



INTERNAL AUDIT DIVISION

REPORT 2016/157

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

The Representation needed to prepare standard operating procedures for priority protection activities and strengthen controls over emergency preparedness, integration solutions to returnees, financial management, and procurement and vendor management

12 December 2016
Assignment No. AR2016/121/05

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

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the Office of the United Nations High Commissioner for Refugees (UNHCR) operations in Croatia. The audit covered the period from 1 January 2015 to 30 June 2016 and included a review of: planning and resource allocation; emergency preparedness; partnership management; durable solutions; financial tracking and reporting; and procurement and vendor management.

There was a need for the UNHCR Representation in Croatia to prepare standard operating procedures for all priority protection activities. In addition, it needed to strengthen controls over: emergency preparedness, business continuity planning and distribution of emergency non-food items (NFIs); provision of durable solutions to refugee returnees through local integration; financial tracking and reporting; and procurement and vendor management. Regarding partnership management, although some control deficiencies were identified during the audit on risk-based monitoring of projects implemented through partners, the Representation took immediate corrective action.

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

- Prepare standard operating procedures for all its priority protection activities;
- Prepare minimum preparedness actions for emergencies, and establish a business continuity plan and an NFI strategy;
- Strengthen arrangements over the integration solutions provided to refugee returnees;
- Enhance supervisory controls over financial management to ensure full compliance with UNHCR financial rules and procedures; and
- Strengthen oversight over procurement and vendor management.

UNHCR accepted the recommendations, has implemented three of them and has initiated appropriate action to implement the remaining two.

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Audit of the operations in Croatia 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 Croatia for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The UNHCR Representation in Croatia (hereinafter referred to as ‘the Representation’) started its operations in 1991. It cooperates with the Government of Croatia, as well as with Non-Governmental Organizations and other stakeholders, to protect, assist and find durable solutions for its persons of concern (POCs). On 1 July 2013, Croatia joined the European Union as the 28th member state. The asylum and migration legislation has been under constant review since, with the aim to align it with the directives of the European Union. In mid-2014, the UNHCR operations in Croatia came under the jurisdiction of the UNHCR Regional Representation for Central Europe (RRCE) based in Budapest.
3. As at 30 June 2016, the Representation assisted 14,122 POCs, including: 575 refugees and asylum-seekers; 111 refugee returnees; 2,873 stateless persons; and 10,563 other POCs. The operations in Croatia grew in size and importance during 2015 and 2016 due to the refugee emergency in Greece as Croatia was a critical route for the asylum seekers to reach Northern Europe through the Western Balkan route. When the refugee and migrant influx started in September 2015, the Government of Croatia took over the responsibility for assistance and protection of the fleeing refugees with the help of UNHCR and other international and national humanitarian organizations. UNHCR declared a level-2 emergency on 29 September 2015 to address the magnitude of the crisis and to mobilize corresponding emergency resources.
4. The Representation prepared its protection strategy for 2015-17 based on the UNHCR Global Strategic Priorities and the protection priorities of the RRCE and the Bureau for Europe. The priorities of this strategy included: (i) safeguarding asylum space in migration context for refugees; (ii) building and maintaining effective asylum and protection systems for refugees; (iii) preventing and resolving situations of statelessness; (iv) securing protection space during emergency response for refugees transiting through Croatia; (v) securing durable solutions for refugees and returnees; and (vi) strengthening external relations and mobilising support for POCs.
5. The Representation incurred expenditure of \$5.2 million in 2015 and \$4.5 million in 2016 (in the six-month period up to 30 June). The Representation consists of three offices: a Branch Office in Zagreb and two Field Units in Sisak and Kinin. The Representation, headed by a Representative at the P-4 level, had 26 staff members as of 30 June 2016. To implement its projects, the Representation worked with eight partners each in 2015 and 2016 and concluded 18 Project Partnership Agreements (PPAs) totalling \$2.0 million during the period under review.
6. Comments provided by the Representation are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over UNHCR operations in Croatia.

8. This audit was included in the 2016 risk-based work plan of OIOS because of the protection and programme risks associated with the refugee emergency in the Western Balkans.

9. The audit was conducted from July to September 2016. The audit covered the period from 1 January 2015 to 30 June 2016. Based on an activity-level risk assessment, the audit covered higher and medium risk processes and activities pertaining to the operations in Croatia, which included: planning and resource allocation; emergency preparedness; partnership management; durable solutions; financial tracking and reporting; and procurement and vendor management.

10. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical reviews of data, including financial data from Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system, and performance data from FOCUS, the UNHCR results-based management system; (d) testing of controls through stratified random sampling; (e) visits to the Representation's Branch Office in Zagreb and the Field Units in Sisak and Kinin, as well as offices of three partners implementing UNHCR projects; and (f) direct observation of activities and projects implemented at six Regional Housing Project sites and one warehouse.

III. OVERALL CONCLUSION

11. There was a need for the Representation to prepare standard operating procedures for all its priority protection activities. In addition, it needed to strengthen controls over: emergency preparedness, business continuity planning and distribution of emergency non-food items (NFIs); provision of durable solutions to refugee returnees through local integration; financial tracking and reporting; and procurement and vendor management. Regarding partnership management, although some control deficiencies were identified during the audit on risk-based monitoring of projects implemented through partners, the Representation took prompt action to address the issues.

IV. AUDIT RESULTS

A. Planning and resource allocation

The Representation needed to prepare standard operating procedures for priority protection activities

12. The UNHCR Programme Manual requires the Representation to ensure that: (i) comprehensive and accurate data is available on POCs for planning purposes; (ii) an annual operations plan is prepared which identifies objectives for different population planning groups based on a comprehensive needs assessment done through a participatory age, gender and diversity mainstreaming exercise; (iii) its operations plan is aligned with UNHCR's Global Strategic Priorities, allocates adequate resources for achievement of identified objectives, and includes baselines and targets for the priorities and indicators for measuring performance; (iv) a multi-year protection strategy is prepared to address the protection needs identified; and (v) standard operating procedures are prepared for each priority protection sector.

13. During the period under review, the Representation maintained data on its POCs based on monthly information received from the Government of Croatia. It undertook participatory needs assessments of asylum seekers, refugees, and returnees through age, gender and diversity mainstreaming exercises, and planned to undertake a profiling of stateless persons in Croatia in December 2016. The Representation prepared its 2015 and 2016 operations plans which identified objectives for different population planning groups in alignment with the Global Strategic Priorities and prioritized resources for achievement of those objectives. It also prepared a multi-year protection strategy for 2015-17.

Additionally, with the help of its partners, the Representation made adequate plans for assisting the Government in maintaining and monitoring the reception centres in the country with due consideration to age and gender sensitivity requirements.

14. However, OIOS observed that the Representation did not prepare standard operating procedures for a number of its prioritized protection activities, including: best interest determination/assessment; handling of sexual and gender-based violence cases; reception arrangements for new arrivals at the reception centres; and durable solutions for refugee returnees.

15. The main reason for the lack of relevant standard operating procedures was that the Representation did not attach sufficient importance to this aspect of the protection function as it felt that the protocols that were being used by the Government would meet the requirements. Consequently, the Representation was at risk of not being able to address all protection needs of its POCs in an effective and sustained manner and in coordination with the Government and its partners. The Representation recognized the need to complement the Government's protocols.

(1) The UNHCR Representation in Croatia, in coordination with its partners and the Government of Croatia, should prepare standard operating procedures for all priority protection activities to address the protection needs of persons of concern in a coordinated and sustained manner.

UNHCR accepted recommendation 1 and stated that the standard operating procedures were under review. Recommendation 1 remains open pending receipt of the finalized standard operating procedures for all priority protection activities in Croatia.

B. Emergency preparedness

There was a need to strengthen controls over emergency preparedness, business continuity planning and provision of emergency NFIs to persons of concern

16. The UNHCR Emergency Handbook requires the Representation to develop: (i) a contingency plan as a part of its emergency preparedness and response; (ii) a business continuity plan for continuation of its operations during an emergency; and (iii) an effective local supply chain strategy for emergencies, which includes maintaining a contingency stock of NFIs, establishing criteria for selection of beneficiaries for distribution of NFIs, developing distribution plans, undertaking regular on-site monitoring and post distribution monitoring, updating the actual quantities distributed in an electronic system, and preparing reconciliation reports. According to UNHCR Policy on Emergency Response Activation, Leadership and Accountabilities, the Representation is also required to establish a set of minimum preparedness actions in the pre-emergency phase that includes undertaking risk assessments with partners and updating the preparedness actions at least annually.

17. Since the declaration of the level-2 emergency on 29 September 2015, the Representation maintained regular presence at key entry and exit points, as well as reception facilities at the border points until they were closed. It also provided adequate budgetary and human resources to meet the growing needs of POCs, and prepositioned NFI stocks in a warehouse at the border maintained by a partner. In coordination with an Emergency Coordinator and Emergency team deployed from UNHCR headquarters, the Government and other humanitarian organizations, the Representation assisted 658,068 refugees that transited Croatia between September 2015 and April 2016 with NFIs worth \$664,270 as well as information on asylum procedures. In coordination with the Bureau for Europe, the Representation prepared in January 2016 a scenario-based contingency plan that stipulated a requirement to maintain a

contingency stock of NFIs adequate for 2,500 POCs. The Representation also put in place appropriate monitoring procedures to ensure these levels were maintained.

18. OIOS review of the Representation's emergency preparedness and response mechanisms, however, indicated the following remaining areas that needed further attention:

- (i) The Representation did not prepare a set of minimum preparedness actions prior to the declaration of the emergency and did not undertake a risk analysis to determine gaps in its pre-emergency preparedness and the associated support required. The Representation also did not have a business continuity plan.
- (ii) The Representation did not develop a strategy for the acquisition, storage and distribution of NFIs and did not establish criteria for the selection of beneficiaries for distribution of NFIs. It also did not develop distribution plans or put in place procedures for reconciliation of NFIs received and distributed. Whilst the audit was ongoing, the Representation undertook a reconciliation exercise, but could not reconcile NFIs valued at \$29,643. In addition, the Representation did not ensure that the partner involved in the NFI distributions obtained the signatures of recipients, and did not undertake post-distribution monitoring of NFIs distributed.

19. The main reason for the cited weaknesses was the lack of management prioritization of the need to develop and implement a sound pre-emergency preparedness and response strategy, including a strategy for provision of emergency NFI distributions. The Representation explained that the partner could not obtain signatures of recipients and undertake post-distribution monitoring due to difficult operational environment at the border. As a result, the Representation was at risk of not being able to position itself adequately through appropriate strategies to respond to the emergency.

(2) The UNHCR Representation in Croatia should: (i) assess its emergency preparedness at regular intervals to determine gaps and support requirements, and prepare a set of minimum emergency preparedness actions and a business continuity plan; and (ii) establish a strategy for the acquisition, storage and distribution of non-food items (NFIs) during emergencies, and specify criteria, distribution plans and responsibilities for monitoring and reconciliation of NFIs distributed.

UNHCR accepted recommendation 2 and stated that the Representation had finalized the minimum emergency preparedness actions, the business continuity plan and the NFI strategy. Based on the action taken and documentation provided by UNHCR, recommendation 2 has been closed.

C. Partnership management

The Representation took prompt action to improve risk-based monitoring of projects implemented through partners

20. According to the 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) seek a waiver, if necessary, from the UNHCR Implementing Partnership Management Service at headquarters in writing to demonstrate the urgent nature and justification for not undertaking the selection process in the prescribed manner; (iii) sign PPAs before commencement of the project year; and (iv) monitor the project activities through a risk-based and multi-functional approach.

21. OIOS reviewed the controls that the Representation had put in place over partnership management and noted that it had: constituted an IPMC in 2013; selected eight partners based on IPMC recommendations in November 2013 for two programme cycles (which included 2015) through a wide solicitation of expressions of interest from partners; and, in November 2015, due to the emergency and based on a desk review of the performance of the existing partners overseen by the IPMC, retained all its partners for the 2016 programme cycle. Therefore, OIOS concluded that the Representation had followed a due process for the selection and retention of partners during the period under review.

22. The Representation had also signed the PPAs in a timely manner in 2015, and although some delays were experienced with the signing of the 2016 PPAs this was due to the emergency and was an isolated reason.

23. The Representation conducted quarterly financial verification visits to each partner and prepared financial monitoring reports. Although it did not prepare a monitoring plan for 2015, it developed such a plan for the 2016 project activities. For the 2016 cycle, the RRCE provided support to the Representation in the conduct of the financial and performance verification activities. However, OIOS noted that the Representation's financial and performance monitoring activities needed further improvement. For example, the Representation did not ensure that: (i) one partner used a monitoring tool for the reception conditions and prepared a database for local integration as required in the PPA; (ii) the same partner followed UNHCR rules and procedures regarding procurement of goods totaling \$34,000, as the partner procured the goods without recording reasons for not selecting the lowest offer; and (iii) another partner conducted quarterly meetings with the beneficiaries as required in the PPA.

24. Whilst the audit was still ongoing, the Representation established procedures for monitoring project activities through a risk-based approach. Based on the prompt action taken, OIOS did not raise a recommendation.

D. Durable solutions

Arrangements for durable solutions to returnees through local integration needed to be strengthened

25. The UNHCR Framework for Durable Solutions requires the Representation to seek appropriate durable solutions for its POCs through planning advocacy and monitoring. The provisions of a joint Regional Housing Programme (RHP) 2012-17, aimed at meeting the housing needs of the 1991-95 war affected returnees in four countries in the region, require the Representation to monitor the implementation of the RHP and to send comprehensive reports in this regard to the UNHCR Regional Representation for South Eastern Europe in Sarajevo. The Representation is also required to: (i) develop a comprehensive solutions strategy to promote the cessation of the refugee status of the returnees; (ii) prepare for responsible disengagement from the RHP by 2017; (iii) select indicators in the FOCUS system in alignment with the key objectives of the RHP; and (iv) advocate for the implementation of recommendations made by UNHCR in April 2014 for the provision of durable solutions for the affected returnees, known as the "Sarajevo process".

26. Through its sustained field presence, the Representation: determined the eligibility of the applicants for the allotment of housing units; undertook cross border verifications; and submitted monitoring reports regularly to the Regional Representation for South Eastern Europe. It also advocated with the Government of Croatia for implementation of the recommendations of the Sarajevo process. These recommendations provided a comprehensive strategy for legal, economic and social integration of the returnees and showed a way forward for cessation of their refugee status. OIOS review of the

activities of three partners associated with RHP activities, visits to eight beneficiaries and all six RHP project sites in Sisak and Kinin indicated the following areas for further strengthening:

- (i) **Verification of applicants for housing units:** The Representation did not ensure that the minutes of the beneficiary selection committee recorded whether selected applicants met the vulnerability criteria to provide assurance that they were eligible to receive assistance.
- (ii) **Monitoring and reporting:** The Representation in its monitoring reports did not provide information on the: (i) accommodation space provided per person against the established standard, and the quality of the constructed houses; (ii) project delays and reasons thereof (for example, four out of the six projects were delayed beyond their expected completion dates); (iii) backlog in allotment of housing units (for example, at the time of audit, the Representation estimated that there were 10,000 applicants waiting for allotment); (iv) cross border verifications undertaken; and (v) integration measures in place in the vicinity of the RHP sites.
- (iii) **Performance measurement:** Although the main objective of the RHP was to provide durable housing solutions to the returnees, the Representation did not align its performance indicators in the FOCUS system with this objective. Therefore, the selected indicators did not assist the Representation in measuring the progress in achieving the intended objectives.
- (iv) **Modalities for a responsible disengagement:** The Representation did not prepare a road map indicating the modalities to facilitate its responsible disengagement from the RHP gradually by the end of 2017.

27. The main reason for the cited weaknesses was that although the Representation had regularly advocated for the implementation of the Sarajevo process and prioritized its resources for monitoring the RHP scheme, it did not adequately pursue this activity with a strategic approach that would have included developing a road map for its responsible disengagement from the RHP. As a result, there was a risk that the durable solutions provided through local integration to returnees would not be achievable.

(3) The UNHCR Representation in Croatia, in coordination with the UNHCR Regional Representation for South Eastern Europe, should strengthen the arrangements over integration solutions provided to returnees, including: (i) developing a road map with detailed strategies to pave way for the envisaged responsible disengagement from the Regional Housing Programme (RHP); (ii) providing assurance through beneficiary selection committee meetings that selected applicants fulfil the eligibility criteria; and (iii) aligning performance indicators with the overall objective of the RHP and regularly reporting on key activities and results.

UNHCR accepted recommendation 3 and stated that the Representation had strengthened the arrangements over integration solutions provided to returnees. Based on the action taken and documentation provided by UNHCR, recommendation 3 has been closed.

E. Financial tracking and reporting

There was a need to enhance supervisory controls over financial management to ensure full compliance with UNHCR rules and procedures

28. The UNHCR rules and procedures for financial management require the Representation to design, implement and maintain adequate delegation of authority to mitigate risks of incompatible

functions; ensure that a payment approver may not approve payments where he or she can benefit directly or indirectly from the transaction; implement and monitor controls over the management of cash and bank accounts; establish controls over voucher preparation and ensure the existence of appropriate supporting documentation for disbursements; monitor open items (accounts receivable); and ensure timely and accurate submission of monthly reports to UNHCR headquarters.

29. During the period under review, the Representation incurred administrative expenditure of \$1.0 million. OIOS reviewed 34 vouchers, selected through stratified random sampling, totaling \$596,000, and observed the following weaknesses:

- (i) The Representation's controls over delegation of authority did not detect that two payment approvers approved payments to themselves involving \$93,089 in 73 cases. Although these payments were made for justified purposes, such as for reimbursement of Medical Insurance Plan claims, payroll and Daily Subsistence Allowance for official travel, the practice exposed the Representation to risk of financial irregularities.
- (ii) Although the Representation conducted monthly bank reconciliations, review of MSRP data indicated that the Representation did not reconcile payments involving \$2,410 for over 30 days in 201 cases.
- (iii) As of 30 June 2016, the Representation had open items worth \$235,028 pertaining to 2015. Out of these, open items totalling \$86,161 pertained to receivables from a partner while \$148,867 related to Value Added Tax receivables.
- (iv) The Representation did not ensure that payment vouchers were prepared and reviewed correctly in all cases. For example, in one case involving \$20,874 regarding an instalment payment to a partner, the Representation did not ensure that the quarterly financial verification report was attached to the voucher. In three cases involving \$174,311, the Representation did not ensure that both the voucher preparer and the voucher approver signed the vouchers. In 10 cases for procurement of NFIs involving \$1,162,769, the Representation did not attach copies of the contracts to the payment vouchers. Correct account codes were not used for two payments.
- (v) The Representation did not provide information on its inventory in the month-end financial reports sent to UNHCR headquarters.

30. The above control weaknesses were due to inadequate supervisory arrangements to ensure full compliance with UNHCR rules and procedures on financial management. These weaknesses increased the risk of exposure to incorrect financial reporting and loss of funds. Whilst the audit was still ongoing, the Representation cleared the receivables pertaining to the partner.

(4) The UNHCR Representation in Croatia should develop and implement an action plan for enhancing supervisory controls over the delegation of authority plan, reconciliation of payments, follow-up on receivables, voucher preparation and review process, use of correct account codes for expenditures, and submission of complete monthly financial reports to UNHCR headquarters.

UNHCR accepted recommendation 4 and stated that the Representation had strengthened controls over delegation of authority and other aspects of financial management. Based on the action taken and documentation provided by UNHCR, recommendation 4 has been closed.

F. Procurement and vendor management

There was a need to strengthen oversight arrangements over procurement and vendor management

31. UNHCR procurement rules and procedures require the Representation to: (a) prepare an annual procurement plan according to identified needs; (b) establish an effective vendor management system; (c) initiate timely procurement activities in accordance with the procurement plan to facilitate transparent and competitive procurement; and (d) ensure adequate oversight over the procurement activities to get the best value for money.

32. During the period under review, the Representation issued 34 local purchase orders totalling \$1,270,156, out of which 22 pertained to procurement of NFIs involving \$1,244,205. It also entered into 12 frame agreements. The Representation constituted a Vendor Review Committee (VRC) in February 2016. The VRC convened five meetings between February and June 2016. The Representation also constituted a Local Committee on Contracts (LCC) in October 2015. The LCC convened one meeting in June 2016. The Regional Committee on Contracts (RCC) located in the RRCE reviewed and approved all contracts for procurement of NFIs in October 2015 as the Representation's staff needed to be extensively involved in the emergency operation.

33. OIOS reviewed the effectiveness of the Representation's controls over vendor management and procurement activities through a review of: a sample of the purchase orders for procurement of NFIs together with relevant frame agreements; the Representation's memos submitted to the RCC for procurement of NFIs and the related minutes of the RCC; and documentation of the vendor registration procedures. The review indicated the following control weaknesses:

- (i) The Representation did not prepare procurement plans for 2015, although it prepared one in 2016.
- (ii) The Representation did not ensure that the VRC: (a) undertook performance reviews of all vendors that had provided goods and services during the period under review; (b) initiated action to deactivate all the identified 160 dormant vendors; and (c) monitored that the Representation's Supply Unit maintained individual vendor files.
- (iii) The Representation did not ensure that the vendors delivered NFIs in accordance with the delivery schedule indicated in the frame agreements. For example, a vendor supplied 18,776 out of 40,000 rain coats 30 days after placing the purchase order as against the stipulated schedule of 7 to 8 days. Another vendor supplied 3,000 out of 5,000 footwear and socks 40 days after placing the purchase order as against the stipulated schedule of 30 days. The Representation also did not review the receipts against the stipulated delivery schedule to impose liquidated damages for the delayed supplies for each day of delay at the rate of 0.3 per cent, but not exceeding 10 per cent, of the total value of the purchase order, as stated in the frame agreements.
- (iv) In 15 cases involving \$172,948, the Representation issued the purchase orders only after receiving the invoices.

34. The above weaknesses were due to inadequate management supervision and oversight over the Representation's procurement and vendor management activities. This exposed the Representation to risk of financial losses, inefficient operations, and not receiving the best value from procurement of goods and services.

(5) The UNHCR Representation in Croatia should put in place arrangements to ensure that: (i) the vendor database is reviewed and cleaned up, vendor files are maintained, and vendor performance reviews are undertaken regularly; (ii) appropriate contract review and execution procedures are implemented; and (iii) the standard procurement cycle of raising purchase orders before procuring goods and services is systematically followed.

UNHCR accepted recommendation 5 and stated that the Representation had put in place arrangements to strengthen controls over the procurement activity. Recommendation 5 remains open pending receipt of evidence of: (i) a tracking mechanism developed for monitoring contracts and frame agreements; and (ii) standard operating procedures developed for the procurement activity.

V. ACKNOWLEDGEMENT

35. 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
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the operations in Croatia 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 Croatia, in coordination with its partners and the Government of Croatia, should prepare standard operating procedures for all priority protection activities to address the protection needs of persons of concern in a coordinated and sustained manner	Important	O	Submission to OIOS of the finalized standard operating procedures for all priority protection activities in Croatia.	31 December 2016
2	The UNHCR Representation in Croatia should: (i) assess its emergency preparedness at regular intervals to determine gaps and support requirements, and prepare a set of minimum emergency preparedness actions and a business continuity plan; and (ii) establish a strategy for the acquisition, storage and distribution of non-food items (NFIs) during emergencies, and specify criteria, distribution plans and responsibilities for monitoring and reconciliation of NFIs distributed.	Important	C	Action completed	Implemented
3	The UNHCR Representation in Croatia, in coordination with the UNHCR Regional Representation for South Eastern Europe, should strengthen the arrangements over integration solutions provided to returnees, including: (i) developing a road map with detailed strategies to pave way for the envisaged responsible disengagement from the Regional Housing Programme (RHP); (ii) providing assurance through beneficiary selection committee meetings	Important	C	Action completed	Implemented

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 Croatia 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
	that selected applicants fulfil the eligibility criteria; and (iii) aligning performance indicators with the overall objective of the RHP and regularly reporting on key activities and results.				
4	The UNHCR Representation in Croatia should develop and implement an action plan for enhancing supervisory controls over the delegation of authority plan, reconciliation of payments, follow-up on receivables, voucher preparation and review process, use of correct account codes for expenditures, and submission of complete monthly financial reports to UNHCR headquarters.	Important	C	Action completed	Implemented
5	The UNHCR Representation in Croatia should put in place arrangements to ensure that: (i) the vendor database is reviewed and cleaned up, vendor files are maintained, and vendor performance reviews are undertaken regularly; (ii) appropriate contract review and execution procedures are implemented; and (iii) the standard procurement cycle of raising purchase orders before procuring goods and services is systematically followed.	Important	O	Submission to OIOS of evidence of: (i) a tracking mechanism developed for monitoring contracts and frame agreements; and (ii) standard operating procedures developed for the procurement activity.	31 December 2016

APPENDIX I

Management Response

Management Response

Audit of the operations in Croatia 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 Croatia, in coordination with its partners and the Government of Croatia, should prepare standard operating procedures for all priority protection activities to address the protection needs of persons of concern in a coordinated and sustained manner	Important	YES	Protection Officer	31 December 2016	As recommended, the Standard Operating Procedures (SOP) are under review with the main counterparts and service providers.
2	The UNHCR Representation in Croatia should: (i) assess its emergency preparedness at regular intervals to determine gaps and support requirements, and prepare a set of minimum emergency preparedness actions and a business continuity plan; and (ii) establish a strategy for the acquisition, storage and distribution of non-food items (NFIs) during emergencies, and specify criteria, distribution plans and responsibilities for monitoring and reconciliation of NFIs distributed.	Important	YES	Associate Programme/Admin Officer	December 2016	The Representation has finalized minimum emergency preparedness actions, the business continuity plan and the non-food items strategy as recommended.
3	The UNHCR Representation in Croatia, in coordination with the UNHCR Regional Representation for South Eastern Europe, should strengthen the arrangements over integration solutions provided to returnees, including: (i) developing a road map with detailed	Important	YES	Protection Officer	December 2016	The Representation strengthened the arrangements over integration solutions provided to returnees as recommended.

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 Croatia 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
	strategies to pave way for the envisaged responsible disengagement from the Regional Housing Programme (RHP); (ii) providing assurance through beneficiary selection committee meetings that selected applicants fulfil the eligibility criteria; and (iii) aligning performance indicators with the overall objective of the RHP and regularly reporting on key activities and results.					
4	The UNHCR Representation in Croatia should develop and implement an action plan for enhancing supervisory controls over the delegation of authority plan, reconciliation of payments, follow-up on receivables, voucher preparation and review process, use of correct account codes for expenditures, and submission of complete monthly financial reports to UNHCR headquarters.	Important	YES	Associate Programme/Admin Officer	December 2016	The Representation has strengthened controls over the delegation of authority as recommended.
5	The UNHCR Representation in Croatia should put in place arrangements to ensure that: (i) the vendor database is reviewed and cleaned up, vendor files are maintained, and vendor performance reviews are undertaken regularly; (ii) appropriate contract review and execution procedures are implemented; and (iii) the standard procurement cycle of raising purchase orders before procuring goods and services is systematically followed.	Important	YES	Associate Programme/Admin Officer	December 2016	As recommended, the Representation has put in place the required arrangements.