 persons of concern, of whom 655,314 (90 per cent) were Syrians. Nearly 80 per cent of them were living in urban settings and the remaining 20 per cent were accommodated in four refugee camps: Zaatari, Azraq, King Abdullah Park, and Emirati Jordanian. In addition, the Representation assisted 60,647 registered Iraqis as well as refugees from other countries such as Yemen, Sudan and Somalia. The Representation's Protection and Operational Strategy had a two-pronged approach for camp and non-camp populations aiming at an effective protection response and coordination in support of the Government of Jordan, in collaboration with partners and refugee communities.
4. The Representation was headed by a Representative at the D-2 level. It had a Country Office in Amman, a Sub-Office in Mafraq, and three Field Offices in Amman, Azraq and Irbid. As at December 2016, the Representation had 328 regular posts of which 38 were vacant. However, all the vacant positions were filled through temporary staff. There were also 275 affiliate staff positions. The Representation's expenditure was \$208.7 million in 2015 and \$216.0 million in 2016. In 2015, the Representation worked with 23 partners through which it spent \$80 million, while in 2016 it worked with 21 partners through which it spent \$83 million.
5. Comments provided by the Representation are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over UNHCR operations in Jordan.
7. The audit was included in the 2017 risk-based internal audit work plan of OIOS because of the risks associated with the size and complexity of the operations in Jordan and because the previous OIOS audit conducted in 2014 was rated unsatisfactory with one critical recommendation.
8. The audit was conducted from February to April 2017. The audit covered the period from 1 January 2015 to 31 December 2016. Based on an activity-level risk assessment, the audit covered higher risk processes and activities pertaining to the operations in Jordan, which included: (i) planning and resource allocation; (ii) partnership management; (iii) shelter and settlement; (iv) health; (v) non-food item

(NFI) distributions; (vi) cash-based interventions (CBI); (vii) fair protection process and documentation; (viii) procurement and vendor management; and (ix) enterprise risk management (ERM).

9. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical reviews of data, including financial data from Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system, and performance data from FOCUS, the UNHCR results-based management system; (d) testing of controls using stratified random sampling; (e) visits to the Representation's Country Office in Amman, Sub Office in Mafraq, and the Field Offices in Azraq and Irbid; (f) visits to the offices of seven partners; and (g) direct observation of activities and projects implemented at two refugee camps (Zaatari and Azraq), and two warehouses.

III. OVERALL CONCLUSION

10. The Representation took prompt action to address the remaining gaps related to strategic planning mechanisms and safeguarding of asylum-seeker certificates and refugee case files. Whilst the audit was still ongoing, it also developed a registration strategy and completed the harmonization of its registration procedures. The Representation's ERM processes were generally working as intended. However, the Representation needed to strengthen controls over: (i) management of projects implemented through partners; (ii) management of the shelter activities; (iii) CBI programme design and implementation; and (iv) procurement and vendor management.

IV. AUDIT RESULTS

A. Planning and resource allocation

The Representation took prompt action to address the remaining gaps identified in strategic planning mechanisms

11. As required by the UNHCR Programme Manual, the Representation: maintained adequate data on its persons of concern; conducted participatory needs assessments involving several stakeholders; prepared annual operations plans in alignment with UNHCR's Global Strategic Priorities; prioritised resources for the achievement of the identified objectives; included a multi-year protection strategy in its operations plans; adequately planned for maintaining its presence at the north eastern border where over 50,000 persons of concern were stranded; prepared an inter-agency protection strategy and a contingency plan; and developed a business continuity plan.

12. Nevertheless, OIOS observed that the Representation had not completed local strategies for water, sanitation and hygiene, education, and livelihoods which were its priority thematic activities, in alignment with UNHCR's Global Strategies on these sectors. In addition, the Representation had not undertaken a cost-benefit analysis of deploying affiliate staff, in line with UNHCR requirements, although these constituted 46 per cent of its total workforce. Furthermore, 85 of the 275 affiliate staff had not completed the mandatory training and had not received specific training in their areas of work.

13. Whilst the audit was still ongoing, the Representation took prompt action to: finalize the missing sector strategies; complete a cost-benefit analysis on the use of affiliate workforce; and develop a training plan for 2017 that targeted affiliate staff. Based on the action taken, no recommendation was raised.

B. Fair protection process and documentation

Prompt action was taken by the Representation to safeguard asylum-seeker certificates and refugee case files, develop a registration strategy, and complete harmonization of the registration procedures

14. According to the UNHCR Protection Manual, the Representation is required to: (i) maintain appropriate reception conditions for displaced persons in the immediate period following their arrival; (ii) undertake profiling and registration of persons of concern and mandate refugee status determination through appropriate strategies and based on standard operating procedures developed for these purposes; (iii) establish anti-fraud controls over case management, and ensure appropriate physical security and tracking of records; (iv) facilitate civil documentation to prove the identity of persons of concern; and (v) in coordination with the authorities, ensure provision of asylum-seeker certificates to eligible persons of concern and monitor the instances of forced returns and detention of persons of concern, if any.

15. The Representation: ensured appropriate reception conditions upon the arrival of persons of concern; undertook regular registration and verification of persons of concern through the iris scanning technology; developed standard operating procedures to prevent and detect fraudulent and corrupt practices in case management; developed standard operating procedures for refugee status determination and resettlement; and merged the refugee status determination and resettlement procedures for the Syrian refugees. Additionally, the Representation made sustained advocacy efforts for: (i) provision of asylum-seeker certificates to those persons of concern who left the camps after 14 July 2014 without the required authorization; and (ii) screening of over 10,000 asylum-seekers, accommodated in a village in Azraq camp, who arrived between March and June 2016.

16. Nevertheless, the Representation had not developed a long-term strategy for registration although it had included this as a priority in its operations plan for 2016. It had also not completed the envisaged process of harmonization of the standard operating procedures to develop national level registration procedures, although work in this regard was in progress.

17. Further, the Representation did not ensure that the established anti-fraud procedures were fully effective. For example, Sub Office Mafrq, Field Office Irbid and Country Office Amman did not have a system for regularly generating exception reports to track the location of refugee files. Through a review of the status of a random sample of 1,584 refugee files, OIOS noted that the borrowing offices returned 85 files 100 days after their borrowing, while in 719 cases the offices did not return the files even after a lapse of six months. Field Office Irbid kept the unused asylum-seeker certificates in an unlocked cupboard in a room accessible to all staff. In addition, although the Representation had established a system for tracking the asylum-seeker certificates that were used and wasted due to printing errors and those that were shredded daily, controls were not in place to ensure that the shredded stationery was actually what was meant to be destroyed.

18. Whilst the audit was still ongoing, the Representation: (i) implemented measures to safeguard the unused asylum-seeker certificates and developed standard operating procedures for this purpose which included certifying and shredding unused certificates by a multi-functional team; (ii) updated the file tracking report according to which all but 40 refugee files were returned, and established a committee to oversee this process; (iii) developed a long term strategy for registration for 2017-2019; and (iv) harmonized the standard operating procedures for the registration activity. Based on the prompt action taken, no recommendation was raised.

C. Partnership management

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

19. According to UNHCR Enhanced Framework for Implementing with Partners, the Representation is required to: (a) select or retain partners through a multi-functional Implementing Partnership Management Committee (IPMC) to ensure that the process is carried out with adequate due diligence and in a timely manner; (b) sign project agreements before commencement of the project year; (c) monitor the project activities through a risk-based and multi-functional approach; and (d) make arrangements for building capacity of partners implementing UNHCR projects, as appropriate.

20. The Representation had 44 Project Partnership Agreements (PPAs) during the period under review with a total expenditure of \$80.0 million in 2015 and \$83.0 million in 2016. The total expenditure of these partners during the period accounted for 43 per cent of the Representation's programme related expenditure. The Representation entrusted procurement totalling \$42.5 million to 19 partners in 2015 and \$39.4 million to 17 partners in 2016. In addition, the Representation implemented and monitored PPAs worth \$1.2 million which were concluded in 2016 by the Bureau for the Middle East and North Africa for assisting internally displaced persons in Southern Syria through cross border operations, which focused primarily on NFI distributions and shelter activities.

21. The Representation had established an IPMC in October 2014. For the selection and retention of partners to implement UNHCR projects in 2015 and 2016, OIOS review indicated that the Representation, under the guidance of the IPMC, generally followed the UNHCR requirements and ensured a due process in a timely manner.

22. However, OIOS observed the following control deficiencies regarding the preparation of PPAs:

- (a) The Representation did not conclude PPAs before commencement of the project year in the case of 15 of the 23 PPAs for 2015 and 12 of the 21 PPAs for 2016. Hence, 61 per cent of the PPAs were signed late which appeared excessive and indicated control weaknesses in the process of preparing and concluding project agreements.
- (b) The Representation did not: (i) set measurable performance targets in three PPAs with Government partners worth a total of \$653,953; and (ii) prepare a detailed training plan for these three partners within one month of signing the PPAs, as specified in these agreements.
- (c) In response to control weaknesses regarding the payment of cash incentives to Government partner personnel identified in the previous audit of UNHCR operations in Jordan in 2014 (OIOS report number 2015/049), the Representation had earlier informed OIOS that it had taken corrective action. However, OIOS observed in the current audit that the Representation did not ensure that one of the Government partners established criteria for identifying personnel allocated to the projects and for payment of incentives totalling \$28,169. Such measures were required to allow the Representation to adequately validate the budget allocated for the partners' personnel costs.

23. OIOS review of the adequacy of the Representation's project monitoring arrangements indicated the following deficiencies:

- (a) Although the monitoring plan in the respective PPAs indicated that such monitoring activities would be undertaken quarterly, the Representation did not undertake any performance monitoring of the activities under projects implemented by three Government partners totalling \$10.5 million in 2015 and \$9.1 million in 2016.
- (b) The Representation did not ensure that the team which undertook monitoring of partners' project activities implemented as part of the cross border operations in October 2016 involved staff from

its Shelter and NFI Sections, as expected. The Representation explained that this was because it lacked staff at that time in its Cross Border Unit. As a consequence, the Representation could not provide sufficient expert assurance on the achievement of the projects' objectives. In particular, the monitoring reports did not provide any information on the adequacy of the partners' remote monitoring techniques for monitoring the distribution of NFIs and the partners' arrangements for post-distribution monitoring. Furthermore, the monitoring reports did not disclose any information on the reliability of the partners' NFIs distribution reports and the effectiveness and technical quality of the construction of transitional shelters.

- (c) The Representation's financial verifications did not detect that one partner charged \$28 to each vendor interested in submitting an offer for a tender. Additionally, the partner did not report the revenue received under the respective projects, and the funds remained unaccounted for until OIOS brought it to the attention of the Representation. OIOS is of the opinion that such practices where the partner makes use of a UNHCR project to obtain additional income that is not brought back into the project should not be allowed.
- (d) In two cases involving payment of cash incentives to Government partner personnel totalling \$5.9 million, although the partners in question had established criteria for such payments, OIOS review indicated that some beneficiaries signed for others, making it difficult to confirm that the payments had reached the intended personnel.
- (e) Five out of seven partners visited by OIOS did not follow the required procurement procedures, which the Representation's monitoring teams had not identified. Specifically: (i) in the case of four partners, the same committee undertook both the technical and the financial evaluations for procurement involving \$3.4 million; (ii) one partner could not demonstrate that the procurement process for construction projects worth \$1.5 million had been undertaken fairly and transparently as it had not recorded the results of the technical evaluation of all the proposals, although these results were subsequently provided to OIOS; (iii) another partner had excluded valid offers from the bids tabulation sheet and included offers of vendors previously excluded by its Bid Opening Committee for urban shelter rehabilitation projects worth \$767,438; and (iv) one partner could not provide the specifications of the required goods, the technical evaluation reports, and the bids tabulation sheets with the comparison of offers for various procurement actions worth \$56,312.

24. The main reason for the cited issues was that the Representation had not put in place adequate management supervision arrangements over project planning, budgeting and monitoring activities, despite the earlier 2014 OIOS report having raised this same root cause of control weaknesses in partnership management. Consequently, there was a risk that the Representation did not get the value for money from project activities implemented through its partners. In addition, it was exposed to risk of fraud and corruption, in particular regarding reported partner expenditures for personnel costs and procurement.

(1) The UNHCR Representation in Jordan should strengthen controls over management of projects implemented through partners by putting in place adequate management supervision arrangements which ensure: (i) timely signing of project agreements; (ii) targeted monitoring of budgeting and payment of Government partner personnel costs and procurement activities; and (iii) systematic performance monitoring of Government and cross border project activities through a risk-based and multi-functional approach.

UNHCR accepted recommendation 1 and stated that the Representation: (i) would take action to finalize and sign all agreements before the expected commencement of activities, including in the case of the Government partners; (ii) established formal budget monitoring procedures for Government partners; and (iii) introduced a risk based monitoring framework for conducting joint

monitoring of PPAs through a multi-functional approach. Additionally, it would ensure monitoring of the projects executed for cross border activities using monitoring plans developed for this purpose. Recommendation 1 remains open pending receipt of evidence of: (i) controls established to ensure timely conclusion of PPAs; (ii) monitoring arrangements established over budgeting and payment of Government partner personnel costs and procurement activities; and (iii) results of performance monitoring undertaken through a risk based and multi-functional approach.

D. Provision of basic needs and services

There was a need to establish and monitor the implementation of a multi-year shelter strategy and put in place procedures for adequate documentation of technical monitoring activities over shelter projects

25. The Representation is required to develop, implement, and monitor multi-year settlement and shelter strategies consistent with the UNHCR Global Strategy for Settlement and Shelter 2014-2018, and supported by: (a) needs assessments; (b) participation of the population of concern and the overall local affected population, host governments, and partners; (c) coordination with other sectors; and (d) adequate technical expertise. According to the UNHCR Policy on Alternatives to Camps, the Representation is also required to plan and implement the operational response leading to the phasing out of camps at the earliest possible stage in favour of the implementation of sustainable and cost-effective alternatives.

26. During the audit period, the Representation spent on shelter activities \$20.3 million against a budget of \$22.0 million. The nearly 720,000 persons of concern assisted by the Representation as at December 2016 were distributed between four refugee camps (20 per cent) and urban and rural settings (80 per cent). The out-of-camp population resorted mainly to individual or shared rented accommodation, but also to informal tented settlements. The Representation's shelter activities included the establishment of annual shelter strategies consistent with the prescribed format and contents of the UNHCR Global Strategy; delivery and/or maintenance of shelter and infrastructure in the two main camps (Zaatari and Azraq); and co-leading of the shelter inter-agency working group in Jordan that produced country-specific guidance for the shelter sector. Nonetheless, OIOS observed the following:

- a. *Non-inclusive long-term strategy:* The 2015 and 2016 shelter strategies did not target the non-Syrian population (nearly 60,000 refugees and asylum-seekers), and the two other smaller refugee camps existing in the country (with approximately 6,800 individuals). Further, the annual strategies did not translate into a multi-year strategy to ensure a consistent pathway and the achievement of goals over a reasonable timeframe.
- b. *Lack of comprehensive needs assessments:* The Representation did not complete the corporate site assessment forms designed to support the comprehensive shelter needs assessment. Instead, the Representation resorted to the inter-agency multi-sectoral vulnerability assessment framework (a model to assess vulnerability of persons of concern by using socioeconomic indicators) developed for the country, which assessed vulnerability in shelter based on the results of specific indicators on housing conditions, security of tenure, and family composition. The Representation complemented the results of the vulnerability assessment framework with other available sources such as official statistics and studies. However, the needs assessments did not include persons of concern living in camps, those living in informal tented settlements, and the non-Syrian refugee populations. Further, the Representation did not provide evidence to support that a structured method was applied for assessing and documenting the needs in the camps as part of the comprehensive shelter needs assessment (e.g., the condition and life span of shelters and support infrastructures, and gaps in adherence to shelter standards), even though these consumed nearly the entire shelter budget.

- c. *Non-prioritization of alternatives to camps:* The 2015 UNHCR Diagnostic Tool for Alternatives to Camps reported positive indicators for the Representation towards the implementation of alternatives to camps. This was because, despite the Government's encampment policy for Syrian refugees, a vast majority of refugees were allowed to live outside camps. Nonetheless, the camp population could increase due to evictions from informal tented settlements, new influxes of refugees, and spontaneous relocation of out-of-camp refugees to the camps. The exit strategy included in the Representation's annual 2015 and 2016 shelter strategies consisted in the decommissioning of camps when they were no longer needed, which did not constitute a proactive measure to pursue alternatives to camps. The 2016 shelter strategy had a relevant focus in the development of urban shelter solutions, but the Representation did not prioritize these activities.
- d. *Insufficient documentation of monitoring of partner projects:* The Representation did not ensure that its Technical Unit consistently documented and filed its contributions to project concepts and budgets, project plans, bills of quantities, cost estimates, vendor contracts and technical monitoring reports for shelter projects implemented by partners for a total of \$5.4 million.
- e. *Lack of monitoring of performance of shelter activities:* The Representation defined specific indicators and outputs in its 2015 and 2016 shelter strategies, but it did not monitor their achievement to assess delivery of the strategies. The Representation reported on one shelter impact indicator, *percentage of households living in adequate dwellings*, and one output/performance indicator, *'general site operations constructed and sustained/number of buildings/structures constructed'*, under the UNHCR results framework. However, it did not set country-specific criteria to ensure the accurate calculation and reporting of these indicators (e.g., to define what constituted an adequate dwelling and how to account for the number of buildings/structures constructed). Furthermore, the Representation provided multi-purpose cash assistance to refugees for a total of \$97.8 million in 2015 and 2016 combined. Yet, even though post distribution monitoring reports indicated that refugees used approximately 79 per cent of the assistance received to pay rent, the Representation did not assess the impact of cash assistance on the effective reduction of detected vulnerabilities among urban refugees.

27. The issues cited above occurred due to lack of a long-term vision and plan for shelter, lack of a system to document technical monitoring activities over partners' projects, and unclear shelter indicators. As a result, the Representation risked having unmet needs for shelter and failure to improve the living conditions of refugees especially in urban areas.

(2) The UNHCR Representation in Jordan should: (i) establish a multi-year shelter strategy supported by a comprehensive needs assessment, with a relevant focus on urban shelter solutions as effective alternatives to camps; (ii) adequately document the results of technical monitoring of shelter projects; and (iii) set country-specific criteria and data collection procedures to monitor and report on the performance of shelter activities.

UNHCR accepted recommendation 2 and stated that the Representation: (i) would develop a multi-year shelter strategy for the Syrian crisis; (ii) had developed a software to facilitate sharing of technical documentation; and (iii) for 2017, used five performance indicators to report on its shelter activities. Additionally, for 2018, it aimed to intervene in urban areas using additional indicators. Recommendation 2 remains open pending receipt of: (i) a multi-year shelter strategy, supported by a comprehensive shelter needs assessment conducted in all locations using the corporate site assessment forms; (ii) evidence of controls established for systematic documentation and filing of technical monitoring activities; and (iii) revised vulnerability criteria and mechanisms established for data collection and performance monitoring of shelter activities.

The Representation needed to further improve the design and implementation of its cash-based interventions

28. The UNHCR policies and guidance for CBI require the Representation to: (a) effectively plan and design its CBI programme after undertaking a risk assessment and assessing the feasibility of such a programme; (b) develop standard operating procedures approved by the Division of Programme Support and Management and the Division of Financial and Administrative Management at headquarters; and (c) monitor the performance of interventions and evaluate their impact. The Representation should also establish an exit strategy for its CBI programme.

29. The Representation provided cash assistance worth \$43.5 million in 2015 and \$54.3 million in 2016 to its persons of concern. It had: analysed the skills available and required to implement the CBI programme; developed vulnerability criteria using a vulnerability assessment framework; developed country-wide standard operating procedures for CBI; undertaken regular bank reconciliations of the assistance amounts paid; and conducted post distribution monitoring activities.

30. Nevertheless, OIOS observed that the Representation had not: (i) completed a market analysis or a feasibility assessment and an evaluation of its CBI programme; (ii) obtained approval for its standard operating procedures from the Division of Programme Support and Management and the Division of Financial and Administrative Management; (iii) determined the timelines for various stages of the approval and review process for payment of cash assistance, in spite of an earlier recommendation made in this regard by OIOS in 2014; (iv) ensured that two of its partners that paid \$2.7 million as refugee labour wages in cash in the camps had indicated the refugees' identification number in the attendance registers and payroll documents, as required; and (v) developed an exit strategy.

31. Although the Representation had identified the risks associated with CBI in its risk register, it did not sufficiently prioritize this activity for appropriate programme design and monitoring. Whilst the audit was still ongoing, the Representation ensured that the partners paying refugee labour wages in the camp indicated the refugee identification number in the attendance registers and payroll.

(3) The UNHCR Representation in Jordan should review the design and implementation of its cash-based interventions (CBI) by: (i) finalizing a market assessment and an impact assessment of the programme; (ii) obtaining UNHCR headquarters approval for its standard operating procedures on CBI; (iii) stipulating clear timelines for processing of cash assistance payments to the beneficiaries; and (iv) developing an exit strategy.

UNHCR accepted recommendation 3 and stated that the Representation: (i) would complete a market assessment and an assessment of its cash programme before the end of 2017; (ii) had submitted the updated standard operating procedures to headquarters for approval in September 2017, and these procedures included timelines for processing payments to beneficiaries; and (iii) had developed a well-defined CBI reduction strategy. Recommendation 3 remains open pending receipt of: (i) the results of the completed CBI market assessment and CBI impact assessment; and (ii) the finalized standard operating procedures with clear timelines for processing of cash payments to beneficiaries, among others, approved by UNHCR headquarters.

Adequate processes and controls were in place for the management of the health programme, except for monitoring and reporting on the performance of the programme

32. From 1 January 2015 to 30 October 2016, the Representation spent on health, nutrition and reproductive health activities \$37.5 million against a budget of \$46.4 million. The Representation ensured delivery of its health programme through the establishment of: (a) a health strategy for 2014-2015 through

a co-ordinated approach, where it assessed the context and health needs of the population of concern; (b) a network of clinics and hospitals for primary care in camps and urban areas through partnership arrangements to ensure access of refugees to primary health care; (c) a referral system to ensure access to public hospitals and other competitively selected private sector hospitals; and (d) standard operating procedures and guidelines.

33. The Representation adequately established vulnerability criteria and annual thresholds per refugee for the cost of referrals to secondary and tertiary care above which it required the review and endorsement of the UNHCR Emergency Care Committee. It also established a mechanism to prioritize the approval of referral of emergency cases. Its health partner recorded the referrals in an online system and had an adequate system in place for documenting payments to hospitals. The partner had defined policies, segregation of duties, and checks and controls for its support services. The Representation further sought cost-savings on referrals by implementing a cash for health programme for urban refugees who had access to public health care. It had also requested an independent review of the health programme that was being finalized at the time of the audit.

34. The Representation reported on health indicators under the Refugee Assistance System and the Health Information System and on the performance of the health sector under the UNHCR results-based management framework. However, at year-end 2015, the Representation reported 2,768 persons as referred to secondary and tertiary medical care, when the partner's reports indicated 28,037 referrals. The Representation clarified that it had only reported on the number of non-Syrians that arrived prior to July 2014, which was inaccurate and under-estimated the performance of the health sector organization-wide. OIOS noted an identical issue related to inadequate reporting on the performance of the shelter sector earlier in this report. Therefore, this issue will be addressed by the implementation of recommendation 2, when country specific criteria are defined and data collection procedures are also implemented for the health sector. As a result of this, OIOS does not raise a separate recommendation in this regard.

E. Procurement and vendor management

There was a need to strengthen controls over vendor management and procurement

35. UNHCR procurement procedures require the Representation to: (a) prepare a needs-based annual procurement plan; (b) initiate timely procurement activities in accordance with the procurement plan to facilitate transparent and competitive procurement; (c) obtain a prior written waiver from the Senior Engineering and Property Manager at UNHCR headquarters before giving advance payments for construction contracts; (d) ensure adequate and timely oversight over procurement activities, which includes Local Committee on Contracts (LCC) review of all contracts above \$20,000; and (e) implement adequate vendor registration procedures which include ensuring that the vendor database does not contain inactive and duplicate vendors.

36. In 2015, the Representation issued 1,175 purchase orders worth \$53.7 million, while in 2016 it issued 1,325 purchase orders for a total value of \$81.3 million. It obtained 20 waivers of competitive bidding worth \$35.4 million which, despite representing a high proportion of the total procurement value (26 per cent), were for justifiable reasons. It regularly revised the composition of its LCC which held frequent meetings, and had a Vendor Review Committee which also met regularly.

37. OIOS review of the vendor registration procedures indicated that the Representation had allocated the same bank account numbers to more than one vendor and had not deactivated 468 inactive vendors in its vendor database. In addition, review of 40 purchase orders worth \$22.0 million indicated that although the Representation had obtained a waiver from the Headquarters Committee on Contracts for making a 50

per cent advance payment to contractors in two construction cases involving \$1.8 million, it did not obtain a prior written endorsement from the Senior Engineering and Property Manager at UNHCR headquarters, as required. Additionally, the Representation had not given sufficient time to vendors to respond to invitations to bid in 13 cases (33 per cent of the cases reviewed) worth \$5.7 million in 2015.

38. Although the Representation was aware of the expected control requirements in general, these specific cases did not receive sufficient attention. The Representation was, therefore, exposed to the risk of not obtaining the best value for the money spent on its procurement activities.

(4) The UNHCR Representation in Jordan should strengthen controls over vendor management and procurement activities by: (i) undertaking a review and clean-up of the vendor database; and (ii) putting in place procedures to ensure mandatory waivers are systematically obtained for advance payments and vendors are given sufficient time to respond to invitations to bid.

UNHCR accepted recommendation 4 and stated that the Representation: (i) had reviewed its vendor database to clean up the duplicate bank accounts and the inactive vendors; (ii) would obtain mandatory waivers for advance payments; and (iii) would allow sufficient time to its bidders. Recommendation 4 remains open pending receipt of evidence of: (i) controls established for ensuring that waivers needed for advance payments are systematically requested and received; and (ii) monitoring control established to ensure that vendors are allowed sufficient time to respond to invitations to bid.

F. Enterprise risk management

The risk management processes were generally working as intended

39. The Representation: identified, classified, and assessed its key risks with the involvement of relevant key staff and senior management; designated a risk focal point to facilitate its ERM processes; and designated staff to monitor and report on relevant risks in their respective functional areas. At the time of the audit, the Representation's risk register included 48 risks out of which 18 had been closed and 6 had been prioritised. The latest review of the risk register occurred in November 2016, when the Representation closed seven risks. There was an opportunity for the Representation to consider further enhancing its ERM processes by: ensuring that the operational context, in particular relevant high expenditure activities and priorities in the operations plan, more adequately feeds into the risk register; establishing due dates for the implementation of risk treatment measures identified in the risk register; and providing training on ERM to all staff who play a key role in operational planning and decision-making. However, as the key risk management activities were working as intended, OIOS did not raise a recommendation.

V. ACKNOWLEDGEMENT

40. OIOS wishes to express its appreciation to the management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.

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STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical/ Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNHCR Representation in Jordan should strengthen controls over management of projects implemented through partners by putting in place adequate management supervision arrangements which ensure: (i) timely signing of project agreements; (ii) targeted monitoring of budgeting and payment of Government partner personnel costs and procurement activities; and (iii) systematic performance monitoring of Government and cross border project activities through a risk-based and multi-functional approach.	Important	O	Submission to OIOS of evidence of: (i) controls established to ensure timely conclusion of PPAs; (ii) monitoring arrangements established over budgeting and payment of Government partner personnel costs and procurement activities; and (iii) results of performance monitoring undertaken through a risk based and multi-functional approach	31 December 2018
2	The UNHCR Representation in Jordan should: (i) establish a multi-year shelter strategy supported by a comprehensive needs assessment, and with a relevant focus on urban shelter solutions as effective alternatives to camps; (ii) adequately document the results of technical monitoring of shelter projects; and (iii) set country-specific criteria and data collection procedures to monitor and report on the performance of shelter activities.	Important	O	Submission to OIOS of: (i) a multi-year shelter strategy, supported by a comprehensive shelter needs assessment conducted in all locations using the corporate site assessment forms; (ii) evidence of controls established for systematic documentation and filing of technical monitoring activities; and (iii) revised vulnerability criteria and mechanisms established for data collection and performance monitoring of shelter activities.	30 June 2018
3	The UNHCR Representation in Jordan should review the design and implementation of its cash-based interventions (CBI) by: (i) finalizing a market assessment and an impact assessment of the programme; (ii) obtaining UNHCR headquarters approval for its standard operating procedures on	Important	O	Submission to OIOS of: (i) the results of the completed CBI market assessment and CBI impact assessment; and (ii) the finalized standard operating procedures with clear timelines for processing of cash payments to beneficiaries,	30 June 2018

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNHCR in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	CBI; (iii) stipulating clear timelines for processing of cash assistance payments to the beneficiaries; and (iv) developing an exit strategy.			among others, approved by UNHCR headquarters.	
4	The UNHCR Representation in Jordan should strengthen controls over vendor management and procurement activities by: (i) undertaking a review and clean-up of the vendor database; and (ii) putting in place procedures to ensure mandatory waivers are systematically obtained for advance payments and vendors are given sufficient time to respond to invitations to bid.	Important	O	Submission to OIOS of evidence of: (i) controls established for ensuring that waivers needed for advance payments are systematically requested and received; and (ii) monitoring controls established for ensuring that vendors are allowed sufficient time to respond to invitations to bid.	31 December 2017

APPENDIX I

Management Response

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Representation in Jordan should strengthen controls over management of projects implemented through partners by putting in place adequate management supervision arrangements which ensure: (i) timely signing of project agreements; (ii) targeted monitoring of budgeting and payment of Government partner personnel costs and procurement activities; and (iii) systematic performance monitoring of Government and cross border project activities through a risk-based and multi-functional approach.	Important	Yes	Senior Programme Officer	31/12/2018	(i) UNHCR Jordan will be taking action to finalize and sign all agreements before the expected commencement of activities. For Governmental partners, the project agreements are part of a much more extensive exercise that establishes the national priorities for the year and needs several cabinet approvals. Despite the timeline of the latter being out of UNHCR's control, we will document our efforts to have the documentation ready for signature in time. (ii) We have established formal budget monitoring procedures for Government partners both at the operational and financial levels. These are closely monitored and variances followed-up. We already entered a round of discussion concerning the monitoring of personnel cost and procurement activities.

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>(iii) UNHCR has introduced a mandatory risk based monitoring framework in April 2017, as the revision of agreements takes place we are transitioning to the new format. Joint monitoring visits of the multifunctional team are also being organized for all 2017 Project Partnership Agreements</p> <p>In 2017, all projects being implemented by UNHCR under the cross-border operation framework have established and certified Project Monitoring Plans (PMC 01). In this regard, in line with the stated schedule in the Monitoring Plans, financial and performance monitoring visits are being currently organized. It is worth noting that, for this year, the cross border operation has a dedicated NFI/ Shelter Officer, who has contributed to the overall implementation and monitoring processes of the projects.</p>
2	The UNHCR Representation in Jordan should: (i) establish a	Important	Yes	Snr Tech. Off. (Shelter/WASH)	30/06/2018	(i) In addition to UNHCR's yearly shelter strategy, the

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	multi-year shelter strategy supported by a comprehensive needs assessment, and with a relevant focus on urban shelter solutions as effective alternatives to camps; (ii) adequately document the results of technical monitoring of shelter projects; and (iii) set country-specific criteria and data collection procedures to monitor and report on the performance of shelter activities.					<p>operation will develop a multi-year strategy based on the Jordan Response Platform for the Syrian Crisis.</p> <p>(ii) UNHCR Jordan Operation – Technical Unit has developed a software platform where all key technical documentation is uploaded for easy reference between the field and Branch Office.</p> <p>(iii) For 2017, a total of five performance indicators have been used to report on the multi-activities in the camps (which remain the main focus for the shelter unit) for both the Jordan and cross border operations. In 2018, the Operation aims to intervene in urban areas where additional performance and impact indicators will be used.</p>
3	The UNHCR Representation in Jordan should review the design and implementation of its cash-based interventions (CBI) by: (i) finalizing a market assessment and an impact assessment of the programme; (ii) obtaining UNHCR headquarters approval for its standard operating	Important	Yes	Sr. CBI Coordinator	30/06/2018	(i) The Market Assessment and the Assessment of the Cash Programme began in November 2016 under a contract with an external research organization. It will be completed before the end of 2017. The HQ Evaluation Service has taken the lead, in

Management Response

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Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	<p>procedures on CBI; (iii) stipulating clear timelines for processing of cash assistance payments to the beneficiaries; and (iv) developing an exit strategy.</p>					<p>collaboration with BO Amman, to hire a consultant to perform the CBI evaluation as required by a prior BOA audit recommendation.</p> <p>(ii) UNHCR has always maintained and regularly updated the SOPs for its CBI programme. As of late 2016, HQ required a new format for SOPs and requested that they be submitted for approval. In January (prior to the audit) the Operation began work on reformatting its SOPs and the updated SOPs have been submitted to HQ for approval in September 2017.</p> <p>(iii) The SOPs submitted to HQ for approval include clear timelines for the processing of cash payments to beneficiaries.</p> <p>(iv) Although premature for an exit strategy for cash assistance, a well-defined reduction strategy with bridging to other sector opportunities such as livelihoods has been in development since April 2017. UNHCR/Amman will work on</p>

Management Response

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Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						finalizing it for review by end of 2017.
4	The UNHCR Representation in Jordan should strengthen controls over vendor management and procurement activities by: (i) undertaking a review and clean-up of the vendor database; and (ii) putting in place procedures to ensure mandatory waivers are systematically obtained for advance payments and vendors are given sufficient time to respond to invitations to bid.	Important	Yes	Senior Supply Officer	31/12/2017	<p>(i) The cleaning of duplicate bank accounts and the inactivation of suppliers without corresponding Purchase Orders (POs) / non-POs issued in the past three (3) years has been completed by a multifunctional team (supply/finance/project control). This function has been fully incorporated in the roll out of the new MSRP upgrade and has to be triggered by HQ. Once this is done, no manual inactivation will be required in the future.</p> <p>(ii) The operation has taken note of the audit recommendation and currently obtains clearance for advance payments for all contracts including Government parastatals to ensure full compliance with UNHCR/AI/2014/12 administrative instruction.</p> <p>In the past, tender periods were shortened to meet operational exigencies during the emergency period for</p>

Management Response

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						<p>which a justification was provided in the form of a Note for the File signed by a Supply Officer. However, going forward the Representation will ensure that specified minimum tender periods are adhered to.</p>