



## INTERNAL AUDIT DIVISION

### REPORT 2017/016

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Audit of the regional operations in Bosnia and Herzegovina for the Office of the United Nations High Commissioner for Refugees

The Regional Representation needed to develop a risk-based plan for support missions by regional officers and improve monitoring of multi-year regional strategic goals

3 April 2017

Assignment No. AR2016/121/03

# **Audit of the regional operations in Bosnia and Herzegovina 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) regional operations in Bosnia and Herzegovina. The audit covered the period from 1 January 2015 to 30 September 2016 and included a review of: (i) regional coordination; (ii) regional planning and resource allocation; (iii) regional programme monitoring and reporting; (iv) shelter and settlement; (v) livelihoods and self-reliance; (vi) partnership management; (vii) financial tracking and reporting; and (viii) asset management.

While regional planning mechanisms were effective and lines of communication to the Bureau for Europe at headquarters had been clarified, there was a need at the regional level to strengthen risk-based planning of support missions by regional officers and to improve monitoring of multi-year regional strategic goals. At the level of the country operation for Bosnia and Herzegovina, controls over financial management and shelter and livelihoods programmes were effective, and prompt action was taken to strengthen controls over asset management following some weaknesses identified during the audit. However, there was a need to improve the timeliness of signing project agreements and documentation of partnership management decisions.

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

- Develop a risk-based plan and terms of reference for support missions to operations in the region based on the capabilities and challenges in each operation;
- Articulate success criteria and required activities for regional strategic objectives related to statelessness and asylum systems, and monitor performance against these success criteria and progress against the required activities; and
- Strengthen procedures over the timely signing of Project Partnership Agreements, documentation of decisions over partner selection and retention, and designation of procurement to partners.

Following satisfactory action taken by the Regional Representation, all three recommendations have been closed as implemented.

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# **Audit of the regional operations in Bosnia and Herzegovina for the Office of the United Nations High Commissioner for Refugees**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the regional operations in Bosnia and Herzegovina for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The UNHCR Regional Representation for South Eastern Europe (hereinafter referred to as ‘the Regional Representation’) was established on 1 January 2015 and is based in Sarajevo, Bosnia and Herzegovina. The Regional Representation is headed by a Regional Representative at the D-1 level who oversees UNHCR operations in Bosnia and Herzegovina (hereinafter referred to as the ‘Country Representation’) and five other country operations: Serbia, Albania, Former Yugoslav Republic of Macedonia, Montenegro and Kosovo. Prior to the creation of the Regional Representation, five of these operations functioned independently, while Albania operated under the Regional Representation for Southern Europe in Rome, Italy. Currently, the heads of all these operations report directly to the Regional Representative who in turn reports to the Director of the Regional Bureau for Europe. Prior to the establishment of the Regional Representation, the current Regional Representative had for three years been serving as Country Representative for Bosnia and Herzegovina and was requested to also serve as Regional Representative. In addition to the Regional and Country Representation in Sarajevo, there are Country Offices in Tirana, Podgorica, Belgrade and Skopje and an Office of Chief of Mission in Pristina, as well as seven Field Units in the region.
3. In June 2015, UNHCR declared a Level 2 Emergency covering Greece, Former Yugoslav Republic of Macedonia and Serbia relating to the significant mixed migration flows through the Balkans into the European Union. The response to the emergency was being led and coordinated by the Regional Refugee Coordinator who is also the Director of the Regional Bureau for Europe. Those country operations that received significant numbers of arrivals reported directly to the Regional Refugee Coordinator on the emergency response. In December 2016, UNHCR deactivated the emergency.
4. At the time of the audit, there were 318,000 Internally Displaced Persons (IDPs) in the region located primarily in Serbia, Bosnia and Herzegovina, and Kosovo. There were also 46,000 refugees and asylum seekers, mostly within Serbia and Bosnia and Herzegovina, and 63,000 other persons of concern to UNHCR who were mostly former IDPs and 14,000 stateless persons as well as small numbers of returnees. Persons of concern were mainly located in urban or semi-urban settings. The Regional Representation planned to operationally disengage from providing services to the legacy caseload of persons displaced in the region in the 1990s by the end of 2017 with local authorities supporting residual needs.
5. In 2015, total expenditures for the region were \$34.3 million of which \$8.5 million related to the country operation in Bosnia and Herzegovina. In 2016, during the 9-month period up to 30 September, total regional expenditures were \$28.3 million of which \$5.0 million related to Bosnia and Herzegovina. As per the 2016 Operations Plan, the staffing level across the region was 155. In Bosnia and Herzegovina, as of September 2016, there were 39 staff posts of which 15 were for the Regional Office.
6. Comments provided by the Regional 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 regional operations in Bosnia and Herzegovina.

8. This audit was included in the 2016 risk-based work plan of OIOS due to risks associated with strengthening asylum processes in the region whilst operationally disengaging from the regional legacy caseload under a newly created regional structure.

9. OIOS conducted this audit from October 2016 to January 2017. The audit covered the period from 1 January 2015 to 30 September 2016. Based on an activity-level risk assessment, the audit covered higher risk processes and activities pertaining to the operations in Bosnia and Herzegovina, both at the regional and country operation level, which included: (i) regional coordination; (ii) regional planning and resource allocation; (iii) regional programme monitoring and reporting; (iv) shelter and settlement; (v) livelihoods and self-reliance; (vi) partnership management; (vii) financial tracking and reporting; and (viii) asset management.

10. The first three items listed above relate to the region-wide responsibilities of the Regional Representation and the remainder relate to the operations in Bosnia and Herzegovina managed by the Country Representation in Sarajevo. Given the focus of the audit on regional coordination and support, the operations of the other countries in the region were therefore not audited separately.

11. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical reviews of data, including financial data from Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system, and performance data from Focus, the UNHCR results-based management system; (d) testing of controls using random samples; (e) visits to three partners implementing UNHCR projects; and (f) visits to the UNHCR offices in Sarajevo, Pristina and Tirana, as well as remote interviews with the other country operations in the region.

## **III. OVERALL CONCLUSION**

12. While regional planning mechanisms were effective and lines of communication to the Bureau for Europe had been clarified, there was a need at the regional level to develop a risk-based plan for support missions by regional officers and to improve monitoring of multi-year regional strategic goals. At the level of the country operation for Bosnia and Herzegovina, controls over financial tracking and reporting and shelter and livelihoods programmes were effective, and prompt action was taken to address control weaknesses identified by OIOS in asset management. However, there was a need to improve the timeliness of project agreements and documentation of partnership management decisions.

## **IV. AUDIT RESULTS**

### **A. Regional coordination, planning and monitoring**

There was a need to develop a risk-based plan for support missions by regional officers

13. In order to ensure effective coordination of UNHCR activities across the region, the Regional Representation is required to: (a) clarify the level of engagement and distinction of roles and authority of

the regional office from the countries under its coverage; (b) establish an organizational structure in line with the operational context and capacity and strategic objectives of the region; (c) assess the level and composition of regional staffing; (d) prepare an integrated regional work plan clarifying the roles and responsibilities in support, coordination and oversight for each regional function; and (e) justify missions to the countries by preparing terms of reference and a travel budget for each mission. These requirements are also contained in the UNHCR Policy on Regionalization.

14. The Bureau for Europe had formally delegated authority to the Regional Representative who in turn had further delegated this authority to the Representatives and Chief of Mission in the five other operations in the region. Prior to the establishment of the Regional Representation, a number of workshops were held in the region to clarify the division of roles and authorities. Regional roles were created based on discussions considering the needs and capacities in the region. Operations within the region that OIOS interviewed considered that the Regional Representation lacked sufficient protection capacity. The Regional Representation indicated that the structure of the Regional Representation would soon be reviewed with the Bureau in light of the emergency deactivation.

15. As the operations covered by the Regional Representation each had an accredited Representative or Chief of Mission, and had their own administrative, programming and protection capacities, the Regional Representation used its available resources to focus on strategic guidance, coordination and support to regional processes. It had left aspects of quality control and oversight until such time that the necessary regional capacity would be in place. While OIOS agreed with the justification for this choice, the Regional Representation still lacked a risk-based work plan for the support missions to be conducted by regional posts considering the needs and capabilities of each operation within the region. For example, one operation with no Project Control function had not received any project control missions from the Regional Representation, although the Regional Representation commented that it considered the relevant risk and needs in this operation as low. Also, whilst regional officers produced short mission reports for each mission, there was no standard format for these.

16. The above-mentioned shortcomings occurred because the Regional Representation was still in the process of establishing regional mechanisms following its creation, and because the emergency situation required support from the Regional Representation prior to the formal declaration of the Level 2 emergency and the subsequent deployment of emergency staff, funds and procedures. This meant that regional officers faced multiple competing demands for their time. However, this made it all the more important for the Regional Representation to establish risk-based plans for support missions to enable such missions to be effectively prioritized.

**(1) The UNHCR Regional Representation for South Eastern Europe should develop a risk-based plan and terms of reference for support missions to operations in the region based on the capabilities and challenges in each operation.**

*UNHCR accepted recommendation 1 and stated that the Regional Representation had established regional risk-based mission plans, incorporating the key elements of mission terms of reference, for all regional functions. Based on the action taken and documentation provided by UNHCR, recommendation 1 has been closed.*

#### Lines of communications to the Bureau were clarified following the deactivation of the emergency

17. To avoid confusion and duplication of work, as well as to ensure maximum effectiveness of the Regional Representation, the UNHCR Policy on Regionalization requires clear reporting lines between the Regional Representation, the Bureau and the countries under the Regional Representation. The policy adds that Country Representatives should report directly to the Regional Representative.

18. When the Level 2 emergency was declared, the Bureau issued instructions for the Representatives of countries impacted by the emergency to report directly to the Bureau on emergency matters. Representatives were expected to continue reporting to the Regional Representative for non-emergency matters. The Regional Representation agreed with this decision, especially considering its limited staff levels at the time. However, by late 2016, as the emergency had begun to stabilize, the Regional Representation considered that the distinction between emergency responses and wider protection issues needing coordination by the Regional Representation had become less clear. The Regional Representation added that an unintended consequence of the decision was that operations regularly forgot to include the Regional Representation in their communications with the Bureau and that, if further continued, this situation could impair the ability of the Regional Representation to fulfill its protection coordination role in the region. However, following the deactivation of the Level 2 Emergency, the Bureau issued instructions clarifying that as of 1 January 2017 all Country Representatives would again report directly to the Regional Representative on all matters. Therefore, OIOS did not raise a recommendation in this area.

#### Regional planning mechanisms were effective

19. To facilitate effective planning, the Regional Representation is required to design and lead a consultative process with country offices in the region to develop a coherent Regional Strategy that is in line with the corporate vision, strategy and results framework of UNHCR. The strategy should be informed by timely and reliable data on the population of concern and both participatory and comprehensive needs assessments considering age and gender diversity issues.

20. The Regional Representation, in coordination with the operations in the region, established single Operations Plans for 2015 and 2016 and was in the process of detailed planning for 2017 at the time of the audit. The Operations Plans contained 13 separate Population Planning Groups (PPGs) including four regional PPGs. Individual operations took the lead on planning for their relevant PPGs with guidance from the Regional Representation. With regards to three of the regional PPGs, the Regional Representation led a consultative process whereby individual operations submitted their participatory and comprehensive needs assessments as well as targets against performance indicators and the Regional Representation consolidated the inputs into an overall plan. The fourth regional PPG related to regional support provided by the Regional Representation which was the only area of the UNHCR results framework that did not have any indicators. As a result, no performance data was collected against this PPG.

21. The Operations Plans for 2015 and 2016 were aligned with the corporate vision and results framework. They were also aligned with the strategic regional aims of operationally disengaging from the legacy caseload by the end of 2017, reducing the risk of new cases of statelessness, and strengthening asylum systems in the region. The Regional Representation held one region-wide planning workshop in 2015 and two in 2016 to formally discuss the planning at the regional level, in addition to conducting multiple missions and informal communications. OIOS therefore concluded that the Regional Representation led an effective consultative planning process to develop a coherent regional strategy.

22. Individual operations conducted their own participatory and comprehensive needs assessments and also collected their own data on populations of concern disaggregated by age, gender and country of origin. For the regional PPGs, the Regional Representation chose not to lead a coordinated, consistent participatory assessment approach but to instead consolidate the results from individual operations. OIOS accepted the reasoning of the Regional Representation that the legacy caseloads were well known to UNHCR and had undergone multiple participatory assessments and that, therefore, a large scale, coordinated participatory assessment may not have been proportionate. With regards to the regional PPGs related to refugees and asylum seekers from outside the region, predominantly from Syria, OIOS

was of the opinion that the Regional Representation could coordinate participatory assessments across the region for these PPGs. This would facilitate the collection of consistent, comparable information and its analysis at the regional level. The Regional Representation agreed to consider this suggestion.

There was a need to improve monitoring of multi-year regional strategic goals

23. To effectively manage performance against operational objectives, the Regional Representation needs to guide and monitor the implementation of the Operations Plan throughout the region, applying a results-based management and multi-functional team approach. This includes managing performance against the three established multi-year regional objectives.

24. For the non-regional PPGs, individual operations were directly responsible for entering accurate and timely performance data into Focus. For the regional PPGs, individual operations submitted their performance data to the Regional Representation which reviewed, quality assured and consolidated the information before entering it into Focus. Overall, in 2015 there were 129 impact indicators in the region of which 100 were met and 229 performance indicators of which 160 were met. The mid-year and year-end narrative reports discussed performance and those targets that were not met and identified corrective actions. In 2016, there were 124 impact indicators and 240 performance indicators, all of which were reported on at mid-year as required. Performance monitoring was conducted on an ongoing basis involving a multi-functional approach and also discussed at regional meetings. OIOS therefore concluded that performance management through the use of Focus was effective.

25. However, the process for recording performance information for regional PPGs manually at the country level and consolidating it regionally before updating Focus was inefficient. Regional Programme staff had to spend a disproportionate amount of time collecting and recording data in Focus which left them less time to work on direct operational issues. This occurred for multiple reasons, including: external donor requirements to be able to separately track expenditures and results for the Syrian caseload; the existence of multiple regional PPGs; reporting deadlines that did not consider the additional time needed to compile regional results; and the UNHCR wide requirement that each output for each PPG needed to have its own indicators. The Regional Representation explained that for 2018, following operational disengagement from the legacy caseload, it would reduce the number of PPGs and indicators during detailed planning. Given this and the fact that the causes of inefficiency were outside of the direct control of the Regional Representation, OIOS did not raise a recommendation in this regard.

26. With regards to the three multi-year regional strategic objectives, Focus could not easily track performance as it was built around a yearly reporting cycle and its pre-determined indicators did not fully capture all relevant aspects of these objectives. For the objective of operational disengagement by the end of 2017, the Regional Representation had developed, in consultation with each country operation, concise solutions strategies for achieving this goal. These documents articulated the steps needed for operational disengagement in each operation and provided a clear benchmark against which performance could be measured. However, for the remaining two strategic objectives concerning statelessness and asylum systems, such strategies had not been developed. Therefore, it was difficult for the Regional Representation to manage overall performance against these objectives. This increased the risk of the objectives not being met by the end of 2017 as planned. This occurred primarily because the Regional Representation was unable to secure sufficient staffing resources prior to mid-2016 to develop these documents due to the impact of the emergency and the demands of establishing a new regional structure.

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| <p><b>(2) The UNHCR Regional Representation for South Eastern Europe should: a) articulate success criteria and required activities for its regional strategic objectives related to statelessness and asylum systems; and b) monitor performance against these success criteria and progress against the required activities in each operation in the region.</b></p> |
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*UNHCR accepted recommendation 2 and stated that protection strategies for asylum-seekers and refugees and the statelessness strategy had been developed and enhanced to strengthen the indicators used to monitor progress and impact in the region. Based on the action taken, documents shared and further clarifications provided by UNHCR, recommendation 2 has been closed.*

## **B. Shelter and settlement**

### Representation fulfilled its obligations under multiple shelter programmes

27. To provide appropriate shelter solutions to persons of concern, and in accordance with the UNHCR Global Strategy on Shelter and Settlement, it is essential to: (i) identify beneficiaries through a participatory approach in consideration of their age, gender and diversity requirements; (ii) develop a local shelter strategy and standard operating procedures to implement the strategy; and (iii) monitor and report on the performance of the achievement against the planned results in a sustained manner.

28. In Bosnia and Herzegovina, shelter programmes were delivered through three main donor led programmes/projects with their own standard operating procedures, governance structures and approaches. Therefore, the Country Representation needed to fulfill its agreed roles in each of these programmes/projects whilst attempting to meet the objectives of the Global Strategy on Shelter and Settlement through these programmes/projects.

29. The first of these three programmes/projects was the €101 million (\$108.6 million) Regional Housing Programme (RHP). Under this programme, the Country Representation supported the government in its implementation of the RHP in Bosnia and Herzegovina, as did the Country Representations in Croatia, Serbia and Montenegro, whereas the Regional Representation supported the RHP as a whole across all four countries. OIOS review indicated that the Regional and Country Representations fulfilled their requirements under this programme which included, inter alia: verification of beneficiary selection processes, assisting other countries in the region through cross-border administrative and field verification, participating as an observer in the National Steering Committee, and monitoring overall progress. At the country level, the Country Representation was actively involved in identifying risks to achieving the goals of the RHP and proposing mitigations to the relevant authorities.

30. The second shelter programme/project was the “Support to durable solutions of the Revised Annex VII Dayton Peace Agreement Implementation Strategy” project with an overall budget of €104 million (\$111.8 million). This project had direct operational involvement from UNHCR and aimed to support 125 of the most vulnerable households with durable housing solutions as part of a multi-sectoral assistance approach including free legal aid and livelihoods interventions. The Country Representation had conducted an initial assessment of locations, validated the assessment results, identified beneficiaries against established criteria and, through a partner, constructed or reconstructed the planned houses as required. Review of a sample of 28 constructions indicated that in each case the beneficiary met the selection criteria and that the partner closely oversaw the project and obtained the relevant, independent quality inspection certifications required by national law.

31. The third project concerned providing technical assistance for supporting vulnerable persons living in collective accommodation and had a budget of €8.5 million (\$9.1 million). In order to support the project, the Country Representation received €1.5 million (\$1.6 million) from the donor. The Country Representation established a project secretariat and provided administrative support as required. The Country Representation attended all six Beneficiary Verification Committee meetings held. However, as of November 2016 only 254 beneficiaries had been verified against a total target of 7,247. Therefore, it

was unlikely that the parts of the project requiring UNHCR's direct involvement would be finished prior to operational disengagement. The causes of the delays were beyond the control of the Country Representation as it was not responsible for project implementation. The Country Representation kept the donor informed about the progress of the project and associated risks. At the beginning of 2017, it planned to initiate a process of jointly identifying a suitable third party with the donor to continue its support role after operational disengagement.

32. In view of the above, OIOS concluded that the Country Representation fulfilled its obligations under each of the shelter programmes/projects implemented in Bosnia and Herzegovina.

### **C. Livelihoods and self-reliance**

#### Controls over the livelihoods programme in Bosnia and Herzegovina were effective

33. The UNHCR Operational Guidelines on the Minimum Criteria for Livelihoods Programming require that socio-economic baseline and market assessments are undertaken in each country operation before implementing livelihoods programmes. These assessments should be used to target the beneficiaries and develop a context-specific livelihoods strategic plan. It is also important to assess the capacity and impact of livelihoods partners and ensure sufficient livelihoods expertise is available.

34. The Country Representation for Bosnia and Herzegovina spent \$1.8 million between 1 January 2015 and 30 September 2016 on the objective of improving livelihoods and self-reliance for its persons of concern. It had a long-established livelihoods programme seeking durable solutions for its legacy caseload prior to the introduction of the UNHCR operational guidelines related to livelihoods programmes in 2015. As the Country Representation intended to operationally disengage from the legacy caseload by the end of the 2017, it did not envisage continuing significant livelihoods activities beyond this date. Nevertheless, in 2016, the Country Representation developed a context-specific livelihoods strategy which identified short, medium and long term interventions with various partners and to hand over activities and continue advocacy to allow for responsible operational disengagement. The strategy also included situational analysis and an institutional mapping of potential partners.

35. The Country Representation delivered livelihoods interventions through two primary methods. First, as part of a large, donor driven programme the Country Representation worked with two partners to provide grants to help persons of concern establish their own business or to encourage small and medium enterprises to employ persons of concern. The programme had well developed standard operating procedures governing eligibility and selection criteria and the process for identifying beneficiaries. OIOS reviewed a sample of 44 applications and found that in all cases the beneficiary was eligible and that the Country Representation and its partners had correctly followed the agreed procedures. Second, the Country Representation had a partnership agreement with the United Nations Development Programme (UNDP) to provide livelihoods assistance to enable beneficiaries to establish small agricultural businesses. Under this agreement, UNDP conducted baseline and market assessments which they used to target beneficiaries in various agricultural sectors. As of August 2016, the programme had delivered assistance to 223 direct beneficiaries against an overall target of 262. The Livelihoods Unit in headquarters assessed the Country Representation as being 96 per cent compliant with the Minimum Criteria for Livelihoods Programming in 2016, up from 54 per cent in 2015. Although the Country Representation had not conducted a formal, separate assessment of the livelihoods capabilities of the partners, OIOS review of the partners did not indicate any weaknesses that suggested they lacked capacity to implement the livelihoods interventions.

36. Based on the above, OIOS concluded that controls over the Country Representation's livelihoods programme in Bosnia and Herzegovina were effective.

## D. Partnership management

### There was a need to improve the timeliness of project agreements and documentation of partnership management decisions

37. In accordance with the UNHCR Enhanced Framework for Implementing with Partners, the Country Representation for Bosnia and Herzegovina is required to: a) select and retain the best-fit partners for its projects following an objective and transparent selection process or obtain appropriate waivers; b) designate procurement of construction activities only where the partner has a clearly proven advantage; c) establish agreements with partners on a timely basis using the relevant UNHCR Project Partnership Agreement (PPA) template; and d) establish and deliver a plan for performance and financial monitoring of partnerships. The Country Representation should also take steps to develop the capacity of its partners based on an assessment of current and required capabilities.

38. In 2015 and 2016, the Representation in Bosnia and Herzegovina worked with two government and five non-government partners. The Country Representation established an Implementing Partnership Management Committee (IPMC) to oversee the selection and retention of partners in Bosnia and Herzegovina. The IPMC approved 32 PPAs with 12 partners with a value of \$9.2 million in 2015 and 2016. The PPAs contained clear and relevant results frameworks, budgets and work plans. The Country Representation developed risk-based plans for the monitoring of partners, conducted quarterly financial verification visits to each partner, and also conducted 15 partner capacity development activities.

39. However, OIOS review indicated the following weaknesses in partnership management:

- **Partner selection and retention:** Following a competitive partner selection process in 2014, the Country Representation retained all its partners for 2015 but without formally documenting the evaluation of their performance as required. Further, the IPMC only documented its decision to retain partners for the 2016-17 programme cycles in August 2016. Although partner project monitoring was robust and the Country Representation provided justifications for its retention decisions to OIOS, the failure to formally document these decisions in a timely manner increased the risk of unjustified retention decisions and the risk of working with partners that were not the best fit for UNHCR projects.
- **Partnership agreements:** The Country Representation concluded PPAs with partners on average 102 days after the effective date in 2015 and 54 days after the effective date in 2016. In both years, delays were particularly evident in concluding PPAs with other United Nations agencies, due to the uncommon circumstances for partnerships within a European Union-funded project, with UNHCR being the lead agency, and the lack of harmonized rules and operational guidelines for field-level cooperation. Although there was a need to strengthen procedures to ensure timely signing of future PPAs, both the Country Representation and partners interviewed by OIOS indicated that there were limited impacts on persons of concern from the delays in 2015 and 2016 as partners had sufficient cash-flow to continue ongoing operations.
- **Partner procurement:** The Country Representation designated construction procurement of \$2.1 million in 2015 and 2016 to one partner, who was not prequalified to undertake procurement on UNHCR's behalf, without formally documenting the partner's capacity to procure. Corrective action in this regard, however, was taken in August 2016. Further, the Country Representation

did not ensure that its monitoring teams systematically reviewed the details of the partner's procurement activities. The Representation explained that this procurement was a continuation of an activity started in 2014 as part of a three-year donor funded project. In the agreement with the donor this particular partner was named as being responsible for conducting these procurement activities. At the time the agreement was signed, the partner had been pre-qualified for procurement under the existing UNHCR rules. Nevertheless, OIOS review of a sample of eight procurement cases valued at \$918,000 conducted by the partner indicated that the processes were not fully compliant with UNHCR procurement rules and procedures. For example, the partner did not invite the recommended minimum number of 12 bidders for each tender, and also used the same committee to evaluate and approve the most suitable bidder. On a positive note, the tendering and selection processes were well documented and justified. The partner was also able to achieve significant cost savings on the planned procurements allowing an additional 136 beneficiaires and 37 properties to be included.

40. The above shortcomings were due to the sudden growth of the Country Representation's operations at the time when it had been preparing for operational disengagement and reducing staffing levels. This led to inadequate management oversight over partnership management. Although partners were still able to successfully deliver against their PPAs, failure to comply fully with UNHCR rules on partnership management exposed the Country Representation to increased risks of delays in project implementation and failure to obtain value from procurement undertaken by partners.

**(3) The UNHCR Country Representation for Bosnia and Herzegovina should: a) strengthen established procedures to ensure timely signing of Project Partnership Agreements; and b) adequately document decisions over partner selection and retention and designation of procurement to partners.**

*UNHCR accepted recommendation 3 and stated that: a) all 2017 PPAs had been signed in a timely manner; b) the relevant approvals for partner selection and retention decisions and procurement delegation for 2017 were completed and documented. In addition, all partners (except one), who were delegated procurement, were now pre-qualified. Based on the action taken and documentation provided by UNHCR, recommendation 3 has been closed.*

## **E. Financial tracking and reporting**

### Controls over financial tracking and reporting were effective

41. To effectively control expenditures and minimize the risk of funds being misused, the UNHCR Manual and Financial Internal Control Framework require that all payments are suitably authorized and with relevant supporting documentation kept on file. They also contain requirements for: ensuring appropriate segregation of financial duties; delegating authority to allow effective operations; managing and accounting for petty cash and operational advances effectively; conducting month-end closure activities including bank reconciliations and submission of financial reports to headquarters; and budgeting for and monitoring of administrative expenditures.

42. The Country Representation incurred expenditures of \$12.9 million from 1 January 2015 to 30 September 2016. OIOS reviewed general financial controls and tested a sample of 60 vouchers worth \$4.2 million (33 per cent of the total). The Country Representation had effectively segregated duties and delegated authority to support efficient and effective operations. It systematically submitted monthly and year-end reports to UNHCR headquarters and reconciled its three bank accounts each month. It had also implemented a number of measures to manage its administrative expenditures within the budgeted

amounts including developing a database to better monitor and control travel expenses. The Country Representation also appointed a petty cash custodian and a back-up custodian, and made minimal use of operational advances. Purchase orders were received in MSRP and verified before payment was made. Therefore, OIOS concluded that the controls over financial tracking and reporting were effective.

## **F. Asset management**

### Action was taken to strengthen controls over asset management

43. UNHCR rules and procedures require implementing adequate asset control arrangements, including for annual physical verification, accurate recording of assets in MSRP, disposal procedures, and oversight over the management of assets and serially tracked items (STIs) including those held by partners. A Local Asset Management Board (LAMB) should be established with the responsibility to oversee the management of assets at the country level.

44. As at 30 September 2016, the Country Representation managed 13 assets with a value of \$214,898 and 219 STIs. It regularly updated the asset register and also conducted and reported on physical verifications of assets as required. OIOS reviewed five assets and 30 STIs and confirmed the existence and accuracy of the related details in MRSP.

45. However, OIOS observed the following control weaknesses related to the management of assets and STIs: a) although the Country Representation had established a LAMB, it had not held any meetings in 2015 and 2016; b) the Country Representation had not conducted a physical verification of STIs since 1998 and had not updated its STI database with a true record of the STI status; and c) the STI database included three generators recorded as under the control of a partner which could not be traced, and it also included 21 STIs recorded as being in the custody of organizations which were no longer partners of the Country Representation.

46. The main reason for the cited weaknesses was inadequate monitoring of the existence and utilization of STIs and the inactivity of the LAMB. In response to the initial audit findings, the Country Representation took immediate action to strengthen controls over asset management. It convened a LAMB meeting and committed to holding subsequent meetings at least on a quarterly basis. It also began physically verifying and cleaning up its STI database and writing off obsolete and damaged STIs. Given the action already taken by the Country Representation, OIOS did not raise a recommendation in this area.

## **V. ACKNOWLEDGEMENT**

47. 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  
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## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the regional operations in Bosnia and Herzegovina for the Office of the United Nations High Commissioner for Refugees

| Rec. no. | Recommendation   | Critical <sup>1</sup> /<br>Important <sup>2</sup> | C/<br>O <sup>3</sup> | Actions needed to close recommendation | Implementation date <sup>4</sup> |
|----------|--|---|----------------------|--|----------------------------------|
| 1        | The UNHCR Regional Representation for South Eastern Europe should develop a risk based plan and terms of reference for support missions to other operations in the region based on the capabilities and challenges in each operation.  | Important   | C                    | Action completed                       | Implemented                      |
| 2        | The UNHCR Regional Representation for South Eastern Europe should: a) articulate success criteria and required activities for its regional strategic objectives related to statelessness and asylum systems; and b) monitor performance against these success criteria and progress against the required activities in each operation in the region. | Important   | C                    | Action completed                       | Implemented                      |
| 3        | The UNHCR Country Representation for Bosnia and Herzegovina should: a) strengthen established procedures to ensure timely signing of Project Partnership Agreements; and b) adequately document decisions over partner selection and retention and designation of procurement to partners.   | Important   | C                    | Action completed                       | Implemented                      |

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by UNHCR in response to recommendations.

# **APPENDIX I**

## **Management Response**

## Management Response

## Audit of the regional operations in Bosnia and Herzegovina for the Office of the United Nations High Commissioner for Refugees

| Rec. no. | Recommendation   | Critical <sup>1</sup> /<br>Important <sup>2</sup> | Accepted?<br>(Yes/No) | Title of<br>responsible<br>individual | Implementation<br>date | Client comments                     |
|----------|--|---|-----------------------|---------------------------------------|------------------------|-------------------------------------|
| 1        | The UNHCR Regional Representation for South Eastern Europe should develop a risk based plan and terms of reference for support missions to other operations in the region based on the capabilities and challenges in each operation.  | Important   | Yes                   |                                       | March 2017             | Recommendation already implemented. |
| 2        | The UNHCR Regional Representation for South Eastern Europe should: a) articulate success criteria and required activities for its regional strategic objectives related to statelessness and asylum systems; and b) monitor performance against these success criteria and progress against the required activities in each operation in the region. | Important   | Yes                   |                                       | March 2017             | Recommendation already implemented. |
| 3        | The UNHCR Country Representation for Bosnia and Herzegovina should: a) strengthen established procedures to ensure timely signing of Project Partnership Agreements; and b) adequately document decisions over partner selection and retention and designation of procurement to partners.   | Important   | Yes                   |                                       | March 2017             | Recommendation already implemented. |

<sup>1</sup> 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.

<sup>2</sup> 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.