



## INTERNAL AUDIT DIVISION

### REPORT 2018/080

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

The Representation needed to strengthen its management of emergency preparedness and response, partnerships, procurement, settlement and shelter, and distribution of core relief items and warehousing which, if not addressed, could adversely impact the achievement of its objectives

31 August 2018  
Assignment No. AR2018/111/03

# **Audit of the operations in Angola for the Office of the United Nations High Commissioner for Refugees**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of the operations in Angola for the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess whether the Representation was managing the delivery of services to persons of concern in a cost-effective manner and in compliance with UNHCR's policy requirements. The audit covered the period from 1 January 2017 to 28 February 2018 and included a review of: (a) emergency preparedness and response; (b) procurement and vendor management; (c) partnership management; (d) distribution of core relief items (CRIs) and warehouse management; and (e) shelter and settlement management. Assessment of the control environment and enterprise risk management (ERM) was integrated in the five areas listed above.

The Representation was not adequately prepared to respond to an emergency situation due to the immaturity of its compliance mechanisms to withstand a surge in activities, increased funding and frequent changes in staffing, including in senior positions. The Representation also did not have a shelter and settlement strategy or adequate controls over the distribution and warehousing of CRIs, partnerships and procurement. Additionally, the Representation's risk register contained 16 risks, none of which were prioritized or related to the emergency response, and the register was not being used as a management tool to manage and implement procedures to mitigate emerging risks.

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

- In coordination with the Bureau for Africa and the Division of Emergency, Security and Supply: (i) develop an action plan based on lessons learned and recommendations of the UNHCR real-time review of the emergency response conducted in September 2017 and the observations made in this audit; and (ii) strengthen emergency preparedness, including contingency planning in Angola to respond effectively to future refugee influxes;
- Review and finalize its settlement and shelter strategy and ensure provision of shelters that are durable, represent best value for money and require minimal maintenance;
- Strengthen its management over receipt and distribution of CRIs and put in place arrangements to ensure accountability for compliance with the UNHCR warehouse and inventory management policies and procedures;
- In collaboration with the Regional Representation for Southern Africa, review its procurement function with the aim of strengthening controls over vendor management, competitive procedures, operational advances, and oversight by the Local Committee on Contracts; and
- Prepare a workplan to stabilize the partnership management processes and ensure compliance with UNHCR policies in terms of selection and retention of partners, designation of procurement authority to partners, and financial and performance monitoring of Project Partnership Agreements.

Following suitable actions taken by the Representation, two recommendations have been closed. UNHCR has initiated action to implement the remaining three recommendations.

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# **Audit of the operations in Angola 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 Angola for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. UNHCR commenced operations in Angola in 1977 in order to assist refugees and other persons of concern with international protection and humanitarian assistance. In April 2017, Angola received an unexpected influx of 7,819 Congolese refugees in the Province of Lunda Norte who were fleeing violence in the Kasai Province in the Democratic Republic of Congo (DRC). Although the total number of arrivals reached 35,411 by February 2018 only 25,588 were still recorded as refugees in ProGres, the UNHCR registration and case management system, following continuous verifications undertaken by UNHCR during food distributions. On 23 May 2017, UNHCR activated an internal Level 2 emergency, which was subsequently reiterated on 10 September 2017. On 30 October 2017, an Inter-Agency Standing Committee emergency was declared for inter-agency coordination of humanitarian assistance for the Kasai Province. Ninety-five per cent of the refugees in Angola were from DRC, 76 per cent of whom were women and children.
3. Before the emergency, the UNHCR Representation in Angola (hereinafter referred to as “the Representation”) had started winding down its presence, with a budget of \$1.3 million and only eight staff left. At this point the focus of the operation was on advocacy for the asylum law and dealing with a protracted urban caseload. However, following the influx, the staffing at the Representation was substantially increased and, by the end of 2017, it was headed by a Representative at the P-5 level. At the time of the audit, the Representation had 11 professional level posts, one national officer post and 20 general service posts. The vacancy rate was 17 per cent. The Representation maintained a Branch Office in Luanda and one Field Office in Dundo. It recorded total expenditure of \$19.4 million for 2017, of which \$13.8 million was for programme activities.
4. Comments provided by UNHCR are incorporated in italics.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

5. The objective of the audit was to assess whether the Representation in Angola was managing the delivery of services to persons of concern in the country in a cost-effective manner and in compliance with UNHCR’s policy requirements.
6. This audit was included in the 2018 risk-based work plan of OIOS due to risks related to the high influx of persons of concern from DRC to Angola.
7. The audit took place between February and May 2018 and was carried out in Luanda and Dundo. The audit covered the period from 1 January 2017 to 28 February 2018. Based on an activity-level risk assessment, the audit covered higher risk areas pertaining to the operations in Angola, which included: (a) emergency preparedness and response; (b) procurement and vendor management; (c) partnership management; (d) distribution of core relief items (CRIs) and warehouse management; and (e) shelter and settlement management. Assessment of the control environment and enterprise risk management (ERM) was integrated in the five areas listed above.

8. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical reviews of data, including financial data from Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system, and performance data from Focus, the UNHCR results-based management system; (d) sample testing of controls; (e) visits to both UNHCR offices in Angola, two partner offices and three project sites.

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

### **III. AUDIT RESULTS**

#### **A. Emergency preparedness and response**

The Regional Bureau for Africa needed to act on lessons learned and recommendations made in relation to the emergency response in Angola to increase UNHCR's responsiveness to refugee influxes

10. In order respond to the influx of refugees from DRC in a planned and sustained manner, the UNHCR Emergency Handbook required the Representation to: (i) develop a contingency plan and complete minimum and advanced emergency preparedness actions; and (ii) maintain consistent contingency stock of CRIs for distribution to its persons of concern.

11. Between 25 and 27 February 2018 the Government of Angola returned 273 refugees who qualified for family reunification and 480 (217 of whom were children) unregistered Congolese whose status UNHCR had not yet verified. The Representation was at the time of the audit trying to work with the Government to understand the extent and circumstances under which the persons of concern were returned.

12. Despite an early warning of the deteriorating political situation in Kasai, and the placing of Angola on the High Alert List for Emergency Preparedness (HALEP) as far back as September 2016, OIOS did not see evidence that the Representation, the Regional Representation for Southern Africa (ROSA) and the Regional Bureau for Africa (RBA) had instituted sufficient contingency measures to support an emergency response in case of an influx. The Representation attributed its limited preparedness to conflicting views about the possibility of a refugee crisis, as well as the lack of resources and limited access to border areas. ROSA attributed this to its lack of knowledge of Angola's listing on the HALEP, while RBA stated that it did not receive any specific analysis to determine the level of seriousness of a potential refugee scenario.

13. A contingency planning workshop held by the Representation in October 2016 in Luanda and a HALEP self-assessment undertaken in February 2017 showed that UNHCR's capacity in the country was inadequate to effectively respond to a large-scale refugee influx. These capacity gaps included the lack of field offices, limited resources i.e., staff capacity and budget, inadequate infrastructure at the border with DRC and limited border monitoring to provide accurate information on cross-border movements. This resulted partly as UNHCR had decided to downsize the Angola operations, despite concerns raised by the Angolan Government and the Representation to keep the office open considering the situation in DRC. While the downsizing of operations had been identified as a risk in February 2017, it was not prioritised nor were effective measures put in place to mitigate the risk.

14. The lack of preparedness hampered the UNHCR emergency response in all operational areas, including protection, shelter, food, water, basic relief items as well as medical and psychosocial assistance, as noted in Section B of this report. It also impacted distribution of core relief items as noted in Section C of the report. These issues were also adequately reported in the joint RBA, Division of International

Protection (DIP) and Division of Emergency, Security and Supply (DESS) real time review of the emergency response conducted in September 2017.

15. The Representation listed the lack of contingency plan for mass influx of refugees as one of its 16 risks but it was not prioritized and effective actions were not put in place to mitigate identified risks. The lack of plan meant that the Representation was ill-prepared to respond when the Level 2 emergency was declared on 23 May 2017. A plan was prepared three months after the emergency was declared. This contingency plan was supported by border monitoring missions in the provinces of Zaire and Uige to acquire information on movements and infrastructure, and partners and services available. This resulted in the development of a long list of action points, with a planned finalization date of September 2017. There was no information available by the end of February 2018 on the extent to which these actions had been implemented or whether they would still be considered applicable for future emergencies.

16. The effectiveness of the contingency plan in guiding the emergency response was impacted by the lack of minimum and advanced preparedness actions which would have supported the development of its content. Consequently, some areas in the contingency plan were not sufficiently comprehensive compromising its usefulness as a guide. For example, the plan was not informed by joint scenario planning or cross-border cooperation with UNHCR colleagues in DRC and other offices in the region to ensure a coordinated response to the crisis. It also listed the required human and material resources for the response but did not provide for how they would be obtained. For example, the plan lacked sourcing strategies for food and CRIs, and these became major challenges once the emergency started. It also lacked a mobilization strategy for the additional human resource needs identified.

17. The contingency plan did not specify and formalize the roles of partners, thus hampering their quick mobilization when the influx started. The real-time review of the initial response that was jointly conducted by RBA, DIP and DESS assessed, amongst other things, that the Representation struggled to assume the role as refugee multi-sectoral leader responsible for leading, facilitating and coordinating the emergency response at the onset of the crisis. This was because the Representation had already been downsized to only eight staff with the most senior staff at the P-3 level, and with its focus being on addressing the old case load and not an imminent refugee crisis. The lack of seniority and experience of the Representative at the time vis-à-vis the heads of the existing United Nations Country Team impacted UNHCR's ability to take a leadership role in the crisis. However, this changed later in the year once strategic partnerships were formalized.

18. Considering the Representation's limited staff capacity ahead of the crisis, no consideration was given to transferring key roles for emergency preparedness to ROSA. Instead, the Representation had to scale up its staffing within the first three months of the crisis and establish a new field office in Dundo to respond effectively. Many of the initial fast track appointments arrived in Angola in late July and August 2017. Apart from a Programme Officer (P-3), the rest of the staff deployed to the emergency were on mission pending recruitment of permanent staff. ROSA deployed eight staff at the beginning of the emergency, but further resources were delayed by several weeks due to the cumbersome visa procedures.

19. The lack of sufficient staffing at the beginning of the crisis and the fast turnover of emergency staff resulted in loss of institutional memory. For example, three different Representatives served in Angola in 2017, impacting on organizational coherence and leadership. The effectiveness of deployed staff in supporting the response was adversely affected by their inability to speak Portuguese and their limited knowledge and understanding of the unique country context. The use of temporary staff, with limited clarity on their responsibilities, also created a weak control environment as outlined later in this report. The response was siloed as sector specialists on mission primarily focused on their sectoral deliverables, with limited interaction with and handovers to programme colleagues in the Representation.

20. The Representation also did not have a coherent country strategy to guide it in meeting its commitment to protect, assist and find solutions for all persons of concern. At the onset of the crisis, the Representation had operation plans in place for 2017 and 2018 which foresaw a progressive and responsible disengagement with decreasing staff and budgets and the attempt to transfer knowledge and responsibilities to the national government. The 2017 operations plan was not updated to reflect changes in the scope of the operations once the emergency was underway. In consequence, operational level increments were allocated based on perceived gaps rather than a proactive planning process. As at September 2017, the Representation also lacked a business continuity plan, which was expected in the circumstances, as the emergency response took precedence over the operation's normal activities.

21. In the absence of a formalized strategy, emerging strategies prevailed which focused on refugees in the settlements of Lovua and Dundo to the detriment of the urban refugee population which still represented 70 per cent of the overall caseload in Angola. As at February 2018, and 10 months into the emergency, the emergency response in Lunda Norte was still primarily focused on life saving assistance and protection.

22. The June 2015 asylum law had not been operationalized at the time of the audit and, thus, there was no policy in place on the local integration of refugees. In August 2017, in a bid to enforce an encampment policy in Lovua the Government of Angola closed the border, stopped registration and closed the reception centers of Musungue and later, in February 2018, Cacanda. Protection related concerns emerged as Police Special Forces were arresting refugees in Dundo and confiscating their registration documents (with approximately 25 refugees fearing deportation fleeing to the offices of humanitarian partners in February 2018). After the closure of the Cacanda reception center, the remaining refugees had no place to receive their monthly food distribution. No provision had been made for a reception center in the event of another refugee influx. Local authorities had identified a possible contingency site but no confirmation was given to proceed with the required contingency planning.

23. Inadequate emergency preparedness affected the Representation's ability to respond to the emergency in a planned and sustained manner and thereby posed limitations on its ability to effectively deliver services to persons of concern. This was caused as early warning signs were not appropriately considered and risks actively mitigated upfront, which resulted in, amongst other things, the decision to downscale the country operations despite the looming influx from DRC. At the time of the audit, the situation in DRC was still volatile and a new large-scale displacement was not to be excluded.

**(1) The Bureau for Africa, in coordination with the Division of Emergency, Security and Supply and the Representation in Angola, should: (i) develop an action plan based on outcomes of the real-time review of the emergency response conducted in September 2017 and this audit; and (ii) support the Representation in its emergency preparedness actions, including contingency planning, to be able to respond to a large refugee influx.**

*UNHCR accepted recommendation 1 and stated that an action plan had been developed based on the real time review of the emergency response. A draft contingency plan as part of the DRC Regional Contingency Plan was in place, as well as business continuity plans for Dundo and Luanda. The Preparedness Package for Refugee Emergencies was also prepared indicating completed actions and those underway. Recommendation 1 remains open pending receipt of a finalized contingency plan at the country level that builds on the Regional Contingency Plan and the Preparedness Package for Refugee Emergencies.*

## **B. Settlement and shelter management**

There was a need for the Representation to finalize and implement its settlement and shelter strategy

24. By February 2018, the emergency had moved from the first stage of receiving and assisting refugees to the stage of relocating them to the new settlement of Lovua. In alignment with the UNHCR Global Strategy for Shelter 2014-2018, the Representation was required to develop and implement settlement and shelter strategies at an early stage of contingency planning with a clear trajectory towards durable and sustainable solutions suitable to the specific context of displacement and alternatives to camps. Such strategies should generally be based on: (a) needs assessments, including surveys of potentially affected areas, and analysis of the affected population demographics, cultural practices and habits, available resources and housing options, and the geographical, climate, environmental, political, security and socio-economic context; (b) involvement of the population of concern and of the overall local affected population, host governments, and partners; (c) coordination with other sectors (sexual and gender based violence, education, health and nutrition, water and sanitation and livelihoods); and (d) technical expertise.

25. The Representation prepared a draft shelter strategy for the refugees in Lunda Norte in June 2017. It had shared the strategy with UNHCR headquarters, but the strategy had not yet been finalized and approved. There was no evidence that the strategy had been prepared based on a need assessment or with participation from the affected population. For example, the draft strategy did not consider construction using mud bricks, which would have been in line with local cultural practices and habits. Mud bricks could also have been made available in conjunction with the planned livelihood and existing energy efficiency programmes and resulted in lower maintenance of constructed shelters. The Representation undertook a needs assessment only in October 2017 as an input to the Representation's programming, but the resulting report had not been finalized at the time of the audit. The activities in the strategy were also constrained by funding which was available only for 20-25,000 instead of the estimated 50,000 arrivals.

26. At the time of the audit, the Representation was implementing the emergency shelter component of the draft strategy, which involved using wood, nails and plastic sheeting to build shelters. However, OIOS questioned the Representation's decision to use wood considering the difficulties experienced in sourcing wood and the recent Government regulation against wood cutting and transportation. The use of wood was also not in alignment with the global shelter strategy which called for durable and sustainable solutions to be identified, suitable to the specific context of displacement and as alternative to camps.

27. In fact, at the time of the audit, the Representation was facing challenges in acquiring wood for shelters with a selected vendor failing to provide wood worth \$114,414. To address the issue, the Representation selected a partner to take over the shelter activities, but this partner too was unable to acquire wood worth \$0.7 million, resulting in significant delays in construction. Out of the 3,888 shelters expected to be constructed by UNHCR, as of 28 February 2018 there was only sufficient wood to build 144 shelters in addition to the 819 shelters already done. OIOS also noted that the self-initiated transition by some refugees from emergency shelters to semi-permanent structures was anticipated but not planned in the draft shelter strategy and therefore not managed.

28. OIOS also observed that even if modifications to design errors made to the initial master-plan in the draft shelter strategy had resulted in savings that increased the number of shelters constructed from 3,000 to 3,888 shelters and payment of refugees for work, a review of the shelter partner's documentation related to construction of shelters showed weaknesses in documentation of expenditures of both casual labour and construction materials. In addition, the partner did not follow laid down procurement procedures in identifying contractors but opted to sole source construction activities because of the limited number of informal suppliers available.



29. Delays in updating and finalizing the national shelter strategy were due to gaps in planning and oversight by the Representation's management. In the absence of a formal shelter strategy, the shelter options provided to refugees may not be the most relevant to their circumstances, represent best value, and be sustainable in the long run.

**(2) The UNHCR Representation in Angola should review and finalize its settlement and shelter strategy and ensure provision of shelters that are durable, represent best value for money and require minimal maintenance.**

*UNHCR accepted recommendation 2 and stated that the Representation had developed and finalized the Shelter and Settlement Strategy. Based on the action taken and documentation provided by UNHCR, recommendation 2 has been closed.*

### **C. Distribution of core relief items and warehouse management**

There was a need for the Representation to adequately account for core relief items received and ensure that they reach the intended beneficiaries

30. The Representation distributed CRIs amounting to \$2,371,354 during 2017 and the first two months of 2018. Warehousing, transportation and distribution of food and CRIs was subcontracted to a partner. In order to ensure delivery of CRIs in a timely manner to the intended beneficiaries, the UNHCR Emergency Handbook, Manual on Commodity Distributions, and inventory management policies require the Representation to: (a) effectively manage warehouses with suitable record keeping and physical controls; b) establish beneficiary targeting criteria; c) develop and deliver a distribution plan that is communicated to recipients; d) monitor the actual distribution of CRIs; and e) conduct post distribution monitoring and reconciliations to ensure the items reached the intended beneficiaries.

31. While the Representation conducted periodic inventory verifications and issued stock on a first in first out basis as required, there were also areas where it did not comply with UNHCR guidelines. Firstly, it lacked standard operating procedures that clarified roles and responsibilities and ensured accountability between UNHCR and its logistics partner. It also did not have a distribution plan or criteria for selection of beneficiaries to ensure that CRIs reached the most vulnerable refugees. The Representation also had not prepared reconciliations between the CRIs issued from the warehouse and those distributed and could therefore not properly account for CRIs received. It also lacked distribution reports to evidence the distribution of CRIs to intended beneficiaries and did not conduct post distribution monitoring to be able to ascertain that they reached the beneficiaries.

32. The warehouse related information in MSRP was inaccurate. The system recorded only one warehouse as containing stocks, yet OIOS observed the existence of CRIs in three other stores. This was because the Representation expensed CRIs in MSRP when they left the main warehouse whilst some items were still held in storage in the other three off-line stores. Regarding record keeping, several stock items were issued without a material stock requisition, authorizing the release of inventory. Files in the warehouse lacked key documentation such as goods received notes, waybills and delivery notes, inspection and weekly reports, inventory counting sheets, and loss/damage forms.

33. A review of stock records showed that there were discrepancies between the CRIs released from the main warehouse and what was recorded as received at the main store in Lovua. Also, until December 2017, the Representation had not prepared any reconciliations which would have helped it identify the same discrepancies and justify or correct them. OIOS physical verification of five types of CRIs on 28 February

2018 also showed significant discrepancies between quantities held and those recorded in MSRP. The Representation in its report dated 31 December 2017 identified and attributed inventory discrepancies worth \$42,000 to theft. At the time of the audit, this loss had not been communicated to the Supply Management and Logistics Service at headquarters, no adjustments had been made to correct the loss, and no action plan was in place to address the control weaknesses. This was caused, amongst other things, by frequent changes in warehouse managers, without proper handovers.

**(3) The UNHCR Representation in Angola should strengthen its management oversight over receipt and distribution of core relief items and put in place arrangements to ensure accountability for compliance with the UNHCR warehouse and inventory management policies and procedures.**

*UNHCR accepted recommendation 3 and stated that the Representation had instituted standard operating procedures for CRI distribution and for warehouse and inventory management. Recommendation 3 remains open pending receipt of evidence of sustained application of controls over warehouse and inventory management in line with the recently finalized procedures.*

## **D. Procurement and vendor management**

The Representation needed to strengthen its procurement processes to ensure that best value is obtained from purchases and safeguard the integrity of the procurement process

34. The Representation raised 56 purchase orders totaling \$2.5 million in the audit period. OIOS reviewed 12 purchase orders amounting to \$822,046 or 32 per cent of the overall monetary value of purchases. In order to ensure the integrity of the procurement process and that value for money is received from the purchase of goods and services, the UNHCR Manual on Supply Management (Chapter 8) requires that the Representative: (i) prepares an annual procurement plan according to identified needs; (ii) initiates timely procurement activities in accordance with the procurement plan to facilitate transparent and competitive procurement; and (iii) ensures adequate oversight of the procurement activities. The Representation is also required to establish and maintain a Vendor Review Committee with a well-defined authority, to ensure efficient and effective support to procurement activities.

### Procurement planning and vendor management

35. The Representation did not prepare an annual procurement plan at the beginning of 2017 because the office was shutting down. Upon the activation of the Level 2 emergency in May 2017, the Representation also did not, as part of the initial assessment mission, develop a procurement plan as expected. In consequence, procurements were undertaken in an ad-hoc manner, and in several instances resulting in purchases that did not represent best value. For example, the Representation selected the most expensive supplier (\$95,001) out of three bids for food on the basis that it was readily available. Arrangements were also not made to initiate more competitive procurement for subsequent purchases. As a result, the Representation made subsequent food purchases worth \$132,895 from the same vendor who was the most expensive vendor. OIOS noted that the second purchase of food was more than required and, as a result, it had to be sent to a settlement camp for distribution over three months later.

36. The Representation also started procurement processes that were later abandoned due to: (i) lack of funds, e.g. a road construction estimated at \$5.2 million; and (ii) realization that the goods were no longer needed, e.g. for purchase of one bus instead of two because the second one was not needed. It also made purchase decisions that resolved short term challenges in a less cost effective way. For example, the funds used to rent a bus for four months (\$47,244) were sufficient to purchase a bus. The Representation's

justification that there was only one provider of buses was not valid since other vendors were available. Better procurement planning could have avoided these issues.

37. Considering the reported challenges of doing business in Angola, the Representation lacked an effective vendor management system to support its solicitation processes. The Representation had established a Vendor Review Committee that met only once in 2017. At this meeting only four new suppliers were selected. There was also no evidence that the Committee had undertaken performance evaluations of vendors recorded in its vendor database. The Committee's efforts to clean up the vendor database were evident in the number of vendor accounts deactivated (243 vendors). However, the comprehensiveness of the database review was questionable because the database still had 74 vendors with more than one vendor number or with the same name but with different numbers.

38. The Representation primarily followed the Request for Quotation (RFQ) method and cited inadequate numbers of vendors, amongst other things, as its justification for not using the invitation to bid (ITB) method. Also, in the absence of a comprehensive vendor database, the Representation could not justify the basis of selection of vendors that were invited to bid. Supply officers explained that they used google search and/or drove around town to identify potential bidders which raise the risk of manipulation of the bidding process. An effective vendor management system would have helped address these issues, thereby facilitating solicitation processes.

#### Procurement processes and contract management

39. Despite requests, the Representation did not provide OIOS with documentation related to the procurement process for staff transportation (\$23,075) and security (\$8,597). While the UNHCR Procurement Manual states that all procurements are subject to some form of competition even during an emergency, OIOS noted that the Representation used the RFQ method as opposed to ITB for procurements that exceeded the threshold of \$100,000, e.g. for the purchase of food (\$227,896), wood (\$122,660), and furniture (\$371,909). Where the ITB method was followed, vendors were only given one week as opposed to the required four weeks to submit bids. Supply officers were in constant communication with bidders throughout the bidding process which raised the risk of manipulation.

40. Most evaluations conducted did not follow the listed criteria in the RFQ, and in most cases, additional criteria were introduced and used as a basis for disqualifying bidders. This included not specifying in the RFQ the requirements for transport, a criterion which was eventually used as a basis to exclude the two cheapest bids for shelter kits and wood (valued at \$273,917 and \$122,660 respectively). For a road construction project, the selection was not based on the set criteria but on visits to the contractor's site.

41. Although the Representation 'piggy backed' on a United Nations agency's contract with a travel agent, available documentation showed that the travel agent's contract had expired at the time the decision was made. Also, the Representation did not undertake a cost benefit analysis to ensure that it obtained best value from this contract. For example, 95 per cent of tickets billed were with a local airline, but prior to deciding to procure through an agent, no consideration was given to whether it would have been cheaper to purchase tickets directly from the airline.

42. Regarding contract management, the Representation awarded a contract for drilling of boreholes valued at \$340,886 in December 2017 based on another United Nations agency procurement process undertaken in July 2017. At the time of the audit, the contract had not been signed with the vendor who opposed signing the contract due to increased costs with the passage of time. The Representation was likely to not only lose the funds if a timely solution was not found to the impasse, but this would also affect refugees' ability to get water. The Representation also had not cancelled purchase orders for: (i) wood (valued at \$114,414) following the termination of the contract on 31 October 2017; and (ii) local

transportation (valued at \$206,705) having made all related payments. This failure to close orders in a timely manner meant that the Representation lost funds that could have been used for other purposes. It also increased the risk of making payments against open orders.

43. Regarding instances where sole sourcing was used, there was no evidence that the Representation undertook due diligence to ensure that the price charged by the sole bidder represented best value. For the Representation's purchase of a 30-seater bus (valued at \$53,725) in August 2017, it disqualified all but one potential local suppliers on the basis that they did not have stock available locally at the time. This included UNHCR Procurement Service's offer to supply the bus within three months at \$39,633. The Representation made an offer to a local supplier at \$53,735 citing exigency and that the bus would be delivered in one month, i.e. September 2017. However, the bus was only received in January 2018 which negated the justification for not taking the cheaper offer.

44. Operational advances amounting to \$587,501 were made to 35 staff (2 staff accounting for 77 per cent of advances taken). Most of the advances went towards purchasing goods and services, e.g. fuel, water for refugees, wood, food, vehicle hire, etc., but without following laid down procurement procedures. Proper documentation was not maintained to evidence recovery and in consequence OIOS could not confirm that personal advances made to staff were recovered. There were also significant weaknesses in the management of advances with two staff deployed to support the emergency receiving additional funds amounting to \$248,349 and \$204,732 without accounting for prior advances. There were also delays of up to six months in accounting for the advances and OIOS questioned the genuineness of the documentary support provided in a few cases because receipts and payment related to same individuals had different signatures.

#### Oversight over procurement processes

45. The Representation's Local Committee on Contracts (LCC), the Regional Committee on Contracts and the Headquarters Committee on Contracts provided oversight of the procurement processes. However, OIOS questioned the effectiveness of LCC's oversight based on the extent of waivers to competition and non-compliant procurement that had not been called out or corrected during LCC meetings. OIOS review of procurement cases submitted to LCC for approval in 2017 indicated that 20 of the 22 cases approved by the LCC had issues that the Committee should have identified. The Representation was awarding a number of procurements through ex-post facto notifications or waivers to competitive bidding despite being in violation of UNHCR procurement rules. In addition, post facto approvals were often sought up to six months after the event which delayed any remedial action that could have been instituted. While some exceptions are expected for valid business reasons and accordingly the Procurement Manual makes provisions for non-competitive purchases in "exceptional cases", this high percentage of exceptions reflects that non-competitive procurements were the norm in Angola.

46. While there were operational challenges in Angola, the issues above were magnified by the lack of suitably qualified staff to manage the procurement process. OIOS noted that: (i) the first staff deployed during the emergency had limited understanding of the UNHCR procurement procedures; (ii) there were frequent changes of staff during the emergency (often with limited understanding of the country context) resulting in limited accountability once the staff left; and (iii) delegation of authority during the emergency was made without proper instructions to guide execution. A Supply Officer was appointed and started work only in November 2017.

**(4) The UNHCR Representation in Angola, in collaboration with the Regional Representation for Southern Africa, should review its procurement function to: (i) establish sound vendor management mechanisms; (ii) enforce competitive bidding with clear and relevant bidding criteria; (iii) refrain from using operational advances; and (iv) ensure effectiveness of the Local Committee on Contracts oversight on the procurement process.**

*UNHCR accepted recommendation 4 and stated that the Representation, with the Regional Office support, had developed a time bound action plan to strengthen the procurement function in Angola. Actions taken included the inclusion of more senior staff in the Bid Opening Committee, the Vendor Review Committee and the LCC. The terms of reference were amended and disseminated to all LCC members and the vendor management policy was shared with the Vendor Review Committee members. The second line of defense was created at the regional level to review and clear the LCC submissions. Based on the action taken and documentation provided by UNHCR, recommendation 4 has been closed.*

## **E. Partnership management**

There was a need to strengthen controls over selection and monitoring of partners to better support programme implementation, and ensure partner accountability for project results

47. Implementation through partners accounted for \$5.7 million (or 38 per cent) of the Representation's total programme budget of \$14.9 million in 2017. Expenditures recorded in MSRP amounted to \$3.1 million (or 54 per cent financial implementation rate) for 2017 against advances made to partners for \$5.7 million. In order to achieve the expected project results through the use of partners, the Representation was expected to: (i) select or retain partners through a process with adequate authorization, objectivity, transparency, consistency and timeliness; (ii) sign well developed project agreements with partners and transfer instalments to them in a timely manner; (iii) monitor the project activities and expenditures through a risk-based and multi-functional approach; and (iv) arrange for building capacity of partners as and when necessary.

48. For the selection of partners for the emergency, the constituted Implementing Partnership Management Committee (IPMC) held an expression of interest meeting with partners on 24 May 2017 with a deadline for submission of 1 June 2017. The IPMC reviewed concept notes from interested partners immediately after their submission and the Representation finalized project partnership agreements (PPAs) between July and August 2017. PPAs scheduled large disbursement at the beginning of the project without considering the partners' absorption capacity and the resulting financial exposure. For example, the Representation entered into a PPA with a partner for \$1.5 million for shelter and road construction but this was revised down to \$55,000 three months later due to difficulties by the Representation in securing cost-effective services from the partner. The Government committed to complete this construction.

49. Regarding the partner selection process for 2018, IPMC held a meeting on 9 January 2018 to decide to retain one partner. However, there was no evidence on file to document the desk review process and the resulting decision. The finalization of 2018 PPAs was not timely, with only one of the five PPAs concluded at the start of the year and another two by 14 March 2018. Thus, initial disbursements were made in January 2018 against Letters of Mutual Intent that were valid for only one month. In consequence, four partners implemented activities without a valid and detailed underlying contract from February until the PPAs were eventually signed.

50. The Representation designated procurement to seven partners in 2017 and 2018, with procurement values of \$2.9 million and \$1.0 million respectively. Four partners were prequalified for procurement by UNHCR, but the Representation did not conduct the required capacity assessment and cost benefit analysis to determine whether procurement by partners would be advantageous compared to direct implementation. OIOS noted that while UNHCR was value added tax (VAT) exempt, partners were subject to different VAT rates, e.g. 6.5 per cent for services. As such procurement through partners was more expensive than procuring through UNHCR. Also, the Representation's financial verification reports and documentation of site visits disclosed that these partners had issues discharging their procurement responsibilities. OIOS reviewed expenses for two partners in 2017, with a total budget of \$1.8m and recorded expenses amounting to \$270,000 and observed five instances of non-compliance with UNHCR procurement rules.

51. While the Representation had prepared monitoring plans for the PPAs in 2017 and 2018, it did not follow the required formats for such plans provided in the UNHCR risk-based project performance monitoring and control toolkit. There was also no evidence that these plans were risk based and had been discussed and agreed with partners as required. The Representation also did not establish a multifunctional team to assess partners' performance. Since the Representation did not have a Project Control Officer, ROSA undertook three verification missions to Angola in 2017. The Representation however undertook at least two financial monitoring visits per partner using its own staff. However, the financial verification reports did not indicate the budget lines and the transactions reviewed. The adequacy of the financial monitoring of each PPA was thus difficult to assess. Monitoring of partner's activities was done through weekly inter-agency coordination meetings. While monitoring was not a priority for the Representation at the beginning of the emergency due to staff constraints, OIOS also did not see any evidence that the Representation had established the required partner monitoring plans and arrangements 10 months after the declaration of the emergency.

52. Because of the weaknesses cited above, the Representation was at risk of not adequately supporting programme implementation and ensuring partner accountability for project results. The underlying cause of these weaknesses was the lack of a management strategy and plan to transition the operations out of the emergency modality into a more stabilized setting.

**(5) The UNHCR Representation in Angola should prepare a workplan to stabilize the partnership management processes and strengthen management of risks associated with selection and retention of partners, designation of procurement authority to partners, and financial and performance monitoring of Project Partnership Agreements.**

*UNHCR accepted recommendation 5 and stated that its expected the 2019 partner selection process to be finalized by November 2018. Partners were approached to justify their need for pre-qualification for procurement status. Following the risk-based monitoring and verification plan that was established for 2018, the multifunctional team had undertaken its first round of monitoring and verification in July 2018. Completed signed reports were shared with UNHCR management and the partner. Recommendation 5 remains open pending receipt of evidence of implementation of a concrete workplan developed by the Representation to stabilize the partnership management processes and strengthen management of risks associated with selection and retention of partners, designation of procurement authority to partners, and financial and performance monitoring of projects.*

#### **IV. ACKNOWLEDGEMENT**

53. 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 Angola for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Important <sup>1</sup>	C/O <sup>2</sup>	Actions needed to close recommendation	Implementation date <sup>3</sup>
1	The Bureau for Africa, in coordination with the Division of Emergency, Security and Supply and the Representation in Angola, should: (i) develop an action plan based on outcomes of the real-time review of the emergency response conducted in September 2017 and this audit; and (ii) ensure that the Representation has a comprehensive emergency preparedness plan incorporating updated contingency and business continuity plans, to be able to respond to a large refugee influx, while taking into account any plans to downsize the Representation.	Important	O	Submission to OIOS of evidence that the Representation has finalized the contingency plan at the country level that builds on the Regional Contingency Plan and the Preparedness Package for Refugee Emergencies.	31 December 2018
2	The UNHCR Representation in Angola should review and finalize its settlement and shelter strategy and ensure provision of shelters that are durable, represent best value for money and require minimal maintenance.	Important	C	Action completed	Implemented
3	The UNHCR Representation in Angola should strengthen its management oversight over receipt and distribution of core relief items and put in place arrangements to ensure accountability for compliance with the UNHCR warehouse and inventory management policies and procedures.	Important	O	Submission to OIOS of evidence of sustained application of controls over warehouse and inventory management in line with the recently finalized procedures.	31 December 2018
4	The UNHCR Representation in Angola, in collaboration with the Regional Representation for Southern Africa, should review its procurement function to: (i) establish sound vendor management mechanisms; (ii) enforce competitive bidding with clear and relevant bidding criteria; (iii) refrain from	Important	C	Action completed	Implemented

<sup>1</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>2</sup> C = closed, O = open

<sup>3</sup> Date provided by UNHCR in response to recommendations.



## STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Important <sup>1</sup>	C/O <sup>2</sup>	Actions needed to close recommendation	Implementation date <sup>3</sup>
	using operational advances; and (iv) ensure effectiveness of the Local Committee on Contracts oversight on the procurement process.				
5	The UNHCR Representation in Angola should prepare a workplan to stabilize the partnership management processes and strengthen management of risks associated with selection and retention of partners, designation of procurement authority to partners, and financial and performance monitoring of Project Partnership Agreements.	Important	O	Submission to OIOS of evidence of implementation of a concrete workplan developed by the Representation to stabilize the partnership management processes and strengthen management of risks associated with selection and retention of partners, designation of procurement authority to partners, and financial and performance monitoring of projects.	30 November 2018

# **APPENDIX I**

## **Management Response**

## MANAGEMENT RESPONSE

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

Rec. no.	Recommendation	Important <sup>4</sup>	Accepted? (Yes/No)	Title responsible individual	Implementation date	Client comments
1	The Bureau for Africa, in coordination with the Division of Emergency, Security and Supply and the Representation in Angola, should: (i) develop an action plan based on outcomes of the real-time review of the emergency response conducted in September 2017 and this audit; and (ii) ensure that the Representation has a comprehensive emergency preparedness plan incorporating updated contingency and business continuity plans, to be able to respond to a large refugee influx, while taking into account any plans to downsize the Representation.	Important	Yes	Snr Protection Officer	10/08/2018	<p>Rec 1 (i) The Bureau for Africa in coordination with Division of Emergency, Security and Supply and the Operation in Angola have developed an action plan based on the real-time review of the emergency response.</p> <p>Rec 1 (ii) A Draft Contingency Plan has been prepared as part of the Regional Contingency Plan (RCP) for the DRC Situation</p> <p>Business Continuity Plan has been developed for Dundo and Luanda Offices</p> <p>The Preparedness Package for Refugee Emergencies (PPRE) has been prepared showing Advance Preparedness Actions (APA) and Minimum Preparedness Actions (MPA) indicating completed actions and those underway.</p>
2	The UNHCR Representation in Angola should review and finalize its settlement and shelter strategy and ensure provision of shelters that are durable, represent best value for money and require minimal maintenance.	Important	Yes	Supply Officer	29/06/2018	The Shelter and Settlement Strategy has been finalized in collaboration with the HQ Shelter Unit.

<sup>4</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.

Rec. no.	Recommendation	Important <sup>4</sup>	Accepted? (Yes/No)	Title responsible individual	Implementation date	Client comments
3	The UNHCR Representation in Angola should strengthen its management oversight over receipt and distribution of core relief items and put in place arrangements to ensure accountability for compliance with the UNHCR warehouse and inventory management policies and procedures.	Important	Yes	Supply Officer	31/08/2018	<p>The Representation instituted Standard Operating Procedures (SOPs) for core relief items distribution and for warehouse and inventory management to show various actions initiated on closer monitoring, oversight of the distribution and ensuring the accountability in warehouse and inventory managements.</p> <p>As action has been done, closure of this recommendation is requested.</p>
4	The UNHCR Representation in Angola, in collaboration with the Regional Representation for Southern Africa, should review its procurement function to: (i) establish sound vendor management mechanisms; (ii) enforce competitive bidding with clear and relevant bidding criteria; (iii) refrain from using operational advances; and (iv) ensure effectiveness of LCC oversight on the procurement process.	Important	Yes	Supply Officer	17/08/2018	<p>With the Regional Office support and under its coordination, the Supply Unit in Angola has diligently and consistently elaborated a time bound action plan to revise/update the overall procurement functions.</p> <p>Many actions have already been taken or initiated to strengthen the procurement function in Angola. These include but not limited to the following:</p> <p>New compositions of various Committees (Bid Opening Committee, Vendor Review Committee and Local Contracts Committee) to include more senior staff.</p> <p>The TORs were elaborated for a good functioning of the Bid Opening Committee.</p> <p>The new Rules and Regulations on functioning of the Committees on Contracts were disseminated to all LCC's member and to the Secretary as well. The second line of defense is created at the regional level to review and clear the LCC submissions. The vendor management policy is shared with the VRC members.</p>

Rec. no.	Recommendation	Important <sup>4</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						With the measures put in place, we request closure of this recommendation.
5	The UNHCR Representation in Angola should prepare a work plan to stabilize the partnership management processes and strengthen management of risks associated with selection and retention of partners, designation of procurement authority to partners, and financial and performance monitoring of Project Partnership Agreements.	Important	Yes	Programme Officer and Project Control Officer	30/11/2018	<p>The revised memo establishing the IPMC for the 2019 partner selection process has already been signed and shared. The process will be finalized October/ November 2018.</p> <p>Partners have been approached to explain the need for Pre-qualification for procurement status (PQP),</p> <p>Following the risk-based monitoring and verification plan that was established for 2018, the multifunctional team (MFT) has undertaken its first round of monitoring and verification from 17 – 18/07/2018. Reports being finalized, including responses from the partners on the recommendations made.</p> <p>The signed report of a Partner has been shared with UNHCR management and also the partner. The remaining reports will be put on e-SAFE as soon as finalized and signed.</p> <p>The Multi-Functional Team has initiated the monitoring and verification visit to comply with the time bound action plan (or project monitoring schedule)</p>