



INTERNAL AUDIT DIVISION

REPORT 2017/005

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

The Representation needed to address
critical and persistent control deficiencies in
procurement activities

7 March 2017

Assignment No. AR2016/110/08

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

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over United Nations High Commissioner for Refugees (UNHCR) operations in Rwanda. The audit covered the period from 1 January 2015 to 30 June 2016 and included a review of: planning and resource allocation; emergency preparedness; partnership management; distribution of non-food items (NFIs); financial tracking and reporting; and procurement and vendor management.

The UNHCR Representation in Rwanda had established adequate controls over planning, resource allocation, programme monitoring, emergency preparedness, and distribution of NFIs to persons of concern. However, there was a need to address critical and persistent control deficiencies in procurement activities, and to strengthen controls over preparation of project agreements and procurement undertaken by partners.

OIOS made one critical and one important recommendation. To address issues identified in the audit, the Representation needed to:

- Keep staff updated on new policies and procedures related to partnership management and strengthen management controls to ensure that risks associated with the preparation of project agreements and the designation of procurement to partners are effectively managed; and
- In close cooperation with the Regional Bureau for Africa and the Division of Emergency, Security and Supply, establish: (i) effective management controls over procurement and vendor management; and (ii) develop a plan of action to ensure that supply staff are adequately trained on UNHCR procurement rules and procedures and the members of the Local Committee on Contracts are fully aware of their roles and responsibilities in overseeing the integrity of the procurement process. **(CRITICAL)**

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

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Audit of the operations in Rwanda 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 Rwanda for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The UNHCR Representation in Rwanda (hereinafter referred to as ‘the Representation’) was established in 1994. As at 30 June 2016, the Representation assisted 152,935 refugees, of whom 78,633 were from Burundi and 73,934 from the Democratic Republic of the Congo, while the remaining 368 were from other countries. UNHCR also assisted 2,618 Rwandan refugee returnees who had arrived between January and June 2016.
3. Due to political turmoil in neighbouring Burundi, a significant number of Burundian refugees started fleeing to Rwanda in April 2015. Accordingly, on 22 April 2015, UNHCR declared a level-1 Emergency for Rwanda. Due to further escalation of events inside Burundi, a level-2 emergency was declared on 11 May 2015 for what UNHCR called “the Burundian refugee situation” covering Burundi, Rwanda, Tanzania and the Democratic Republic of the Congo.
4. The majority of refugees in Rwanda are accommodated in six refugee camps. The Representation decided to give strategic priority in its 2016 operations plan to the following three areas in its refugee programme: (i) prevention of and response to sexual and gender-based violence; (ii) child protection; and (iii) enhanced registration and documentation capacity. Regarding the returnee programme, the Representation planned to focus on the provision of the following services in 2016: (i) transport transit services; (ii) health care services; (iii) water, sanitation and hygiene facilities; (iv) basic return packages; and (v) documentation services.
5. The Representation has its Country Office in Kigali, and it also has six Field Offices in Kirehe, Huye, Gicumbi, Karongi, Rubavu and Rusizi, and a Field Unit in Nyamata. It is headed by a Representative at the D-1 level. As of 30 June 2016, the Representation had 115 posts. The Representation had total expenditure of \$39.5 million in 2015. Its budget for 2016 amounted to \$38.2 million, of which \$16.5 million was spent by 30 June 2016. The Representation worked with 13 partners in 2015 and 14 in 2016. The total expenditures of the partners amounted to \$22.2 million in 2015, and accounted for 70 per cent of the Representation’s programme related expenditures during the year.
6. Comments provided by UNHCR are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over UNHCR operations in Rwanda.
8. This audit was included in the 2016 risk-based internal audit work plan of OIOS due to risks related to the growth and complexity of the programme and protection activities in Rwanda as a result of the emergency caused by the influx of Burundian refugees.
9. OIOS conducted the audit from August to November 2016. The audit covered the period from 1 January 2015 to 30 June 2016. Based on an activity-level risk assessment, the audit covered higher risk

processes and activities pertaining to the operations in Rwanda, which included: planning and resource allocation; emergency preparedness; partnership management; distribution of NFIs; financial tracking and reporting; and procurement and vendor management.

10. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical reviews of data, including financial data from Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system, and performance data from FOCUS, the UNHCR results-based management system; (d) sample testing of controls using both systematic and random methods; (e) visits to the Representation's Country Office in Kigali, Field Offices in Kirehe and Huye, and the offices of three partners implementing UNHCR projects; and (f) physical observation of activities implemented at three refugee camps in Mahama, Kigeme and Mugombwa.

III. OVERALL CONCLUSION

11. The Representation had established adequate controls over planning, resource allocation, programme monitoring, emergency preparedness, and distribution of NFIs to persons of concern. However, there was a need to address critical and persistent control deficiencies in procurement activities, and to strengthen controls over preparation of project agreements and procurement undertaken by partners. There was also a continued need for coordination with UNHCR headquarters and for more effective management supervision to resolve outstanding Value Added Tax issues pertaining to partners.

IV. AUDIT RESULTS

A. Planning and resource allocation

The Representation had implemented effective controls over planning, resource allocation and programme monitoring

12. The UNHCR Programme Manual requires the Representation to prepare an annual operations plan based on adequate and reliable refugee registration data, an assessment of the needs of the population of concern, and the UNHCR Global Strategic Priorities. The operations plan must include a protection and operational strategy for each planning population group, as well as impact and output indicators with baseline and target performance levels and resource requirements for achieving the targets. Mid-year and year-end reporting procedures require a review of the results achieved, in order to identify areas where progress may not be in accordance with the plans and where corrective measures may need to be taken. The Representation should also develop standard operating procedures (SOPs) for all protection priorities.

13. The Representation prepared operations plans for 2015 and 2016 that were based on adequate and reliable refugee registration data and aligned with the Global Strategic Priorities and the needs of persons of concern. The needs assessment exercise during both years was undertaken by following a participatory approach and was conducted for all main populations of concern in the main locations by multi-functional teams. The operations plans defined appropriate indicators and targets and resource requirements for achieving them. The Representation also developed a protection strategy as part of the operations plans, as well as SOPs for all priority activities including registration and reception, best interest determination /best interest assessment, resettlement, and sexual and gender-based violence. At the mid-year and year-end review stage, the Representation reviewed and reported on underperforming areas and elaborated corrective action which included revising targets and indicators.

14. Based on the above, OIOS concluded that the Representation had effectively implemented the UNHCR requirements for planning, resource allocation and programme monitoring.

B. Emergency preparedness

The Representation had put adequate controls in place over emergency preparedness

15. The UNHCR Guidance Note on the Preparedness Package for Refugee Emergencies requires the Representation to: (i) monitor the risk of a refugee emergency developing and complete minimum preparedness actions; and (ii) undertake an assessment of whether advanced preparedness actions, including a scenario-based contingency plan, are needed. The UNHCR Policy on Emergency Response Activation, Leadership and Accountabilities further requires the Representation to: (i) undertake emergency risk assessments with partners and update the preparedness actions at least annually; and (ii) share the contingency and preparedness plans with the Regional Bureau for Africa and the Division of Emergency, Security and Supply, including a mapping of the UNHCR capacities and available operational capacities of partners with the identification of gaps and needs for support.

16. The Representation had developed a set of minimum and advanced preparedness actions. It had also prepared contingency plans based on two scenarios, i.e. the refugee influx from Burundi and the refugee influx from the Democratic Republic of the Congo. The Representation shared all these documents with the Bureau for Africa and the Division of Emergency, Security and Supply. These exercises were completed in February 2015, before the level-1 and level-2 emergencies were declared, and contained an analysis of the capacities of the Representation and partners and an identification of related gaps and needs for support from headquarters. In June 2015, the Representation updated the analysis of its capacities, including those of partners, based on the actual experience gained after the declaration of the level-1 and level-2 emergencies.

17. Therefore, OIOS concluded that the Representation had put adequate arrangements in place for its emergency preparedness.

C. Partnership management

There was a need to strengthen controls over preparation of project agreements and procurement undertaken by partners

18. The UNHCR Enhanced Framework for Implementing with Partners requires the Representation to: (i) establish an Implementing Partnership Management Committee to assist the Representative in making partner selection and retention decisions following a transparent procedure; (ii) sign Project Partnership Agreements (PPAs) in December for the subsequent project year; (iii) limit procurement by partners to those occasions where partners have a proven advantage, and conduct an assessment of the partners' capacity to procure goods and services using UNHCR funds before entrusting procurement to them; and (iv) establish risk-based plans, in coordination with partners, for performance and financial monitoring to be conducted to verify the progress in project activities and the expenditures reported.

19. The Representation had established an Implementing Partnership Management Committee in August 2013. In July 2015, to enhance its capacity to respond to the unfolding emergency, the Representation selected six new partners and retained its existing partners after assessing their satisfactory performance. The process was conducted in line with UNHCR requirements. Similarly, in determining the retention of partners from 2015 to 2016, the Committee followed the due process with only one exception where the performance review of one partner was not conducted.

20. However, none of the PPAs were signed in a timely manner, leading to delays in project implementation. In particular, of the 10 PPAs starting on 1 January 2016, 2 were concluded only in May 2016. The Representation also did not conduct, before signing the PPAs, a cost-benefit analysis to determine whether procurement by partners would be advantageous compared to direct implementation. Moreover, the Implementing Partnership Management Committee did not assess the procurement capacity of partners, and formal approval of the Representative for designating procurement to them was not obtained. For 2015, the Representation entrusted procurement to 11 partners with a cumulative procurement value of \$11.8 million, and for 2016 to 12 partners with a cumulative procurement value of \$3.3 million.

21. The 2015 and 2016 monitoring plans were not risk-based and agreed with partners. In addition, the 2015 monitoring plan was not complete as it did not cover all partners, and the 2016 plan was prepared only in May. However, documentation was available to support that the Representation conducted regular project monitoring activities, which covered procurement entrusted to partners. A multifunctional team was established in each field office to monitor the status of projects implemented by partners and to collect and validate key performance indicators. Constructions of reception, shelter, health, education, and water, sanitation and hygiene facilities were regularly monitored by the Representation's technical experts at all the main stages. Nevertheless, OIOS observed the following deficiencies in financial monitoring:

- A payment of \$43,000 was made to a governmental institution on 7 January 2015 to cover material and administrative needs to host an Emergency Response Simulation Exercise. This was not part of a PPA with the institution. The Representation informed OIOS that the payment was made due to the delay in the conclusion of the 2015 PPA. Whilst the audit was in progress, the Representation took follow-up action, as a result of which the institution submitted original receipts corresponding to \$39,222 related to expenditure for the simulation exercise, and refunded the unspent balance of \$3,778.
- The Representation did not follow up on questionable expenditure and unspent balance related to 2014 and 2015 PPAs raised by external project auditors. Such cases amounted to \$70,000, were related to 10 audit recommendations and included two partners who had in 2015 received a qualified audit opinion. However, whilst the audit was still in progress, the Representation took action to resolve these issues.

22. According to the Representation, the shortcomings mentioned above were due to the difficult operational environment and the sudden growth of the Representation's operations due to the Burundian emergency. The Representation added that the surge in activities impacted on its ability to follow UNHCR policies and procedures. However, whilst understanding the operational context, there was still a need to ensure that staff members are sufficiently aware of new policies and procedures related to implementing with partners and that responsibilities for complying with them are properly assigned. As a result of the cited deficiencies, the Representation was exposed to the risk of failure to achieve the intended project objectives and to obtain value for money from projects implemented by partners.

(1) The UNHCR Representation in Rwanda should develop and implement an action plan to keep staff members updated on new policies and procedures related to partnership management and strengthen management controls to ensure that risks associated with the timely preparation of project agreements and the designation of procurement to partners are effectively managed.

UNHCR accepted recommendation 1 and stated that training on programme management covering Programme, Admin/Finance and Supply staff in Rwanda would be conducted by 30 May 2017 in

Kigali by the UNHCR Global Learning Centre. In addition, most 2017 PPAs were signed in advance of the project year with the exception of four, and assessment on procurement capacity of all partners for 2017 was undertaken by the Representation. Recommendation 1 remains open pending receipt of evidence of completion of staff training on programme management.

D. Distribution of non-food items

The Representation adequately planned and monitored the distribution of NFIs to persons of concern

23. The UNHCR procedures on commodity distributions and emergency operations require the Representation to put in place adequate arrangements for planning, monitoring and reporting of the distribution of NFIs. This includes: establishing criteria for the selection of beneficiaries; developing distribution plans; undertaking regular on-site distribution monitoring and post distribution monitoring; updating the actual quantities distributed in an electronic system; and preparing reconciliation reports between items issued from stock and those distributed to beneficiaries.

24. OIOS reviewed the controls put in place by the Representation for distribution of NFIs, especially at the onset and during the emergency, amounting to \$1.6 million during the period covered by the audit. The review indicated that the Representation had established criteria for the selection of beneficiaries and NFI distribution plans, conducted regular distribution monitoring, and prepared reconciliation reports. OIOS physically observed the Representation's warehouse in Kigali and the distribution centres of three camps in Mahama, Kigeme and Mugombwa. No material weaknesses were noted.

25. Therefore, OIOS concluded that the Representation had adequate and effective controls over NFI distributions.

E. Financial tracking and reporting

There was a continued need for coordination with UNHCR headquarters and more effective management supervision to resolve outstanding Value Added Tax issues pertaining to partners

26. The UNHCR policies and procedures over financial management require the Representation to put in place adequate controls over delegation of financial authority, management of cash and bank accounts, disbursements of administrative expenditures, monitoring of open items (accounts receivable), and submission of monthly financial reports to headquarters.

27. The Representation prepared a delegation of authority plan that OIOS assessed as adequate. It also managed its petty cash and bank accounts and monitored its administrative budget effectively. OIOS reviewed 48 payment vouchers for adequacy of the supporting documentation. No material weaknesses were observed.

28. However, although the Representation monitored its open items regularly, a recommendation raised in the previous OIOS audit of UNHCR operations in Rwanda in 2014 related to management of Value Added Tax (VAT) receivables was not yet fully implemented. The Representation submitted VAT refund claims related to goods and services it had purchased to the Rwandan Revenue Authority on a monthly basis. Nevertheless, as of 30 June 2016, VAT receivables exceeding one year amounted to \$219,588. For VAT that was no longer considered recoverable, the Representation had submitted to the Accounts and Financial Service of the Division of Financial and Administrative Management (DFAM) on 16 June 2015 a write-off request amounting to \$185,172 which was subsequently approved. Another write-off request for \$28,953, which had become necessary because of a change in legislation, was sent to

DFAM on 27 October 2016. For the remaining balance of \$5,463, the Representation had already submitted the relevant refund claims to the Rwandan authorities and was awaiting the outcome.

29. For VAT paid by partners for procurement undertaken as part of PPAs, the Representation had prepared, as a monitoring tool, an electronic file containing the date of submission of VAT claims, the amount claimed, the amount rejected, the amount refunded, and the date of transfer of refunds to the Representation. However, this file was last updated in the fourth quarter of 2015 and out-of-date. The total amount of VAT claimed by partners but not yet refunded by the Rwandan Revenue Authority was \$708,000, while the amount of VAT partners had submitted back to the Representation for the past two years totalled \$964,000. Although partners were required to submit refund claims on a quarterly basis, two partners submitted them only once a year, and two other partners, who started to work with the Representation in 2015, had not submitted their first claim. One of the two new partners could not submit refund claims because of the absence of a separate bank account for the UNHCR funded project, which, however, had been approved by the UNHCR Controller.

30. The main reason for the inability of the Representation to fully address the pending actions was the lack of clear and timely guidance and support from headquarters on this matter, inadequate management supervision at the level of the Representation to ensure effective resolution of the shortcomings related to VAT claims of partners, and high turnover of and long gaps between successive Project Control Officers in charge of monitoring of VAT issues at partners. The Representation was therefore at risk of losing funds related to unrecovered VAT.

31. However, as there is already an open recommendation on this subject, OIOS will continue to monitor that recommendation until full resolution of the VAT related issues.

F. Procurement and vendor management

There was a need to address critical and persistent control deficiencies in procurement activities

32. UNHCR procurement rules and procedures require the Representation to: (i) establish an effective vendor management system; (ii) prepare an annual procurement plan; (iii) implement competitive and transparent bidding procedures through tendering; and (iv) ensure adequate oversight over procurement activities and management of contracts through the establishment and effective functioning of a Local Contracts Committee (LCC).

33. During the period of audit, the Representation's Vendor Review Committee (VRC), established in August 2013 and subsequently annually updated, held only two meetings. In the first meeting on 8 March 2015, the Committee approved the vetting of three vendors, and during the other one held on 11 March 2016, it approved the vetting of five vendors and the deletion of eight duplicate vendor records. However, there was no evidence that the Committee had evaluated vendor performance. In addition, there were 1,161 active vendors in the Representation's database, which was excessive for its operational needs, considering that it had only 50 vendor files. In addition, the vendor database still contained 23 duplicate vendor accounts. The Representation explained that the VRC did not evaluate vendor performance due to the emergency situation. However, whilst the audit was ongoing, it deactivated all remaining duplicate vendor accounts.

34. OIOS reviewed the procurement procedures put in place by the Representation, reviewed the minutes of all LCC meetings held between January 2015 and June 2016, and tested on a sample basis 22 purchase orders worth \$3.3 million from the total procurement volume of \$7.3 million during the same period. Whilst the Representation had duly prepared annual procurement plans for 2015 and 2016, the

procurement processes were not conducted in accordance with UNHCR rules and procedures. In particular, through the review of LCC minutes and interviews with members of LCC and the Supply Unit, OIOS observed cases where members of the Supply Unit negotiated directly with vendors, in some cases without consultation with the LCC and sometimes even before opening of the bids, in violation of the UNHCR rules and procedures. For example:

- For a contract for constructing 100 shelter units in Mahama camp, amounting to \$95,675, the LCC decided in May 2016 to invite five bidders to the camp so that they could better understand the nature of the constructions. The LCC, at the same time, requested the Supply Officer to negotiate with one of the bidders for a significant reduction in its bid price, because this vendor had experience in working with UNHCR. The Supply Officer called the vendor to inform it that its bid price was double compared to the market price and requested it to reduce the bid price. Accordingly, the vendor reduced its bid price by 50 per cent and was awarded the contract. However, the Representation could not provide OIOS with a copy of the revised bid.
- The LCC meeting held in January 2015 approved the award of a contract to a vendor for the supply of sanitary napkins for \$142,937. However, because the vendor subsequently requested a price increase, the purchase order was cancelled. The Supply Unit then resubmitted to the LCC a request to procure from another bidder sanitary napkins of different quality, lower quantity and higher unit price compared to the original specifications. The LCC in its meeting held in April 2015 raised concerns about the fact that the specifications had been changed without its authorization, and that the Supply Unit had visited only this bidder and discussed the price with it, whereas a new tender should have been initiated. However, taking into account urgent operational needs, the LCC endorsed the request.
- In May 2016, the Supply Unit changed the previously approved vendor in an amendment to a contract for purchase of sanitary napkins. This change was requested by an entity (A) that was not a counterpart to the contract. This was because A had taken over the distribution of the items, while the original vendor was to be only the producer. A also requested an increase in the contract price by \$33,360, or 11.8 per cent. The price increase violated the terms of the Invitation to Bid (ITB) requiring validity of 120 days for the quoted prices. The Supply Unit informed the LCC that the price increase was only 3.3 per cent. Also, although the minutes of the LCC meeting of May 2016 recorded that the contract had been amended, the fact that this was due to change of vendor was not mentioned.
- In December 2015, the LCC approved a contract for supply of 18,000 solar lanterns for a camp. The unit price in the purchase order, however, was higher than the approved bid, leading to overpayment of almost \$10,000. According to the explanation of the Representation's supply staff, the vendor had insisted that the bid price could not be applied as the number of units ordered did not reach the minimum size. However, no note for the file was prepared in this regard, and the LCC was not informed of the change of unit price. Whilst the audit was in progress, the Representation reached an agreement with the vendor to utilize the overpaid amount for the next purchase.
- In respect of a fuel supply contract amounting to \$377,713, after the selection of a supplier, the Supply Officer and the Associate Fleet Manager promised the selected vendor to make a full advance payment. In April 2016, an LCC member sought clarification on this matter, and in May 2016, the LCC approved the full prepayment because of the necessity to secure fuel under the emergency. However, this was after \$278,758 had already been prepaid to the vendor.

35. In addition, the LCC did not provide sufficient oversight over procurement activities and overstepped its authority in the following cases:

- The LCC approved five contracts exceeding \$150,000, with a total value of \$1.6 million, which should have been referred to the Regional Committee on Contracts (RCC) in Kenya. It also approved three requests for waivers of competitive bidding for amounts exceeding \$50,000 which should have been referred to the RCC. The three requests had a total value of \$255,821.
- The LCC also did not raise any questions in 10 cases out of the 22 reviewed by OIOS where the ITBs published in local newspapers did not indicate the quantity of items required which could have attracted manufacturers dealing with large volume of orders. The quantity was communicated in each case only to those vendors who visited the Representation's office to collect the forms necessary for submitting bids. In 12 of the 22 cases, a period ranging from 8 to 13 days was given to vendors for submitting bids, as opposed to a minimum of four weeks required by UNHCR procedures, and without a documented justification.
- The LCC did not apply sufficient scrutiny on the bid opening procedures. Bids were opened by different staff members, who also did not document the contract values of the bids as required. This created a risk of manipulation of bid prices.
- For an ITB for procurement of basic construction materials, such as nails, roofing sheets, iron bars and door locks, a scoring method was applied that allocated 60 per cent to technical evaluation and 40 per cent to financial evaluation, instead of the "Pass/Fail" method required for ITBs. The use of a scoring method was not favourable for those suppliers who submitted the cheapest bids. If the Representation had used the Pass/Fail method, it would have realized a saving of \$199,685 (\$146,630 instead of \$346,315). Furthermore, the specifications prepared by the requisitioner had stated that a local nail factory Y was preferred. As a minimum, a quote should have been requested from Y to compare with the other bids given the high value of the contract. OIOS obtained a quote for the nails from Y, which indicated that a further saving of \$4,500 could have been made.

36. The above-mentioned control deficiencies were considered critical, as the previous OIOS audit of operations in Rwanda had already raised a critical recommendation on procurement, which the Representation in June 2015 confirmed it had fully addressed. According to the Representation, the reasons for the weaknesses were related to the emergency response that overwhelmed the operation's supply capacity and the need to provide emergency response in a short period of time to save lives of the population of concern. While appreciating the priorities of the Representation, OIOS identified that the Representation's supply staff lacked adequate knowledge of UNHCR procurement rules and procedures. In addition, while acknowledging the important oversight role played by the LCC in a number of cases as documented in its meeting minutes, LCC members in some other cases did not demonstrate sufficient knowledge of their roles and responsibilities in overseeing the integrity of the procurement process, in particular in relation to strict restrictions imposed on negotiations with vendors and the threshold limits of the LCC.

37. As a result, in addition to actual financial losses amounting to over \$200,000, as identified by OIOS, the Representation was exposed to the risk of higher financial losses, inefficient operations, and not receiving best value from the acquisition of goods and services.

(2) The UNHCR Representation in Rwanda, in close cooperation with the Regional Bureau for Africa and the Division of Emergency, Security and Supply, should: establish: (i)

effective management controls over procurement and vendor management; and (ii) develop a plan of action to ensure that supply staff are adequately trained on UNHCR procurement rules and procedures and the members of the Local Committee on Contracts are fully aware of their roles and responsibilities in overseeing the integrity of the procurement process.

UNHCR accepted recommendation 2 and stated that the Representation had successfully organised comprehensive training on procurement, vendor management and LCC functions, which covered supply staff, LCC members, and other relevant staff. In order to establish effective management controls over procurement and vendor management, the Representation had taken comprehensive measures to ensure full compliance with UNHCR procurement rules and procedures, in particular those to prevent the recurrence of the same issues. In order to further strengthen management controls, the Representation was still working on: (i) completing vendor files for existing active vendors; (ii) completing a list of waivers from competitive bidding and ex-post facto cases with appropriate justifications; and (iii) implementing a procedure to check periodically whether contracts were included in the approved procurement plan. Recommendation 2 remains open pending receipt of: (i) evidence indicating completion of vendor files for existing active vendors; (ii) a list of waivers from competitive bidding and ex-post facto cases with appropriate justifications and evidence of its use for monitoring purposes; and (iii) evidence of a periodical management verification to ensure that contracts are included in the approved procurement plan.

V. ACKNOWLEDGEMENT

38. 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 Rwanda 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 Representation in Rwanda should develop and implement an action plan to keep staff members updated on new policies and procedures related to partnership management and strengthen management controls to ensure that risks associated with the preparation of project agreements and the designation of procurement to partners are effectively managed.	Important	O	Submission to OIOS of evidence of completion of staff training on programme management.	30 May 2017
2	The UNHCR Representation in Rwanda, in close cooperation with the Regional Bureau for Africa and the Division of Emergency, Security and Supply, should establish: (i) effective management controls over procurement and vendor management; and (ii) develop a plan of action to ensure that supply staff are adequately trained on UNHCR procurement rules and procedures and the members of the Local Committee on Contracts are fully aware of their roles and responsibilities in overseeing the integrity of the procurement process.	Critical	O	Submission to OIOS of: (i) evidence indicating completion of vendor files for existing active vendors; (ii) a list of waivers from competitive bidding and ex-post facto cases with appropriate justifications and evidence of its use for monitoring purposes; and (iii) results of a periodical management verification to ensure that contracts are included in the approved procurement plan.	1 June 2017

¹ 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.

² 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.

³ C = closed, O = open

⁴ Date provided by UNHCR in response to recommendations.

APPENDIX I

Management Response

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Representation in Rwanda should develop and implement an action plan to keep staff members updated on new policies and procedures related to partnership management and strengthen management controls to ensure that risks associated with the preparation of project agreements and the designation of procurement to partners are effectively managed.	Important	Yes	(I) Snr Programme Officer	30 May 2017	<p><i>(i) completion of the staff training on programme management;</i></p> <p>Staff training on programme management will be conducted by 30 May 2017 in Kigali by the UNHCR Global Learning Centre (GLC)/Budapest. Program, Admin/Finance and Supply staff will be trained. Additionally, the Programme Officer completed training on Programme Management Level 2. Finally, Programme for Protection training is still ongoing.</p> <p><i>(ii) timely preparation of PPAs for 2017;</i></p> <p>Most 2017 PPAs were signed in advance of the project year with the exception of four.</p> <p><i>(iii) assessment of the procurement capacity of partners for 2017.</i></p> <p>Assessment on procurement capacity</p>

¹ 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.

² 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 Rwanda for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						of all partners for 2017 was undertaken by the Representation.
2	The UNHCR Representation in Rwanda, in close cooperation with the Regional Bureau for Africa and the Division of Emergency, Security and Supply, should establish: (i) effective management controls over procurement and vendor management; and (ii) develop a plan of action to ensure that supply staff are adequately trained on UNHCR procurement rules and procedures and the members of the Local Committee on Contracts are fully aware of their roles and responsibilities in overseeing the integrity of the procurement process.	Critical	Yes	(III) Supply Officer and VRC Chairperson (V) Supply Officer (IX) Deputy Representative and Supply Officer	1 June 2017 31 March 2017 30 April 2017 I, II, IV, VI, VII, VIII, X implemented	<i>(i) The Vendor Review Committee has met once a month, or more often if required, to facilitate and oversee the: (a) vendor vetting and registration procedures; (b) vendor performance evaluation procedures;</i> Action was taken by the Representation. A continuous process is now in place. Throughout the year, regular meetings will be held. The VRC will meet twice a month to oversee vendor registration. Furthermore, vendor performance evaluation meetings will be held every two months. <i>(ii) Updating of the vendor database (incl. review of duplicate and inactive vendors);</i> Action completed. All concerned vendors were inactivated in MSRP

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>on 30 January 2017.</p> <p><i>(iii) Completeness of vendor files for existing active vendors.</i></p> <p>Completeness of vendor files was initiated from January 2017 and continues to be “work in progress”.</p> <p><i>(iv) A list of contracts equal to or greater than \$20,000 is maintained with clear indication of the relevant Committee on Contracts that they should be (or have already been) submitted for review (an annual list would suffice).</i></p> <p>Action has been taken and completed by the Representation.</p> <p><i>(v) A complete list, for examples covering the previous quarter, is maintained of waivers from competitive bidding and ex-post facto cases, with appropriate justifications to ensure they are</i></p>

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						<p><i>requested for exceptional cases only.</i></p> <p>Several actions were taken and the rest are in progress. The Representation has 8 cases of ex post facto submissions presented to the LCC for approval and other submissions have been sent to the HCC for approval.</p> <p><i>(vi) LCC minutes have been prepared for all meetings, containing all decisions taken, and with approvals or deferrals as well as additional requirements needed properly documented.</i></p> <p>Action has been completed. Minutes have been prepared for all meetings held from September 2016 to January 2017.</p> <p><i>(vii) The payment approvers have checked that payment vouchers include the LCC minutes related to the payment/contract, for all payment amounts equal to or</i></p>

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						<p><i>greater than \$20,000.</i></p> <p>Action was taken by the Representation. A continuous process is now in place.</p> <p><i>(viii) New LCC members have been trained on LCC role and responsibilities, and new supply staff members have been trained on UNHCR procurement rules and procedures.</i></p> <p>Action completed. LCC members and staff from Kigali and field offices were trained by colleagues from Supply Office, Budapest on LCC and procurement. Additionally, an anti-fraud training was conducted by Investigation Section of the IGO for all staff in Kigali. Moreover, 169 staff members in the operation completed the on online anti-fraud training and obtained certification. Furthermore, the Supply Officer and Supply Assistant attended the workshop on Recurrent Audit</p>

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						<p>Issues on Procurement and Logistics in Nairobi on 9-10 February 2017.</p> <p><i>(ix) The Deputy Representative (or request the Regional Service Centre in Nairobi) to check periodically, on a sample basis for selected contracts, whether or not the procurement was included in the approved procurement plan;</i></p> <p>In the process of implementation.</p> <p><i>(x) The Invitation to Bid indicates the quantity of items required, the period given to vendors for submitting bids is equal to or exceeds that stipulated in UNHCR Supply Management Manual, general information for each bid opening (names of people who opened the offers, data and hour the offers were opened, whether the offer was properly sealed and signed, bidder names, etc.) is properly recorded, in order to prevent the recurrence of the same</i></p>

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						<p><i>issues as identified in the audit. Although this mainly falls under the authority of the LCC (for contracts equal to or greater than \$20,000), this additional management control provides assurance that the LCC continues to function as it should.</i></p> <p>Action completed. Invitation to bids contain the quantity of items required and indicate the period given to vendors for submitting bids.</p>