



INTERNAL AUDIT DIVISION

REPORT 2015/049

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

Overall results relating to management of the
operations in Jordan were initially assessed as
unsatisfactory. Implementation of one critical
and four important recommendations remains in
progress.

FINAL OVERALL RATING: UNSATISFACTORY

12 June 2015

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AUDIT REPORT

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

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the operations in Jordan for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The UNHCR Representation in Jordan (hereinafter referred to as the 'Representation') commenced its operations in 1997. As at December 2014, the Representation assisted 623,000 Syrian refugees and 50,000 non-Syrian refugees and asylum seekers. Whilst around 100,000 of these refugees were staying in camps, the others were scattered all around the country as urban refugees. Under the leadership of the Government of Jordan, the Representation coordinated with the donors, United Nations agencies and other humanitarian organizations to develop a Regional Response Plan for Syrian refugees. The main objectives of the Regional Response Plan were to relieve the pressure on services and resources and to maintain protection space for the refugees. The Representation assisted the non-Syrian caseload of refugees by ensuring their protection and exploring opportunities for their resettlement to other countries.
4. The Representation was headed by a Representative at the D-2 level and had 728 posts of which 601 were filled at the time of the audit. It had a branch office in Amman, a sub office in Mafraq, and two field offices in Azraq and Irbid. It had expenditures of \$85.7 million in 2012 and \$234.3 million in 2013. Its budget for 2014 was \$307.7 million. For the 6-month period up to 30 June 2014, its expenditure was \$98.9 million. The Representation worked with 24 partners in 2013 and 25 partners in 2014.
5. Comments provided by UNHCR are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNHCR governance, risk management and control processes in providing reasonable assurance regarding the **effective management of the operations in Jordan**.
7. The audit was included in the 2014 risk based internal audit work plan for UNHCR due to the risks associated with responding to the Syrian refugee crisis.
8. The key controls tested for the audit were: (a) project management; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:
 - (a) **Project management** - controls that provide reasonable assurance that there is proper planning and implementation as well as accurate and complete monitoring and reporting of the Representation's project activities.

(b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the management of the operations in Jordan; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

9. The key controls were assessed for the control objectives shown in Table 1.

10. OIOS conducted the audit from May to December 2014. The audit covered the period from 1 January 2012 to 31 March 2014. During the audit, OIOS visited the Representation's offices in Amman, Mafraq and Azraq, and the refugee camps in Zaatari and Azraq.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

12. The UNHCR governance, risk management and control processes examined were initially assessed as **unsatisfactory**¹ in providing reasonable assurance regarding the **effective management of the operations in Jordan**. OIOS made seven recommendations to address issues identified in the audit.

13. There was a critical need for the Representation to ensure full compliance with the established procurement rules and procedures in the areas of transparent and competitive bidding, solicitation of waivers and contract management. There was also a need to: (a) improve procedures over cash based interventions; (b) formulate criteria for the payment of cash incentives to government partner personnel; (c) improve documentation and procedures for payment of renovation works; and (d) capitalize expenditure qualifying as property, plant and equipment. The Representation took corrective action on the need to: (a) strengthen financial monitoring of partners; and (b) strengthen safety of data for ensuring appropriate disaster recovery arrangements.

14. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **unsatisfactory** as the implementation of one critical and four important recommendations remains in progress.

¹ A rating of “**unsatisfactory**” means that one or more critical and/or pervasive important deficiencies exist 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

Table 1
Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of the operations in Jordan	(a) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Regulatory framework	Partially satisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory
FINAL OVERALL RATING: UNSATISFACTORY					

A. Project management

Need to improve procedures over cash based interventions

15. The “Introduction to Cash Based Interventions in UNHCR”, issued in 2013, provides guidance on the implementation of cash assistance programmes in UNHCR field operations. In line with this guidance, the Representation should prepare standard operating procedures on cash based interventions with clearly articulated criteria for selecting the beneficiaries for cash assistance and specifying a time limit for processing each case and making the payment. The Representation should also identify and address risks associated with cash assistance programmes. In particular, as cash payments are exposed to high risk of loss and theft, including through fraud, appropriate controls, such as segregation of duties and checks and balances, need to be in place.

16. The review of cash based interventions during the audit showed the following shortcomings:

- The Representation’s own standard operating procedures on cash based interventions did not specify a time limit for processing each beneficiary case. As a result, the Representation did not have a benchmark for measuring and assessing what was a reasonable delay for the beneficiary to receive the payment of cash assistance. The average time for processing and approval of each case was three to four months.
- The Representation maintained the record of beneficiaries in its Refugee Assistance Information System. For payment purposes, however, it sent Excel-based beneficiary lists to its bank on an encrypted CD. The lists were prone to manual errors and could easily have been hacked and tampered with. Similarly, the CD was not a safe media as it was vulnerable to the risk of data corruption.

17. The above control deficiencies happened because of gaps in the standard operating procedures on cash based interventions and because the Representation had not identified and assessed the key risks pertaining to the cash payments.

<p>(1) The UNHCR Representation in Jordan should revise its standard operating procedures on cash based interventions to incorporate a time limit for processing each beneficiary case, and develop and implement an action plan for ensuring secure electronic transfer of data related to</p>
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payment of cash assistance.

UNHCR accepted recommendation 1 and stated that the Representation had fundamentally revised its standard operating procedures on cash based interventions, which now stipulated an appropriate duration under normal circumstances for the various steps of the process. The updated standard operating procedures also included an overhauled chapter on financial management and specified a two-month limit as processing time from registration to payment in regular (non-massive) refugee influx situations. A custom-built large-scale and secure internet banking interface would be implemented to allow UNHCR to transfer data directly into the system of the bank without resorting to any offline sharing. In order to evaluate the risks in line with global oversight requirements, a high level support mission to Jordan was being undertaken and its findings would be included in the future implementation of this process. Recommendation 1 remains open pending receipt of the revised standard operating procedures on cash based interventions and evidence of implementation of the secure data transfer modality with the bank.

Action was taken to strengthen financial monitoring of partners

18. The UNHCR Manual requires the Representation to monitor and report on programme activities implemented through partners. This includes, *inter alia*, verification of the expenditures reported by the partners, especially for high-risk transactions, in their quarterly financial reports and assessment of the adequacy of internal controls over financial management and accounting systems in place at the partners.

19. The Representation spent \$25.9 million in 2012 and \$77.3 million in 2013 through its partners on assistance to the population of concern. During both years, the Representation conducted at least one annual financial verification visit to each of its partners. A review of the financial monitoring reports related to ten partners showed that the verification teams duly documented the tests they had conducted. However, they did not record their assessments and conclusions on the internal control systems for the information of the Representation's management. In addition, no recommendations were raised by the verification teams on the need to correct control weaknesses identified at the partners. At two of the eight partners visited by OIOS, the following weaknesses in financial management and accounting systems were identified, although the verification teams reported having reviewed these controls:

- One of the partners did not ensure segregation of duties, as required, and assigned the responsibilities for entering general ledger entries and carrying out bank reconciliations to the same staff member. Furthermore, the partner prepared the accounts using Excel sheets which were prone to errors. The partner also did not conduct any annual stock verifications, as required.
- The other partner did not stamp "Paid" on the payment vouchers and original supporting documents, as required. As the partner received funds from different donors for activities in the same sector, it would have been important to ensure that supporting documents were not utilised to account for more than one source of donor funding.

20. The above shortcomings were associated with the Representation not providing adequate training to its staff in conducting the financial monitoring and not establishing a management supervision process to ensure the implementation of the required procedures. This prevented the Representation from fully ensuring that its verification teams were conducting systematic and in-depth financial monitoring that adequately covered high-risk transactions.

(2) The UNHCR Representation in Jordan should provide training to staff involved in financial verification of partners and establish an appropriate management supervision process to ensure the implementation of the required procedures for financial monitoring.

UNHCR accepted recommendation 2 and stated that the Representation's Senior Project Control Officer and Senior Project Control Associate had taken part in separate project control learning programmes and workshops. Additionally, the project control staff had undertaken on-line trainings provided by the UNHCR Global Learning Centre. A plan for training of all staff involved in the verification process was under discussion. In the meantime, management had requested that the new Project Control Officer put in place a coaching mechanism to strengthen the capacities of staff involved in the financial verification of partners. In this regard, he was taking part in most verification exercises to ensure that all risk zones were controlled and appropriate recommendations made. New templates for project verification, financial and performance monitoring were prepared. Based on the action taken and the documentation provided by the Representation, recommendation 2 has been closed.

Need to formulate criteria for the payment of cash incentives to government partner personnel

21. The UNHCR Manual stipulates that the Representation should budget for partner personnel costs in the project partnership agreement in terms of fully identifiable line items (e.g., salary per staff member per month). Lump sum amounts for personnel costs should be avoided as this leads to lack of transparency and difficulties in monitoring. Where personnel costs are presented as lump sums, assumptions for the calculation of such amounts should be clearly documented and mentioned in the agreement and based on objective and verifiable criteria to ensure the linkage to the UNHCR project. The Representation should also request the partners to provide a list of all staff eligible for payments before signing of the agreement.

22. The Representation allocated lump sum budgets for payment of cash incentives to the staff of its government partners. The total budget allocated for payment of the incentives in 2013 totalled \$1.2 million for three government partners. The Representation stated that the payment of incentives was allowed in acknowledgement of the services of the government partners' staff for assisting the Syrian refugees in spite of growing inflation and pressure upon the country's infrastructure. A review of the 2013 reports of the external auditors hired by the Representation to audit the accounts of the partners indicated that one of the government partners, who paid the largest sum of incentives of \$807,044 to its staff, could not provide the lists of staff who received the incentive or the signatures of the staff as proof of receipt of the payment. The external auditors also observed that some beneficiaries signed for others, which was against the principle of prudence in financial matters. The Representation did not take appropriate follow-up action on the observations made by the external auditors.

23. The reason for the above shortcoming was that the Representation did not agree and document the assumptions regarding the calculation of the cash incentives, based on objective and verifiable criteria, in the project partnership agreement and did not request the partner to provide a list of all staff eligible for payment. Absence of well-established criteria for the payment of incentives could make the payments vulnerable to fraud and misuse.

(3) The UNHCR Representation in Jordan should establish procedures to ensure that appropriate criteria for the payment of all types of personnel costs to partners' staff are included in the project partnership agreements with the government partners.

UNHCR accepted recommendation 3 and stated that the Representation had adapted its relationship with Government partners, providing financial support to the most relevant offices within the Government. Although the modalities varied depending on the type of engagement with UNHCR and

refugees, the criteria for support was that it must be nominative and compensate for work that was clearly additional and refugee-related. Recommendation 3 remains open pending receipt of evidence that project agreements with the government partners stipulate objective and verifiable criteria for the payment of all types of personnel costs, along with a list of staff eligible for such payments.

B. Regulatory framework

Need to ensure full compliance with the established procurement rules and procedures in the areas of transparent and competitive bidding, solicitation of waivers and contract management

24. The Representation is required to comply with the UNHCR procurement rules and procedures, which include, *inter alia*: (a) preparing an annual procurement plan based on an assessment of needs; (b) initiating timely procurement activities in accordance with the procurement plan to facilitate transparent and competitive procurement; and (c) ensuring adequate oversight over the procurement activities.

25. The Representation conducted procurement for a total value of \$85.6 million during the period from 1 January 2012 to 31 December 2013. A review of 30 contracts and frame agreements for a total amount of \$27.7 million showed the following control deficiencies in the Representation's procurement processes:

- In 2013, the Representation procured equipment and other items for a Government Ministry for the benefit of the population of concern. A unit of the Division of Programme Support and Management at UNHCR headquarters conducted a technical evaluation of 19 received bids and cleared four vendors for procuring 141 items. The Procurement Management and Contracting Service (PMCS) of the Division of Emergency, Security and Supply at UNHCR headquarters then conducted a financial evaluation and recommended the lowest quoted items in each category from the technically qualified vendors. The Representation shared the technical evaluation with the concerned Ministry which, after conducting its own technical evaluation, suggested rejecting the lowest quoted items as non-compatible with its requirements and national standards. The Representation agreed to this suggestion and requested PMCS to revise its financial evaluation. PMCS subsequently prepared an estimate of \$3,123,000 for the items recommended by the Ministry. This price was \$748,000 more than the aggregate price would have been if the lowest priced item from each category had been selected. Out of this total tender price, the Representation solicited approval from the UNHCR Committee on Contracts (CoC) at headquarters for procurement of items worth \$2,909,000 from two vendors. Although a committee of the concerned Ministry performed the second evaluation without involvement of any UNHCR staff, the Representation mentioned in its submission memo to the CoC that the second technical evaluation was carried out with the help of the Ministry. Further, the Representation did not mention in the submission memo to the CoC the financial impact of the second technical evaluation on the procurement of the items. In addition, items for the remaining \$214,000 (\$3,123,000-\$2,909,000) were procured with the approval of the Representation's own Local Committee on Contracts. Splitting up the approval of the tender meant that the CoC did not have oversight over the entire tender process and was thus prevented from making a fully informed decision.
- In October 2012, instead of undertaking a new tender process, the Representation requested the CoC to grant a waiver from the normal procurement procedures and allow procurement of hygiene kits for \$150,000 from the only qualified bidder. The Representation subsequently increased the ceiling of the agreement to \$826,000 in November 2012 and to \$1,891,000 in

March 2013. Although the CoC re-approved both cases, the request for three waivers for the same items defeated the principle of competitive procurement.

- In May 2013, the Representation obtained a waiver of competitive bidding from the CoC to piggyback on a UNHCR Syria contract for the supply of mattresses. However, the two country operations did not sufficiently coordinate on this issue. One month before the Representation conveyed its decision to piggyback on the contract for 339,000 mattresses, the Representation in Syria executed the contract only for its own requirement of 200,000 mattresses.
- In 2013, the Representation entered into a lease agreement for five years for new office premises in Amman for \$3.6 million after obtaining a waiver from the CoC. The CoC granted the waiver on the condition that the lease agreement would only be signed once the advice obtained by the Representation from the UNHCR Legal Affairs Service was followed. The Representation negotiated with the property owner to agree to the conditions proposed by the Legal Affairs Service, but the property owner refused to sign the contract on these terms. For example, the property owner, although responsible for property tax, demanded that the Representation reimburse him the property tax on the building. Notwithstanding the advice from the Legal Affairs Service to consider the financial impact of the reimbursement of property tax before agreeing to the condition, the Representation agreed to reimburse the property tax to the property owner without assessing the financial impact. The Representation made the decision on verbal inquiry from the property owner regarding property tax of 2014 which amounted to \$1,902. After the renovation and the improvements made to the property by the Representation, the Government re-assessed the value of the property in June 2014 and levied a property tax of \$84,600 for 2015. Furthermore, the Legal Affairs Service had advised to add the standard diplomatic clause for termination of the agreement in case of *force majeure* under which the property owner was bound to return any unspent balance of lease payments on a 30-day notice. The property owner did not agree to add this diplomatic clause in the contract. Given the prevailing sensitive security conditions in the region, there was therefore a risk that the property owner would not be legally bound to refund the unspent balance from the five-year advance rent of \$3.6 million paid by the Representation. Despite the above risks, the Representation leased the office premises with the conditions of the property owner. It stated that it did not have any other viable option in view of the Syrian emergency, as it was not in a strong negotiating position.

26. These control deficiencies happened because the Representation had not established appropriate mechanisms for ensuring full compliance with the UNHCR procurement rules and procedures. In particular, lack of an annual procurement plan contributed to excessive use of waivers of competitive bidding and inadequate management oversight resulted in execution of procurement activities that were not competitive.

(4) The UNHCR Representation in Jordan should prepare an annual procurement plan based on an assessment of needs and establish adequate management oversight processes over procurement activities for ensuring full compliance with the UNHCR procurement rules and procedures.

UNHCR accepted recommendation 4 and stated that the Representation had prepared the Summary Core Relief Item Annual Needs Plan 2015, the Annual Procurement Plan 2015-16 and the Comprehensive Requirements for Quantities and Budget 2016. To supervise the procurement activities, pending the forthcoming appointment to the vacant P-4 position, a Senior Supply Officer had been engaged under a temporary appointment. All concerned staff were trained on supply management issues. Recommendation 4 remains open pending receipt of evidence of an independent verification of the establishment of adequate management oversight processes over procurement activities.

Need to improve documentation and procedures for payment of renovation works

27. The UNHCR Manual requires the Representation to engage a qualified engineer to monitor the progress of civil works and to control the quality of the work done. The engineer should maintain complete records related to the relevant repairs and renovation works including payment vouchers and appropriate supporting documents such as drawings, specifications and bill of quantities. The engineer should also evaluate progress of the work, determine the amounts owed to the contractor and issue completion certificates for payment based on his/her observations. The staff responsible for approving payments to the contractor should review the relevant supporting documents and ensure that the engineer has conducted an evaluation of the work done before approving the payment. UNHCR General Conditions of Contract for Civil Works require the Representation's engineer to instruct the contractor about variations in quantity or quality of the works, by means of change orders.

28. In its meeting of 12 August 2013, the CoC approved a contract for the renovation of the Representation's office premises in Amman for \$588,892. The Representation provided the designs, specifications, drawings and bills of quantities to the contractor for the work. However, the Project Engineer engaged by the Representation did not follow UNHCR procedures regarding the assessment of the work completed. The engineer certified on the invoice that he was satisfied with the work completed instead of recording a separate comparison of each item of the work done with the required items on the bill of quantities, and assessing any deficiencies. In addition, instead of giving written change orders as required, he verbally issued instructions to the contractor for additional work like adding new rooms and partitioning, access for disabled people, and security and electrical installations. This resulted in an increase of \$238,376 (40 per cent) in the overall cost of the renovation work. The reason for this was that, instead of adequately analyzing and documenting the impact of the additions and amendments on the design documents, the engineer gave only verbal instructions to the contractor. The staff approving the payments also did not adequately review the supporting documents and did not request a detailed evaluation of the work done from the engineer as required by the rules.

29. Although the CoC approved the additional costs in its meeting of 28 October 2013 - after the additional work was already undertaken - the lack of compliance with UNHCR rules regarding assessment of renovation work in progress and authorisation of change orders in the above case resulted in an additional cost of over \$238,000 compared to the originally agreed price of the contract.

(5) The UNHCR Representation in Jordan should put in place appropriate procedures for the assessment of renovation work in progress and issuance of written change orders.

UNHCR accepted recommendation 5 and stated that an Invitation to Bid was launched for contracting of services for maintenance and management of UNHCR premises in Amman. A procedure to be followed for initiating and monitoring maintenance/renovation activities and the format of change/work orders had been introduced. In addition, guidelines for administration and management of construction contracts were being developed by UNHCR. Recommendation 5 remains open pending receipt of evidence of systematic implementation of procedures for the assessment of renovation work in progress by the Project Engineer and the issuance of written change orders to the contractors.

Action was taken to strengthen safety of data for ensuring appropriate disaster recovery arrangements

30. The UNHCR policy on biometrics in refugee registration and verification processes requires the Representation to take all appropriate measures to protect the security of biometric and digital data from accidental loss or destruction.

31. The Representation's disaster recovery procedures relating to biometric and digital data of the refugees were limited to backing up the financial data on daily, weekly and monthly basis. It stored the backup data in the office premises of the UNHCR Division of Information Systems and Telecoms in Amman. On a monthly basis, it sent a snapshot of the proGres database, the UNHCR refugee registration database, to the regional data management team in Beirut, Lebanon. However, there was no system of storing the complete data back up at a remote location.

32. The reason for the above control weakness was that UNHCR did not have an organization-wide policy or guidance on off-site storage of backup data pertaining to critical operations at a remote location to avoid loss of data in case of an eventuality. In case of a disaster, the monthly snapshot would not have been sufficient to restore the data pertaining to refugee registration, biometrics information and information on the assistance provided to the refugees. In case of loss of data backup stored in Amman, the Representation would not have been able to resume its normal operations involving financial, operational and reputational risks.

(6) The UNHCR Representation in Jordan should request the UNHCR Division of Information Systems and Telecoms to provide guidance on off-site storage of backup data pertaining to critical operations, and take appropriate measures in light of such guidance to avoid loss of data in case of an eventuality.

UNHCR accepted recommendation 6 and stated that the following back-up procedures were now in place: (1) one production copy, on the production server; 2) two daily backup copies, out of which one on a different media than the server, performed using SQL backup tools (full backup); (3) one offsite copy, produced weekly and kept in a fire-proof safe outside of the office. Based on the action taken by UNHCR, recommendation 6 has been closed.

Need to capitalize expenditure qualifying as property, plant and equipment

33. In accordance with International Public Sector Accounting Standards, the Representation should recognise an asset as property, plant and equipment (PPE) when it meets stipulated criteria.

34. The Representation did not capitalize the following expenditures in 2013 and 2014, although they met the criteria for PPE:

- Leasehold improvements of \$1.1 million for the renovation of new leased office premises in Amman, and the construction of the Amman registration centre adjacent to the new office;
- Expenditure of \$9.9 million for construction of two refugee camps at Zaatari and Azraq;
- Acquisition of a dual eye iris recognition registration system for \$0.3 million; and
- Acquisition of registration and security equipment for \$0.7 million.

35. The reason for this weakness was that the Representation did not submit the Quarterly Construction or Improvement Status Report related to the above-mentioned expenditures, with the relevant supporting documents, to the Division of Financial and Administrative Management at headquarters for determination of the expenses that needed capitalization, including their useful life and relevant accounting entries. Consequently, the Representation's PPE records were understated by approximately \$12.0 million.

(7) The UNHCR Representation in Jordan should implement procedures to ensure timely consultation with the UNHCR Division of Financial and Administrative Management, including submission of relevant documentation, for determination of construction or development related expenses that need capitalization.

UNHCR accepted recommendation 7 and stated that the Representation was providing a quarterly Construction/Improvement Status Report to the Accounts and Financial Service at the UNHCR headquarters for determining which expenses required capitalization of the assets. Recommendation 7 remains open pending receipt of proof of booking of the capital expenditures in compliance with International Public Sector Accounting Standards, or a justification why the expenditures concerned, as identified in the audit, would not be deemed to meet the criteria for capitalization.

The Representation was in compliance with the required security and safety standards

36. In accordance with the United Nations Security Management System, all the United Nations agencies are required to comply with the Minimum Operating Security Standards (MOSS).

37. In 2014, the Representation arranged for a MOSS compliance review to be undertaken by the United Nations Department of Safety and Security (UNDSS). The UNDSS team surveyed the Representation offices and installations and rated them as MOSS compliant with the scores ranging from 91 per cent to 100 per cent. OIOS concluded that the Representation had taken appropriate actions to ensure compliance with the required security and safety standards.

IV. ACKNOWLEDGEMENT

38. OIOS wishes to express its appreciation to the Management and staff of the UNHCR Representation in Jordan for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

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

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	The UNHCR Representation in Jordan should revise its standard operating procedures on cash based interventions to incorporate a time limit for processing each beneficiary case, and develop and implement an action plan for ensuring secure electronic transfer of data related to payment of cash assistance.	Important	O	Submission to OIOS of the revised standard operating procedures on cash based interventions and evidence of implementation of the secure data transfer modality with the bank.	31 July 2015
2	The UNHCR Representation in Jordan should provide training to staff involved in financial verification of partners and establish an appropriate management supervision process to ensure the implementation of the required procedures for financial monitoring.	Important	C	Action completed	Implemented
3	The UNHCR Representation in Jordan should establish procedures to ensure that appropriate criteria for the payment of all types of personnel costs to partners' staff are included in the project partnership agreements with the government partners.	Important	O	Submission to OIOS of evidence that project agreements with the government partners stipulate objective and verifiable criteria for the payment of all types of personnel costs, along with a list of staff eligible for such payments.	30 September 2015
4	The UNHCR Representation in Jordan should prepare an annual procurement plan based on an assessment of needs and establish adequate management oversight processes over procurement activities for ensuring full compliance with the UNHCR procurement rules and procedures.	Critical	O	Submission to OIOS of evidence of an independent verification of the establishment of adequate management oversight processes over procurement activities.	30 June 2015
5	The UNHCR Representation in Jordan should put in place appropriate procedures for the assessment	Important	O	Submission to OIOS of evidence of systematic implementation of procedures for the assessment	30 June 2015

² Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

³ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

⁴ C = closed, O = open

⁵ Date provided by UNHCR in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

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

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
	of renovation work in progress and issuance of written change orders.			of renovation work in progress by the Project Engineer and the issuance of written change orders to the contractors.	
6	The UNHCR Representation in Jordan should request the UNHCR Division of Information Systems and Telecoms to provide guidance on off-site storage of backup data pertaining to critical operations, and take appropriate measures in light of such guidance to avoid loss of data in case of an eventuality.	Important	C	Action completed	Implemented
7	The UNHCR Representation in Jordan should implement procedures to ensure timely consultation with the UNHCR Division of Financial and Administrative Management, including submission of relevant documentation, for determination of construction or development related expenses that need capitalization.	Important	O	Submission to OIOS of proof of booking of the capital expenditures in compliance with International Public Sector Accounting Standards, or a justification why the expenditures concerned, as identified in the audit, would not be deemed to meet the criteria for capitalization.	30 June 2015

APPENDIX I

Management Response

Management Response

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

Rec. no.	Recommendation	Critical ⁶ / Important ⁷	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Representation in Jordan should revise its standard operating procedures on cash based interventions to incorporate a time limit for processing each beneficiary case, and develop and implement an action plan for ensuring secure electronic transfer of data related to payment of cash assistance.	Important	Yes	Senior Field Coordinator	Jul-2015	<p>The UNHCR Representation in Jordan has fundamentally revised its SOPs on cash based interventions, including the stipulation of an appropriate duration under normal circumstances for the various steps of the process. The updated SOPs also include an overhauled chapter on financial management and specify a two-month limit as processing time from Registration to the CBI Payment in environment of regular (non-massive) refugee influx. The SOPs will be finalized and signed in May 2015 and copied to OIOS.</p> <p>A plan to arrive at a secure data transfer modality was in place before the audit. It hinges on the implementation of a salary system (i.e. a custom-built large-scale and secure internet banking interface), which will allow UNHCR to transfer data directly into the system of the bank without resorting to any offline sharing. This will be complemented by the dramatically reduced data needs by the time the EyeCloud © system is implemented. This will allow for a secure way of sharing authentication data between UNHCR and the bank. Inversely, UNHCR will only share the refugee ID and the associated amount of monthly assistance with the bank in the future. In order to evaluate the risks in line with global oversight</p>

⁶ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

⁷ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

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

Rec. no.	Recommendation	Critical ⁶ / Important ⁷	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						requirements, a high-level support mission to Jordan in is being undertaken in May 2015. Its findings will be included in the future implementation of this process.
2	The UNHCR Representation in Jordan should provide training to staff involved in financial verification of partners and establish an appropriate management supervision process to ensure the implementation of the required procedures for financial monitoring.	Important	Yes	Senior Programme Officer and Project Control Officer	Sep-2015	<p>The current Project Control Unit in Jordan consists of one Project Control Officer (newly arrived) and one Senior Project Control Associate. While it is true that the dedicated project control staff may benefit from refresher training, it is worth noting that the Senior Project Control Associate and the recently departed Senior Project Control Officer had taken part in separate Project Control Learning Programme and Workshops. Additionally, Project Control Staff have undertaken on-line trainings provided by the UNHCR Global Learning Centre. The Project Control Unit is in the process of being strengthened, with the recruitment of an Associate Project Control Officer (NOB).</p> <p>In consultation with all relevant parties, a plan for training of staff (Programme, Field and Project Control) involved in the verification process (financial and monitoring) is under discussion. In the meantime, management have requested that the new Project Control Officer put in place a coaching mechanism to strengthen the capacities of staff involved in the financial verification of partners. In this regard, he takes part in most verification exercises to ensure that all risk zones are controlled and appropriate recommendations made.</p> <p>New templates for the Project Verification Report,</p>

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						<p>which include financial and performance monitoring, have been put in place for 2015. Recommendations made on the findings of the verification will be noted in the template. The key project risks identified will be monitored and followed up to mitigate/eliminate through controls to be put in place. A matrix of recommendations by partner will be shared with management for attention and action.</p> <p>In an effort to increase the capacity of national partners, UNHCR Jordan will organize at least two workshops prior to September 2015. The aim of the workshops will be to increase the understanding of the requirements of project partnership agreements, knowledge of the UNHCR programming, results-based project and financial management, and the quality of proposals and reporting.</p>
3	The UNHCR Representation in Jordan should establish procedures to ensure that appropriate criteria for the payment of all types of personnel costs to partners' staff are included in the project partnership agreements with the government partners.	Important	Yes	Senior Programme Officer	Sep-2015	UNHCR Jordan has adapted its relationship with Government partners, providing financial support to the most relevant offices within the Government. Although the modalities vary depending on the type of engagement with UNHCR and refugees, the criteria for support is that it must be nominative and compensate for work that is clearly additional and refugee-related.
4	The UNHCR Representation in Jordan should establish appropriate mechanisms for	Critical	Yes	Senior Supply Officer	June-2015	The Representation took immediate action to implement the recommendations, specifically:

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	ensuring full compliance with the UNHCR procurement rules and procedures, which should include the preparation of annual procurement plans based on an assessment of needs and the establishment of adequate management oversight processes over the procurement activities.					<ol style="list-style-type: none"> 1) The Summary Core Relief Item Annual Needs Plan 2015, Annual Procurement Plan 2015-2016 and Comprehensive Requirements for Quantities and Budget (2016) have been established and shared with Headquarters. 2) To supervise the procurement activities and provide regular management oversight reports to the Senior Management, pending the forthcoming appointment to the vacant P4 position a Senior Supply Officer has been engaged under a TA to lead the Supply team and focus on the implementation of all mechanisms for ensuring regular full compliance with UNHCR procurement rules and procedures. 3) The Supply Section actively participates in the UN Jordan Common Procurement Team, aimed at consolidating requirements and establish frame agreements that can be used by all UN entities in Jordan for commonly procured items. This is expected to improve Supply Operations and yield best value for money for UNHCR BO Amman. 4) All staff have received a Guidance on Supply Services to clarify the process to be followed and ensure that supply rules and procedures are respected at all times. 5) As part of the country-wide capacity building of the personnel in Supply, Administration, Programme units and the LCC members received in July 2014 training on Procurement delivered by a Senior Supply Officer from PMCS and the Senior Regional Supply

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						<p>Coordinator.</p> <p>6) In March 2015, the Senior Supply Officer and Supply Officer attended “Demand-Supply Planning” workshop in Beirut, where detailed procedures on requirement/procurement planning were discussed, which is being implemented in Jordan.</p> <p>7) Key staff of the Supply section continue to participate throughout May and July 2015 in the series of Webinars organized by the HQ Procurement Management and Contracting Service and the Supply Management and Logistics Service covering all Supply Functions areas.</p> <p>8) Supply staff in the professional category with monitoring responsibilities constantly assist as ex-officio member at LCC sessions.</p>
5	The UNHCR Representation in Jordan should put in place appropriate procedures for the assessment of renovation work in progress and issuance of written change orders.	Important	Yes	Senior Admin Officer	June-2015	<p>As indicated in a previous response, an Invitation to Bid was launched for contracting of services for maintenance and management of UNHCR premises in Amman with submission deadline of 15 May 2015, the selection and contract award process will be finalised by June 2015.</p> <p>Procedure to be followed for initiating and monitoring maintenance/renovation and the format of Change/Work orders have been introduced.</p> <p>It should be noted that the first specific guidelines for administration and management of construction contracts are being developed by UNHCR at present. The Infrastructure Management Unit</p>

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						(DESS) in Budapest is producing a “Construction Contracting and Management Manual” which is scheduled to be completed in the first quarter of 2016.
6	The UNHCR Representation in Jordan should request the UNHCR Division of Information Systems and Telecoms to provide guidance on off-site storage of backup data pertaining to critical operations, and take appropriate measures in light of such guidance to avoid loss of data in case of an eventuality.	Important	Yes	Senior Protection Officer (Registration)	Dec-2015	<p>UNHCR Jordan introduced systematic proGres disaster recovery back-ups in late 2012 in the form of daily back-ups, which were then copied to an external media. In late 2013 the office introduced off-site back-ups.</p> <p>As new UNHCR Jordan offices opened and others relocated, the Branch Office and DIST recently (April 2014) reviewed the current processes and identified areas for improvement, measures which have since been implemented.</p> <p>By the time of the most recent review all countrywide proGres instances were already backed-up twice daily. One back-up is stored on the server itself and the second back-up copy sits on a different media. The third back-up is a weekly back-up (received on a weekly basis each Monday from all sites) which is stored off site in a fireproof safe in the Operation Data Management unit (DAG) in Branch Office Amman.</p> <p>At the time of the review one single instance was not stored completely off-site but in the fire-proof safe away from the server room. This proGres instance is now effectively also backed up fully off site at the Director’s Office (UNHCR Regional Office, Amman).</p> <p>The Refugee Assistance Information System</p>

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						<p>(RAIS) Jordan server, which effectively hosts any other related person of concern database systems, was initially located at the Director’s office and the weekly back-up stored off site in Branch Office. The server was moved in late March 2015 to BO Amman, and the reverse procedure is now in place, whereby the weekly back-up is stored in the Director’s office. The off-site back-up copy is stored in the Director’s office in the fireproof server room. Additionally a fireproof safe will be procured, where the off-site copy will then be stored.</p> <p>The daily back up taking is a routine duty performed by ODM staff. As part of the daily duty, the tasks are performed, ticked upon completion and shared on a daily basis by email with all DAG supervisors, as well as printed out, signed and filed.</p> <p>On a weekly basis the latest back-up is copied to hard disk within the operation known as weekly back-up and physically sent to the BO for off-site storage in the fireproof safe in DAG office, BO Amman. Upon receipt by DAG the weekly back-ups from the various locations are copied on two different large volume hard disks, which tests and ensures that the received copies are not corrupted. This process is logged in an EXCEL file.</p> <p>In conclusion UNHCR Jordan’s back-up practice complies with the back-up guidance, the 3-2-1 rule, used by DIST:</p> <ul style="list-style-type: none"> •DIST recommends keeping 3 copies of any

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						<p>important file (a primary and two backups)</p> <ul style="list-style-type: none"> •DIST recommends having the files on 2 different media types (such as hard drive and optical media), to protect against different types of hazards. •DIST recommends that 1 copy should be stored offsite (or at least offline). <p>UNHCR Jordan is already in compliance with the above guidance as for each proGres instance UNHCR Jordan has:</p> <ol style="list-style-type: none"> 1) One production copy, on the production server, 2) Two daily backup copies, out of which one on a different media than the server, performed using SQL backup tools (full backup) 3) One weekly offsite copy, produced weekly and kept in a fire-proof safe in the Khalda ODM Office.
7	The UNHCR Representation in Jordan should implement procedures to ensure timely consultation with the UNHCR Division of Financial and Administrative Management, including submission of relevant documentation, for determination of construction or development related expenses that need capitalization.	Important	Yes	Senior Admin Officer	June 2015	In compliance with the IPSAS accounting procedure for Recognition and Registration of Land and Buildings and Major Improvements, Alterations and Restorations, UNHCR Jordan is providing on quarterly basis, a Construction/Improvement Status Report with all supporting documents to the IMU (Infrastructure Management Unit) and AFS (Accounts and Financial Service) at the UNHCR Budapest Service Centre. AFS determines which expenses will be considered for capitalization of the asset, its useful life and the appropriate accounting entries.

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						<p>UNHCR Jordan sent regular reports to AFS in 2014 and continues to do so in 2015.</p> <p>It should be noted that the financial recording process was fully implemented. A requisition is made followed by a PO (with exact items ID related thereto). Normally, once these are recorded accurately in the system using the correct item IDs for PPEs, the system (MSRP) automatically processes the capitalization.</p> <p>For further clarification, UNHCR Jordan is liaising with AFS Budapest to obtain the capitalization confirmation for the above expenditures in compliance with IPSAS.</p>