



INTERNAL AUDIT DIVISION

REPORT 2019/081

Audit of the operations in Central African Republic for the Office of the United Nations High Commissioner for Refugees

There were control weaknesses in the arrangements for planning and resource allocation, durable solutions, shelter programmes, cash based interventions and partnership management

**28 August 2019
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Audit of the operations in Central African Republic for the Office of the United Nations High Commissioner for Refugees

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the operations in Central African Republic (CAR) for the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess whether the UNHCR Representation in CAR was managing the delivery of services to its persons of concern (PoCs) in a cost-effective manner and in accordance with UNHCR's policy requirements, with due regard to the risks that it was exposed to in the context in which it was operating. The audit covered the period from 1 January 2018 to 31 March 2019. Based on an activity-level risk assessment, the audit included a review of the following high and medium risk areas: (a) planning and resource allocation; (b) durable solutions; (c) shelter and settlement; (d) cash based interventions (CBI); and (e) partnership management.

There were control weaknesses in the Representation's arrangements for planning and resource allocation, durable solutions, CBI, and shelter and settlement programmes, which, if unaddressed, could adversely impact the achievement of its objectives. The Representation also needed to strengthen its controls over partnership management, which was a key component of its programme delivery, to ensure services are provided to PoCs in a cost-effective manner, especially as this was a recurring issue identified also in OIOS' previous audit. Overall, OIOS was of the opinion that the Representation needed to develop and/or update strategies and standard operating procedures (SOPs) to guide programme implementation and better integrate performance management into its operations management cycle. The Representation's risk management mechanisms were also inadequate. As the common root cause for all the issues raised in this audit was inadequate management oversight, OIOS concluded that the risk and control culture in the operation needed significant strengthening.

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

- Ensure: (i) proper utilization of allocated funds on targeted PoCs; (ii) alignment with the UNHCR planning and budgeting structure; and (iii) recording of realistic and up-to-date targets in the Focus system;
- Develop and/or update repatriation and reintegration strategies and tools, including but not limited to reintegration plans and tripartite agreements, to ensure programme activities meet the needs of refugee returnees; and assess the impact of livelihoods assistance and use the results to develop a revised livelihoods strategy for refugees;
- Develop, implement and monitor: (i) a shelter and settlement strategy, informed by a documented needs assessment; as well as (ii) SOPs that guide implementing partners on the provision of appropriate shelters to PoCs;
- Develop and implement a strategy for CBI, informed by a comprehensive documented assessment of the current CBI programme, as well as SOPs to ensure the programme remains relevant in addressing protection risks among PoCs; and put in place appropriate controls to safeguard available resources and retroactively conduct a reconciliation of all CBI payments made in 2018; and
- Strengthen management oversight over partners, particularly regarding monitoring of programme implementation.

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

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Audit of the operations in Central African Republic for the Office of the United Nations High Commissioner for Refugees

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the operations in Central African Republic (CAR) for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The UNHCR Representation in CAR (hereinafter referred to as ‘the Representation’) was established in 1986 to provide refugees, asylum seekers and other persons of concern (PoCs) with international protection, humanitarian assistance and durable solutions, where feasible. CAR is a signatory to the 1951 Geneva Convention and the 1967 Protocol relating to the Status of Refugees, the 1969 OAU Convention Governing the Specific Aspects of Refugee Problems in Africa and the 2009 Kampala Convention.
3. As of December 2018, CAR hosted a total of 1,184,760 PoCs, comprising three main groups. There were 1,126,054 internally displaced persons (IDPs), 51,759 refugee returnees who had started returning from exile since 2015, and 6,947 refugees and asylum seekers of whom 36 per cent were from South Sudan, 26 per cent from the Democratic Republic of the Congo (DRC) and 25 per cent from Chad.
4. The Representation was headed by a Representative at the D-1 level and it had, at the time of the audit, 143 regular staff posts and 18 affiliate staff. The Representation’s Country Office was located in the capital, Bangui. The Representation also had a Sub-Office in Bouar, four Field Offices in Bambari, Kaga, Obo and Paoua, and a Field Unit in Berberati. Its total expenditure in 2017 and 2018 was \$32.5 and \$31.3 million respectively. The Representation worked with 16 partners in 2017 and 13 in 2018. These partners implemented 68 per cent of the Representation’s programme related expenditures in the period under audit.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

5. The objective of the audit was to assess whether the Representation was managing the delivery of services to its PoCs in a cost-effective manner and in accordance with UNHCR’s policy requirements, with due regard to the risks that it was exposed to in the context in which it was operating.
6. This audit was included in the 2019 risk-based work plan of OIOS due to the risks related to the Representation’s capacity to deal with increased returns of refugees and IDPs to their places of origin.
7. OIOS conducted this audit from February to May 2019. The audit covered the period from 1 January 2018 to 31 March 2019. Based on an activity-level risk assessment, the audit included a review of the following high and medium risk areas: (a) planning and resource allocation; (b) durable solutions; (c) shelter and settlement; (d) cash based interventions (CBI); and (e) partnership management. In reviewing these areas, the audit also undertook limited testing in the following related areas: construction activities, procurement and vendor management, fair protection process and documentation, programme monitoring, warehouse management, and non-food item distribution. Through review of the above-mentioned areas OIOS also drew overall conclusions about the control environment and the effectiveness of enterprise risk management (ERM) in the Representation.
8. The audit methodology included: (a) interviews with 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, through Global Focus Insight; (d) review of data extracted from proGres, the UNHCR enterprise registration tool; (e) sample testing of controls using stratified sampling techniques; (f) visits to the Representation's Country Office in Bangui and telephone interviews with the Head of Sub-Office in Bouar and the Heads of Field Offices in Obo, Bambari, Paoua, and Berberati; (g) visits to the offices of five partners implementing UNHCR projects; and (h) observation of programme activities implemented in Moundoumba, Bangui and Damara.

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

III. AUDIT RESULTS

A. Planning and resource allocation

There was a need for the Representation to strengthen its strategic planning and monitoring processes to ensure efficient and effective use of available resources to create the desired impact

10. The Representation had a 23 per cent reduction in its operating level budget of \$28 million for 2018. To manage the risks of failure to provide the most vital assistance to PoCs, the Representation needed to ensure that: (i) the needs of the PoCs are comprehensively assessed; (ii) goals and objectives are prioritized and established, aligned with the UNHCR global strategic priorities, and informed by timely and reliable data on the population of concern; (iii) protection and relevant operational strategies are defined; (iv) required outputs and activities are defined; budgets are allocated; and established deliverables are clarified for measurement; and (v) performance against set targets is monitored and reported.

(a) Alignment of the country operation plan with UNHCR's planning and budgeting structure

11. The Representation used the age, gender and diversity approach to assess the needs of PoCs. Its goals and objectives were aligned with UNHCR's global strategic priorities and informed by data on the population of concern. Another verification exercise was ongoing at the time of the audit. However, although some protection and relevant operational strategies were in place, the Representation was yet to develop others as reflected in subsequent sections in this report.

12. OIOS also noted that the Representation when preparing its 2018 country operations plan (COP), did not follow the UNHCR planning and budget structure. While the \$7.2 million budgeted under pillar 3 in 2018 was meant for reintegration of returning refugees, the Representation recorded costs related to IDPs and refugees under this pillar. For example:

- The Representation charged programme expenditure related to IDPs totaling \$4.7 million to pillar 3 instead of pillar 4. These expenses related to returning IDPs to their places of origin, construction of IDP shelters, and protection monitoring of IDP areas and populations;
- The Representation recorded expenditure of \$2 million on logistics and transportation for the whole operation under pillar 3 as opposed to splitting the costs across all the relevant pillars; and
- The Representation recorded expenditure for the management of a transit center to pillar 3 although the related costs should have been recorded under pillar 1.

13. Per the Representation, the IDP activities were recorded under pillar 3 because they were meant to prepare the locations for the return and reintegration of refugees. However, this explanation lacked documentary support (e.g., it was not reflected in the 2018 COP or in a reintegration strategy). OIOS was also of the view that if these activities were meant to prepare locations for reintegration then they should

have taken place in ‘green zones’ (areas identified for reintegration because they were relatively peaceful). However, most of the funded activities took place in locations outside the ‘green zones’. For example, the Representation spent \$1.4 million on IDPs returning to Bambara and Kaga-Bandoro, and provided shelter support worth \$1.5 million to IDPs and not to the 3,774 refugee returnees in the ‘green zones’. The spontaneous returnees that settled in areas outside the ‘green zone’ were not budgeted for and did not receive any assistance from the Representation.

14. Overall, the programmes undertaken by the Representation targeted IDPs and not refugee returnees and should therefore have been budgeted under pillar 4 and not pillar 3. The misclassification of expenditure had implications on the accuracy of country results reported under the respective pillars in the performance framework and financial reports. It also had implications for performance management since implemented projects did not impact reintegration of refugee returnees as planned and the Representation was not held accountable for the failure to meet related targets. It also raised a reputational risk since \$1.9 million of the funds were earmarked by donors for refugee returnees.

15. The classification of costs by pillar improved in the 2019 COP but some gaps remained; e.g., the budgeted cost of transportation for refugee returnees totaling \$330,000 was placed under pillar 3 as opposed to pillar 1. More importantly, the voluntary repatriation had not started at the time of the audit, which raised the risk that 2019 projects totaling \$4.5 million for the reintegration of returning refugees (i.e. pillar 3) would again not be undertaken as planned.

(b) Strategic planning and monitoring

16. The Representation lacked an effective system for monitoring performance against set targets and its key performance targets were not realistic. For example, the target for refugee returnees assisted in 2018 was 72,000, but by the end of the year the Representation had only assisted 3,774 refugee returnees (5 per cent). The Representation explained that 35,153 had returned comprising 3,774 facilitated and 31,379 spontaneous returnees. However, as stated earlier, the spontaneous returnees were not assisted by the Representation and were therefore irrelevant for programme planning purposes. Similarly, the 2018 planning figure for the number of IDP returnees was 54,195, with only 9,391 IDP returnees (17 per cent) reported as assisted at year-end.

17. While the Representation had no control over the number of IDPs and refugees that returned to CAR, the budget and targets should have been adjusted to reflect the lower turnout during the year. In both cases the budget was exhausted despite not meeting targets which could imply the inefficient use of available resources. OIOS noted that the 2019 planning figures were more conservative, i.e., 12,500 refugee returnees and 18,500 IDP returnees, but the risk of underperformance remained since no refugees had returned in the first quarter of 2019.

18. OIOS identified gaps in the Representation’s performance data recorded against the indicators and set targets in its mid-year and year-end reports as listed below. The Representation only adjusted its Focus reports after the audit, by which time the 2018 annual results had been finalized at headquarters.

- The Representation did not report on the performance of 127 out of 196 indicators (65 per cent) in its 2017 annual report. Similarly, in the 2018 mid-year report, the Representation did not report results on 59 out of 102 output indicators (59 per cent). The 2018 year-end report did not include results against 18 impact and output indicators;
- In the 2018 reports, some indicators showed zero output, yet the related budgets had been fully spent. In other cases, results reported under output indicators were zero, yet the impact indicators had improved; and
- There were targets which exceeded the total population and were therefore impossible to achieve.

19. Despite the funding constraints (23 per cent cut in operating level budget), the Representation did not assess its performance mid-year to facilitate adjustment of budgets and targets to reflect the reality on the ground. In cases where targets were not met, the Representation did not provide proper explanations in its annual or mid-year reports, and measures to ensure they were met going forward. For example, at mid-year only 650 refugees against the planned 72,000 (less than 1 per cent) had returned to CAR, however, no significant adjustments had been made at mid-year to reprioritize how funding was spent.

20. The main reason for the cited weaknesses was the lack of management oversight and monitoring both at the country level and at the Bureau level. Until the audit, neither the Representation nor any headquarters entity, including the Bureau for Africa, had identified the inaccuracies and inconsistencies discussed above. The Representation also did not document in its risk register any risks related to the planned number of refugee returnees not materializing, which would have been expected given that this was at the core of its entire strategic planning and monitoring process.

(1) The UNHCR Representation in Central African Republic, in cooperation with the Bureau for Africa and the Division of Programme Support and Management, should strengthen its strategic planning and programme performance management to ensure: (i) proper utilization of allocated funds on targeted persons of concern; (ii) alignment with the UNHCR planning and budgeting structure; and (iii) recording of realistic and up-to-date targets in the Focus system.

UNHCR accepted recommendation 1 and stated that the Representation had developed procedures to ensure proper targeting of populations and locations for programme interventions. Targets and budgets were also reviewed during the mid-year review in collaboration with Headquarters and targets for voluntary repatriation of both returned refugees and internal displaced persons validated with stakeholders. The 2019 COP was aligned to UNHCR's planning and budgeting structure and earmarked donor funding. The review of the programme performance reports had also been finalized in collaboration with Headquarters to ensure their consistency and completeness. OIOS appreciates that the 2019 COP has been reviewed, however, the Representation did not provide documents to evidence the adequacy in targeting of PoCs and locations in alignment with earmarked funding. While the mid-year review was completed, targets for voluntary repatriation and reintegration remained unadjusted at 12,000 for 2019 yet only 407 refugees (3.4 per cent) had returned at that time. Despite this, 59 per cent of the budget had already been spent at mid-year. Recommendation 1 therefore remains open pending receipt of documentary evidence that allocated funds are used on targeted populations and locations in alignment with earmarked donor funds.

B. Durable solutions

There was a need for the Representation to strengthen its management oversight over implementation of the durable solutions programmes to achieve planned outcomes.

21. Voluntary repatriation and the reintegration of returning refugees from neighboring asylum countries to CAR was the largest programme for the Representation, with an expenditure of \$7.5 million in 2018 and a budget of \$4.6 million in 2019. To ensure that the repatriation of refugees and asylum seekers is voluntary and carried out in safety and in dignity, the return process needed to be adequately planned, implemented and monitored. Also, to ensure returnees are reintegrated in conditions of safety and dignity, the Representation was required to: (i) undertake a common situational assessment to understand the needs, opportunities and constraints of the PoCs, in the country of origin and the country of return; (ii) work jointly with key stakeholders to develop a broad based transition recovery strategy that provides solutions for the

returnees, in order to ensure sustainability; (iii) develop a repatriation and reintegration strategy that defines the planning parameters for protection and assistance; and (iv) develop a reintegration plan and programme to translate the repatriation and reintegration strategy into an operational tool.

(a) Voluntary repatriation

22. UNHCR data showed that an estimated 70,000 refugees from CAR had indicated their readiness to return home from DRC, the Republic of Congo, and Cameroon. As discussed earlier in this report, the Representation facilitated the repatriation of 3,774 returnees against the planned number of 72,000, 94 per cent of whom returned to Lobaye from the Republic of Congo. The Representation built a transit center, provided transport, paid repatriation grants, cash in lieu of the non-food item kits, and dignity kits for women.

23. However, there was incoherence between UNHCR's strategic position as agreed at a Regional Protection Meeting¹ held in August 2017 on a comprehensive protection and solutions strategy for CAR refugees and the Representation's operational plans as shown below, which demonstrated inadequate coordination and oversight also by the Bureau for Africa:

- The Regional Protection Meeting recommended that returns not be encouraged due to the precarious situation in CAR. However, the Representation planned for significant refugee returns of 72,000 in 2018 and 28,000 in 2019.
- The Regional Protection Meeting recommended that refugees who are returning to CAR should continue to be given assistance. However, the Representation did not assist spontaneous returnees.
- The Regional Protection Meeting recommended that tripartite agreements should be a pre-requisite for UNHCR's engagement in voluntary repatriation of large groups to CAR. Despite the large planning figures, the Representation had not signed tripartite agreements with any of the asylum countries.
- The Regional Protection Meeting concluded that there was a need to continue observing the evolving situation on the ground to see whether areas of return for refugees allow for any possibility of safe and dignified return. The Representation had defined and communicated the green zones in which return was considered possible, but it was undertaking activities in provinces that were not within the defined areas.

(b) Reintegration

24. The Representation lacked a strategy and a plan to direct its reintegration objectives and programmes. After the audit mission, the Representation developed a reintegration strategy that defined the parameters for protection and assistance for reintegration programmes. This strategy was based on a broad "National durable solutions strategy for IDPs and returning refugees in CAR", which was developed by the key stakeholders. However, contrary to the UNHCR Handbook for Repatriation and Reintegration, this strategy was not informed by common situational assessment to understand the needs, opportunities and constraints of the PoCs, both in the country of origin and the country of return. The analysis undertaken by the Representation in this regard was inadequate since it did not identify the needs by location as required.

25. OIOS reviewed the strategy shared after the audit field work and noted that it: (i) lacked different scenarios and a clear phase out work plan as required by the Handbook; (ii) provided for evaluation at the end of 2021 but lacked baseline data to reflect conditions of returnees before the Representation's

¹ The meeting that was chaired by the UNHCR Bureau for Africa and attended by representatives from all relevant asylum countries, government officials and the Representation's protection staff

interventions; and (iii) did not identify the target refugee returnee groups and locations for the reintegration interventions. Also, the Representation did not prepare reintegration plans to translate the repatriation and reintegration strategy into an operational tool. It was, however, in the process of drafting a plan of action for one province.

26. The lack of a strategy was one of the root causes for the ineffective implementation of reintegration projects under pillar 3. OIOS saw limited evidence of reintegration programmes directly targeting refugee returnees. For example, none of the programmes undertaken were in Lobaye province and Bangui where almost all facilitated refugee returnees relocated to in 2018. The return and reintegration processes were also not integrated, as reintegration support for refugee returnees who returned in 2018, except for first kit assistance, was planned only in 2019. The Representation also lacked standard operating procedures (SOPs) for monitoring returnee areas.

(c) Self-reliance for refugees

27. In order to support the local integration of refugees, the Representation was required to facilitate and support the Government and the development community operating in the country to agree and formulate a local integration strategy that addresses legal, economic and social needs of both the refugees and host communities, and which would be adequately operationalized through planning documents, SOPs, and a resource mobilization strategy.

28. The Representation had developed and was implementing a durable solutions strategy for the self-reliance of refugees in the country. The effectiveness of this strategy was dependent on the livelihoods through which PoCs could meet their basic needs and attain self-reliance. However, there was no livelihoods strategy for the largest refugee group of 2,649 people residing in Obo refugee camp to address the unique circumstances that this group faced. The Representation also did not have an exit strategy on how to phase out the assistance it was providing to assisted refugees, which created a dependency on aid for survival. The Representation had also not assessed the impact of the livelihood programmes in Obo.

29. The Representation blacklisted the implementing partner six months before the audit and had not identified a replacement to implement livelihoods and assistance projects in Obo. The Representation was therefore directly implementing all refugee projects in Obo, which overburdened its staff and weakened controls over services provided. In addition, income-generating activities had stopped due to bad road conditions and costly air transportation that affected the distribution of supplies. Agricultural activities were also hampered by insecurity and the Representation could not provide food assistance for three months because of the absence of an implementing partner.

30. In OIOS' view, the gaps cited above were due to ineffective management oversight over the durable solution processes as evidenced by the lack of strategies and inadequate planning, implementation and monitoring of related activities. The gaps in the reintegration strategy raised the risk that returnees would not be reintegrated in conditions of safety and dignity and refugees' protection needs would not be met. Specifically, if the reintegration process did not provide PoCs with livelihoods and access to basic services, and ensure full integration into the communities, then there was a risk that refugee returnees would become dependent on humanitarian assistance or return to neighboring countries as refugees.

(2) The UNHCR Representation in Central African Republic, in cooperation with the Bureau for Africa, should: (i) develop and/or update its repatriation and reintegration strategies and tools, including but not limited to reintegration plans and tripartite agreements, to ensure programme activities meet the needs of refugee returnees; and (ii) assess the impact of livelihoods assistance and use the results to develop a revised livelihoods strategy for refugees.

UNHCR accepted recommendation 2 and stated that it had signed tripartite agreements with three asylum countries and assessment missions were carried out in the potential areas of return to identify needs and gaps. A reintegration strategy had also been developed in line with the national one. The Representation was also identifying an expert to evaluate the impact of the livelihoods projects and develop a related strategy. OIOS takes note of the tripartite agreements signed with the three asylum countries. The reintegration strategy shared by the Representation is not in compliance with UNHCR guidelines as already reflected in paragraph 25 above. Recommendation 2 therefore remains open pending receipt of documentary evidence of: (i) up to date repatriation and reintegration strategies that comply with UNHCR guidelines; and (ii) a revised livelihood strategy based on an assessment of the impact of implemented livelihood projects.

C. Shelter and settlement

There was a need for the Representation to develop a shelter and settlement strategy

31. In 2018, the Representation spent \$863,499 on shelter and construction activities. To effectively deliver shelter solutions to PoCs, it was essential for the Representation to develop and implement shelter and settlement strategies. Such strategies should have been supported by: (i) needs assessments, including surveys of potentially affected areas, analysis of population demographics, cultural practices and habits, available resources and housing options, and the geographical, climate, environmental, political, security and socio-economic context; (ii) participation of the PoCs and of the local affected population, host governments, and partners; (iii) coordination with other sectors (e.g., education, health and nutrition, water, sanitation and hygiene, and livelihoods); and (iv) technical expertise.

32. The Representation did not conduct a needs assessment to inform the development of a shelter strategy. The lack of a needs assessment resulted in constructions that were not responsive to PoCs' needs. For example, even though the Representation constructed shelters for over 245 vulnerable persons, the houses built could not accommodate people with disabilities. OIOS also did not see evidence that key stakeholders, e.g. the Government, local affected population and partners, were involved in decisions regarding when, where and how to build the shelters. The Representation's own monitoring reports indicated that PoCs who moved to Mougoumba and Mbata did not have access to health care, water and education facilities.

33. The Representation did not have an up-to-date strategy to direct its shelter related activities. Such a strategy should have been developed 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. The Representation also did not have shelter related SOPs to provide guidance on shelter implementation. In consequence, OIOS was of the view that shelter activities were undertaken in an ad hoc manner. Most shelters constructed were for IDPs yet available funding was under pillar 3, i.e. for returnees. For example, 9 of the 11 beneficiaries visited by OIOS under the pillar 3 shelter programme were IDP returnees. A sound shelter strategy would have supported the prioritization of the limited resources to meet the needs of PoCs. OIOS also noted that there was an unexplained difference in unit cost of XAF 8,000 (\$585) between the price of shelters built by two implementing partners.

34. The Representation did not have any technical inspection reports to evidence its monitoring of shelters and latrines built by partners. For example, one partner reported that it had completed construction of all shelters, yet they were 90 percent done. Also, four out of five latrines constructed by the same partner were not functional. The Representation in its financial verification reports noted that the shelter roof was very thin and could be easily perforated but no action had been taken at the time of the audit to rectify this.

The partner stated, but could not substantiate with documentation, that the Representation had suggested that considering the limited funds available, low quality materials be used for construction. This in OIOS' view did not represent best value for money since the Representation would have to incur additional costs in the short term to replace the inferior quality roofs. The Representation undertook a financial verification and noted that beneficiary selection conducted by the same partner was not transparent, but no actions were taken to address this issue.

35. The lack of a strategy and relevant SOPs contributed to identified gaps in planning and management oversight over shelter and settlement activities. In the absence of a formal shelter strategy and SOPs, there was a risk that shelter options provided to refugees may not be the most relevant to their circumstances, represent best value, and be sustainable in the long run. OIOS also noted that all mid and year end targets for shelter in Focus were not met and no explanations were documented to explain why.

(3) The UNHCR Representation in Central African Republic should develop, implement and monitor: (i) a shelter and settlement strategy, informed by a documented needs assessment; and (ii) standard operating procedures that guide implementing partners on the provision of appropriate shelters to persons of concern.

UNHCR accepted recommendation 3 and stated that the Representation had updated the shelter and settlement strategy and SOPs. OIOS notes that the strategy shared was the national one that directs the country's interventions and not specific to and in compliance with UNHCR guidelines. Recommendation 3 remains open pending receipt of documentary evidence of a UNHCR-specific shelter and settlement strategy and SOPs that comply with set guidelines.

D. Cash based interventions

Need to strengthen internal controls and management oversight arrangements over CBI

36. The Representation's CBI-related expenditure in the audit period amounted to \$716,713. The Representation implemented CBI mostly through one partner and through direct implementation. To ensure effective programming and delivery of CBI, it was essential for the Representation to: (i) undertake a feasibility assessment of the CBI programme; (ii) develop SOPs governing the selection criteria, value of transfers and operational modalities for CBI; (iii) develop financial and protection controls; (iv) monitor the performance of the CBI programme; and (v) establish an exit strategy to avoid dependence on the programme in the long term.

37. The Representation did not carry out a feasibility study prior to setting up the CBI programme to guide its design. This study was only done in September 2018 by which time CBI was already being implemented and was therefore irrelevant in guiding: (i) whether CBI was suitable in the CAR context; (ii) if so, what areas would be best suited for CBI; and (iii) identify the most effective CBI delivery method. There was also no CBI strategy in place at the time of the audit to direct the Representation's implementation of this modality. Also, contrary to requirements, the Representation lacked an exit strategy that outlined: (i) criteria that would trigger phasing-out of CBIs; (ii) assessments to be conducted so as to determine if there was a need to continue with the programme; and (iii) a communication strategy to inform beneficiaries about the phasing out of the programme.

38. The Representation's SOPs for CBI were developed in August 2018 but remained in draft form at the time of the audit. These draft SOPs did not consider recommendations from reviews undertaken by the Division of Financial and Administrative Management (DFAM) and the Senior CBI Officer from Headquarters. For instance, contrary to DFAM recommendations, the Representation did not prepare

reconciliations as part of the accountability for operational advances related to CBIs for voluntary repatriation, health, education and food. Another DFAM comment related to the need to have criteria to guide the targeting of PoCs. This was not put in place as evidenced by seven income generation activities in Bangui and Damara having beneficiaries that were primarily from the host community and IDPs, as opposed to returnees as the case should have been.

39. OIOS reviewed a sample of reconciliations for the months of September and November 2018 and identified some inconsistencies. For instance, male beneficiaries were signing for hygiene kits, and the supporting documentation for payments made in Obo for income generation activities, cash in lieu of school kits and cash for food distribution did not contain the fingerprints or signatures of beneficiaries. OIOS could also not obtain assurance that CBI reconciliations were done correctly as lists of names were not reconciled against the manifests kept by the Protection Unit.

40. The Representation did not put a CBI monitoring system and accountability framework in place as required. Such mechanisms were necessary to measure performance against set CBI targets and objectives and the timely identification of impediments to implementation. OIOS noted that CBI payments related to shelter, education and health were classified in MSRP under CBI and not the relevant substantive programmes; yet CBI was just a modality for delivering substantive programmes. This created a challenge when reporting on actual spending under different programmes. The Representation had also not conducted an assessment to measure whether the CBI approach was creating the desired impact.

41. The Representation also had not established a systematic post distribution monitoring mechanism to gather information from refugees on the quality, sufficiency, utilization and effectiveness of the assistance provided to them through CBI. The Representation only conducted two post distribution reviews of CBI disbursements at one location and had not conducted any such reviews in Bangui, Obo and Bambari. The failure to conduct post distribution monitoring denied the Representation the opportunity to obtain feedback, learn lessons and, where necessary, redesign the programme so that it achieves the intended objectives. Risks related to CBI distribution were not listed in the Representation's risk register, despite the serious security issues in the country and the high risk of theft having been identified.

42. The root cause of the issues cited above, in the opinion of OIOS, was the weak management oversight and control environment. This was evidenced by the Representation's failure to have a country-specific strategy for CBI and updated SOPs that ensured compliance with key controls laid out in UNHCR requirements and that addressed protection risks among PoCs. Thus, CBI programming objectives may not have been achieved and related resources may not be adequately safeguarded and accounted for.

(4) The UNHCR Representation in Central African Republic should: (i) develop and implement a Cash Based Interventions (CBI) strategy, informed by a comprehensive documented assessment of the current CBI programme, as well as related standard operating procedures to ensure the programme remains relevant in addressing protection risks among persons of concern; and (ii) put in place appropriate controls to safeguard available resources and retroactively conduct a reconciliation of all CBI payments made in 2018.

UNHCR accepted recommendation 4 and stated that the CBI strategy and SOPs were updated and comments from Headquarters addressed. OIOS did not receive these documents. Recommendation 4 remains open pending receipt of documentary evidence of: (i) updated CBI strategy; (ii) CBI SOPs incorporating the recommendations raised by Headquarters Divisions; and (iii) reconciliations of all CBI payments effected in 2018 and 2019.

E. Partnership management

Need to strengthen management and oversight to better support programme implementation

43. The Representation worked with 16 and 13 partners in 2017 and 2018 respectively. Partner budgets decreased from \$12.2 million to \$11.1 million between 2017 and 2018. In order to achieve expected project results by partners, it was essential for the Representation 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 in a timely manner; and (iii) monitor the project activities and expenditures through a risk based and multi-functional approach.

44. The Representation's Implementing Partnership Management Committee (IPMC) conducted the partner selection processes in accordance with UNHCR procedures. All 2018 PPAs were signed on time and the Representation assessed the comparative advantage of partners to undertaking procurement before designating procurement to them. Additionally, the Representation presented proof that performance and financial monitoring had been conducted based on a risk assessment methodology.

45. However, there were inconsistencies in the quality of monitoring undertaken by the Representation. Some were thorough, but in other cases the Representation did not question the reasons behind identified slow project implementation. While the implementation of the external auditors' recommendations from 2017 were followed up, 22 out of 101 recommendations remained outstanding at the time of the audit. The main issues raised by the external auditors related to the lack of supporting documentation for procurement of goods and payment of partner salaries and the lack of insurance policies for buildings not owned by UNHCR. Similar issues were reported in financial verifications conducted by the Representation.

46. These occurred due to inadequate management oversight over partnership management especially regarding monitoring of implementation of project activities. This increased the risk of loss or inefficient use of project funds and partners' failure to implement projects effectively.

(5) The UNHCR Representation in Central African Republic should strengthen its management oversight over partners, particularly regarding its monitoring of programme implementation.

UNHCR accepted recommendation 5 and stated that it had strengthened its Project Control Unit by bringing on board a senior monitoring and evaluation officer to support its oversight function. A checklist for financial and performance Monitoring was developed for the mid-year review. The multi-functional team ensured that all recommendations raised during the monitoring exercise were implemented. Recommendation 5 remains open pending receipt of documentary evidence of the carrying out of monitoring activities, including over programme implementation by partners.

IV. 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
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Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the operations in Central African Republic for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	The UNHCR Representation in Central African Republic, in cooperation with the Bureau for Africa and the Division of Programme Support and Management, should strengthen its strategic planning and programme performance management to ensure: (i) proper utilization of allocated funds on targeted persons of concern; (ii) alignment with the UNHCR planning and budgeting structure; and (iii) recording of realistic and up-to-date targets in the Focus system.	Important	O	Submission to OIOS of documentary evidence that allocated funds are used on targeted populations and locations and in alignment with earmarked donor funds.	29 February 2020
2	The UNHCR Representation in Central African Republic, in cooperation with the Bureau for Africa, should: (i) develop and/or update its repatriation and reintegration strategies and tools, including but not limited to reintegration plans and tripartite agreements, to ensure programme activities meet the needs of refugee returnees; and (ii) assess the impact of livelihoods assistance and use the results to develop a revised livelihoods strategy for refugees.	Important	O	Submission to OIOS of documentary evidence of: (i) up to date repatriation and reintegration strategies that comply with UNHCR guidelines; and (ii) a revised livelihood strategy based on an assessment of the impact of implemented livelihood projects.	29 February 2020
3	The UNHCR Representation in Central African Republic should develop, implement and monitor: (i) a shelter and settlement strategy, informed by a documented needs assessment; and (ii) standard operating procedures that guide implementing partners on the provision of appropriate shelters to persons of concern.	Important	O	Submission to OIOS of documentary evidence of a UNHCR specific shelter and settlement strategy and SOPs that comply with set guidelines.	29 February 2020

² 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.

³ 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.

⁴ C = closed, O = open

⁵ Date provided by UNHCR in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the operations in Central African Republic for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
4	The UNHCR Representation in Central African Republic should: (i) develop and implement a Cash Based Interventions (CBI) strategy, informed by a comprehensive documented assessment of the current CBI programme, as well as related standard operating procedures to ensure the programme remains relevant in addressing protection risks among persons of concern; and (ii) put in place appropriate controls to safeguard available resources and retroactively conduct a reconciliation of all CBI payments made in 2018.	Important	O	Submission to OIOS of documentary evidence of: (i) an updated CBI strategy; (ii) CBI SOPs incorporating the recommendations raised by Headquarters Divisions; and (iii) reconciliations of all CBI payments effected in 2018 and 2019.	(i) 30 September 2019 (ii) 31 December 2019
5	The UNHCR Representation in Central African Republic should strengthen its management oversight over partners, particularly regarding its monitoring of programme implementation.	Important	O	Submission to OIOS of documentary evidence of the carrying out of monitoring activities, including over programme implementation by partners.	29 February 2020

APPENDIX I

Management Response

Management Response

Audit of the operations in Central African Republic for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ⁶ / Important ⁷	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Representation in Central African Republic, in cooperation with the Bureau for Africa and the Division of Programme Support and Management, should strengthen its strategic planning and programme performance management to ensure: (i) proper utilization of allocated funds on targeted persons of concern; (ii) alignment with the UNHCR planning and budgeting structure; and (iii) recording of realistic and up-to-date targets in the Focus system.	Important	Yes	Senior Programme Officer	29 February 2020	<p>In 2019, The Representation developed standard operating procedures with all stakeholders to ensure adequate targeting of the population and locations for programme interventions. A strategy has been developed with all stakeholders and implemented in areas of return. After several multifunctional missions, the list of beneficiaries and activities being implemented were validated.</p> <p>i) The review and adjustment of targets and budgets have also been undertaken and finalized during the mid-year review in collaboration with Headquarters. Realistic and updated targets for voluntary repatriation planning figures of both returned refugees and returned internal displaced persons have been validated with all stakeholders.</p> <p>ii)The review of the 2019 COP for alignment with UNHCR's planning and budgeting structure and earmarked donor funds has been undertaken during the mid-year review exercise. Thus, data was updated and shared with the Regional Office in Dakar and the Africa Bureau. The Representation has further ensured that the 2019 budget structure is aligned with UNHCR procedures to ensure</p>

⁶ 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.

⁷ Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of the operations in Central African Republic for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ⁶ / Important ⁷	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						that pillars are respected and expenditures are recorded properly. iii) The review of the programme performance reports was also undertaken and finalized during the mid-year review in collaboration with Technical Division in Headquarters and the Bureau to ensure consistency and completeness.
2	The UNHCR Representation in Central African Republic, in cooperation with the Bureau for Africa, should: (i) develop and/or update its repatriation and reintegration strategies and tools, including but not limited to reintegration plans and tripartite agreements, to ensure programme activities meet the needs of refugee returnees; and (ii) assess the impact of livelihoods assistance and use the results to develop a revised livelihoods strategy for refugees.	Important	Yes	Senior Reintegration Officer	29 February 2020	i) Several meetings were held with hosting countries, governments and partners to define a coherent repatriation strategy which addresses agreed repatriation planning figures, definition of assistance to spontaneous returnees, and provides up-to-date information on return areas. As result, the Tripartite agreements were signed with Cameroon, the Democratic Republic of Congo and the Republic of Congo on 29 June, 5 July and 6 August respectively. Assessment missions were carried out in the potential areas of return in order to identify needs and gaps. The reintegration strategy was modelled on the national strategy for sustainable Solutions and action plans were developed. ii) The Representation is in the process of identifying a livelihood expert in order to assess the impact of the livelihoods projects implemented thus far as well as to support the development of a strategy. Nevertheless, the office has taken action to review its

Management Response

Audit of the operations in Central African Republic for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ⁶ / Important ⁷	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						interventions through a support mission of Regional livelihood expert.
3	The UNHCR Representation in Central African Republic should develop, implement and monitor: (i) a shelter and settlement strategy, informed by a documented needs assessment; and (ii) standard operating procedures that guide implementing partners on the provision of appropriate shelters to persons of concern.	Important	Yes	Senior Reintegration Officer	29 February 2020	i) The Representation updated the shelter and settlement strategy accompanied with documented needs assessment; ii) The shelter and settlement SOPs are included in the shelter strategy according to UNHCR shelter guidance.
4	The UNHCR Representation in Central African Republic should: (i) develop and implement a Cash Based Interventions (CBI) strategy, informed by a comprehensive documented assessment of the current CBI programme, as well as related standard operating procedures to ensure the programme remains relevant in addressing protection risks among persons of concern; and (ii) put in place appropriate controls to safeguard available resources and retroactively conduct a reconciliation of all CBI payments made in 2018.	Important	Yes	CBI Officer	30 September 2019 31 December 2019	i) the CBI strategy has been updated following the selection of the financial service provider in July; contracts were reviewed by legal services and DFAM and the Representation will fully comply with CBI procedures as of 1 st of September. The SOPs have been cleared by DFAM in August 2019 and recommendations raised by headquarters were addressed and implemented. ii) Reconciliation of CBI payment is in progress as CBI payments are being made for the ongoing repatriation.
5	The UNHCR Representation in Central African Republic should strengthen its management oversight over partners, particularly regarding its monitoring of programme implementation.	Important	Yes	Senior Programme Officer	29 February 2020	The Representation has strengthened its Project Control Unit by bringing on board a Senior Monitoring and Evaluation Officer to support its oversight function. A Checklist for Financial and Performance Monitoring has been developed for the mid-year review. The multi-functional team ensured that all recommendations raised during the monitoring exercise are implemented.