



INTERNAL AUDIT DIVISION

REPORT 2018/005

Audit of the Regional Representation
for Southern Africa for the Office of
the United Nations High Commissioner
for Refugees

There were critical deficiencies in controls
and management oversight arrangements
over procurement which could adversely
impact the achievement of regional
objectives in supply and asset management

2 February 2018
Assignment No. AR2017/111/05

Audit of the Regional Representation for Southern Africa for the Office of the United Nations High Commissioner for Refugees

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the Regional Representation for Southern Africa for the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess whether the Regional Representation was managing and overseeing the delivery of services to persons of concern in the region in a cost-effective manner and in compliance with UNHCR's policy requirements. The audit covered the period from 1 January 2016 to 30 June 2017 and included a review of: (i) regional coordination, support and oversight activities; (ii) partnership management; (iii) cash-based interventions (CBI); (iv) livelihoods and self-reliance activities; (v) financial tracking and reporting; (vi) procurement and vendor management; and (vii) enterprise risk management.

There was a critical need for the Regional Representation to strengthen controls and management oversight arrangements over procurement. In addition, the Regional Representation needed to: i) assess the adequacy of staff skills and capacity to effectively execute its mandate and ensure that regional officers undertake risk-based support and monitoring missions; ii) institute adequate procedures for inventory management and monitoring of distribution of core relief items; iii) strengthen management, oversight and support to projects implemented by partners; iv) fully comply with financial rules and procedures; v) develop and implement standard operating procedures for CBI and undertake performance monitoring of the CBI programmes; (vi) ensure alignment of the livelihoods strategy with minimum UNHCR criteria; and vii) strengthen its risk management procedures related to risk treatment and monitoring.

OIOS made one critical and seven important recommendations. To address issues identified in the audit, the Regional Representation needed to:

- Assess the appropriateness of staffing in the regional functions, review mission plans and prioritize monitoring activities based on assessed risks and available resources, and institute a follow-up mechanism for recommendations raised in mission reports;
- Establish a robust vendor vetting, contracting and management process, prepare comprehensive procurement plans, and ensure that the Regional Committee on Contracts plays an effective role in safeguarding the integrity of procurement processes (**Critical**);
- Ensure that core relief items reach intended beneficiaries and returned items are properly accounted for;
- Review the livelihoods strategy and ensure that it is aligned with the operations plans and UNHCR livelihoods guidelines;
- Prepare country and programme-specific standard operating procedures for CBI and monitor the performance of these interventions;
- Develop criteria to guide partners on provision of entitlements to persons of concern, review partners' expenditures against supporting documentation, and seek explanations for project performance variations against set targets;
- Ensure timely performance of bank reconciliations and collection of receivables; and
- Ensure risk registers are up-to-date and target dates are set for all priority risks.

UNHCR accepted the recommendations, implemented one and initiated action to implement the remaining seven.

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Audit of the Regional Representation for Southern Africa 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 Regional Representation for Southern Africa for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. UNHCR commenced operations in South Africa in 1991, in order to assist with the return of South African refugees who had fled the country during apartheid. In 1996, it established the Regional Representation for Southern Africa (hereinafter referred to as the Regional Representation), after the Government had signed the 1951 United Nations Convention Relating to the Status of Refugees, the 1967 Protocol and the 1969 Organization of African Unity Convention Governing the Specific Aspects of Refugee Problems in Africa. The Southern Africa region hosts around 1.7 million persons of concern (PoCs), mostly from Zimbabwe, the Democratic Republic of the Congo, Somalia, Ethiopia and Burundi. South Africa itself hosts over 300,000 PoCs, according to the South Africa Department of Home Affairs. The refugees and asylum seekers reside throughout the country, with UNHCR and its partners implementing protection and assistance activities in the urban areas of Pretoria, Johannesburg, Durban, Port Elizabeth and Cape Town.
3. The Regional Representation covers the Regional Office in Pretoria, the South Africa Unit (SAU) which includes field offices in Cape Town and Musina, and the country representations in Angola, Botswana, Malawi, Mozambique, Zambia and Zimbabwe. As part of its regional role, the Regional Representation maintains the overall resource management and oversight functions and coordinates the implementation of the programmes in the region. It also manages the protection needs of PoCs in Namibia, Lesotho, Swaziland and the Indian Ocean Islands, where UNHCR does not have a presence.
4. The Regional Representation is headed by a Regional Representative at the D-2 level. Its organizational structure also includes a Deputy Regional Representative at the D-1 level and two Assistant Regional Representatives at the P-5 level. As at August 2017, the Regional Representation had 46 posts which included 8 staff on temporary appointments and 16 affiliate staff, while SAU had 28 posts, which included 6 staff on temporary appointments and 12 affiliate staff. The Regional Representation, including SAU, had total expenditure of \$12.9 million in 2016 and a budget of \$13.0 million for 2017. In 2016, the Regional Representation worked with 11 partners while SAU worked with 13 partners. These partners spent \$3.9 million of UNHCR funds, which translated to 73 per cent of the programme related expenditure of the Regional Representation and SAU combined. In 2017, the combined budget allocated to partners was \$3.3 million which accounted for 53 per cent of the total programme budget.
5. Comments provided by UNHCR are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess whether the Regional Representation for Southern Africa was managing and overseeing the delivery of services to persons of concern in the region in a cost-effective manner and in compliance with UNHCR's policy requirements.
7. This audit was included in the 2017 risk-based work plan of OIOS due to risks related to the high number of urban refugees in South Africa and on-going programme activities in downsized country operations in the region where UNHCR no longer has any presence.

8. OIOS conducted this audit from June to September 2017. The audit covered the period from 1 January 2016 to 30 June 2017. Based on an activity-level risk assessment, the audit covered high and medium risk areas, which included: (i) regional coordination, support and oversight; (ii) partnership management; (iii) cash-based interventions (CBI); (iv) livelihoods and self-reliance; (v) financial tracking and reporting; (vi) procurement and vendor management; and (vii) 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) sample testing of controls using systematic and random methods; and (e) visits to the Regional Office and SAU in Pretoria and offices of three SAU partners implementing UNHCR projects in Pretoria and Durban.

10. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. Regional functions – coordination, support and oversight

There was a need for the Regional Representation to assess the adequacy of staff skills and capacity to effectively execute its mandate

11. The UNHCR Policy on Regionalization makes provisions for how Regional Representations that undertake regional coordination, oversight and support responsibilities as well as direct execution of operational activities in at least three other countries should be staffed. Regional positions that cover different operations/caseloads in three or more countries should be filled by a Senior Regional Officer at the P-4 level.

12. In seven countries in the region, the Regional Representation did not have programme and project control staff and therefore relied entirely on partners for implementation. However, the Regional Representation was not staffed at the recommended staff levels as noted below:

- Four of the Regional Representation's key positions i.e. Regional Supply Officer, Regional Programme Officer, Regional CBI Officer and Regional Refugee and Status Determination Officer were at the P-3 instead of the required P-4 level.
- The Information and Communication Technology (ICT) Unit had to rely on one Senior Regional Officer at the P-4 level and an ICT Associate at the GS-6 level to support the seven country operations. Except for Zambia, these country operations did not have any ICT staff.
- The Regional Supply Unit had in addition to the P-3 Regional Supply Officer only one Supply Associate at the GS-7 level for undertaking procurement for the Regional Representation as well as SAU, Namibia, Botswana and Angola. This Unit also simultaneously provided monitoring and support to the operations in Zambia, Malawi, Mozambique and Zimbabwe.

13. In consequence, there was a risk that the Regional Representation might not effectively carry out its role of management, monitoring and support in the region. This could in turn result in weaknesses in internal controls not being identified, reported and addressed in a timely manner especially in countries where operations were downsized and countries without UNHCR presence. OIOS has raised a recommendation in this regard in the next section of this report (Recommendation 1(i)).

The Regional Representation needed to strengthen its support and oversight in countries under its purview

14. The UNHCR Global Management Accountability Framework establishes accountabilities, responsibilities and authorities for a regional office in key functional areas like programme, supply management, protection, human resources and finance. To effectively exercise regional functions, the regional officers are required to undertake regular assistance and monitoring missions to the countries they cover. UNHCR rules also stipulate that the regional positions can only be considered regional when at least 75 per cent of the time of the concerned individual is dedicated to country operations other than the country where the position is located.

15. The Regional Representation had put in place the required risk-based mission plans for the regional officers to undertake regular travels to the countries it covered. For the year ended December 2016, these officers visited all the countries in the region at least once. However, due to budget constraints and the response to the Angola emergency during 2017, the Regional Representation was only able to undertake 15 of the 110 planned support, monitoring and verification missions in the six-month period from January to June 2017. At the time of the audit fieldwork, i.e. July 2017, the mission plan for the rest of year had not been revised to reflect the challenges that the Regional Representation had faced in monitoring offices under its purview in the first half of the year, and its monitoring activities had not been re-prioritized based on a risk assessment and available staff resources.

16. Further, OIOS' review of the mission reports prepared by the regional staff showed that:

- Contrary to the Regional Representative's instructions, regional officers did not systematically follow up on open recommendations raised in the mission reports every three months and outstanding issues were not brought to management's attention.
- Monitoring reports were not systematically filed centrally on the shared drive, as required by the Regional Representation's own procedures. For example, reports for missions undertaken by the Regional Human Resources, Supply, and Information and Communication Technology Units were not available in the common repository. The supply related mission reports had to be extracted from other sources during the audit and OIOS could not confirm that it received all the reports.

17. The shortcomings noted in the Regional Representation's monitoring of offices under its purview were caused by budget constraints and limited staff resources primarily arising from the response to the Angola emergency. However, the Regional Representation had also missed an opportunity to review and adjust its risk-based mission plan to identify and manage risks that may impede the operations of its other affiliate offices in a timely manner.

(1) The UNHCR Regional Representation for Southern Africa should strengthen its support and oversight in the countries under its purview by: i) assessing, in coordination with the Bureau for Africa, the appropriateness of staffing in its regional functions so they can effectively undertake their mandated work; ii) reviewing its mission plan and prioritizing its monitoring activities based on assessed risks and available resources; and iii) instituting a follow-up mechanism for recommendations listed in mission reports.

UNHCR accepted recommendation 1 and stated that the Regional Representation, in coordination with the Bureau for Africa and the relevant technical divisions, would update its existing risk based monitoring plan to prioritize operational areas and countries with relatively higher risks. Missions by the Supply Management and Logistics Service and the Senior Oversight Officer of the Bureau would ensure that the Regional Representation's compliance, risk management and oversight functions are robust. As part of its 2019 operations planning, the Regional Representation would re-assess the appropriateness of staffing, given the available resources, and key priorities.

Recommendation 1 remains open pending receipt of: (i) the revised monitoring plan based on assessed risks and available financial and human resources; (ii) evidence of established follow-up mechanisms for outstanding recommendations arising from mission reports, and (iii) assessment of the staffing levels.

B. Supply and asset management

There was a critical need for the Regional Representation to strengthen its procurement practices to ensure that best value is obtained on all purchases and procurement risks are effectively managed

18. In order to ensure the integrity of the procurement processes and that UNHCR receives value for money for the acquisition of goods and services to support operations, it is essential for the Regional Representation to: (a) establish an effective vendor management system; (b) prepare an annual procurement plan; (c) initiate timely procurement activities in accordance with the procurement plan to facilitate transparent and competitive procurement; and (d) maintain adequate supporting documentation for procured goods and services.

19. The Regional Representation issued purchase orders and concluded contracts totaling \$2.0 million in the period under audit. OIOS reviewed 40 procurement cases (including from South Africa, Botswana, Angola, Mozambique and Namibia) valued at \$1.9 million and related payments amounting \$1.7 million.

20. The Regional Representation did not have an effective vendor management system to ensure that vendors were properly selected, vetted and contracted. For example, while a Vendor Review Committee (VRC) had been established in 2017, it had not held any meetings at the time of the audit. As a result, there were no documents to evidence the vetting of the 1,978 vendors registered in MSRP. Thirty-six of the registered vendors had duplicate accounts in the database. In addition, SAU did not have administrative contracts in place for telecommunications and vehicle fuel, and the Regional Representation was not adequately monitoring contracts as evidenced by the lease agreement for the SAU office which had expired in February 2017 but was only renewed in July 2017.

21. OIOS identified the following areas of non-compliance in procurement planning and execution:

- The Regional Representation did not prepare annual procurement plans for 2016 and 2017. As a result, it had to seek retroactive approval (through ex-post facto notifications) for nine purchases amounting to \$524,028. It also waived competitive bidding for 10 purchases amounting to \$1.1 million. The same issue was raised in the previous OIOS audit in 2013 (report 2014/052).
- In two of the cases reviewed, vendors were only given two days to bid as opposed to the required four weeks. This anomaly was corrected in one of the two cases following an intervention by the Headquarters Committee on Contracts. Further, the number of offers received was lower than the minimum required by the procurement rules, i.e. at least six, in 18 of the 40 cases reviewed.
- The Regional Representation did not obtain the required Regional Committee on Contracts (RCC) approval for purchase orders amounting to \$793,216 related to air travel, telecommunications, hotel accommodation and office supplies. The Regional Supply Unit also procured food items worth \$495,356 and \$65,498 in 2016 and 2017 respectively without the approval of the RCC. This appeared to be a recurring issue, as the same control weakness was raised in the 2013 OIOS audit.
- RCC decisions were not always complied with, as was the case with the purchase of tents worth \$33,088 by the Botswana Office after the RCC had deferred its approval. Likewise, the RCC decision to have the lease agreement for the Representation in Mozambique for their Maputo Office reviewed by Legal Affairs Services at headquarters before contracting was not followed.

22. The Regional Representation undertook only two monitoring missions to its affiliate offices in 2017, i.e. to Namibia and Angola. The Angola mission was only undertaken a week before the audit and therefore the related mission report was not available. For 2016, although the Regional Representation provided evidence that missions took place, the related mission reports were not available in the common repository, as mentioned in paragraph 16 above. OIOS also identified, through the review of the available supply mission reports for the period from February to June 2016, that several weaknesses were subsequently not followed up on and resolved by the Regional Representation.

23. The above weaknesses, which OIOS assessed as critical and systemic, were mainly caused by shortcomings in management monitoring, lack of clarity in the respective responsibilities of the Supply and Programme Units, and gaps in the oversight role of the RCC. The Regional Representation attributed the identified weaknesses to inadequate staffing of the Regional Supply Unit, which OIOS can also attest to as was mentioned in paragraph 12. In consequence, procurement related safeguards put in place were ineffective. This raised the risk that best value would not be obtained from procurements undertaken, as well as fraud related risks.

(2) The UNHCR Regional Representation for Southern Africa should strengthen its management and oversight arrangements over the procurement of goods and services by: (i) instituting a robust vendor vetting, contracting and management process; (ii) preparing comprehensive procurement plans that provide guidance on requirements, sourcing options and associated timelines in any given year; (iii) ensuring the Regional Committee on Contracts plays an effective role in safeguarding the integrity of procurement processes.

UNHCR accepted recommendation 2 and stated that the VRC and the RCC were already operational. Contracts awarded to various suppliers in the absence of an RCC decision were submitted for ex-post facto approval. New tendering processes were instituted for purchase of food in Botswana and Namibia. When necessary, a Request for Waiver of Competitive Bidding would be submitted to the appropriate authority for approval, with appropriate justifications. Recommendation 2 remains open pending receipt of: (i) minutes of recent VRC meetings held and copies of relevant checklists to support the vetting of vendors; (ii) the 2018 procurement plan; and (iii) minutes of recent RCC meetings that demonstrate that the Committee plays an effective role in safeguarding the integrity of procurement processes.

There was a need for the Regional Representation to institute proper inventory management procedures

24. The Regional Representation, through its partners in Namibia and Botswana, distributed core relief items (CRIs) valued at \$2.6 million during the audit period. However, it was unable to reconcile the CRIs received with those distributed and/or held in stock due to the following:

- The partners that managed the two warehouses in Namibia and Botswana on behalf of UNHCR did not maintain proper records of CRIs worth \$1.3 million in their inventory management systems. CRIs were expensed upon receipt although some of the items had not been distributed and were still in stock.
- The Regional Representation did not reconcile the quantities of CRIs issued from the warehouses to the individual distribution reports provided by the partners. OIOS could also not reconcile the overall quantities distributed with the quantities issued because monitoring reports and post distribution reports were not available.
- Although the Regional Representation stated that all partners returned items that were left over after distribution, there was no documentary evidence to support such returns to the warehouses.

25. The above weaknesses were caused by the Regional Representation not having instituted adequate controls over the receipt, distribution and return as well as recording of CRIs by partners, in line with the UNHCR Manual and Handbook for Commodity Distribution. This exposed UNHCR to the risk that CRIs may not have reached the intended beneficiaries or may not have been properly accounted for. In addition, the related expenditure may have been overstated by CRIs expensed and yet still in stock.

(3) The UNHCR Regional Representation for Southern Africa should institute inventory management procedures for ensuring that core relief items reach intended beneficiaries and returned items are properly accounted for.

UNHCR accepted recommendation 3 and stated that the Regional Representation had instituted inventory management standard operating procedures and templates, and disseminated them to partners and field staff to ensure their implementation. It was committed to closely monitor quality and provide periodic reporting on the progress of implementation. Recommendation 3 remains open pending receipt of evidence that the procedures put in place ensure that CRIs are properly accounted for and reach the intended beneficiaries, and that returned items are recorded. In particular, OIOS looks forward to receiving: (i) the retroactive reconciliation of distribution records from Botswana and Namibia covering the audited period; and (ii) a decision of the relevant asset management board on the inventory discrepancies.

C. Livelihoods and self-reliance

There was a need to align the livelihoods strategy with UNHCR guidelines so that it effectively sets the direction and establishes priorities

26. In order to ensure effective and efficient delivery of livelihoods activities, the Regional Representation needs to conduct a socio-economic baseline and a market assessment, and develop a multi-year livelihoods strategic plan that includes impact indicators as well as an exit strategy. These broad requirements are promulgated in UNHCR's Operational Guidelines on the Minimum Criteria for Livelihoods Programming.

27. In 2017, the Regional Representation developed a five-year livelihoods strategy for the refugees in South Africa. OIOS reviewed the strategy and noted that it did not include the following key requirements:

- The strategy did not have an overall work plan highlighting all the programmes that would be implemented or a detailed work plan listing all the activities that would be undertaken each year.
- The strategy did not have a log frame detailing the envisaged outputs and outcomes from implemented activities for the five-year period.
- A detailed budget was only prepared for a 12-month period. Furthermore, the cost of this budget, i.e. \$1 million, was not provided for in the 2017 country operations plan and approved budget.
- The document did not contain a strategy to guide the phasing out of selected interventions so that PoCs would not continue to depend on aid once set benchmarks of success were achieved.

28. The gaps identified may impact the Regional Representation's ability to meet the set targets and, as a result, livelihoods programmes may not generate the desired impact.

(4) The UNHCR Regional Representation for Southern Africa should review the livelihoods strategy and ensure that it is aligned with the UNHCR livelihoods guidelines and the operation plans.

UNHCR accepted recommendation 4 and stated that the revised livelihoods strategy would be regularly reviewed in reference to the UNHCR guidelines and updated as necessary in line with the management's overall strategy and objectives. The budget had been revised and was now 33 per cent admin support costs (due to the nature of direct individual support provided by business/economic development mentors and community outreach workers) and 67 per cent programme related. Recommendation 4 remains open pending receipt of the updated five-year livelihoods strategy that addresses all the key gaps highlighted in the audit, namely the detailed work plan, envisaged outputs and outcomes, and phasing out strategy of the selected interventions.

D. Cash based interventions

The Regional Representation needed to strengthen its management of CBIs

29. Effective programming and delivery of CBI requires the Regional Representation to: (i) undertake feasibility and risk assessments to inform the design of its CBI programmes; (ii) develop programme-specific standard operating procedures that provide guidance on beneficiary selection criteria, value of cash transfers, and operational, financial and protection-related controls; and (iii) monitor the performance of the interventions and assess their impact. In the case of CBI implemented by partners, it is essential to ensure that partners establish operational procedures and financial controls for CBI in alignment with UNHCR policies.

30. While most countries in the Southern Africa region were in the process of carrying out CBI feasibility studies, SAU had already commenced implementation of CBI activities for PoCs in urban areas. However, it had not prepared procedures to guide its partners on the distribution of multi-purpose vouchers that were used by PoCs to buy food and non-food items. Monitoring of the partner activities also needed improvement. For example, OIOS observed that the partners procured vouchers from a supermarket on an 'as needed basis' as opposed to preparing a long-term plan and using this to negotiate bulk discounts. They also did not reconcile on a regular basis vouchers purchased, those issued to PoCs (as supported by signed distribution forms), and the balance at hand. There was therefore a risk that the vouchers did not reach the intended beneficiaries and were not properly accounted for.

(5) The UNHCR Regional Representation for Southern Africa should: i) prepare country and programme-specific standard operating procedures for cash-based interventions; and ii) monitor the performance of these interventions.

UNHCR accepted recommendation 5 and stated that the Regional Representation would liaise with the Division of Programme Support and Management to agree how to support the region in planning, implementing and monitoring CBI programmes, as the discontinuation of the CBI position took effect from 1 January 2018. Recommendation 5 remains open pending receipt of the standard operating procedures and reports that evidence monitoring of CBI activities.

E. Partnership management

There was a need to strengthen the management and oversight of projects implemented by partners

31. In order to achieve expected programme and project results through the use of partners, the UNHCR Enhanced Framework for Implementing with Partners requires the Regional Representation to: (i) select partners in a transparent manner by following a competitive selection process with pre-established criteria for selection; (ii) sign project agreements in December preceding the year of implementation; and (iii) ensure that a risk-based project monitoring plan is developed and implemented by a multi-functional team.

32. The newly established regional Implementing Partnership Management Committee (IPMC) held three meetings during the audit period to select partners for Angola, Namibia, Madagascar and Botswana. SAU had its own IPMC that met twice for the selection of livelihoods partners and to retain previously selected partners. Both the Regional Representation and SAU signed project agreements in a timely manner and used multi-functional teams to implement the risk-based project performance monitoring plans that had been developed. Financial verifications were systematically undertaken prior to releasing funds to partners.

33. However, a review of the project monitoring arrangements identified the following shortcomings related to partners of SAU:

- Documentation to support project expenditures was insufficient in the case of a partner that provided short term accommodation to PoCs valued at \$3,138 as the invoices did not indicate the names of PoCs hosted and the duration of their stay. Also, rental payments by another partner to PoCs amounting to \$5,885 for a three-month period were not supported with a rental agreement detailing who the assisted PoCs were and the location of the premises.
- Partners were not provided with clear guidance on how entitlements to PoCs would be determined. Payable amounts were based on assessments undertaken by partner's social workers, but even then such assessments were not always attached to payment vouchers as supporting documentation.
- While the 2016 targets for different project objectives implemented by partners had been met, exceptions were noted in 2017 with set targets not met although the allotted budgets for activities had been exhausted. The achievement rates ranged from as low as 36 per cent to 73 per cent.

34. The above shortcomings were attributed to gaps in the Regional Representation's oversight over partnerships, particularly regarding the provision of guidance to partners in relation to PoC entitlements as well as documentation required to support expenditures. The Regional Representation also did not periodically review performance against targets and make necessary adjustments to reflect changing operational circumstances during the mid-year review.

(6) The UNHCR Regional Representation for Southern Africa should strengthen its controls over monitoring of partnerships by: i) instituting criteria to guide partners on provision of entitlements to persons of concern; ii) reviewing partners' expenditures against supporting documentation; and iii) periodically reviewing and seeking explanations for project performance variations against set targets and where necessary making adjustments to reflect any changing operational circumstances.

UNHCR accepted recommendation 6, while stating that implementation of key actions to address this recommendation were constrained by limited staffing capacity. Some achievements included regular monitoring of partner performance against targets in the signed project agreements, and establishment and dissemination of criteria to partners to guide their interventions. Recommendation 6 remains open pending receipt of evidence of criteria developed to guide the partners on payment of entitlements to PoCs and evidence that performance targets of all partners were reviewed.

F. Financial tracking and reporting

Lack of compliance with financial rules exposed the Regional Representation to risk of errors and losses

35. The UNHCR Financial Rules require the Regional Representation to implement adequate controls over segregation of duties, management of cash and bank accounts, disbursements of administrative expenditures, management of receivables, and timely and accurate reporting to UNHCR headquarters.

36. Established financial rules were not complied with and this resulted in the following weaknesses:
- Goods and services procured by the Regional Representation amounting to \$61,029 had not been received within six months as required.
 - Although the Regional Representation had mechanisms in place for monitoring receivables, there were old receivable balances related to five different country operations dating as far back as 2015 and totaling \$564,000.
 - The Regional Representation had not ensured that bank reconciliations were performed regularly by the Representation in Angola. This resulted in unreconciled differences totaling \$38,655 at 30 April 2017. Furthermore, the Senior Regional Finance Officer's report on a mission to Angola noted that payments for miscellaneous expenses such as utility bills and deposits to automobile dealerships were being made in cash as opposed to electronic funds transfers. This same weakness had been raised in the previous 2013 OIOS audit report.
37. The Regional Representation attributed the weaknesses to inadequate staffing to provide the required oversight and support to country offices. A request by the Senior Regional Finance Officer in July 2017 for a temporary P-2 level staff member to assist with overseeing financial management in the eight country offices under the Regional Representation's purview was not approved at headquarters. Weak monitoring and oversight arrangements could increase the risk that errors and irregularities go undetected and may result in financial losses, including through fraud.

(7) The UNHCR Regional Representation for Southern Africa, in coordination with the Bureau for Africa, should strengthen monitoring of financial management in the region to ensure financial rules are being adhered to, including in terms of timely performance of bank reconciliations and collection of receivables.

UNHCR accepted recommendation 7 and stated that the Regional Representation's Finance Unit had been diligently and consistently monitoring month-end accounts submissions from country offices in the region. Other initiatives to strengthen the overall financial management in the region included but were not limited to the following: regional finance training; consolidation of all oversight intelligence in the region; assessment of countries and areas of possible gaps in compliance and risk management; support missions; a proposal to establish dedicated risk management and compliance units; and offsite monitoring. Recommendation 7 remains open pending resolution of the outstanding receivables either through collection or write-off.

G. Enterprise risk management

There was a need to further strengthen risk identification and mitigation processes

38. In order to identify and effectively manage risks, the UNHCR ERM framework requires that the Regional Representation: a) understands its operational context so as to identify key risks; b) analyzes and evaluates these risks; and c) develops and implements a plan to treat the risks. The Representation should also monitor and report on its risk management processes and ensure that these processes are communicated and that relevant staff are effectively trained and consulted.

39. The Regional Representation's operations plans for 2016 and 2017 provided sufficient information on the operational context as a basis for risk identification. Both the Regional Representation and SAU prepared their respective risk registers which were up to date and widely shared among staff. They had

also designated risk management focal points who had received the relevant training. Nevertheless, OIOS noted the following areas that needed further attention:

- While the risk registers listed priority risks which were actively monitored at management level, timelines for implementation of the mitigating actions for these risks, and staff responsible for such actions, were not set.
- Although the Regional Representation manually updated its risk register, the updates were not reflected in the online risk database which therefore contained outdated information.

40. In response to these observations, the Regional Representation took prompt action to update the list of risk owners, focal points and back up focal points.

(8) The UNHCR Regional Representation for Southern Africa should ensure the risk registers are up-to-date and target dates are set for all priority risks.

UNHCR accepted recommendation 8 and stated that the Regional Representation had updated and consolidated its risk register, reduced the number of risks, and included the Namibia and Botswana operations in the risk register. Based on the action taken and documentation provided by UNHCR, recommendation 8 has been closed.

IV. ACKNOWLEDGEMENT

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

(Signed) Eleanor T. Burns
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STATUS OF AUDIT RECOMMENDATIONS

Audit of the Regional Representation for Southern Africa 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
1	The UNHCR Regional Representation for Southern Africa should strengthen its support and oversight in the countries under its purview by: i) assessing, in coordination with the Bureau for Africa, the appropriateness of staffing in its regional functions so they can effectively undertake their mandated work; ii) reviewing its mission plan and prioritizing its monitoring activities based on assessed risks and available resources; and iii) instituting a follow-up mechanism for recommendations listed in mission reports.	Important	O	Submission to OIOS of the revised monitoring plan based on assessed risks and available financial and human resources, follow-up mechanisms put in place for outstanding recommendations arising from mission reports, and assessment of the staffing levels.	31 December 2018
2	The UNHCR Regional Representation for Southern Africa should strengthen its management and oversight arrangements over the procurement of goods and services by: (i) instituting a robust vendor vetting, contracting and management process; (ii) preparing comprehensive procurement plans that provide guidance on requirements, sourcing options and associated timelines in any given year; (iii) ensuring the Regional Committee on Contracts plays an effective role in safeguarding the integrity of procurement processes.	Critical	O	Submission to OIOS of: (i) minutes of recent VRC meetings held and copies of relevant checklists to support the vetting of vendors; (ii) the 2018 procurement plan; and (iii) minutes of recent RCC meetings that demonstrate that the Committee plays an effective role in safeguarding the integrity of procurement processes.	31 December 2018
3	The UNHCR Regional Representation for Southern Africa should institute inventory management procedures for ensuring that core relief items reach intended beneficiaries and returned items are properly accounted for.	Important	O	Submission to OIOS of the reconciled distribution records from Botswana and Namibia covering the audited period and decision of the relevant asset management board on the inventory discrepancies.	30 September 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 Regional Representation for Southern Africa 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
4	The UNHCR Regional Representation for Southern Africa should: i) review the livelihoods strategy and ensure that it is aligned with the UNHCR livelihoods guidelines and the operation plans; and ii) ensure that a fair percentage of the project budget in the agreements with livelihoods partners is reallocated to substantive programme activities.	Important	O	Submission to OIOS of the updated five-year livelihoods strategy that addresses all the key gaps highlighted in the audit namely, detailed work plan, envisaged outputs and outcomes and phasing out strategy of the selected interventions.	30 September 2018
5	The UNHCR Regional Representation for Southern Africa should: i) prepare country and programme-specific standard operating procedures for cash-based interventions; and ii) monitor the performance of these interventions.	Important	O	Submission to OIOS of the standard operating procedures and reports that evidence monitoring of CBI activities.	31 December 2018
6	UNHCR Regional Representation for Southern Africa should strengthen its controls over monitoring of partnerships by: i) instituting criteria to guide partners on provision of entitlements to persons of concern; ii) reviewing partners' expenditures against supporting documentation; and iii) periodically reviewing and seeking explanations for project performance variations against set targets and where necessary making adjustments to reflect any changing operational circumstances.	Important	O	Submission to OIOS of the criteria developed to guide the partners on payment of entitlements to POCs and evidence that performance targets of all partners were reviewed.	31 December 2018
7	The UNHCR Regional Representation for Southern Africa, in coordination with the Bureau for Africa, should strengthen monitoring of financial management in the region to ensure financial rules are being adhered to, including in terms of timely performance of bank reconciliations and collection of receivables.	Important	O	Submission to OIOS of evidence of the resolution of outstanding receivables either through collection or write-off.	30 September 2018
8	The UNHCR Regional Representation for Southern Africa should ensure the risk registers are up-to-date and target dates are set for all priority risks.	Important	C	Action completed	Implemented

APPENDIX I

Management Response

Management Response

Audit of the Regional Representation for Southern Africa for the Office of the United Nations High Commissioner for Refugees

OIOS Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments (to be published)
1	The UNHCR Regional Representation for Southern Africa should strengthen its support and oversight in the countries under its purview by: i) assessing, in coordination with the Bureau for Africa, the appropriateness of staffing in its regional functions so they can effectively undertake their mandated work; ii) reviewing its mission plan and prioritizing its monitoring activities based on assessed risks and available resources; and iii) instituting a follow-up mechanism for recommendations listed in mission reports.	Important	Yes	Assistant Regional Representative (Admin)	December 2018	<p>ROSA, in coordination with the Bureau for Africa (through the Snr Oversight Officer) and the relevant technical divisions, will continue to engage in a risk-based regional monitoring and oversight support to countries under its coverage. ROSA has an existing risk based monitoring plan and this will be further adapted in the succeeding years, while prioritizing operational areas and countries with relatively higher risks.</p> <p>SMLS has conducted its mission to ROSA and is finalizing its mission report. A mission by the Senior Oversight Officer is planned by April 2018. The objective of these missions and continuous consultations, is to ensure that the overall strategy and action plan in terms of compliance, risk management and oversight in general are robust and updated. ROSA is also coordinating with the technical divisions in HQ such as but not limited to DFAM (IPMS/AFS), Procurement Service (DESS), and DPSM, as needed.</p> <p>In line with the 2019 COP, ROSA in coordination with the Bureau, with advices from</p>

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.

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Audit of the Regional Representation for Southern Africa for the Office of the United Nations High Commissioner for Refugees

OIOS Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments (to be published)
						ODMS and other technical divisions, will re-assess the appropriateness of staffing, given the available resources, and key priorities.
2	The UNHCR Regional Representation for Southern Africa should strengthen its management and oversight arrangements over the procurement of goods and services by: (i) instituting a robust vendor vetting, contracting and management process; (ii) preparing comprehensive procurement plans that provide guidance on requirements, sourcing options and associated timelines in any given year; (iii) ensuring the Regional Committee on Contracts plays an effective role in safeguarding the integrity of procurement processes.	Critical	Yes	Assistant Regional Representative (Program)	December 2018	Implementation is in progress. Vendor Registration Committee (VRC) was re-established in April 2017 and is now holding regular meetings for the vetting of vendors. Regional Committee on Contracts is meeting on a regular basis to formulate its recommendations and decisions on contract award to specific suppliers. Ex-post facto notification of contracts, awarded to various suppliers in the absence of RCC decision, for food deliveries in Botswana and Namibia were already submitted to the RCC as an ex post facto. New tendering processes were initiated for food deliveries in both countries and appropriate frame agreements established with several suppliers. When necessary, Request for Waiver of Competitive Bidding process are submitted to the appropriate authority for approval, with appropriate justifications.
3	The UNHCR Regional Representation for Southern Africa should institute inventory management procedures for ensuring that core relief items	Important	Yes	Assistant Regional Representative (Program)	30 September 2018	The Office instituted standard operating procedures and templates for 1) warehouse management; 2) inventory releases and movements; 3) distribution recording and reporting; 4) integration of Rapid Distribution

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Audit of the Regional Representation for Southern Africa for the Office of the United Nations High Commissioner for Refugees

OIOS Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments (to be published)
	reach intended beneficiaries and returned items are properly accounted for.					<p>Tool (RDT); 5) monitoring checklist, and 6) reconciliation and record management as prerequisites for issuing Material Stock Requests (MSR).</p> <p>Furthermore, to achieve effective and uniform implementation of the new SOPs, RDT integration and templates, ROSA started to disseminate both the existing and new guidelines to partners, and regional and field office staff. The office will closely monitor quality and provide periodic reporting on the progress of implementation.</p> <p>With the controls instituted and continuous monitoring, the office assures OIOS that the identified risks will be regularly mitigated and therefore request closure of this recommendation.</p>
4	The UNHCR Regional Representation for Southern Africa should: i) review the livelihoods strategy and ensure that it is aligned with the UNHCR livelihoods guidelines and the operation plans; and ii) ensure that a fair percentage of the project budget in the agreements with livelihoods partners is reallocated	Important	Yes	Snr Livelihood Officer	30 September 2018	<p>The revised livelihood strategy will be regularly reviewed in reference to the UNHCR guidelines and updated as necessary in line with the management's overall strategy and objectives.</p> <p>The budget has been revised and is now 33% admin support cost (due to the nature of direct individual support provided by business/economic development mentors and community outreach workers) and 67% for programme.</p>

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OIOS Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments (to be published)
	to substantive programme activities.					We appreciate OIOS' advice and with the actions implemented, request closure of this recommendation.
5	The UNHCR Regional Representation for Southern Africa should: i) prepare country and programme-specific standard operating procedures for cash based interventions; and ii) monitor the performance of these interventions.	Important	Yes	Assistant Regional Representative (Programme)	31 December 2018	ROSA will liaise with DPSM in HQ to agree how to support the region in planning, implementing and monitoring CBI programmes, as the discontinuation of the CBI position took effect from 1 January, 2018.
6	UNHCR Regional Representation for Southern Africa should strengthen its controls over monitoring of partnerships by: i) instituting criteria to guide partners on provision of entitlements to persons of concern; ii) reviewing partners' expenditures against supporting documentation; and iii) periodically reviewing and seeking explanations for project performance variations against set targets and where necessary making adjustments to reflect any	Important	Yes	Assistant Regional Representative (Programme) Head of SAU	31 December 2018	In our reply in November 2017, we provided key actions being implemented to address this recommendation and highlighted the constraints such as limited staffing capacity. Some achievements include: Partners achieved their targets under the signed PPAs and is regularly monitored. Criteria to guide partners are in place and shared with partners to guide their interventions. Implementation of these actions is in progress and expected to be fully in place by the end of the year.

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OIOS Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments (to be published)
	changing operational circumstances.					
7	The UNHCR Regional Representation for Southern Africa, in coordination with the Bureau for Africa, should strengthen monitoring of financial management in the region to ensure financial rules are being adhered to, including in terms of timely performance of bank reconciliations and collection of receivables.	Important	Yes	Senior Regional Finance Officer	30 September 2018	<p>ROSA Finance Unit has been diligently and consistently monitoring month-end accounts submissions from Country Offices from the region, and has provided comments, directives and advice to offices to manage particularly clearances of receivables as well as bank reconciliation.</p> <p>All collectable receivables were cleared by end of 2017.</p> <p>The Oversight Unit of the Africa Bureau has been monitoring the ageing open items as reflected in the CFRs. Actions conducted on a regular basis include: reminders sent to individual countries, coordination with LAS, DFAM and IGO leading to write off submissions or request for closure, among other actions. A task force was also created by DHRM and DFAM upon the initiative of the Bureau to resolve staff related receivables. Evidences are provided to show this various on-going initiative on the closer monitoring and resolution of the receivables.</p> <p>There are many other initiative to strengthen the overall financial management in the region. These include but not limited to the following:</p>

Management Response

Audit of the Regional Representation for Southern Africa for the Office of the United Nations High Commissioner for Refugees

OIOS Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments (to be published)
						regional Finance Training; consolidation of all oversight intelligence in the region, assessment of countries and areas of possible gaps in compliance and risk management, support missions and a proposal to establish dedicated risk management, and compliance units on strategic country and regional offices (including ROSA), offsite monitoring, and many others. With the measures put in place, we request closure of this recommendation.
8	The UNHCR Regional Representation for Southern Africa should ensure the risk registers are up-to-date and target dates are set for all priority risks.	Important	Yes	Assistant Regional Representative (Programme)	31 December 2017 Closed	ROSA has updated and consolidated the risk register and reduced the number of risks and included Namibia and Botswana under the RO risks. As action has been done, closure of this recommendation is requested.