



## INTERNAL AUDIT DIVISION

### REPORT 2015/039

---

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

Overall results relating to management of the  
operations in Mozambique were initially  
assessed as partially satisfactory.  
Implementation of two important  
recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY  
SATISFACTORY

19 May 2015  
Assignment No. AR2014/113/01

# CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVE AND SCOPE	1-2
III. AUDIT RESULTS	2-7
A. Project management	3
B. Regulatory framework	3-7
IV. ACKNOWLEDGEMENT	7
ANNEX I      Status of audit recommendations	
APPENDIX I   Management response	

# AUDIT REPORT

## Audit of the operations in Mozambique 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 Mozambique for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure: (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The UNHCR Representation in Mozambique (hereinafter referred to as ‘the Representation’) was established in 1975 to provide refugees with international protection and humanitarian assistance. As at 31 December 2014, the Representation assisted 17,861 people of concern, comprising of 4,536 refugees and 13,325 asylum-seekers primarily from the Democratic Republic of Congo and Burundi.
4. The Representation has a Branch Office in Maputo and a Field Office in Nampula. It is headed by a Representative at the P-5 level. At the time of the audit, the Representation had 17 posts of which two were vacant. The Representation had total expenditure of \$3.5 million in 2013 and \$3.1 million in 2014. It worked with eight partners in 2013 and seven in 2014.
5. Comments provided by the Representation are incorporated in *italics*.

### II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNHCR governance, risk management and control processes in providing reasonable assurance regarding the effective **management of the operations in Mozambique**.
7. The audit was included in the 2014 risk based internal audit work plan for UNHCR due to risks related to the provision of assistance to a protracted caseload of camp based of people of concern in Mozambique.
8. The key controls tested for the audit were: (a) project management; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:
  - (a) **Project management** - controls that provide reasonable assurance that there is proper planning and implementation as well as accurate and complete monitoring and reporting of the Representation’s project activities.
  - (b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the management of the operations in Mozambique; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

9. The key controls were assessed for the control objectives shown in Table 1.

10. OIOS conducted the audit from October 2014 to January 2015. The audit covered the period from 1 January 2013 to 30 September 2014. During the audit, OIOS visited the UNHCR offices in Maputo and Nampula, as well as the Marratane refugee camp.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

### III. AUDIT RESULTS

12. The UNHCR governance, risk management and control processes examined were initially assessed as **partially satisfactory**<sup>1</sup> in providing reasonable assurance regarding the effective **management of the operations in Mozambique**. OIOS made four recommendations to address issues identified in the audit.

13. The Representation needed to: (i) develop a risk based plan for financial and performance monitoring of partners; (ii) establish adequate oversight mechanisms over vendor and procurement management; (iii) develop and implement a distribution plan for non-food items and establish monitoring and reconciliation procedures for the inventory of stock held and distributed to beneficiaries; and [REDACTED]

14. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as the implementation of two important recommendations remains in progress.

Table 1  
Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of UNHCR operations in Mozambique	(a) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

<sup>1</sup> A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist 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.

## A. Project management

### Action was taken to develop a risk based plan for financial and performance monitoring of partners

15. The UNHCR Manual states that the Representation should verify partner expenditures before they are approved and recorded as UNHCR expenditure. The testing of expenditure transactions should be focused on high value items and areas identified as high risk. The Manual recommends undertaking at least one financial verification per partner per year. The Manual further states that the Representation should monitor whether protection and solution activities are having the desired impact and are proceeding according to the agreed plan and targets.

16. The Representation conducted three financial verifications and three performance verifications for five of its eight partners in 2013 and six financial verifications and three performance verifications for six of the seven partners in 2014. Although there was an increase in the monitoring activities from 2013 to 2014, the number of verification visits to partners, at the time of the audit in November 2014, was still less than required by the UNHCR Manual. In addition, OIOS observed control deficiencies related to the partners on which the Representation had not taken prompt and concrete action although it was aware of the shortcomings. These included: not addressing long outstanding external audit recommendations at one partner; not conducting a detailed verification of personnel costs against pre-established salary scales and valid staff contracts at two partners; and not following up on narrative reports submitted by several partners lacking important details such as actual indicators against the performance targets to measure the impact of the activities implemented.

17. The main reason for the above deficiencies was that the Representation did not have a risk based monitoring plan. As a result of inadequate financial and performance monitoring, the Representation was subject to risk of financial losses and failure to achieve the intended project objectives.

**(1) The UNHCR Representation in Mozambique should develop a risk based plan for financial and performance monitoring of partners.**

*UNHCR accepted recommendation 1 and stated that a more focused and regular monitoring plan was drawn in February for the 2015 projects. The tentative plan purported to conduct a financial verification on receipt of each Partner Financial Report for the most high-risk partners. At least three financial verifications would be carried out for such partners while at least two verifications would be carried out for the other partners. Performance monitoring exercises (at least three comprehensive exercises by a multi-functional team) were also scheduled on the new monitoring plan. Audit follow-up matrix on implementation of external audit recommendations to partners would be updated at every verification exercise. Based on the action taken and the documentation provided by the Representation, recommendation 1 has been closed.*

## B. Regulatory framework

### Need to establish adequate oversight mechanisms over vendor and procurement management

18. UNHCR rules require the Representation to ensure that an effective process is in place for prequalifying vendors and recording them in the vendor database. The Representation should have a functioning Vendor Review Committee to facilitate and oversee the implementation of the vendor registration process. In addition, the Representation needs to: (i) prepare an annual procurement plan by 30 November in advance of the following project year; (ii) follow the UNHCR rules and procedures for

competitive and transparent procurement of goods and services; and (iii) have an effective Local Committee of Contracts in place to monitor and oversee procurement activities.

19. The Representation established a vendor review committee in January 2013. The committee met in February 2013 to decide on the deactivation of 353 vendors. However, it did not meet again after this meeting. OIOS observed the following shortcomings in vendor management:

- None of the remaining 166 active vendors had completed the registration forms or provided the required documents such as the business license, taxpayer registration certificate, value added tax registration certificate, and the acceptance of the United Nations laws on child work and environment related issues.
- There were no records of implementation of vendor vetting procedures including the use of a vendor evaluation checklist to properly vet all potential vendors prior to engaging their services.
- There were no vendor performance assessments to support the requirement for on-going evaluation of vendors.

20. The Representation duly prepared annual procurement plans for 2013 and 2014. A Local Committee on Contracts was in place but was not meeting regularly. Between 1 January 2013 and 31 August 2014, the Representation issued 69 purchase orders to acquire goods and services valued at \$612,162. OIOS review of the procurement transactions did not observe any major weaknesses in terms of the transparency and competitiveness of the procurement processes; however, there were shortcomings in the following areas of procurement management:

- Purchase orders were not created in a timely manner. The Representation processed vouchers totaling \$125,401 where the invoice date preceded the purchase order date. This included vouchers for the purchase of services, such as security guard services, transport services, and cleaning services.
- The Representation's Supply Assistant generated purchase orders in the system while at the same time receiving goods and services. Upon further review, OIOS identified that he was simultaneously the receiver of goods delivered, issuer of goods from the warehouse and the person entering the information into Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system.
- Goods received notes acknowledging receipt for the goods purchases were not attached to 27 payment vouchers.

21. The main cause for the above shortcomings was the inadequate oversight exercised by the Representation's vendor review committee and local committee on contracts over vendor and procurement management. This exposed the Representation to a risk of not getting value for money in its procurement of good and services and increased the potential for fraud and corruption.

**(2) The UNHCR Representation in Mozambique should put in place adequate oversight mechanisms over vendor and procurement management by: (i) establishing arrangements for the Vendor Review Committee to review vendor registration, vetting and evaluation procedures and maintenance of comprehensive vendor files; (ii) ensuring the Local Committee on Contracts undertakes regular and effective review of the procurement activities; and (iii) establishing appropriate segregation of duties and reporting channels in the Supply Unit.**

*UNHCR accepted recommendation 2 and stated that the Vendor Review Committee (VRC) reviewed all 112 vendors of which 87 required updated registration forms both in Maputo (46) and Nampula (41). Letters requesting updated registration forms and other data were sent to the vendors in March and*

*April and feedback was being collected to be evaluated by the VRC during its next session. All vendor files had been consolidated and reviewed, and updated information was being inserted progressively as it was being received from the vendors. Training by the Senior Regional Supply Officer to Local Asset Management Board and Local Contracts Committee members was scheduled for May 2015. More appropriate segregation of duties and reporting channels in the Representation's Supply Unit had been established and implemented and the revised Delegation of Authority Plan was submitted to headquarters on 20 April. Based on the action taken and the documentation provided by the Representation, part iii) of the recommendation has been closed. Recommendation 2 remains open pending receipt of evidence of: (i) full implementation of the vendor registration, vetting and evaluation procedures; and (ii) regular meetings of the Local Committee on Contracts and completion of the training provided to the Committee members.*

Action was being taken to strengthen controls over financial management

22. The main cause for the above shortcomings was the inadequate oversight exercised by the Representation's vendor review committee and local committee on contracts over vendor and procurement management. This exposed the Representation to a risk of not getting value for money in its procurement of good and services and increased the potential for fraud and corruption.

23. The Representation had been improving its system of controls to mitigate risks in financial management and to address critical audit recommendations raised in the previous OIOS audit conducted in 2013, as follows:

- Staff in Finance and Programme Units had completed training on International Public Sector Accounting Standards.
- The Representation had allocated sufficient staff resources to the processing of payment vouchers and an appropriate segregation of duties had been implemented in the finance area.
- The Representation had put in place procedures to ensure that processed payment vouchers were filed with their original supporting documents as required by the UNCHR rules. OIOS review of 25 vouchers totalling \$293,790 did not disclose any discrepancies.
- The Representation had enhanced its supervisory oversight to ensure that bank reconciliations were consistently prepared. OIOS test checked three recent bank reconciliations and noted that they were correct and prepared timely. An earlier OIOS recommendation to reconstruct all bank reconciliations from prior periods and to reconcile and record offline payments in MSRP was in the process of being implemented.
- Open items with a balance of \$99,785 as of November 2014 were reviewed and in the process of being cleared by the Representation.
- An identified conflict of segregation duties in the Delegation of Authority Plan was resolved.
- At the time of the audit, the Representation had no expenditures over and above the established budget lines.
- Monthly financial reports were submitted to UNHCR headquarters on a monthly basis, as required.
- Petty cash funds in Maputo and Nampula with limits of \$1,200 and \$600, respectively, were adequately controlled.

24. Given the actions being taken by the Representation to strengthen controls over financial management, OIOS does not raise a recommendation in this regard.

Action was taken to develop and implement a distribution plan for non-food items and establish monitoring and reconciliation procedures for the inventory of stock held and distributed to beneficiaries

25. The Representation is required to have an effective system in place for maintaining inventory of stock held, both food and non-food. In doing so, it is required to periodically obtain information on stock balances and conduct physical inspections of the stocks. Effective monitoring and reconciliation of the items distributed should also be undertaken.

26. The Representation had one warehouse in the Marratane camp containing inventories valued at \$130,066. The Representation managed the warehouse and released non-food items for distribution to beneficiaries by a partner. There was some documentation available of the Representation's monitoring of the inventory and reconciliation of the stock records. However, there was no evidence that the Representation had reconciled the partner's own records for goods received and issued as required by UNHCR rules. Furthermore, there were stocks of goods in the warehouse, such as 7,742 blankets with a total value of \$36,245; 2,016 kitchen sets with a total value of \$32,769 and 8,774 synthetic sleeping mats, with a total value of \$8,774, held since 2012 for which no distribution plan was put in place.

27. The above weaknesses happened because the Representation did not have a distribution plan for all non-food items and did not conduct adequate monitoring and reconciliation of the distributions undertaken by the partner. As a result, the Representation was exposed to risk of losing valuable stock that was not distributed on time and in the right quantity to the intended beneficiaries.

**(3) The UNHCR Representation in Mozambique should develop and implement a distribution plan for non-food items stored in the Marratane warehouse and establish formal monitoring and reconciliation procedures for the inventory of stock held and distributed to beneficiaries.**

*UNHCR accepted recommendation 3 and stated that a revised and endorsed Distribution Protocol established by the Representation provided background for the distribution of Non Food Items (NFI) to People of Concern. The Representation had also established the annual distribution plan for NFIs and had been monitoring more closely the distribution of NFIs held in the warehouse. After each distribution, a distribution report was done. Items that were under the custody of partners were also verified during physical counts for the Representation's records as they had already been issued from MSRP accordingly. Based on the action taken and the documentation provided by the Representation, recommendation 3 has been closed.*

[Redacted]

[Redacted]

[Redacted]



#### **IV. ACKNOWLEDGEMENT**

29. OIOS wishes to express its appreciation to the Management and staff of the UNHCR Representation in Mozambique for the assistance and cooperation extended to the auditors during this assignment.

*(Signed)* David Kanja  
Assistant Secretary-General for Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

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

Recom. no.	Recommendation	Critical <sup>2</sup> / Important <sup>3</sup>	C/ O <sup>4</sup>	Actions needed to close recommendation	Implementation date <sup>5</sup>
1	The UNHCR Representation in Mozambique should develop a risk based plan for financial and performance monitoring of partners.	Important	C	Action completed	Implemented
2	The UNHCR Representation in Mozambique should put in place adequate oversight mechanisms over vendor and procurement management by: (i) establishing arrangements for the Vendor Review Committee to review vendor registration, vetting and evaluation procedures and maintenance of comprehensive vendor files; (ii) ensuring the Local Committee on Contracts undertakes regular and effective review of the procurement activities; and (iii) establishing appropriate segregation of duties and reporting channels in the Supply Unit.	Important	O	Submission to OIOS of evidence of: (i) full implementation of the vendor registration, vetting and evaluation procedures; and (ii) regular meetings of the Local Committee on Contracts and completion of the training provided to the Committee members.	31 October 2015
3	The UNHCR Representation in Mozambique should develop and implement a distribution plan for non-food items stored in the Marratane warehouse and establish formal monitoring and reconciliation procedures for the inventory of stock held and distributed to beneficiaries.	Important	C	Action completed	Implemented

<sup>2</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

<sup>3</sup> Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>4</sup> C = closed, O = open

<sup>5</sup> Date provided by UNHCR in response to recommendations.

# **APPENDIX I**

## **Management Response**

## Management Response

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

Rec. no.	Recommendation	Critical <sup>6</sup> / Important <sup>7</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Representation in Mozambique should develop a risk based plan for financial and performance monitoring of partners.	Important	Yes	Head of Field Office /Representative	Implemented	
2	The UNHCR Representation in Mozambique should put in place adequate oversight mechanisms over vendor and procurement management by: (i) establishing arrangements for the Vendor Review Committee to review vendor registration, vetting and evaluation procedures and maintenance of comprehensive vendor files; (ii) ensuring the Local Committee on Contracts undertakes regular and effective review of the procurement activities; and (iii) establishing appropriate segregation of duties and reporting channels in the Representation's Supply Unit.	Important	Yes	Representative as Chair of Vendor Review Committee and Supply Assistant	10 May 2015	Adequate oversight mechanisms over vendor and procurement management have been put in place or where they were there, they have been strengthened.  (i). The Vendor Review Committee (VRC) reviewed all 112 vendors of which 87 required updated registration forms both in Maputo (46) and Nampula (41). 87 Letters requesting updated registration forms and other data were sent to the vendors in March and April and feedback is being collected to be evaluated by the VRC on its next session on 30 April. The other vendors are divided into Government entities, UN agencies, city council, former Vice Ministers, therefore letters were not sent to them as per exceptions stated in the vendor

<sup>6</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

<sup>7</sup> Important recommendations address important deficiencies or weaknesses in governance, risk management or internal 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 Mozambique for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical <sup>6</sup> / Important <sup>7</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>evaluation criteria “Exceptions: may be given to owners of real-estate such as rental of office and accommodation premises; and Government run National Institutions (telecom, electricity, water, security and other utilities/services) which due to their nature may be exempted from competition and provision of certain registration / certification requirement.”.</p> <p>Based on receipt of Vendor forms, and MSRP transactions, performance evaluation shall be done on the 30th April as stated above. All vendor files have been consolidated, reviewed and are updated information is being inserted progressively as it is being received from the vendors.</p> <p><b>(ii)</b> Training by the Senior Regional Supply Officer to Local Assets Management Board and Local Contract Committee members (incl. alt./chairperson, ex-officio &amp; alt./secretary) for further familiarization with the relevant UNHCR rules and procedures’ followed by LAMB and LCC meetings are scheduled for 4 and 5 May 2015.</p> <p><b>(iii)</b> More appropriate segregation</p>

## Management Response

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

Rec. no.	Recommendation	Critical <sup>6</sup> / Important <sup>7</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						of duties and reporting channels in the Representation's Supply Unit have been established and implemented and the revised Delegation of Authority Plan (DOAP) was submitted to headquarters on 20 April.
3	The UNHCR Representation in Mozambique should develop and implement a distribution plan for non-food items stored in the Marratane warehouse and establish formal monitoring and reconciliation procedures for the inventory of stock held and distributed to beneficiaries.	Important	Yes	Head of Field Office	March/April 2015 Implemented	<p>A revised and endorsed Distribution Protocol established by the representation provides background for the distribution of Non Food Items (NFI) to People of Concern.</p> <p>The Representation has also established the annual distribution plan for both Food and Non Food Items (NFIs) which is operational.</p> <p>Monthly inventory reconciliations of quantity of NFIs in MSRP and the quantity of the NFIs recoded in stock is being done by the Supply Assistant under the supervision of the Head of Field Office who is also the Inventory Manager. Additionally quarterly physical count of items in Warehouse is done by a multi-functional team led by the Inventory Manager. This exercise has been carried out since 2014 and continues in 2015.</p>

## Management Response

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

Rec. no.	Recommendation	Critical <sup>6</sup> / Important <sup>7</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>The Representation continues to take into account the balance of NFIs after previous distribution when raising new Material Stock Requests (MSR) for NFIs distribution. This assists with the reconciliation of the stock available for distribution. The Representation has been monitoring more closely distribution of NFIs held in warehouse. After each distribution, a distribution report is done.</p> <p>During physical counts of inventory, when there are discrepancies, between the quantities in MSRP and the actual quantity counted, the Representation informs Headquarters completing the required forms and the quantities are adjusted. When necessary, advice or assistance of the Regional Supply Officer is sought. Through these actions, the Representation has strengthened its capacity in inventory monitoring and reconciliation. Items that are under the custody of partners are also verified during physical counts for the Representation's records as they have already been issued from</p>

Management Response

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

Rec. no.	Recommendation	Critical <sup>6</sup> / Important <sup>7</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						MSRP accordingly.

