INTERNAL AUDIT DIVISION

REPORT 2022/031

Audit of the South Africa Multi-Country Office for the Office of the United Nations High Commissioner for Refugees

Following the creation of the South Africa Multi-Country Office in January 2020, UNHCR needed to strengthen the Multi-Country Office internal governance in order to effectively deliver services to persons of concern.

15 July 2022
Assignment No. AR2021-113-02

Audit of the South Africa Multi-Country Office 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 South Africa Multi-Country Office (MCO) in Pretoria for the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess whether the South Africa MCO was managing the delivery of services to persons of concern (PoCs) in a cost-effective manner and in line with UNHCR's policy requirements. The audit covered the period from 1 January 2020 to 31 December 2021 and included reviews of: (a) the MCO arrangement; (b) planning and resource allocation; (c) livelihoods and self-reliance; (d) cash-based interventions (CBIs); (e) food and non-food item (NFIs) distribution and warehousing; and (f) procurement and contract management.

The Office was one of 15 MCOs created by UNHCR in January 2020 to oversee and manage the rights and well-being of refugees residing in small countries. The MCO set up and operationalization was affected by limited guidance from UNHCR headquarters, resource constraints, and challenges in recruiting staff during the COVID-19 pandemic. Overall, the MCO, in conjunction with the Bureau, needed to review its organizational structure and strengthen its strategic planning and programme design for timely and cost-effective delivery of services to PoCs.

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

- Assess the adequacy and effectiveness of the MCO organizational structure, established offices and staffing to deliver on its mandate; and ensure PoCs are not affected by planned scaling down of operations in some countries;

- Reinforce its strategic and operational planning to ensure cost-effective utilization of its limited resources to assist PoCs in the nine country operations under the MCO's mandate;

- Strengthen its oversight over implementing partners to ensure cost-effective delivery of services to PoCs and improve the performance management system to ensure there is reliable information for planning and decision making;

- Evaluate the impact of its livelihood programmes to inform the redesign of future programme interventions;

- Review the design and delivery of the CBI programme so it reaches the most vulnerable in a cost-effective manner;

- Strengthen its management of the receipt, distribution, storage, and accountability for food and NFIs; and

- Reinforce the supply function's ability to plan, coordinate, purchase and deliver goods and services in a manner that ensures best value.

UNHCR accepted the recommendations and has initiated action to implement them. Actions required to close the recommendations are indicated in Annex I.

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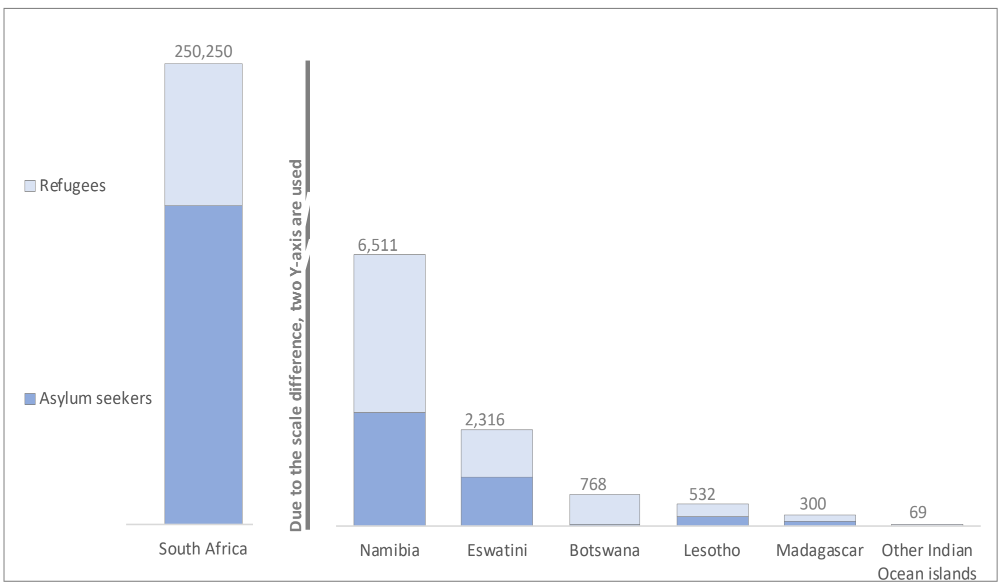
I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the South Africa Multi-Country Office (MCO) in Pretoria for the Office of the United Nations High Commissioner for Refugees (UNHCR).

2. The UNHCR South Africa MCO (hereinafter referred to as the Office) was established in 2020 to provide refugees, asylum seekers and other persons of concern (PoCs) with international protection and humanitarian assistance in nine countries; namely South Africa, Lesotho, Eswatini, Namibia, Botswana, Madagascar, Comoros, Seychelles and Mauritius. The PoCs were primarily from Somalia, the Democratic Republic of Congo and Ethiopia with most residing in urban areas except in Namibia and Botswana where they resided in camps (see chart 1 for PoCs by resident country).

Chart 1: PoCs by resident country



3. The Office was established on 1 January 2020 as part of the UNHCR's decentralization and regionalization reform process. The Office replaced the former Regional Representation for Southern Africa (Regional Representation) that was responsible for 14 countries in the region. The Office's vision is to: (i) create a favorable protection environment where PoCs have access to rights at par with nationals; (ii) ensure PoCs are included in Government and United Nations Sustainable Development Cooperation plans and frameworks; and (iii) proactively be agents of change in host communities. The setup and operationalization of this Office were impacted by the lack of proper handover from the previous Regional Representation, delays in recruiting staff for newly created positions, and restrictions caused by the COVID-19 pandemic.

4. The Office was headed by a Representative at the D-1 level based in Pretoria, South Africa. The Office had (i) 24 professional, 35 national and 15 affiliate staff in the Pretoria office; (ii) one professional and six national staff in the Cape Town field office; and (iii) one affiliate staff in Eswatini. The Office also

established two ‘temporary field presences in: (i) Windhoek, Namibia with one professional, three national and seven affiliate staff; and (ii) Dukwi, Botswana with one professional and three affiliate staff.

5. The Office recorded total expenditures of $14.9 million in 2020 and $13.7 million in 2021. The Office worked with 20 partners during this period who implemented approximately 66 per cent of the programme budget. The Office is accountable to the Regional Bureau for Southern Africa (Bureau), also based in Pretoria. The Bureau provided support and oversight over the MCO’s operations.

6. Comments provided by UNHCR are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess whether the South Africa MCO was managing the delivery of services to PoCs in a cost-effective manner and in line with UNHCR’s policy requirements.

8. This audit was included in the 2021 risk-based work plan of OIOS due to risks that could emerge from the establishment and organization of the MCO as a new organizational structure in UNHCR.

9. OIOS conducted this audit from December 2021 to March 2022. The audit covered the period from 1 January 2020 to 31 December 2021. Based on an activity-level risk assessment, the audit covered higher and medium risk areas and reviewed: (a) the MCO arrangement; (b) planning and resource allocation; (c) livelihoods and self-reliance; (d) cash-based interventions (CBIs); (e) food and non-food items (NFIs) distribution and warehousing; and (f) procurement and contract management.

10. The audit methodology included: (a) interviews with key personnel, (b) review of relevant documentation, (c) analytical review 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) review of data extracted from proGres, the UNHCR registration and case management system; and (e) sample testing of controls. The audit was conducted remotely due to travel restrictions occasioned by the COVID-19 pandemic.

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

III. AUDIT RESULTS

A. Adequacy and effectiveness of the MCO arrangement

Need to review the Office structure and staff to enable effective delivery of its mandate

12. The Office comprised one accredited Representative that was responsible for operations in nine countries including South Africa. It did not have permanent national offices in any of the countries but had established two temporary field presences in Namibia and Botswana, which served as surge capacity to address immediate protection concerns. The need for these field presences was recognized prior to the establishment of the MCO, with the Regional Bureau in 2019 proposing organizational structure changes to meet the growing PoC numbers in certain countries. The proposed changes were not approved by UNHCR’s then budget committee.

13. At the time the Office was established, there was no central guidance from UNHCR’s Transformation and Change Service and Human Resources Division on how an MCO should be structured,

criteria for having national offices in countries under its purview and an optimal staffing structure and skills sets to fulfill its mandate. The Bureau planned to, alongside the Office of the Assistant High Commissioner – Operations, conduct an independent review of the Office structure and staffing requirements, but this was still to be initiated.

14. The establishment of the two temporary field presences was innovative. However, since they were unique within UNHCR's defined structures, authorities to be delegated to staff located in these offices were unclear, as well as the division of roles and responsibilities between them and the MCO. Therefore, some actions were taken that were contrary to UNHCR rules and procedures. For instance, the Office incorrectly delegated responsibilities, including fiduciary ones, to an affiliate in Botswana, and transferred an operational advance of $13,000, which was not properly used on UNHCR programme activities.

15. There was a need to review the staffing allocation, as 83 per cent of the Office's professional staff were in South Africa, which was not in line with the UNHCR principles of bringing decision making closer to PoCs. The number and levels of staff were also not allocated to priority areas and those with larger budgets such as CBIs, livelihoods and food and NFI distributions. For instance, there were no supply staff assigned to operations in Botswana and Namibia even though such expertise was needed considering the assistance being provided. Additionally, more staff were assigned to countries where the government was already assisting PoCs rather than to those where direct assistance from UNHCR was required. For instance, Namibia and Botswana had 15 staff whereas South Africa had 80 staff, although some were responsible for remotely managing operations in the five countries that did not have any UNHCR staff. However, processes were still being established on how these operations would be managed and supported remotely. Moreover, although a key role of the Representative was to work with the governments in the nine countries and represent UNHCR in the United Nations Country Team meetings, modalities of how to put this in practice had not yet been worked out.

16. In countries where the Office had staff, it needed to assess their abilities and where necessary build their capacity. Additionally, while the Office was planning to close its temporary offices in Botswana and Namibia in June and December 2022 respectively, there were no scale down plans detailing conditions that needed to be present prior to closure. This was also being done despite the steadily increasing numbers of PoCs relying on UNHCR for sustenance in these countries. For example, the number of PoCs in Namibia had doubled in four years. Therefore, stronger engagement at the country level may be needed rather than the closure of the temporary office.

17. The above weaknesses were mainly due to the limited central guidance on how MCOs should be structured, staffed and operationalized, with the Representation having to build on lessons learned. Additionally, no assessment of the Office's staffing structure and their skills sets was done, even though it was reported as its core constraint to effective delivery of its mandate.

(1) The UNHCR South Africa Multi-Country Office in cooperation with the Regional Bureau for Southern Africa should: (i) review the adequacy and effectiveness of its organizational structure and staffing to deliver its mandate and clarify its roles, responsibilities and accountabilities over established offices; and (ii) develop scale down plans that detail criteria for reducing its presences in countries so as not to affect persons of concern.

UNHCR accepted recommendation 1 and stated that: (i) a comprehensive review was undertaken in April in consultation with the Regional Bureau for Southern Africa (RBSA), the findings and recommendations of which form part of MCO's strategy and structure for 2023 and beyond; and (ii) a new strategic approach was developed and outlined in the multi-year 2023 plan to maintain/strengthen UNHCR field presence in Namibia and Botswana as the scale down has been set aside. The South

Africa MCO will work closely with the Bureau and seek advice from the relevant headquarters Divisions, should the strategic directions indicate a disengagement in the future.

B. Planning and resource allocation

Need to develop a strategic plan to prioritize PoC needs considering available resources

Strategic planning and resource allocation

18. The Office had seven strategic priorities namely: (i) strengthening national asylum systems; (ii) having inclusive laws and policies for PoCs; (iii) assisting PoCs with specific needs; (iv) enhancing social cohesion within host communities; (v) supporting livelihoods and education for PoCs affected by COVID-19 and promoting inclusion in health and social systems; (vi) pursuing durable solutions for PoCs; and (vii) operationalizing a strategic framework for climate action. These priorities were aligned to the PoC needs identified through participatory needs assessments.

19. Considering available resources and varying country contexts, it was impractical to implement the seven priorities across all nine countries. The Office, therefore, could consider categorizing the countries into groups dependent on: their protection context; PoC needs; and level of support required. This could include three groups as suggested below:

(i) Group A - South Africa, Eswatini and Lesotho, where the governments had implemented asylum systems and were providing services to PoCs, with UNHCR assisting the most vulnerable;
(ii) Group B - Namibia and Botswana, where the governments do not permit PoCs to leave the camps nor find gainful employment, resulting in refugees residing in camps with the Office providing their basic needs; and
(iii) Group C - the island countries of Comoros, Seychelles and Mauritius, where there were relatively low numbers of PoCs, and refugee and asylum systems and refugee legal frameworks hardly existed. This Group could also include Madagascar, where a decree existed that provided for refugees and stateless persons but not asylum seekers. For these four countries, the Office conducted refugee status determination (RSD) and intervened in cases when basic refugee rights were not granted.

20. The Office had a multi-year protection and solutions strategy (2020-2024), but it did not reflect the multi partner aspect of key stakeholders such as host governments that had pledged to improve refugee inclusion and rights. Their involvement in planning is needed for the development of a longer-term vision in order to prioritize protection solutions. The MCO did not have operational plans of those activities it expected to implement including: (a) in areas of advocacy to improve inclusion and integration of PoCs residing in the nine countries; (b) how to continue to assist PoCs in core areas like livelihoods and durable solutions with its limited resources; and (c) how to deal with the backlog of asylum seekers (except for South Africa), with about 50 per cent of PoCs seeking asylum.

21. The Office allocated 61 per cent of programme funds to South Africa and the rest to the remaining eight countries. While this may be reasonable when viewed against the PoC numbers, it did not consider the varying protection needs of PoCs, particularly considering the level of resources needed for those PoCs residing in camps in Botswana and Namibia who were largely dependent on UNHCR for their sustenance. Therefore, funds were spread across many activities instead of prioritizing interventions and focusing on the most vulnerable based on risk analyses. The approach did not always create the desired impact among PoCs as reflected in sections C to E below.

22. Considering the resource constraints, the Office needed to identify through more robust planning, ways to deliver its programmes more economically and efficiently. For example, in accordance with a global agreement between UNHCR and the World Food Programme (WFP), the responsibility for food provision in Osire camp in Namibia should be WFP, as the numbers reached the 5,000 refugees' threshold. While the Office had initiated discussions, there had been no success thus far, meaning that the Office incurred costs of $1.3 million in 2021 for food distribution.

Partnership, performance and risk management

23. The Office's performance framework was generally aligned to the relevant population planning groups. However, the Office's performance framework had 183 targets in 2021 and considering the size of its operations, the process to collect and report results was cumbersome and inefficient. The Office also did not have indicators to measure performance in areas of lifesaving importance such as its timely delivery of food in Namibia and Botswana. Moreover, some indicators did not allow a good measure of the effectiveness of implemented interventions. For instance, under NFIs, the Office measured the number of warehouses provided, repaired and maintained but had not allocated funds to renovate the warehouses and therefore the target could not be met.

24. The Office did not adjust mid-year targets to reflect changed circumstances. The low and/non-performance reported at the 2020 mid-year point had not been analyzed for corrective action, with significant underperformance reported for at least 43 indicators related to basic needs, education, shelter, livelihoods and child protection. There were inconsistences in reported results in FOCUS e.g., the Office reported that 100 per cent of PoCs basic needs were met but the underlying output data showed significant underperformance. Additionally, some reported results could not be supported and therefore, may not be a reliable basis for future decision-making and accountability. For instance, partners did not have data to substantiate the 149 PoCs reported as having received entrepreneurship/business related training in Eswatini.

25. The Office delegated the implementation of its programmes to 21 and 20 implementing partners in 2020 and 2021 respectively, most of whom were retained from the previous Regional Representation. It dropped one partner in response to the 29 per cent decrease in the operating level budget in 2021. However, this did not have an impact on related expenditure since partner salary costs increased by $200,000 in 2021. The Office also accepted a relative increase in partners costs from 36 to 57 per cent between 2020 and 2021 without justification. The Office needs therefore to review for 2022 its partnership arrangements to identify economies in delivering services to PoCs.

26. Indicators and targets included in partnership agreements were not linked to those in FOCUS and thus, did not reflect how they contributed to the overall achievement of the Office's strategic objectives. The Office did not have a mission plan to ensure that it provided oversight of the nine countries under its purview. Delays in onboarding of staff impacted project control's review of expenses, with outstanding partner receivables worth $275,000 noted at the time of audit. This included an amount of $200,000 from 2019 that had not been followed up on. The delayed management of partner receivables by the previous Regional Representation had resulted in a write-off of $81,000 in 2021. The timely follow-up and clearance of partners receivables is an issue raised by OIOS in prior audit reports of South Africa.

27. The Office identified in its risk register 21 risks, most of which were linked to its strategic objectives, and was reviewed twice a year by a multi-functional team. The register needed to be updated to include: (i) key risks such as closure of Namibia and Botswana offices; (ii) a reduction in duplications in recorded risk definitions related to fraud and asylum systems; (iii) planned mitigating measures for risks related to RSD backlogs; and (iv) risks impacting protection space in all nine countries.

28. Overall, there was a need for the Office to enhance its strategic planning to be able to deliver on its many competing priorities more effectively. The issues identified above affected its ability to deliver core services like food to PoCs in a timely manner and resulted in reduced accountability over results achieved for PoCs in the countries covered.

(2) The UNHCR South Africa Multi-Country Office in cooperation with the Regional Bureau for Southern Africa should: (i) revise the multi-year strategy to include multi-partner aspects and develop operational strategies that direct the delivery of services to persons of concern in the nine country operations; and (ii) review the allocation of resources for efficiency and effectiveness.

UNHCR accepted recommendation 2 and stated that: (i) the existing multi-year strategy has been reviewed and amended together with the Bureau's multi-functional team to reflect changes for key partners and operational presence in some key countries; (ii) 2023 resource allocation exercise will commence in the second semester of 2022. MCO will continue to engage with the Bureau to highlight the needs and allocation of resources to ensure that the strategic direction for 2023 and beyond are aligned with resources.

(3) The UNHCR South Africa Multi-Country Office should: (i) revise its performance framework and strengthen related processes to report reliable information for decision making; (ii) review risks and mitigating measures in the risk register and align them to the operating context; and (iii) review the efficiency of its partnership arrangements and prioritize the clearance of pending partner receivables of $275,000.

UNHCR accepted recommendation 3 and stated that: (i) a revision of multi-year strategy has taken place and a review of the indicators in a bid to rationalize them is scheduled to take place during the Mid-Year 2022; (ii) the risk register has been reviewed and revised to align with audit recommendations; and (iii) the recovery of receivables is prioritized in 2022.

C. Livelihoods and self-reliance

Assess the impact of ongoing livelihoods programme and use results to reformulate its strategy

29. PoCs in South Africa were granted the right to work, own businesses and study, but this was impacted by the country's high unemployment rate, limited entrepreneurial opportunities and xenophobia. PoCs in Botswana and Namibia had no rights to work and do business outside the camps. The Office prioritized livelihood programmes in South Africa, Namibia, Botswana and Eswatini, and through partners implemented small-scale livelihood programmes totaling $590,000 and $430,000 in 2020 and 2021 respectively. Most of the funds (75 per cent) were spent in South Africa.

30. For South Africa, the Office had a livelihoods and economic inclusion strategy (2019–2023) that prioritized advocacy, employment and entrepreneurship; however, except for advocacy, the basis of the other two priority areas were not documented. The strategy included a need to facilitate PoCs' access to markets and financial services, but this was not incorporated in the activities being implemented. Instead, the programme comprised of English language training, provision of start-up kits and vocational skills training. Implementing such activities in isolation and without complimentary market-based approaches did not create the desired impact. It was also only able to reach 1,145 PoCs (less than one per cent of its PoCs) in 2021 with livelihood assistance.

31. Except for a market assessment for the tourism sector conducted in 2015, which was outdated, the Office had not conducted the mandatory socio-economic and market assessments to improve PoCs' access to livelihood opportunities in South Africa. Further, the partner that provided entrepreneurship, financial, digital literacy and English and Zulu language courses was not accredited and thus could not provide the necessary certification to participants. Moreover, instead of paying institutions directly, the Office gave fees to students who used it for other purposes, and thus 71 per cent of them did not graduate. In 2021, the high salary and administration costs (54 per cent) for partners responsible for livelihood programmes significantly reduced available funding for service delivery. Amounts were further reduced by the Office's payment of rent yet the partner had pledged to provide office space.

32. The livelihoods programmes in Namibia, Botswana and Eswatini were primarily agricultural and were well supported by the respective governments that provided land and farming inputs, technical support and opened PoCs' access to markets. However, the audit noted that: (a) while the governments of Namibia and Eswatini donated land, it was not being fully utilized by PoCs, with only 17 of the 100 hectares in use in Namibia and there were no plans to increase its use; (b) PoCs in Namibia did not have transport to take their produce to markets or to transport free manure provided by nearby farmers to their farms; and (c) the programme in Namibia did not target youth (35 per cent of the PoCs) thus exposing them to protection risks. There were also opportunities to scale up the successful fish programme in Namibia to meet the high demand in the settlement and the nearby community.

33. The Office had not evaluated its livelihood programme in meeting its objectives of facilitating an enabling environment and had not entered into partnerships with relevant stakeholders to assist in implementing its livelihood programme. The lack of evaluation meant that the Office did not know whether it was: (i) implementing the right livelihood interventions; (ii) reaching intended beneficiaries; and (iii) effective in creating the desired impact among PoCs. The Office also did not have an exit strategy to ensure that PoCs did not remain perpetually dependent on humanitarian support and was still providing the same PoCs with farming inputs annually which created dependencies as opposed to self-reliance.

34. While OIOS interviews with beneficiaries indicated that some businesses were still operational, available documentation showed that programmes had limited impact on PoCs. For instance, in South Africa, only 29 per cent of targeted students graduated from accredited technical and vocational institutions, and in Namibia a hydroponic farming project was no longer operational. The Office lacked available data on the number of funded programmes that were still operational and beneficiaries that were employed after receiving training. While OIOS reviewed the data reported for different countries in UNHCR's Integrated Refugee and Forcibly Displaced Livelihoods Information System, it could not be reconciled to the results that the Office reported in FOCUS.

35. The Office currently did not have any staff dedicated to the livelihood programme to ensure it was properly planned, coordinated and managed. It was thus only able to reach a limited number of PoCs with livelihood assistance, with missed opportunities to manage the programme more efficiently and create the desired impact.

(4) The UNHCR South Africa Multi-Country Office should: (i) assess the impact of its livelihood programmes as a basis for redesigning its programme interventions; and (ii) review its programmes to ensure opportunities for efficiency are optimized.

UNHCR accepted recommendation 4 and stated that: (i) it will consult the Bureau and relevant headquarter teams to build capacity support for review of livelihoods programmes and redesign these for January 2023; and (ii) the South Africa MCO Programme and the Bureau are jointly reviewing opportunities to strengthen Programme efficiency.

D. Cash-based interventions

Need to strengthen identification, management and delivery of cash assistance to PoCs

36. The Office allocated $700,000 and $1.5 million to the CBI programme in 2021 and 2020 respectively. The Office had a comprehensive CBI action plan and monitoring framework for each country. Its programme in South Africa was implemented through three partners and focused on providing PoCs with cash assistance for shelter, livelihood, food, education, health and voluntary repatriation. However, the planned roll out of CBI in Namibia and Botswana including the recruitment of a financial service provider and drafting of standard operating procedures was not yet realized due to the absence of a CBI officer.

37. The Office delegated the implementation of the CBI programme to three partners without conducting an assessment to determine if it was more cost-effective than direct implementation. Partners were responsible for all CBI tasks including assessment and selection of beneficiaries, CBI distribution and post distribution monitoring. This was without considering segregation of duties and/or instituting supervision mechanisms to safeguard resources and ensure the most vulnerable PoCs were reached. Two of the partners did not have proper procedures to support their identification of beneficiaries for support and therefore, lacked adequate documentation to support their identification and prioritization of the most vulnerable persons for CBI.

38. The Office did not institute proper guidance and tools to ensure that payments went to bona fide beneficiaries. South Africa did not use ProGres and partners did not have a centralized database to record assistance provided. There was no up to date information on those PoCs that were deemed eligible by partners and those that received support, raising questions on the validity of the selection of beneficiaries. The Office had also not implemented CashAssist, increasing the risk of double payments by different partners to the same PoC. The Office had general guidance on rates payable to vulnerable PoCs, but this did not cover all categories e.g., the elderly, mentally ill, disabled, chronically ill and separated children. Thus, the CBI rates paid were not harmonized across partners, with no justification provided for variances. For instance, one partner paid the elderly $35 while another paid $60.

39. The Office was only able to reach 1,082 PoCs in 2021, which was 0.43 per cent of the PoCs population in South Africa at the time of the audit. Post distribution monitoring reports provided by partners showed that beneficiaries complained that the amounts received were insufficient to cover their basic needs and that this contributed to the negative coping mechanisms e.g., child labor and having to withdraw children from school. While the Office attributed this to limited funding, the audit noted that only 39 per cent of the partner budgets was for cash assistance, with the remaining spent on salaries and administration costs. The small number of beneficiaries reached and level of payments being disbursed to PoCs was an indicator that the programme was not creating the desired impact among PoCs.

40. The Office attributed the above to the lack of CBI staff and limited funding. However, in OIOS view, more involvement of programme and protection staff in the CBI programme would have ensured: (i) the most vulnerable were targeted; (ii) the programme through partners was delivered more efficiently and effectively; and (iii) that partners had access to ProGres data to support beneficiary identification. It would also have ensured that the CBI programme was better supervised.

(5) The UNHCR South Africa Multi-Country Office should: (i) review the design and delivery of the cash based interventions programme to ensure that it reaches the most vulnerable, is efficient and creates the desired impact among persons of concern; and (ii) identify staff to scale up and oversee the programme.

UNHCR accepted recommendation 5 and stated that: (i) after engaging with the Bureau and headquarter teams on capacity building, the Office will assess if partnerships are fit for purpose and will build partner capacity as needed; and (ii) a candidate has already been identified to take up the post of CBI Officer.

E. Food and non-food item distribution and warehousing

Need to strengthen accountability and monitoring over distribution and warehouse management

41. The Office provided PoCs residing in camps in Botswana and Namibia with food and NFIs. The Office expenditures for food and NFI distribution and warehousing was $865,000 and $1.6 million in 2020 and 2021 respectively. The Office distributed food and NFIs through implementing partners to an estimated 900 and 6,000 PoCs in Botswana and Namibia respectively.

42. The Office had not conducted a needs assessment since 2011 and thus lacked up-to-date information on what and how much food and NFIs PoCs needed. The level of food currently distributed by the Office exceeded the standard of 2,100 calories per person per day by about 290 calories. The post distribution monitoring that started in September 2021 concluded that PoCs were receiving too much salt and requested it be replaced by corn soy blend. These observations were not actioned since the Office was planning to introduce CBI in the first half of 2022.

43. Food and NFIs were distributed with significant delay. The Office had not distributed food and NFIs to PoCs in Namibia in November 2020 and April 2021 and in Botswana paraffin (for cooking) was not distributed for six months between February and August 2021. Although the missed monthly rations were distributed retroactively, this created protection risks since PoCs were dependent on food and NFIs and thus entered into credit arrangements when there were delays.

44. There was inadequate segregation of functions, as partners were responsible for the purchase of food and NFIs as well as their receipt, storage, distribution and management. The audit identified two cases in the period under review where significant quantities were distributed without stock issuance requests approved in the system and retroactive recordings in MSRP several weeks after their distribution. This was one of the causes of the discrepancies noted between physical and recorded stocks. The Office also did not have processes in place to oversee partners activities such as monitoring stock levels including safety stock balances and conducting the mandatory on-site and post-distribution monitoring of NFIs to confirm that items reached intended beneficiaries.

45. The Office inherited from the previous Regional Representation discrepancies worth $444,460 between the MSRP records and physical stock identified at the 2017 year-end inventory count in Botswana. It also subsequently relied on distribution lists to account for stock issued from the warehouse worth $288,374, leaving $156,266 as unaccounted for until 2020. The Office split the write-off of this balance as a loss into two requests so it would not have to get approval from the Headquarters Asset Management Board that was required for write-offs above the $150,000 threshold. The former partner was not held accountable for failing to account for the losses arising from the unaccounted-for inventory.

46. OIOS visited the two warehouses virtually and noted that they were in poor condition. For example, food items had limited protection from the rain in Botswana that resulted in inventory write off. The lack of supply staff compounded with the Representation's inadequate oversight of the relevant partners and weak coordination between UNHCR offices and units contributed to the control weaknesses and losses noted in the planning, management and distribution of food and NFIs. Consequently, the Office could not

properly account for food and NFIs under its stewardship and delays in distributions meant that PoCs went without basic necessities which increased protection risks.

(6) The UNHCR South Africa Multi-Country Office should strengthen: (i) its staff capacity to properly manage the receipt, distribution and storage of food and non-food items, including documentation to establish accountability; (ii) the approval process for the write-off stock; and (iii) monitoring to ensure items reach intended beneficiaries.

UNHCR accepted recommendation 6 and stated that: (i) the staffing review has been initiated as mentioned above; an action plan with additional training and hand-on capacity building, as well as the arrival of new colleagues in Supply function will contribute to strengthen the management of receipt, distribution and food items/NFI storage; (ii) most of the mechanisms are currently in place with field capacity to be improved to drive monitoring and proper accountability; additional action plan is being drafted to facilitate the approval process for the write-off of the stock; and (iii) monitoring is also included in each units plan and will be prioritized; feedback from refugees in both locations will be systematically collected in a regular basis; and the establishment of focal persons as well as training coupled with regular missions to both Namibia and Botswana will complete the monitoring actions required.

F. Procurement and contract management

Procurement processes needed to be strengthened

47. The Office purchased in the audit period goods and services worth $2.9 million, $1.6 million for programme and $1.3 million was for administrative activities. The purchases primarily consisted of food, NFIs and security services and office rent. In 2020, the Office designated procurement worth $1.8 million to its partners without assessing whether they had the required capacity and if there was any comparative advantage in them procuring on behalf of UNHCR. In 2021, it delegated procurement worth $129,524 to a partner despite this partner having been assessed as lacking capacity to procure on UNHCR behalf without any risk mitigating measures. OIOS reviewed 18 procurement cases worth $1 million.

48. The Office did not have comprehensive annual procurement plans which resulted in ad hoc purchases as evidenced by: (i) waivers from competitive bidding for purchases worth $269,157; (ii) purchases of $925,479 that should have been submitted to the relevant contracts committees for approval; (iii) delays in receipt of food and NFI for distribution for PoCs, and (iv) items totaling $418,661 that were procured without raising the purchase orders. It also sought retroactive approval for purchases worth $104,103 through ex-post facto notifications to committees on contracts.

49. The Office directly purchased food and NFIs for PoCs in Botswana and Namibia totaling $950,000 as well as $545,000 through partners. However, the Office did not renew the related framework agreements for these items. In Namibia, for example, the contract had expired in September 2020 and at the time of the audit had not been renewed nor replaced, with the Office reverting to requests for quotations to purchase goods worth $492,759. This resulted in higher prices and there were also significant delays in deliveries. Also, partners responsible for procuring food and NFIs did not comply with their own procurement procedures and thus OIOS could not confirm whether best value for money was obtained. The redesign of the Pretoria office (shared with the Bureau) costing $253,000 was not supported by bills of quantity and there were errors in the financial evaluation of vendors.

50. The previous OIOS audit (Report 2018/005) identified similar weaknesses related to insufficient procurement planning and lack of review and approval by committees on contracts and poor coordination

between the Supply Unit and requisitioners. These control weaknesses had not been effectively mitigated in a sustainable manner. While the Office attributed these weaknesses to inadequate capacity in the Supply Unit, OIOS was also of the view that there was a need to increase supervision over procurement related activities to reduce the risk of fraud and failure to obtain best value for money for items purchased.

> **(7) The UNHCR South Africa Multi-Country Office should, in collaboration with the Regional Bureau for Southern Africa, implement an action plan to strengthen the supply function including its planning and coordination with units, and determine the most cost-effective method for purchase and delivery of goods and services.**
>
> *UNHCR accepted recommendation 7 and stated that SAMCO confirms that during the 2023 strategy review the supply function needs were noted and SAMCO structure includes a senior level contextualized position. Furthermore, SAMCO will develop plans for capacitating supply functions.*

IV. ACKNOWLEDGEMENT

51. 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*) Anne Ochwo Rwego
Service Chief, Internal Audit Division
Office of Internal Oversight Services

ANNEX I

STATUS OF AUDIT RECOMMENDATIONS

Audit of the South Africa Multi-Country Office for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical[1]/ Important[2]	C/ O[3]	Actions needed to close recommendation	Implementation date[4]
1	The UNHCR South Africa Multi-Country Office in cooperation with the Regional Bureau for Southern Africa should: (i) review the adequacy and effectiveness of its organizational structure and staffing to deliver its mandate and clarify its roles, responsibilities and accountabilities over established offices; and (ii) develop scale down plans that detail criteria for reducing its presences in countries so as not to affect persons of concern.	Important	O	Receipt of the 2023 strategy reflecting: (i) the revised MCO's structure, staffing and roles and responsibilities; and (ii) decision not to scale down operations in the two temporary office presences.	31 December 2022
2	The UNHCR South Africa Multi-Country Office in cooperation with the Regional Bureau for Southern Africa should: (i) revise the multi-year strategy to include multi-partner aspects and develop operational strategies that direct the delivery of services to persons of concern in the nine country operations; and (ii) review the allocation of resources for efficiency and effectiveness.	Important	O	Receipt of: (i) the revised multi-year strategy and operational strategies; and (ii) resource allocations in line with strategic priorities.	31 March 2023
3	The UNHCR South Africa Multi-Country Office should: (i) revise its performance framework and strengthen related processes to report reliable information for decision making; (ii) review risks and mitigating measures in the risk register and align them to the operating context; and (iii) review the efficiency of its partnership arrangements and prioritize the clearance of pending partner receivables of $275,000.	Important	O	Based on evidence provided, part (ii) of the recommendation has been closed as implemented. In order to close this recommendation, OIOS would like to receive evidence of: (i) a revised performance framework that is aligned to the strategic objectives; and (ii) clearance/recovery of outstanding partner receivables.	30 April 2023

[1] Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.
[2] Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.
[3] Please note the value C denotes closed recommendations whereas O refers to open recommendations.
[4] Date provided by UNHCR in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the South Africa Multi-Country Office for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical[1]/ Important[2]	C/ O[3]	Actions needed to close recommendation	Implementation date[4]
4	The UNHCR South Africa Multi-Country Office should: (i) assess the impact of its livelihood programmes as a basis for redesigning its programme interventions; and (ii) review its programmes to ensure opportunities for efficiency are optimized.	Important	O	Receipt of evidence of (i) a revised livelihood programme informed by an evaluation; and (ii) an action plan to optimize available opportunities to implement the programme in the four countries more efficiently and effectively.	31 March 2023
5	The UNHCR South Africa Multi-Country Office should: (i) review the design and delivery of the cash based interventions programme to ensure that it reaches the most vulnerable, is efficient and creates the desired impact among persons of concern; and (ii) identify staff to scale up and oversee the programme.	Important	O	Receipt of evidence of (i) the redesigned CBI programme to achieve the desired impact and reach the most vulnerable; and (ii) completion of the recruitment of the CBI officer.	30 September 2022
6	The UNHCR South Africa Multi-Country Office should strengthen: (i) its staff capacity to properly manage the receipt, distribution and storage of food and non-food items, including documentation to establish accountability; (ii) the approval process for the write-off of stock; and (iii) monitoring to ensure items reach intended beneficiaries.	Important	O	Receipt of evidence of (i) an action plan aimed at strengthening staff capacity to better manage the receipt, distribution, storage and accountability of food and NFIs; (ii) proper approval for the write off of lost stock; and (iii) a plan to strengthen its monitoring of food and NFIs so they reach intended beneficiaries.	31 December 2022
7	The UNHCR South Africa Multi-Country Office should, in collaboration with the Regional Bureau for Southern Africa, implement an action plan to strengthen the supply function including its planning and coordination between units, and determine the most cost-effective method for purchase and delivery of goods and services.	Important	O	An action plan to strengthen the capacity of the supply function.	31 December 2022

APPENDIX I

Management Response

APPENDIX I

Management Response

Audit of the South Africa Multi-Country Office for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical[5]/ Important[6]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR South Africa Multi-Country Office in cooperation with the Regional Bureau for Southern Africa should: (i) review the adequacy and effectiveness of its organizational structure and staffing to deliver its mandate and clarify its roles, responsibilities and accountabilities over established offices; and (ii) develop scale down plans that detail criteria for reducing its presences in countries so as not to affect persons of concern.	Important	YES	(i) The South Africa MCO (SAMCO) Representative (ii) Deputy Representative / Senior Legal Officer (Namibia) / Protection Officer (Botswana)	(i) 31 August 2022 (ii) 31 December 2022	(i) A comprehensive review was undertaken in April, the findings and recommendations, in consultation with the Regional Bureau for Southern Africa (RBSA) form part of MCO's strategy and structure for 2023 and beyond. (ii) New strategic approach developed and outlined in multi-year 2023 plan to maintain/strengthen UNHCR Field Presence in Namibia and Botswana as the scale down has been set aside. SAMCO would work closely with the Bureau and seek advice from the relevant Division in HQ, should the strategic directions indicate a disengagement in the future.
2	The UNHCR South Africa Multi-Country Office in cooperation with the Regional Bureau for Southern Africa should: (i) revise the multi-year strategy to include multi-partner aspects and develop operational strategies that direct the delivery of services to persons of concern in the nine country operations; and (ii) review	Important	YES	(i) SAMCO Representative (ii) SAMCO Representative	(i) 31 July 2022 (ii) 31 March 2023	(i) The existing multi-year strategy has been reviewed and amended together with the Bureau's multi-functional team to reflect changes for key partners and operational presence in some key countries. (ii) 2023 Resources allocation exercise will commence in the second

[5] Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.
[6] Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

Rec. no.	Recommendation	Critical[5]/ Important[6]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	the allocation of resources for efficiency and effectiveness.					semester of 2022. MCO will continue to engage with RBSA to highlight the needs and allocation of resources to ensure that the strategic direction for 2023 and beyond are aligned with resources.
3	The UNHCR South Africa Multi-Country Office should: (i) revise its performance framework and strengthen related processes to report reliable information for decision making; (ii) review risks and mitigating measures in the risk register and align them to the operating context; and (iii) review the efficiency of its partnership arrangements and prioritize the clearance of pending partner receivables of $275,000.	Important	YES	(i) Deputy Representative and Senior Programme Officer (ii)Senior Programme Officer / Project Control Officer / Programme Officer (iii) Project Control Officer	(i) 31 August 2022 (ii) Completed – 6 July 2022 (iii) 30 April 2023	(i) A revision of Multi-Year strategy has taken place and a review of the indicators in a bid to rationalize them is scheduled to take place during the Mid-Year 2022. (ii) Risk register has been reviewed and revised to align with Audit recommendations. (iii) The recovery of receivables will be prioritized in 2022.
4	The UNHCR South Africa Multi-Country Office should: (i) assess the impact of its livelihood programmes as a basis for redesigning its programme interventions; and (ii) review its programmes to ensure opportunities for efficiency are optimized.	Important	YES	(i) SAMCO Programme (ii) SAMCO Programme	(i) 31 March 2023 (ii) 30 September 2022	(i) SAMCO will consult the Regional Bureau of South Africa and relevant Headquarter teams to build its capacity to review livelihoods programmes and redesign these by January 2023. (ii) SAMCO Programme with the Regional Bureau will jointly review opportunities to strengthen Programme efficiency.
5	The UNHCR South Africa Multi-Country Office should: (i) review the design and delivery of the cash based interventions programme to ensure that it reaches the	Important	YES	(i) SAMCO Programme	(i) 30 September 2022	(i) After engaging with the Regional Bureau and Headquarter teams on capacity building, SAMCO will assess if partnerships are fit for

Rec. no.	Recommendation	Critical[5]/ Important[6]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	most vulnerable, is efficient and creates the desired impact among persons of concern; and (ii) identify staff to scale up and oversee the programme.			(ii) SAMCO Programme	(ii) 31 August 2022	purpose and will build partner capacity as needed. (ii) A candidate has already been identified to take up the post of CBI Officer and the recruitment is almost complete.
6	The UNHCR South Africa Multi-Country Office should strengthen: (i) its staff capacity to properly manage the receipt, distribution and storage of food and non-food items, including documentation to establish accountability; (ii) the approval process for the write-off of stock; and (iii) monitoring to ensure items reach intended beneficiaries.	Important	YES	(i) SAMCO Programme /Supply (ii) SAMCO Programme / Supply (iii) SAMCO Programme / Namibia and Botswana Programme and Protection Staff	(i) 31 December 2022 (ii) 30 September 2022 (iii) 31 December 2022	(i) Ongoing process: The staffing review has been initiated as mentioned above (comment on first recommendation). An action plan with additional training and hand-on capacity building, as well as the arrival of new colleagues in Supply function will contribute to strengthening the management of receipt, distribution and Food Items/NFI storage. (ii) Most of the mechanisms are currently in place with field capacity to be improved to drive monitoring and proper accountability. An additional action plan is being drafted to facilitate the approval process for the write-off of the stock. (iii) Monitoring is also included in each units plan and will be prioritized. Colleagues in both locations will endeavor to systematically collect feedback from Refugees in a regular basis. The establishment of focal person as well as training coupled with regular mission to both Namibia and

Rec. no.	Recommendation	Critical[5]/ Important[6]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						Botswana will complete the monitoring actions required.
7	The UNHCR South Africa Multi-Country Office should, in collaboration with the Regional Bureau for Southern Africa, implement an action plan to strengthen the supply function including its planning and coordination between units, and determine the most cost-effective method for purchase and delivery of goods and services.	Important	YES	Representative / Deputy Representative/ Supply	31 December 2022	The recommendation is noted, and SAMCO confirms that during the 2023 strategy review the supply function needs were noted and SAMCO structure includes a senior level contextualized position. Furthermore, SAMCO will develop plans for capacitating supply functions.