



INTERNAL AUDIT DIVISION

REPORT 2018/118

Audit of the operations in the Syrian Arab Republic for the Office of the United Nations High Commissioner for Refugees

There was a need to address control deficiencies in planning and resource allocation, partnership management, security of persons of concern from violence and exploitation, shelter management, distribution of non-food items, and livelihoods activities.

**30 November 2018
Assignment No. AR2018/131/02**

Audit of the operations in the Syrian Arab Republic 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 operations in the Syrian Arab Republic for the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess whether the UNHCR Representation in the Syrian Arab Republic was managing the delivery of services to its persons of concern in a cost-effective manner and in compliance with UNHCR's policy requirements. The audit covered the period from 1 January 2016 to 31 December 2017 and included a review of: (a) planning and resource allocation; (b) partnership management; (c) security and staff safety; (d) security from violence and exploitation; (e) shelter and settlement; (f) non-food item (NFI) distribution and warehouse management; and (g) livelihoods and self-reliance.

The Representation's controls over security and staff safety were adequate. However, there was a need to address shortcomings in protection planning, partnership management, security of persons of concerns from violence and exploitation, and shelter management. There was also a need to enhance controls over distribution of NFIs and livelihoods activities. Overall, OIOS was of the opinion that the Representation needed to better integrate its risk management processes into its operations management cycle.

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

- Update its multi-year protection strategy for Internally Displaced People to reflect the strategic vision, deliverables, action plans and monitoring and reporting mechanisms;
- Ensure adequate financial and performance monitoring of projects by multi-functional teams, including in respect of costs incurred by partners on project procurement and personnel;
- Strengthen its protection support for the victims of sexual and gender based violence and children at risk;
- Strengthen technical monitoring of shelter activities and data collection procedures for monitoring and reporting of shelter activities;
- Implement controls for validation of NFIs distributed to beneficiaries, ensure that Sub and Field Offices regularly verify partners' stock reports, and upgrade the Project Tracking Database tool to facilitate monthly reconciliation of NFIs; and
- Strengthen controls over the livelihoods programmes, in particular by updating and completing the standard operating procedures supporting the implementation of the livelihoods strategy, conducting baseline and market assessments, and consistently monitoring the delivery of the livelihoods programmes.

UNHCR accepted the recommendations and has initiated action to implement them.

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Audit of the operations in the Syrian Arab Republic 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 the Syrian Arab Republic for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The UNHCR Representation in the Syrian Arab Republic (hereinafter referred to as the 'Representation') was established in 1991. As of December 2017, the Representation assisted 7,039,755 persons of concern, including 6,150,005 internally displaced people (IDPs), 764,000 IDP returnees, 77,000 refugee returnees, 37,537 refugees and asylum seekers and 11,213 unregistered asylum seekers living in camps in the Hassakeh Governorate. There were also around 160,000 stateless persons in the country but the Representation was not in contact with them due to host government restrictions. According to the Humanitarian Needs Overview, prepared by the Strategic Steering Group and humanitarian partners working under the Whole of Syria Framework, an estimated 13.1 million people required humanitarian assistance; of these, 5.6 million people were in acute need.
3. The operational context in Syria was characterised by volatile security conditions, systematic and widespread violence and multiple displacements. The host government did not allow direct access to the IDPs. Therefore, it was difficult to deliver protection related services like response to sexual and gender based violence (SGBV) and child protection response and to conduct needs assessments based on the age, gender and diversity approach. The United Nations Security Council resolutions 2165 (2014) and 2191 (2015) authorised United Nations agencies to arrange emergency humanitarian assistance through four border crossings in Jordan and Turkey. The UNHCR Bureau for Middle East and North Africa (MENA) managed these cross border operations through its representations in Jordan and Turkey, without the involvement of the Representation in Syria.
4. The Representation had a Country Office in Damascus, Sub Offices in Damascus, Qamishli, Aleppo and Homs, and Field Offices in Tartous and Sweida. It was headed by a Representative at the D-2 level who reported to the Director of the Bureau for MENA, based in Geneva and Amman. As of October 2017, it had 86 international staff, 38 national officers, 277 national general service staff posts and 241 affiliate staff. The Representation recorded total expenditure of \$137.5 million in 2016 and \$159.7 million in 2017. It worked with 26 partners in the period under review. The total expenditure of the partners amounted to \$101.6 million during the period and accounted for 42 per cent of the Representation's programme related expenditure.
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 whether the UNHCR Representation in the Syrian Arab Republic was managing the delivery of services to its persons of concern in a cost effective manner and in compliance with UNHCR's policy requirements.
7. This audit was included in the 2018 risk-based work plan of OIOS due to the risks associated with the complexity of the operations in Syria, high expenditure on the delivery of services to persons of concern, and volatility of the security situation in the country.

8. OIOS conducted this audit from March to June 2018. The audit covered the period from 1 January 2016 to 31 December 2017. Based on an activity-level risk assessment, the audit covered high risk processes and activities pertaining to the operations in Syria, which included: (a) planning and resource allocation; (b) partnership management; (c) security and staff safety; (d) security from violence and exploitation; (e) shelter and settlement; (f) non-food item (NFI) distribution and warehouse management; and (g) livelihoods and self-reliance. The audit did not review the cross border operations.

9. The audit methodology included: (a) interviews of key personnel, (b) review of relevant documentation, (c) analytical reviews of 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 stratified sampling techniques; (e) visits to the Representation's Sub Offices in Aleppo and Homs, and Field Office in Tartous; and (f) visits to the offices of six partners implementing UNHCR projects.

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

III. AUDIT RESULTS

A. Planning and resource allocation

There was a need to update the multi-year IDP protection strategy

11. In order to provide vital protection and assistance to persons of concern, it is essential that: i) the Representation's goals and objectives are identified and planned through a participatory process that also takes into account the views of concerned actors including persons of concern, and implementing and operational partners; ii) protection and operational strategies are developed after adequate assessment of needs and are updated based on changed circumstances or unmet targets; iii) resource allocation is aligned with strategic priorities; and iv) operational plans are established and implemented according to the agreed schedule. These requirements are also promulgated in UNHCR's Programme Manual, with the aim to provide consistency in operations planning at the country level and to mitigate the associated risks.

12. In view of the operational context, the Representation conducted structured community discussions with its persons of concern and participated in the Humanitarian Needs Overview assessments conducted by the United Nations Country Team to inform its planning for 2016 and 2017. Its operations plans were in line with UNHCR's global strategic priorities and contained protection and operational strategies, targeted outputs, activities, allocated budgets and performance targets for each area.

13. However, the Representation's risk management processes were not sufficiently integrated into its operations management cycle. Whilst it had appropriately categorised and prioritised identified risks, assessed their ratings and potential impacts, and determined the relevant proactive and reactive treatments during the annual planning exercise, it had not established a process to capture emerging risks throughout the year and to update its risk register and adjust its operations plans accordingly. This meant that potential mitigations to foreseeable risks were less likely to be identified and risk-informed management decisions were less likely to be made in a timely manner. OIOS is not raising a separate recommendation on this issue, but encourages the Representation to make further efforts to mainstream risk management into its strategic and operational planning and decision-making processes, including in connection with the implementation of the recommendations raised in this report.

14. OIOS review of strategies and operations plans also indicated the following areas for further strengthening:

- (a) **Multi-year protection strategy:** The Representation's Multi-Year Protection Oriented IDP Strategy did not reflect its strategic vision and targeted achievements for the coming years, with related deliverables, action plans, and monitoring and reporting mechanisms. Furthermore, there was no link between this strategy and the annual operations plans. For example, whereas the Multi-Year Protection Oriented IDP Strategy included strengthening the prevention of and response mechanisms to SGBV, and ensuring protection of children as priorities, these areas were not prioritised in the operations plans for Syria for 2016 and 2017.
- (b) **Resource allocation and expenditures on protection related services:** The strategic importance of certain objectives did not correspond to financial resources allocated to them. For example, the expenditure under the objective 'risk of SGBV is reduced and quality of response improved' for 2016 and 2017 was \$1.2 million and \$1.3 million respectively (and corresponded to only 0.99 per cent and 1.07 per cent respectively of the Representation's total operational expenditure). Likewise, expenditure on the objective 'protection of children strengthened' went down from \$5.4 million in 2016 to \$2.7 million in 2017 representing a significant 50 per cent decrease without adequate justifications. In addition, analysis of the Representation's expenditure on protection interventions during the audit period indicated that expenditure under the objective 'risk of SGBV is reduced and quality of response improved' was \$196 and \$182 per SGBV survivor in 2016 and 2017 respectively. Such a low allocation and expenditure on SGBV interventions resulted in many unmet needs. For example, the Humanitarian Needs Overview had identified concerns related to SGBV faced by the displaced women and girls, including the risk of violence and harassment in collective shelters, latrines, and distribution sites. OIOS also calculated the average expenditure per child at risk under objective 'protection of children strengthened' and noted that it decreased to \$178 in 2017 from \$451 in 2016. As a result, the Representation was exposed to the risk of not meeting the needs assessed in the Humanitarian Needs Overview, such as support to unaccompanied and separated children and child survivors of violence and sexual abuse.

15. In the opinion of OIOS, the main reason for the identified deficiencies was that the Representation had not attached sufficient risk based prioritization to its strategic and operational planning and resource allocation. As a result, the Representation was exposed to the risk of not effectively and efficiently responding to the identified needs.

16. The Representation stated that it did not have a stand-alone SGBV or a child protection programme. Instead, it had allocated resources in line with the needs identified for these programmes, under the budget of community based activities. It also believed that the allocated resources in SGBV were in line with the identified needs and did not see a need to increase the resources for these programmatic components. It further stated that it had a separate budget for education which could also cater for child protection. However, in the opinion of OIOS, considering the Representation's protection strategy and role as lead in the protection sector, and as the budget allocation for educational activities would only partially mitigate the risks related to violence and abuse of children, there was a need to review the budgets allocated under different protection objectives. As the Representation was willing to accept the associated risks to implementation of SGBV and child protection activities, OIOS did not raise a recommendation on the issue at this time, but will monitor the impact of UNHCR's resource allocation decisions on the achievement of its objectives in future audits of operations in Syria. However, OIOS was of the opinion that the multi-year protection strategy needed updating, which the Representation agreed with.

(1) The UNHCR Representation in Syria should update its multi-year IDP protection strategy to reflect its strategic vision, deliverables, action plans and monitoring and reporting mechanisms.

UNHCR accepted recommendation 1 and stated that the Representation was planning to hold two workshops in December 2018 for planning of IDP and refugee strategies. The workshops would lead to establishment of a working group which would be tasked to update and release the multi-year IDP protection strategy. Recommendation 1 remains open pending receipt of the finalized IDP protection strategy.

B. Partnership management

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

17. According to UNHCR Enhanced Framework for Implementing with Partners, the Representation is required to: (i) 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; ii) sign the project agreements in December for the subsequent project year; (iii) monitor the project activities through a risk based and multi-functional approach; and (iv) arrange for building capacity of implementing partners.

18. During the period under review, the Representation entered into 65 Project Partnership Agreements (PPAs) with 26 partners based on the recommendations of IPMC, which assessed the capacity of existing partners through a desk review. OIOS concluded that the Representation's controls over selection and retention of partners were effective. The Representation entrusted procurement worth \$33.9 million and \$41.2 million to 21 partners in 2016 and 2017 respectively after duly assessing their procurement capacity. It also undertook financial and performance monitoring of the partners' project activities based on risk based monitoring plans. However, OIOS observed the following deficiencies in the management of projects:

- Twenty-seven of the 65 PPAs (42 per cent) were signed more than one month after the start of the project year. Delays were particularly evident in finalising PPAs with the Government. The Representation explained that the host government had placed restrictions on working with partners and all the PPAs were submitted to the Government before signing. The process was lengthy and time-consuming, and the Representation was not able to reduce the time involved in signing the PPAs. In view of the operational context, OIOS will not raise a recommendation on this matter at this time, but it will continue to monitor the situation in future audits of the Representation. In the meantime, OIOS encourages the Representation to discuss with headquarters how to manage risks associated with a modality that allows the host government to exert influence on UNHCR's partnership management decisions.
- The Representation had accepted an increase in personnel costs of two partners without reviewing the basis and justifications for such a decision. For instance, the salaries of finance officer, logistics and procurement manager, and project manager at a partner were increased by more than 100 per cent over those of the previous year.
- The Representation did not ensure that monitoring of the projects was systematically conducted by multi-functional teams. For example, at the Field Office Tartous performance monitoring was conducted by protection staff only.
- The monitoring teams did not undertake a thorough analysis and review of key operational and procurement activities of the partners on a consistent basis. For instance, all staff contracts at one partner disclosed a fixed salary amount of \$31 which was materially different from what was

reflected in the PPA with the partner and what had been actually paid to the concerned staff. Similarly, two of the partners delivering livelihoods activities had procured livelihoods related materials worth \$184,000 in the last month of the project year, thus raising doubts whether these items were required in the first place. Furthermore, many of these procurements had been split into smaller tenders to avoid a formal bidding process.

- A review of a sample of procurement transactions by another partner indicated that for three procurements worth \$61,000, the number of bidders invited did not meet the minimum criteria as set out in their procurement policy. In addition, the partner's procurement contracts were not subject to an independent review by a procurement or contracts committee, although this was one of the conditions on which the partner had been prequalified to undertake procurement using UNHCR funds.
- In 2017, a partner engaged a company, which was fully owned by it, for rehabilitation of shelters worth approximately \$400,000 in Damascus, Homs and Aleppo. Although the company was engaged based on a competitive bidding process, the partner did not disclose the conflict of interest to UNHCR and it was also not identified by the Representation through its financial monitoring activities despite the material amount involved.

19. The reason for the above shortcomings was that the Representation did not adequately identify and prioritize the controls required to address the risks inherent in partnership management and projects implemented by partners. As a result, the Representation was exposed to the risk of failure to achieve the intended project objectives and obtain best value from projects implemented by partners.

(2) The UNHCR Representation in Syria should put in place adequate management supervision arrangements to ensure adequate financial and performance monitoring of projects by multi-functional teams, including in respect of costs incurred by partners on project procurement and personnel.

UNHCR accepted recommendation 2 and stated that the Representation had taken several initiatives to strengthen financial and performance monitoring. These included: development of performance and monitoring templates for multi-functional teams; contracting a third party to review and evaluate the procurement processes of partners to inter alia develop capacity building initiatives on procurement planning and procedures for partners; and implementation of the results of a salary survey conducted on national partners. Recommendation 2 remains open pending receipt of: (i) the third party report on partners' procurement processes and evidence of implementation of recommendations raised in the report; and (ii) evidence of implementation of recommendations raised in the salary survey on partner personnel.

C. Security and staff safety

Controls related to security and staff safety were adequate

20. It is essential for operations to adopt a risk management approach balancing the criticality of programmes and associated dangers to staff based on a reasonable determination of acceptable risk. UNHCR field operations also need to actively participate in the country United Nations Security Management System, comply with its minimum standards, and fulfil the accountabilities of participating agencies including those related to coordination and staff training and awareness. These requirements are promulgated in the UNHCR Security Management Policy and Management Accountability Framework as well as the United Nations Security Management System Policy Manual.

21. The Representation participated in a programme criticality assessment led by the United Nations Country Team and conducted activities according to accepted levels of risk. The Representative, and in his absence, his authorized representatives, attended 86 Security Management Team meetings during the period from 1 January 2016 to 31 December 2017. The Representation's security staff participated in security cell meetings and provided input to the development of Minimum Operating Security Standards (MOSS) and Security Risk Management documents. Based on a self-assessment, the Representation was compliant with 90 per cent of the MOSS requirements. It had strengthened safety and security arrangements based on recommendations of the security missions from the headquarters and the MENA Bureau in Amman. It had also implemented the corrective actions recommended by OIOS in its previous audit (report 2016/077).

D. Security from violence and exploitation

There was a need to strengthen monitoring and reporting arrangements over protection interventions

22. In order to achieve the expected results from protection interventions to prevent and respond to SGBV cases and to strengthen child protection, the Representation is required to establish regular monitoring, analysis and reporting mechanisms over the protection activities conducted by its partners.

23. In 2017, the Representation reached out, through its partners, to 2.7 million individuals out of its over 7.0 million persons of concern through a network of 92 community centres in 12 governorates, 10 satellite centres, 58 mobile units and 2,190 outreach volunteers. In the same year, it supported 619 community-based initiatives and 29 youth group initiatives in 11 governorates, benefiting 401,040 people from different sex and age groups and diverse backgrounds. It supported 6,047 and 7,139 survivors of SGBV in 2016 and 2017 respectively and 12,069 children at risk in 2016 and 15,222 children at risk in 2017. However, the Representation had not integrated a risk management process into its protection response; therefore, the protection risks and the mitigation of such risks were not updated during the year.

24. The Representation monitored the protection activities of partners through weekly reporting from the field, monthly dashboards and quarterly performance monitoring. The weekly protection input from offices in the field was based on the results of the field staff's visits to the community centres. However, the field staff did not always record the results of these visits and provide an update on the SGBV and child protection cases. In addition, the multi-functional teams did not use the weekly reports for verification and reconciliation of progress reported by the partners against the performance targets assigned to them. The Representation could not provide these reports for the specific dates requested by OIOS, since weekly input reports were not regularly maintained. There was also no checklist or template to record the quality of case management and compliance with UNHCR rules and standards on protection. In addition, no requirements were prescribed in the PPAs on qualifications and experience of the staff involved in delivery of protection services. For example, one partner's SGBV focal point in Damascus had a teaching background and a case manager in Tartous had studied French. The Representation stated that there was no local university providing education on protection related issues; therefore, the gaps were filled through capacity building activities. However, there was a need to strengthen the selection of experienced staff by partners as the protection services were directly provided by them.

25. As a result of the cited shortcomings, the Representation was exposed to the risks of failure to ensure a safe and secure environment for persons of concern, increased likelihood of violations of fundamental rights of persons of concern, and reputational risks to UNHCR.

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| <p>(3) The UNHCR Representation in Syria should strengthen its protection support for the victims of sexual and gender based violence and children at risk by: (i) providing adequate guidance to its field staff for preparing reports on visits to community centres; (ii) ensuring</p> |
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that multi-functional teams use weekly field reports to verify the protection data reported by partners; (iii) providing a template to partners to record progress related to case management in compliance with UNHCR protection rules; and (iv) adding adequate provisions in Project Partnership Agreements on the qualification and experience requirements for partners' staff who deliver protection support on behalf of UNHCR.

UNHCR accepted recommendation 3 and stated that the Representation had developed and issued a protection monitoring guidance note, a checklist and a template for preparing reports on the visits to community centres and project premises. Furthermore, a template for recording data on case management had also been shared with partners. Multi-functional teams now systematically verified progress on protection deliverables using partners' reports. The Representation further stated that it would work closely with its partners to determine the appropriate profiles of the partners' staff responsible for the provision of protection services. Part (iii) of recommendation 3 has been closed. Parts (i), (ii) and (iv) remain open pending receipt of: a) a sample of monitoring visit reports prepared in the light of protection guidance, checklist and template provided to the monitoring teams; b) a sample of reports by the multi-functional team with evidence that they used the monthly monitoring reports by UNHCR protection staff in addition to partners' reports to verify progress on protection deliverables; and c) evidence of progress made on the development of the definition of profiles of protection staff.

E. Shelter and settlement

There was a need to strengthen technical monitoring and data collection of shelter activities

26. In implementing shelter solutions, the Representation is required to develop and monitor a settlement and shelter strategy consistent with the UNHCR Global Strategy for Shelter 2014-2018 and supported by: (a) the conduct of needs assessments with the participation of the persons of concern and the overall local affected population, host governments and partners; (b) coordination with other thematic sectors; and (c) adequate technical expertise; and implement standard operating procedures (SOPs) on data collection, analysis and reporting of shelter activities.

27. The Representation spent \$20.4 million and \$24.0 million during 2016 and 2017 respectively on shelter activities and co-led the interagency shelter sector. In 2016 and 2017, the Representation reported on shelter performance indicators pertaining to three Programme Planning Groups (PPGs), and achieved the targets set on the different types of shelters provided. It implemented 90 per cent of its shelter activities in urban setting and focused on rehabilitating public buildings as collective shelters, upgrading unfinished buildings and repairing private shelters. Approval for the selection of shelter beneficiaries and rehabilitation projects was granted by the local authorities. The Representation had developed a shelter strategy in line with UNHCR's Global Strategy for Shelter and established country-specific guidance for the different types of shelters. In 2017, it also developed shelter beneficiary selection criteria to ensure a harmonized and impartial approach to shelter assistance and prioritisation of the most vulnerable persons of concerns for shelter assistance.

28. However, OIOS observed the following shortcomings in the shelter interventions:

- The Representation did not establish a mechanism to ensure that partners complied with its beneficiary selection criteria. In addition, shelter monitoring reports did not consistently report on the type and number of beneficiaries.
- The Representation did not use the site assessment form, a data collection tool designed to support comprehensive shelter needs assessments. This tool would have provided critical information on

access to health, education and market services and informed the design of future programmatic activities. Since there was no tool to estimate the facilities in the neighbourhood of the rehabilitated shelters, some beneficiaries in Homs moved out of repaired shelters because there were no schools close to these shelters.

- Shelter projects implemented by partners were not technically monitored. For example, OIOS review of the Representation's Shelter Unit's monitoring reports showed that the progress of work reported on was not linked to the approved bill of quantities or details on the scope of work required. In addition, words like 'satisfactory' and 'good' were used, the meanings of which were not defined. Furthermore, the Shelter Unit did not systematically approve partners' bill of quantities before the start of the shelter projects.
- In Homs, private shelters, repaired by two international partners, did not have any indications that they were funded by the Representation, and were located within the same buildings where other United Nations agencies and non-governmental organizations funded private shelters. Moreover, the Representation only recorded the shelter coordinates instead of the detailed addresses such as street numbers and names or numbers of buildings that could have more easily facilitated the identification and monitoring of shelters.

29. The above occurred because of inadequate supervision and monitoring, and insufficient guidance on technical monitoring of shelter activities. As a consequence, the Representation was exposed to the risk that shelters may not have been delivered up to the standards required to meet the needs of persons of concern.

(4) The UNHCR Representation in Syria should: (i) strengthen technical monitoring of shelter activities; and (ii) develop data collection procedures for the monitoring and reporting of shelter activities.

UNHCR accepted recommendation 4 and stated that the Representation had developed the necessary procedures and further ensured through capacity building efforts that its partners also used UNHCR monitoring systems and tools for shelter monitoring and data collection. Recommendation 4 remains open pending receipt of a sample of shelter monitoring reports prepared in line with suitable technical monitoring guidance and data collection procedures.

F. Distribution of non-food items

There was a need to improve the supervisory and monitoring controls over distribution of non-food items

30. In order to ensure delivery of NFIs in a timely manner to the intended beneficiaries of concern, the Representation is required to: a) effectively manage its warehouses; b) establish beneficiary targeting criteria; c) develop and deliver a distribution plan; and d) conduct post-distribution monitoring and reconciliations to ensure the items reach the intended beneficiaries.

31. In 2016 and 2017, the Representation spent \$66.3 million on NFIs and assisted 831,088 households with NFIs. According to government policies, only national non-governmental organizations were allowed to conduct NFI distributions and the Representation was not able to access the beneficiary lists. The Representation had established SOPs for distribution of NFIs, developed beneficiary selection criteria, undertaken regular monitoring of partner distribution activities, conducted post-distribution monitoring of NFIs, regularly reconciled partners' distribution and stock reports, and ensured adequate management of warehouses. However, OIOS review identified the following remaining shortcomings:

- According to the Representation’s SOPs on NFIs, Sub Offices and Field Offices should validate partners’ stock reports through the conduct of spot checks and compare partners’ physical reporting forms with monthly stock reports. The Representation could not provide evidence that these validation exercises were undertaken. Furthermore, a partner in Homs could not produce the reporting forms used in distributing NFIs during OIOS visit to the partner’s warehouse.
- A review of the Project Tracking Database tool used for the monthly reconciliation of NFIs showed significant discrepancies between NFIs reported as distributed by partners and what was dispatched by the Representation to partners. The main reasons for these discrepancies were that the Project Tracking Database was a stand-alone tool with no links to reporting tools used by the Supply and NFI Unit, the different users of the tools manually entered data with no audit trails, and there were no inbuilt data validation checks.
- In spite of the above shortcomings, the Representation did not have other mitigating control mechanisms to confirm whether NFIs reached the intended beneficiaries. OIOS review of the NFI distribution monitoring reports indicated that the type and number of beneficiaries were not regularly reported on and the standard of reporting was not consistent across the reports reviewed. Moreover, the post distribution monitoring spreadsheet used did not provide detailed aggregate information per household family. The Representation stated that the format was agreed by the task force responsible for post distribution monitoring and endorsed by all sector members in 2015; however, the tool was being revised to capture aggregate information per household family.

32. The main reason for the above control deficiencies was that the Representation had not put in place adequate supervision and monitoring arrangements over the distribution of NFIs. As a consequence, the Representation was exposed to the risk of financial loss, including through the possibility of fraud, and NFIs not reaching the intended beneficiaries.

(5) The UNHCR Representation in Syria should: (i) develop and implement supervisory and monitoring controls for validation of non-food items (NFIs) distributed to beneficiaries; (ii) ensure that Sub and Field Offices regularly verify partners’ stock reports; and (iii) upgrade the Project Tracking Database tool to facilitate monthly reconciliation of NFIs.

UNHCR accepted recommendation 5 and stated that the identified gaps would be addressed in a revised SOP, to be completed by December 2018. It further stated that the current Project Tracking Database would be replaced with a new software. Recommendation 5 remains open pending receipt of: (a) the revised SOP containing also supervisory and monitoring controls for validation of NFIs; (b) a sample of monitoring reports verifying partners’ stock reports; and (c) evidence of establishment of the new database to facilitate the monthly reconciliation of NFIs.

G. Livelihoods and self-reliance

The Representation needed to strengthen controls over its livelihoods programme

33. In order to ensure effective and efficient delivery of livelihoods activities, it is essential that the Representation: a) adequately plans and designs the implementation of its livelihoods activities; b) has access to the requisite livelihoods expertise; c) ensures that its livelihoods partners have the relevant experience and skills to implement livelihoods projects; d) monitors and reports on the expenditures, performance and impact of livelihoods programmes; and e) establishes an exit strategy (where possible) to avoid a situation where persons of concern would be in perpetual dependence on humanitarian support.

34. The Representation’s expenditure on livelihoods programme for 2016 and 2017 was \$16.6 million. In 2017, it recruited a national livelihoods officer and a professional livelihoods officer. It developed a

country specific livelihoods strategy for 2018-2019 in alignment with the UNHCR Global Strategy on Livelihoods for 2014-2018. The Representation's livelihoods and self-reliance programme compliance score vis-a-vis the minimum criteria compliance assessment conducted by the Livelihoods Unit at headquarters was 55 per cent. OIOS review indicated the following control weaknesses in the implementation of the livelihoods programme:

- Although the Representation had formulated SOPs for some of the livelihoods interventions such as small business grants, vocational training and livelihoods tool kits, two SOPs which were due for revision were yet to be updated. Similarly, the Representation had not developed SOPs for agricultural assets and diversification despite having invested over \$1.8 million in such activities.
- Although a market needs assessment for vocational training was conducted in Hassakeh and Daraa Governorates in December 2017, the exercise was not performed in other governorates. Similarly, a baseline assessment was not conducted. The Representation stated that it had planned to conduct baseline assessments through an outsourced firm.
- The Representation did not report on the agricultural assets and diversification related activities because it had not formulated any performance or impact indicators for them.
- The Representation did not ensure that: (i) all partners distributing livelihoods tool kits such as for sewing, carpentry, plumbing and hairdressing systematically abided by the beneficiary selection criteria as expressed in the SOP; and (ii) partners offering vocational training activities procured input materials in a timely manner for the delivery of the activity to the intended beneficiaries. For instance, OIOS noted cases where plumbing and carpentry materials had been procured at the end of the year when the training was scheduled to have come to an end.

35. The Representation attributed these weaknesses to the lack of livelihoods expertise at the onset of delivery of these programmes and the difficult operating environment in the country. In the opinion of OIOS, however, whilst the Representation had prioritized the delivery of livelihoods programmes, there was not enough evidence to suggest that such a prioritisation was commensurate with the actual actions taken. Consequently, the Representation was exposed to the risk of not obtaining value for money by not targeting the right beneficiaries with the right livelihoods activities. This could also result in continued dependence of persons of concern on humanitarian aid.

(6) The UNHCR Representation in Syria should strengthen its controls over livelihoods programmes, in particular by updating and completing the standard operating procedures supporting the implementation of the livelihoods strategy, conducting baseline and market assessments, and consistently monitoring the delivery of the livelihoods programmes.

UNHCR accepted recommendation 6 and stated that the Representation would finalise the SOP and the market assessments. Recommendation 6 remains open pending receipt of the revised SOP and the market assessment reports, and evidence of achievement of the livelihoods programme targets and indicators to demonstrate consistent monitoring of the programme.

IV. ACKNOWLEDGEMENT

36. 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 operations in the Syrian Arab Republic 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 Representation in Syria should update its multi-year IDP protection strategy to reflect its strategic vision, deliverables, action plans and monitoring and reporting mechanisms. | Important | O | Submission to OIOS of the finalized IDP protection strategy | 30 June 2019 |
| 2. | The UNHCR Representation in Syria should put in place adequate management supervision arrangements to ensure adequate financial and performance monitoring of projects by multi-functional teams, including in respect of costs incurred by partners on project procurement and personnel. | Important | O | Submission to OIOS of: (i) the third party report on partners' procurement processes and evidence of implementation of recommendations raised in the report; and (ii) evidence of implementation of recommendations raised in the salary survey on partner personnel. | 30 June 2019 |
| 3. | The UNHCR Representation in Syria should strengthen its protection support for the victims of sexual and gender based violence and children at risk by: (i) providing adequate guidance to its field staff for preparing reports on visits to community centres; (ii) ensuring that multi-functional teams use weekly field reports to verify the protection data reported by partners; (iii) providing a template to partners to record progress related to case management in compliance with UNHCR protection rules; and (iv) adding adequate provisions in Project Partnership Agreements on the qualification and experience requirements for partners' staff who deliver protection support on behalf of UNHCR. | Important | O | Submission to OIOS of: a) a sample of monitoring visit reports prepared in the light of protection guidance, checklist and template provided to the monitoring teams; b) a sample of reports by the multi-functional team with evidence that they used the monthly monitoring reports by UNHCR protection staff in addition to partners' reports to verify progress on protection deliverables; and c) evidence of progress made on the development of the definition of profiles of protection staff. | 31 March 2019 |
| 4. | The UNHCR Representation in Syria should: (i) strengthen technical monitoring of shelter activities; | Important | O | Submission to OIOS of: a sample of shelter monitoring reports prepared in line with suitable | 31 December 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 the Syrian Arab Republic 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 |
|----------|---|-------------------------------------|----------------------|--|----------------------------------|
| | and (ii) develop data collection procedures for the monitoring and reporting of shelter activities. | | | technical monitoring guidance and data collection procedures. | |
| 5. | The Representation should: (i) develop and implement supervisory and monitoring controls for validation of non-food items (NFIs) distributed to beneficiaries; (ii) ensure that Sub and Field Offices regularly verify partners' stock reports; and (iii) upgrade the Project Tracking Database tool to facilitate monthly reconciliation of NFIs. | Important | O | Submission to OIOS of: (a) the revised SOP containing also supervisory and monitoring controls for validation of NFIs; (b) a sample of monitoring reports verifying partners' stock reports; and (c) evidence of establishment of the new database to facilitate the monthly reconciliation of NFIs. | 31 March 2019 |
| 6. | The UNHCR Representation in Syria should strengthen its controls over livelihoods programmes, in particular by updating and completing the standard operating procedures supporting the implementation of the livelihoods strategy, conducting baseline and market assessments, and consistently monitoring the delivery of the livelihoods programmes. | Important | O | Submission to OIOS of: the revised SOP and the market assessment reports, and evidence of achievement of the livelihoods programme targets and indicators to demonstrate consistent monitoring of the programme | 31 March 2019 |

APPENDIX I

Management Response

Management Response

Audit of the operations in the Syrian Arab Republic 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 Syria should update its multi-year IDP protection strategy to reflect its strategic vision, deliverables, action plans and monitoring and reporting mechanisms. | Important | Yes | Deputy Representative/ Protection | 30 th June 2019 | <p>(i) Multi-year protection strategy with vision, deliverables, action plan and monitoring and reporting mechanisms are already part of the annual country operations plan whereby details including plan of action, monitoring and reporting of protection activities through indicators (performance and impact indicators) are stipulated both in <i>Focus</i> and in the Partnership Agreements (PAs).</p> <p>The multi-year IDP protection strategy with strategic vision, deliverables, action plans, monitoring and reporting mechanisms will be updated by end 2018.</p> <p>Two workshops (IDP and Refugees) are planned for December 2018, which will lead to the establishment of a working group that will be tasked with the responsibility of updating the multi-year IDP protection strategy. The planned timeline for release of the IDP protection Strategy is 30th June 2019.</p> |
| 2. | The UNHCR Representation in Syria should put in place adequate management | Important | Yes | Assistant Representative Programme | (i) Implemented; evidence has been shared. | (i) Monitoring was further strengthened during 2017 with the introduction of Project Performance Monitoring |

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 the Syrian Arab Republic for the Office of the United Nations High Commissioner for Refugees

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| | <p>supervision arrangements to ensure adequate financial and performance monitoring of projects by multi-functional teams, including in respect of costs incurred by partners on project procurement and personnel.</p> | | | | <p>(ii) 30th June 2019 for partner's procurement; (iii) Salary survey recommendation to be implemented by 31 December 2018</p> | <p>Templates which were developed for all PAs in the operation. The templates were shared by the Representative to the Heads of Sub/Field Offices for further use by their respective multifunctional teams (MFTs). These reports from the field MFTs were made available to the auditors during the audit mission. The monitoring was undertaken through MFTs in all locations, and the findings were recorded in the performance monitoring templates. These templates are now being used for all monitoring in 2018. The operation established MFTs for performance monitoring in 2017, following which structured monitoring of all partner activities with corresponding reports have been compiled at mid-year and end year.</p> <p>(ii) In order to address identified shortcomings in partners' procurement, the operation contracted a third party (audit company) in May 2018 to monitor and evaluate procurement processes and capacities of partners. Also, the findings of the monitoring process will be included in the decisions to designate procurement to partners through the comparative advantage analysis that are to be concluded before the signing PPAs for partners with procurement above USD 100,000. Monitoring of partner procurement is included in Partner Monitoring plans for all PAs and</p> |
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| | | | | | <p>agreed timelines signed off on by both UNHCR and the partner.</p> <p>UNHCR head of offices and partner Country Director designating responsible staff (MFT) and enforcing deliverables will sign off the Partner Monitoring Plans. Persistent non-compliance will continue to feed into the partner selection process and will be used as a basis for non-retention. At the same time, UNHCR operation in Syria has enhanced its monitoring processes through:</p> <ul style="list-style-type: none"> a. Establishment of MFTs to manage and monitor each of the projects. b. Project monitoring plans for each of the PAs will be prepared highlighting key monitoring dates/events and signed off by the heads of offices and partner Country Directors. c. MFT teams will be oriented/trained on the contents of the PAs highlighting the key areas that need to be captured during the monitoring visits. d. Supply has drafted an SOP for monitoring partner procurement which is currently under discussion among the MFT members, with the aim of integrating it with other monitoring/verification SOPs. <p>Based on gaps and weaknesses identified by this company, capacity-building of partners in this specific area will be conducted. Further, during</p> |
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| | | | | | <p>June/July 2018, the Syria operation organized orientation sessions for partners with particular focus on procurement plan development and procedures. During the Mid- Year review, the Syria operation will revise partner procurement plans until year-end in order to avoid procurements at the year-end. Several initiatives have been undertaken by the operation to address the Partner procurement: in January 2018, a half day workshop was organized for all partners; MFT (programme/project control/supply) visits to new partners were conducted during May 2018 to assess their procurement capacities; during June/July 2018 operation organized orientation sessions for partners with particular focus on procurement plan development.</p> <p>(ii) Concerning personnel, the operation contracted a firm to conduct salary survey for national Partners’ personnel in November 2017. The report was received in February 2018. The salary survey recommendations will be implemented by December 2018.</p> <p>Supporting evidence for the above has been shared with the auditors.</p> |
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| 3. | The UNHCR Representation in Syria should strengthen its protection support for the victims of sexual and gender based violence and children at risk by: (i) providing adequate guidance to its field staff for preparing reports on visits to community centres; (ii) ensuring that multi-functional teams use weekly field reports to verify the protection data reported by partners; (iii) providing a template to partners to record progress related to case management in compliance with UNHCR protection rules; and (iv) adding adequate provisions in Project Partnership Agreements on the qualification and experience requirements for partners' staff who deliver protection support on behalf of UNHCR. | Important | Yes | Deputy Representative/Protection | 30 th March 2019 | <p>UNHCR operates within the IDP coordination context working together with UNFPA and UNICEF for the provision of GBV and CP services that are under their areas of responsibility.</p> <p>(i) The UNHCR country office, in consultation with field offices, developed a protection-monitoring template to be used during visits to community centres. Following the orientation on how to use the template, an official communication was issued by the Assistant Representative for Protection instructing field offices to adhere to it and complete it at least once per month for every community centre visit (ref. annex 5). The template covers a range of topics including programmes of SGBV, CP, PSS, Education, etc. and with beneficiaries segregated by age and gender, whether facilities are adequate for the safe and dignified implementation of UNHCR's protection programme, observations made by staff, follow-up remarks etc. The template covers as well areas of GBV, CP, PSS and Education. (ref. annex 6)</p> <p>In addition, the operation developed and shared a "Guidance and a Checklist on Establishment of Community Centres" with sub/field offices which includes guidance for</p> |
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| | | | | | <p>monitoring and reporting of protection issues (ref. annex 7).</p> <p>Furthermore, the country office developed and shared a broad visit monitoring template for use by UNHCR staff fielding missions. This template supports staff to monitor programme progresses, issues including protection risks and provide analysis on situations.</p> <p>However, we do agree that visits conducted to monitor community centres need to be systematically documented (using the template) and shared with the country office for analysis.</p> <p>ii) Protection staff are systematically part of the MFT to verify the protection data provided by partners and they use the partners' reports as a basis to conduct the verification of the protection deliverables.</p> <p>(iii) Part iii of this recommendation has been closed as per page 7 of the Draft Audit Report.</p> <p>iv) UNHCR will work closely with its partners to define the right profiles (experience, qualification) required for the provision of protection services, without getting directly involved in partners' recruitment procedures, in full respect of the principle of</p> |
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| | | | | | | partnership. The operation will strengthen its capacity building of partners' personnel through the design of training on protection delivery and induction of partners' staff on protection principles. |
| 4. | The UNHCR Representation in Syria should: (i) strengthen technical monitoring of shelter activities; and (ii) develop data collection procedures for the monitoring and reporting of shelter activities. | Important | Yes | Deputy Representative/Operations. | 31 December 2018 | <p>The operation has already updated the relevant SOPs for technical monitoring and data collection of shelter activities are now operational. These documents were shared initially with all field/sub offices on 08/06/2017 and was updated recently based on feedback received from the field, OIOS auditors and technical discussions with relevant colleagues. Furthermore, sub/field offices met the partners in their respective areas and presented the UNHCR monitoring system and tools. Subsequently, our partners are now using the tools as per internal standards operating procedures such as site monitoring form, beneficiaries list, selection criteria, etc.</p> <p>The operation has developed guidance and data collection procedures are in place. The operation will continue monitoring and further improve the quality of data collection.</p> |
| 5. | The Representation should: (i) develop and implement supervisory and monitoring controls for validation of non-food items (NFIs) distributed to beneficiaries; (ii) ensure that | Important | Yes | Deputy Representative/Ops & Asst. Rep. Programme | (i)31 December 2018; (ii)28 February 2019; | Revised SOP will be finalised by end December 2018 after obtaining feedback from field colleagues. The SOP will include supervisory and monitoring controls for validation of NFIs and risk based monitoring plan to |

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| | Sub and Field Offices regularly verify partners' stock reports; and (iii) upgrade the Project Tracking Database tool to facilitate monthly reconciliation of NFIs. | | | | (iii) 31 March 2019 | verify partners' stock reports by field/sub offices. Regarding the Project Tracking Database, identified gaps have been addressed including technical and process-driven issues that would lead to the revision of the current SOP and processes. Stock balances for the year-end 2017 have been reconciled, and stock reconciliation are being implemented on a monthly basis. The reports covering December 2017 up to October 2018 have been shared with the auditors. |
| 6. | The UNHCR Representation in Syria should strengthen its controls over livelihoods programmes, in particular by updating and completing the standard operating procedures supporting the implementation of the livelihoods strategy, conducting baseline and market assessments, and consistently monitoring the delivery of the livelihoods programmes. | Important | Yes | Deputy Representative/ Ops. & Livelihood Officer | (i)SOP for vocational training developed and rolled out on 01 August 2018 (Copy is placed on eSafe); (ii) Three Market assessments conducted and concluded (available on eSafe); (iii) 31 March 2019 (Target indicator reports will be available) | Updating and completing standard operating procedures (SOP) and conducting markets assessments are tangible deliverables and timeframes set by the Operation: a) SOP: 01/10/2018, b) Market assessment reports: 31/12/2018. |