



INTERNAL AUDIT DIVISION

REPORT 2016/025

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

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

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

24 March 2016
Assignment No. AR2015/113/01

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AUDIT REPORT

Audit of the operations in Zambia 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 Zambia 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 Zambia (hereinafter referred to as ‘the Representation’) was established in 1968. As of 30 June 2015, it was assisting 51,277 refugees, asylum seekers, and other persons of concern. The Representation’s major strategic priorities for 2015, as outlined in its Country Operations Plan, were: i) local integration of a minimum of 10,000 Angolan and 4,000 Rwandan refugees, whose refugee status had ceased, through issuance of residence permits, socio-economic empowerment, and support through income-generating activities; ii) improved sustainability and greater economic empowerment of the remaining refugee population consisting of Congolese, Somalis and Burundians; and iii) enhancement of opportunities for resettlement, particularly for Congolese refugees.
4. The Representation had a Branch Office in Lusaka, two Field Offices in Solwezi and Mongu and two refugee settlement schemes in Meheba and Mayukwayukwa. It was headed by a Representative at the P-5 level. As of 30 June 2015, the Representation had 55 posts. The Representation had a budget of \$11.4 million and total expenditure of \$9.5 million in 2014. For 2015, the Representation had a budget of \$11.5 million with \$6.5 million already spent by August 2015 when the audit fieldwork took place. In 2014, the Representation worked with 16 partners who implemented \$4.5 million, or the equivalent of 61 per cent, of the total programme related expenditure. The same 16 partners were retained for 2015 with a budget of \$4.0 million representing 57 per cent of the total programme related budget of \$7.1 million.
5. Comments provided by UNHCR 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 UNHCR operations in Zambia**.
7. The audit was included in the OIOS 2015 risk-based internal audit work plan for UNHCR due to risks associated with the ongoing local integration of former Angolan and Rwandan refugees and the protection of the remaining caseload of persons of concern.
8. The key controls tested for the audit were: (a) strategic planning; (b) project management; and (c) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

- (a) **Strategic planning** - controls that provide reasonable assurance that the Representation's strategic planning for its programme and protection activities is implemented in alignment with the UNHCR global strategic priorities.
- (b) **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.
- (c) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the management of the operations in Zambia; (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 August to November 2015. The audit covered the period from 1 January 2014 to 30 June 2015. During the audit, OIOS visited the Representation's offices in Lusaka and Solwezi and the refugee settlement scheme in Meheba.

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**¹ in providing reasonable assurance regarding the **effective management of UNHCR operations in Zambia**. OIOS made five recommendations to address the issues identified.

13. The Representation's strategic planning arrangements and controls over partner selection and retention were assessed as satisfactory. However, there was a need for the Representation to: (i) document and implement controls to ensure that funds paid for residence permits for former refugees are accurately accounted for; (ii) develop a coordinated system for financial and performance monitoring of projects implemented by partners based on an annual plan; (iii) strengthen controls over procurement entrusted to partners; (iv) strengthen controls over warehouse management and distribution of non-food items (NFIs); and (v) improve management supervision and oversight arrangements over procurement and vendor management.

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

¹ 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.

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 Zambia	(a) Strategic planning	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(b) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(c) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Strategic planning

Arrangements for strategic planning were satisfactory

15. UNHCR rules require the Representation to prepare a Country Operations Plan aligned with the UNHCR global strategic priorities and based on an assessment of the needs of the population of concern following a participatory assessment approach.

16. The Representation prepared a Country Operations Plan that was aligned with the global strategic priorities and based on an assessment of the needs of the population of concern that followed a participatory assessment approach. It also developed a separate protection strategy. The needs assessment and planning processes were well documented. OIOS concluded that the Representation had satisfactory arrangements in place for strategic planning.

B. Project management

There was a need to document and implement controls to ensure that funds paid for residence permits for former refugees are accurately accounted for

17. The UNHCR Manual requires the Representation to establish Standard Operating Procedures (SOPs) for strategic priority areas that set out approaches to meet relevant protection needs. These SOPs should be communicated to staff, partners and, as appropriate, to persons of concern to ensure that the planned activities are implemented effectively and efficiently. Compliance with the SOPs should be monitored, with any identified deviations followed up on.

18. The Representation had prepared and communicated SOPs for most of the strategic priority areas outlined in the Country Operations Plan. The Representation, however, did not prepare an SOP for implementing the strategic objective related to local integration of Angolan and Rwandan refugees whose refugee status had ceased. This resulted, as the Representation was of the opinion that the Strategic Framework for the Local Integration of Former Refugees in Zambia, prepared in December 2013, and the related implementation and monitoring work plans were sufficient to ensure that the planned activities were implemented effectively and efficiently. A review of these documents indicated that they did not include adequate provisions for tracking and reconciling payments made for the issuance of residence

permits to former refugees. For instance, the Government of Zambia had announced in 2012 that it would grant 10,000 former Angolan refugees residence permits and farming land in the Meheba and Mayukwayukwa settlements. To implement this project, in 2013, the Representation received \$600,000 from a donor country as earmarked funding for processing fees of residence permits for 4,000 former Angolan refugees. The Representation transferred the \$600,000 to its government partner who was given the responsibility to make payments to the Department of Immigration for issuance of permits. However, the Representation expensed the \$600,000 fully in 2013, due to UNHCR accounting rules for project agreements that have duration of only one year, even though only 823 permits had been issued by August 2015. As a result, the Representation had not recorded in its accounts a receivable for the amount not yet disbursed by its government partner of about \$476,000.

19. The above weaknesses happened because the payments of the residence permit fees were handled by the government partner as opposed to the Representation paying the fees directly to the Department of Immigration which would have been the appropriate way as the process of issuing 4,000 permits was lengthy and likely to last for several years. Consequently, there was a risk that the amount paid to the government partner for the residence permit fees may not have been accurately accounted for and that the amounts paid were not fully supported by issued permits.

(1) The UNHCR Representation in Zambia should document and implement controls to ensure that funds paid for residence permits for former refugees are accounted for by the government partner in a timely manner and reconciliations are carried out to confirm that all the amounts paid are supported by issued permits.

UNHCR accepted recommendation 1 and stated that the Representation conducted jointly with the government partner a review of the payments made by the latter to the Department of Immigration. As a result of the verification, it was established that an amount was due to the Department of Immigration by the partner. The Representation would monitor the repayment plan. Since February 2016, UNHCR makes direct payments to the Department of Immigration. Recommendation 1 remains open pending receipt of documentation on the reconciliation of funds paid by the partner to the Department of Immigration vis-à-vis the number of permits issued to confirm that all amounts paid were supported by issued permits.

Requirements for partner selection and retention were implemented satisfactorily

20. The UNHCR Policy on Selection and Retention of Partners requires the Representation to establish an Implementing Partnership Management Committee (IPMC), to conduct a call for expression of interest for implementing UNHCR projects and review the concept notes submitted by potential partners. After review of the concept notes, the Committee is required to make recommendations to the Representative who is responsible for making the final partner selection decisions and communicating these decisions to applicant organizations.

21. Based on review of the IPMC minutes and other relevant documentation, the Representation established the IPMC, advertised a call for expression of interest to potential partners in the local media, and selected the partners after detailed review of the submissions by the partners. OIOS concluded that the Representation had satisfactory controls in place over partner selection and retention.

The Representation needed to develop a coordinated system for financial and performance monitoring of projects implemented by partners based on an annual plan

22. The UNHCR Manual requires the Representation to prepare, in collaboration with its partners, an annual monitoring plan for projects implemented by partners. The plan should cover both performance

and financial monitoring activities, and include the timing, frequency and criteria of such activities. Multi-functional review teams with experts in all relevant thematic areas should be in place to undertake performance monitoring, which in UNHCR rules refers to ongoing review of operations to track whether protection and durable solution activities are having the desired impact and are proceeding according to plan and targets. The Representation is further required to review and approve quarterly partner reports. The quarterly review and approval of the partner reports means that the Representation accepts both the expenditures incurred by the partner using UNHCR funds and the project activities implemented by the partner.

23. The Representation undertook regular performance and financial monitoring of the projects and monitoring reports were duly prepared after each visit. The Representation was also following up with the partners on recommendations raised by external auditors in project audits. However, a review of financial and performance monitoring activities identified that the Representation:

- Did not prepare an annual monitoring plan, in agreement with partners, for the financial and performance monitoring visits.
- Had not established multi-functional review teams consisting of experts in the relevant thematic areas to undertake performance and financial monitoring. Performance monitoring was carried out by ad-hoc teams mainly composed of programme staff, while financial monitoring was performed by the Senior Project Control Associate alone.
- Did not ensure that the performance monitoring reports were detailed enough, as they did not compare the actual progress in project implementation with the targets contained in the Project Partnership Agreements and did not provide a follow-up on issues noted in previous monitoring reports.
- Accepted and recorded, without adequate review and scrutiny, project expenditures amounting to \$135,380 that were later rejected by the external auditor as ineligible due to lack of supporting documents.

24. The above weaknesses happened due to a lack of capacity in the Representation's Programme Unit as during the period under review four staff left the Unit and the posts remained vacant for a long period of time. In addition, the Representation had not put in place a coordinated system for financial and performance monitoring, which exposed it to risk of financial loss and failure to achieve the intended project objectives. The Representation was in the process of filling the vacant posts. Also, while the audit was still ongoing, the Representation formally established multi-functional review teams which included staff from all key thematic areas.

(2) The UNHCR Representation in Zambia should develop and implement a coordinated system for performance and financial monitoring of projects implemented by partners based on an annual monitoring plan.

UNHCR accepted recommendation 2 and stated the Representation was implementing the annual monitoring plan for 2016 in a systematic manner. The annual performance monitoring and financial verification exercise for the 2016 Project Partnership Agreements to be conducted by a multi-functional team had been agreed with the partners. Based on the action taken and documentation provided by UNHCR, recommendation 2 has been closed.

There was a need to strengthen controls over procurement entrusted to partners

25. UNHCR guidelines in place prior to November 2014 allowed the Representation to entrust procurement valued at more than \$100,000 to a partner only after review and approval by the

Representation's Local Committee on Contracts (LCC). With effect from November 2014, the UNHCR Policy and Procedures on Procurement by Partners with UNHCR Funds requires the Representation's IPMC to review each designation of procurement authority to partners for approval by the Representative. All such partners should also be pre-qualified by the UNHCR Procurement Management and Contracting Service to ensure that the partners' procurement policies, procedures and practices are aligned with those of UNHCR. The Representation should also assess each partner's capacity to undertake procurement activities effectively on UNHCR's behalf. During project implementation, the Representation is required to undertake regular monitoring of the partners' procurement activities.

26. The Representation designated procurement in excess of \$100,000 to four partners with a cumulative value of \$1.4 million in 2014 and to three partners for \$0.7 million in 2015. OIOS observed the following shortcomings with procurement entrusted to the partners:

- The LCC did not review procurement activities worth more than \$100,000 that were delegated to four partners for the financial year 2014.
- The IPMC did not review procurement entrusted to three partners in 2015. Further, the Representation did not document its assessment of partners' capacity to undertake procurement on its behalf and did not complete the required form to record the designation of procurement to partners.
- Two of the partners that were delegated procurement over \$100,000 for a total of value of \$410,000 were not pre-qualified by the Procurement Management and Contracting Service and had not applied for pre-qualification.

27. As a result, although the Representation conducted reviews of the partners' procurement activities during its financial verification visits, weaknesses in the process of designating procurement authority to partners exposed the Representation to risk of financial loss and inability to obtain value for money for the procurement entrusted to partners. This was due to inadequate supervision by the Representation's management to ensure compliance with the UNHCR rules on procurement by partners.

(3) The UNHCR Representation in Zambia should implement appropriate management supervision arrangements to ensure that: (i) its partners have the capacity to undertake procurement effectively and to add value to UNHCR operations through their procurement actions; and (ii) the partners' prequalification status is effectively assessed before the Representative's approval to entrust procurement to them.

UNHCR accepted recommendation 3 and stated that the Representation through the IPMC assessed the partners' capacity to undertake procurement on behalf of UNHCR. Based on the action taken and documentation provided by UNHCR, recommendation 3 has been closed.

The Representation needed to strengthen warehouse management and monitoring of distribution of non-food items to beneficiaries

28. According to the UNHCR Handbook for Emergencies and the Handbook for Commodity Distribution, monitoring of the NFI distribution system is an important management responsibility and should consist of the ongoing review and control to ensure that the planned number of people receive the specified quantities of NFIs. The UNHCR Manual requires the Representation to implement effective controls over warehousing and stock management, which should include controls over planning, recording, receiving and issuing of stock, as well as stocktaking.

29. The Representation distributed NFIs, including shelter materials, valued at \$398,540 during the period from 1 January 2014 to 30 June 2015. The Representation had put in place appropriate procedures for stock planning, recording, receiving and stocktaking. However, OIOS observed differences between the recorded balances and bin card quantities. This was because the Representation prepared material stock requisitions only after the issuance of stock from the warehouses. This process was not in compliance with the UNHCR inventory management procedures which required an approved material stock requisition prior to releasing inventory from the warehouse. Lack of adequate procedures increased the risk that stock balances reported in Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system, were overstated.

30. Further, the review indicated the following weaknesses in warehouse management and monitoring of NFI distributions in Field Office Solwezi:

- There was inadequate segregation of duties as the store keeper received requests from the partner distributing NFIs and completed both the requisition forms for approval and the way bills to release the goods from the warehouse.
- Farming tools valued at \$3,800 were not recorded in MSRP, as the Representation had procured them without a purchase order.
- The required fire extinguishers or firefighting equipment was not available at the warehouse in Solwezi.
- The Representation had not followed up on NFIs left over after each distribution to ensure that they had reached the intended beneficiaries. A reconciliation of NFIs distributed against reports provided by the partner did not tally in five cases verified by OIOS for the months of May, June and July 2015. Further, the Field Office staff did not check the partner's stock records to ensure that the items not distributed were accurately recorded in the bin cards and the Field Office did not have documentary evidence that they had conducted regular monitoring of NFI distributions.
- The distribution lists for new arrivals from April to July 2015 were not generated from ProGres, the UNHCR refugee registration database. Handwritten sheets were instead used for distribution, making it difficult to determine their accuracy.

31. The above shortcomings were due to lack of dedicated supply staff in Field Office Solwezi to manage the warehouse operations, as well as inadequate monitoring procedures over distributions. There was a risk that the NFIs distributed might not have reached all intended beneficiaries.

(4) The UNHCR Representation for Zambia should ensure that the Supply Unit in Field Office Solwezi has sufficient capacity to discharge its duties and also ensure that the Field Office: i) puts in place procedures to ensure that material stock requisitions are used to issue stocks and are prepared prior to issuance of stocks; ii) documents and implements a formal system to monitor distribution of non-food items; and iii) puts in place appropriate fire safety arrangements in its warehouse.

UNHCR accepted recommendation 4 and stated that the Representation had been faced with 20 per cent budget cuts every year since 2013 and continued requests for staff cuts. As a result, the office had not been able to upgrade the existing or create additional supply positions. The warehouses in Solwezi and Kaoma were closed in October 2015. Still, the Representation would propose for 2017 the creation of a supply position in Solwezi. Material stock requisitions were now the sole instruction for release of stock. A protocol on distribution of NFIs had been instituted and used for control over the management of NFIs. The store/warehouse at the Meheba settlement had been provided with additional safety arrangements. Based on the action taken and documentation provided by UNHCR, recommendation 4 has been closed.

C. Regulatory framework

Management supervision and oversight arrangements over procurement and vendor management required strengthening

32. The Representation is required to comply with UNHCR procurement rules and procedures, which include: (a) establishing an effective vendor management system; (b) preparing an annual procurement plan according to identified needs; (c) initiating procurement activities in accordance with the procurement plan to facilitate transparent and competitive procurement; and (d) establishing sufficient procurement capacity and ensuring adequate segregation of duties in the procurement function.

33. OIOS reviewed the vendor management and procurement procedures put in place by the Representation and tested on a sample basis 30 purchase orders worth \$1.2 million from the total local procurement activities of \$2.6 million covering the period from 1 January 2014 to 30 June 2015. Although the Representation had established a Vendor Review Committee (VRC), the Committee had not held any meetings to vet and evaluate vendors and did not maintain a local vendor database for its active suppliers. Further, a total of 1,020 vendors were recorded in MSRP out of which 27 vendors had duplicate identification numbers. This discrepancy exposed the Representation to erroneous payments to inactive/dormant vendors and increased the risk of double payments to vendors with duplicate accounts. Also, the Representation did not maintain the required registration forms, contact details and financial reports for the active vendors. By not maintaining a comprehensive vendor database including correct bank account details of vendors, the Representation issued 26 vouchers in 2014 totaling \$90,047 and 17 vouchers in 2015 totaling \$18,917 that were rejected by the bank due to wrong bank account details of vendors.

34. The Representation did not sign and submit to UNHCR headquarters the annual procurement plan for 2014 and 2015 in advance of the project year. The procurement plan for 2014 also did not include estimates for procurement expenditure for administrative purposes.

35. Regarding the procurement transactions and management of awarded contracts, despite the LCC being in place and meeting regularly, OIOS review observed the following weaknesses:

- The Representation submitted a contract worth \$346,580 to the Headquarters Committee on Contracts for post-facto notification in September 2014 for reshaping and graveling a 21.6 kilometer long road in Meheba settlement that had been awarded in July 2014 without following the normal tendering process. OIOS review indicated that no technical specifications were provided on the scope of the works as the Representation did not have the required technical expertise. After awarding the contract, the Representation had to seek guidance from the Government Road Development Agency to review the specifications provided by the contractor.
- Due to weaknesses in planning, there were four cases of retroactive approval by the LCC after purchase orders had been issued for supply of goods and services worth \$76,740. They included lease payments for the offices in Lusaka and Solwezi, hiring of transport services and purchase of office stationery.
- The deadline for submission of bids for two contracts worth \$53,332 was reduced to 12 days instead of the recommended standard period of four to eight weeks, and no note to the file was prepared to justify the shorter bidding period.
- In 2014, the cleaning services contract for Lusaka and Solwezi worth \$46,040 was awarded without a formal signed contract.

36. The above shortcomings were partly due to staffing constraints in the Representation's Supply Section in Branch Office in Lusaka which consisted of only one general service staff at the GS-5 level. However, the Representation had also not established adequate management supervision and oversight arrangements over its procurement and vendor management activities. As a result, it was exposed to increased risk of fraud, financial losses, and not receiving best value for money from the acquisition of goods and services.

(5) The UNHCR Representation in Zambia should develop an action plan, including appropriate supervision and oversight procedures, to ensure that: i) the Vendor Review Committee completes the vendor vetting, registration and performance evaluation procedures; ii) comprehensive annual purchasing plans are prepared and submitted to headquarters in a timely manner; and iii) contracts are systematically submitted for review and approval by the relevant Committees on Contracts before being awarded.

UNHCR accepted recommendation 5 and stated that: (i) the Representation undertook a review of the vendors and deleted all duplicates. A simplified guideline had been put in place to ensure that all elements in the vendor registration form were carefully reviewed by the VRC during the vetting process; (ii) the Representation had prepared and submitted to headquarters a comprehensive Purchasing Plan for 2016, in consultation with field offices, functional units in Lusaka and partners; and (iii) all contracts entered into in the second semester of 2015 had gone through due process as per UNHCR Procurement Guidelines and were presented to the LCC and then to the Headquarters Committee on Contracts as appropriate. Recommendation 5 remains open pending receipt of evidence that the VRC has completed the vetting, registration and performance evaluation of all active suppliers and that the vendor database has been correspondingly updated.

IV. ACKNOWLEDGEMENT

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

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

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

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	The UNHCR Representation in Zambia should document and implement controls to ensure that funds paid for residence permits for former refugees are accounted for by the government partner in a timely manner and reconciliations are carried out to confirm that all the amounts paid are supported by issued permits.	Important	O	Submission to OIOS of documentation on the reconciliation of funds paid by the partner to the Department of Immigration vis-à-vis the number of permits issued to confirm that all amounts paid were supported by issued permits.	30 June 2016
2	The UNHCR Representation in Zambia should develop and implement a coordinated system for performance and financial monitoring of projects implemented by partners based on an annual monitoring plan.	Important	C	Action completed.	Implemented
3	The UNHCR Representation in Zambia should implement appropriate management supervision arrangements to ensure that: (i) its partners have the capacity to undertake procurement effectively and to add value to UNHCR operations through their procurement actions; and (ii) the partners' prequalification status is effectively assessed before the Representative's approval to entrust procurement to them.	Important	C	Action completed.	Implemented
4	The UNHCR Representation for Zambia should ensure that the Supply Unit in Field Office Solwezi has sufficient capacity to discharge its duties and also ensure that the Field Office: i) puts in place procedures to ensure that material stock requisitions are used to issue stocks and are	Important	C	Action completed.	Implemented

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 Zambia for the Office of the United Nations High Commissioner for Refugees

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
	prepared prior to issuance of stocks; ii) documents and implements a formal system to monitor distribution of non-food items; and iii) puts in place appropriate fire safety arrangements in its warehouse.				
5	The UNHCR Representation in Zambia should develop an action plan, including appropriate supervision and oversight procedures, to ensure that: i) the Vendor Review Committee completes the vendor vetting, registration and performance evaluation procedures; ii) comprehensive annual purchasing plans are prepared and submitted to headquarters in a timely manner; and iii) contracts are systematically submitted for review and approval by the relevant Committees on Contracts before being awarded.	Important	O	Submission to OIOS of evidence that the Vendor Review Committee has completed the vetting, registration and performance evaluation of all active suppliers and that the vendor database has been correspondingly updated.	30 June 2016

APPENDIX I

Management Response

Management Response

**Audit of the operations in Zambia 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 Zambia should document and implement controls to ensure that funds paid for residence permits for former refugees are accounted for by the government partner in a timely manner and reconciliations are carried out to confirm that all the amounts paid are supported by issued permits.	Important	Yes	Senior Programme Officer	January 2016	The Representation conducted jointly with the government partner a review of the payments made by the latter to the Department of Immigration. As a result of the verification, it was established that an amount was due to the Department of Immigration by the partner. The Representation will monitor the repayment plan. Since February 2016, UNHCR makes direct payment to the Department of Immigration.
2	The UNHCR Representation in Zambia should develop and implement a coordinated system for performance and financial monitoring of projects implemented by partners based on an annual monitoring plan.	Important	Yes	Senior Programme Officer	February 2016	The Representation is implementing the annual monitoring plan for 2016 in a systematic manner. The annual performance monitoring and financial verification exercise for the 2016 Project Partnership Agreements to be conducted by a multi-functional team has been agreed with the partners.
3	The UNHCR Representation in Zambia should implement appropriate management supervision arrangements to ensure that: (i) its partners have the capacity to undertake procurement effectively and to add value to UNHCR operations through their	Important	Yes	Senior Programme Officer	January 2016	The Representation through the Implementing Partnership Management Committee (IPMC) assessed the partners' capacity to undertake procurement on behalf of UNHCR.

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 Zambia 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
	procurement actions; and (ii) the partners' prequalification status is effectively assessed before the Representative's approval to entrust procurement to them.					
4	The UNHCR Representation for Zambia should ensure that the Supply Unit in Field Office Solwezi has sufficient capacity to discharge its duties and also ensure that the Field Office: i) puts in place procedures to ensure that material stock requisitions are used to issue stocks and are prepared prior to issuance of stocks; ii) documents and implements a formal system to monitor distribution of non-food items; and iii) puts in place appropriate fire safety arrangements in its warehouse.	Important	Yes			Recommendation closed.
5	The UNHCR Representation in Zambia should develop an action plan, including appropriate supervision and oversight procedures, to ensure that: i) the Vendor Review Committee completes the	Important	Yes	Admin Officer	February 2016	(i) The Representation undertook a review of the vendors and deleted all duplicates. A simplified guideline has been put in place to ensure that all elements in the vendor registration form are carefully reviewed by the Vendor Review Committee during the vetting process.

Management Response

**Audit of the operations in Zambia 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
	vendor vetting, registration and performance evaluation procedures; ii) comprehensive annual purchasing plans are prepared and submitted to headquarters in a timely manner; and iii) contracts are systematically submitted for review and approval by the relevant Committees on Contracts before being awarded.					<p>(ii) The Representation has prepared and submitted to headquarters a comprehensive Purchasing Plan for 2016, in consultation with field offices, functional units in Lusaka and partners.</p> <p>(iii) All contracts entered in the second semester of 2015 have gone through due process as per UNHCR Procurement guidelines and were presented to the Local Committee on Contracts and then to the Headquarters Committee on Contracts as appropriate.</p>