



INTERNAL AUDIT DIVISION

REPORT 2018/016

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

There was a need to address control deficiencies in partnership management, cluster planning and monitoring, procurement, registration, management of shelter and settlement activities, and risk management

22 March 2018
Assignment No. AR2017/131/03

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

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the operations in Northern Iraq for the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess whether the UNHCR Representation in Iraq was managing the delivery of services to its persons of concern in Northern Iraq in a cost effective manner and in compliance with UNHCR's policy requirements. The audit covered the period from 1 January 2016 to 30 June 2017 and included a review of: (a) planning and resource allocation; (b) partnership management; (c) inter-agency and partner coordination; (d) financial tracking and reporting; (e) security and staff safety; (f) procurement and vendor management; (g) registration; (h) shelter and settlement; and (i) enterprise risk management.

The Representation's controls over planning and resource allocation were effective. During the audit, the Representation also took prompt action to address the remaining control weaknesses in financial management and security management. However, there was a need to address shortcomings in partnership management, cluster leadership, procurement oversight and planning, and registration procedures and oversight. In addition, there was a need to enhance the management of shelter and settlement activities, and ensure emerging risks are captured and managed in a timely manner.

OIOS made six recommendations. To address issues identified in the audit, the Representation needed to:

- Strengthen risk-based management of projects implemented by partners, in particular monitoring;
- Strengthen controls over the development of cluster work plans, as well as monitoring and reporting on performance against targets in the Humanitarian Response Plan;
- Reinforce oversight and management supervision arrangements over procurement to ensure that: (i) adequate systems and procedures are established for safeguarding the Supply Unit records; (ii) oversight by the Local Committee on Contracts is strengthened; and (iii) established contract and procurement management procedures are systematically followed;
- Harmonize and strengthen oversight of registration procedures by updating the standard operating procedures for registration and translating this document also into Kurdish, and assigning clear accountabilities, responsibilities and authorities for ensuring implementation of the procedures;
- Align the shelter strategy with the current conditions and planned solutions, enhance the standard operating procedures for shelter by including data collection and analysis procedures, and strengthen monitoring of shelter and infrastructure projects in accordance with shelter standards and specifications; and
- Introduce a process to ensure that critical emerging risks are captured in the risk register in a timely manner.

The Representation accepted the recommendations, implemented two of them, and initiated action to implement the remaining four recommendations.

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	1-2
III. AUDIT RESULTS	2-10
A. Planning and resource allocation	2
B. Partnership management	2-4
C. Inter-agency and partner coordination	4-5
D. Financial tracking and reporting	5
E. Security and staff safety	5-6
F. Procurement and vendor management	6-7
G. Registration	7-8
H. Shelter and settlement	8-9
I. Enterprise risk management	9-10
IV. ACKNOWLEDGEMENT	10
ANNEX I Status of audit recommendations	
APPENDIX I Management response	

Audit of the operations in Northern Iraq 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 Northern Iraq for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The UNHCR Representation in Iraq (hereinafter referred to as ‘the Representation’) was established in 1980 covering the whole country. The Kurdistan Region in Iraq (KRI) is an autonomous region in the North of Iraq governed by the Kurdistan Regional Government, consisting of three governorates: Erbil, Dohuk and Sulaymaniyah. As of December 2016, the Representation was assisting 5.3 million persons of concern including 3.6 million Internally Displaced Persons (IDPs), 1.3 million returned IDPs and 246,500 Syrian refugees. Of these populations, 1.2 million IDPs, 325,000 returned IDPs and 238,000 Syrian refugees were in KRI.
3. The ongoing conflicts in Syria and in parts of Iraq had caused multiple waves of displacement both internally and across borders. In August 2014, the Inter Agency Standing Committee declared a system-wide level 3 emergency. The Representation led the Protection, Shelter/Non Food Item (NFI) and Cash Working Group clusters for the IDP response. It also led the Protection, Shelter and Basic Needs sectors, co-led the Health sector and chaired the Inter-Sector Working Group under the Iraq chapter of the Regional Refugee and Resilience Plan (3RP) for the Syrian refugee response.
4. The Representation had a Country Office in Baghdad, Sub Offices in Erbil and Dohuk, Field Offices in Sulaymaniyah, Kirkuk and Basra, and 12 Field Units in different parts of the country. The Sub Offices in Erbil and Dohuk and Field Office Sulaymaniyah were located in KRI and were supervised by a D-1 Coordinator (Northern Iraq) who reported to the Representative (D-2) in Baghdad. As of September 2017, the Representation had 66 international, 148 national and 28 affiliate staff in Northern Iraq. The Representation’s total expenditure in Northern Iraq was \$246.6 million in 2016 and \$74.9 million up to September 2017. It worked with 23 partners in 2016 and 21 in 2017 in Northern Iraq. The total expenditure of these partners amounted to \$162 million in 2016.
5. Comments provided by the Representation are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess whether the UNHCR Representation in Iraq was managing the delivery of services to its persons of concern in Northern Iraq in a cost effective manner and in compliance with UNHCR’s policy requirements.
7. This audit was included in the 2017 risk-based work plan of OIOS due to the risks associated with the complexity of the operations, high expenditures on the delivery of services to the persons of concern, and the ongoing emergency situation in Northern Iraq.
8. OIOS conducted this audit from September to December 2017. The audit covered the period from 1 January 2016 to 30 June 2017. The scope of this audit was limited to operations in Northern Iraq (KRI) as the operations in Central and Southern Iraq had already been covered in a previous OIOS audit (report 2016/141). Based on an activity-level risk assessment, the audit covered high risk processes and activities pertaining to the operations in Northern Iraq, which included: (a) planning and resource allocation; (b) partnership management; (c) inter-agency and partner coordination; (d) financial tracking and reporting; (e)

security and staff safety; (f) procurement and vendor management; (g) registration; (h) shelter and settlement; and (i) enterprise risk management (ERM).

9. 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) visits to the Sub Offices in Erbil and Dohuk and Field Office Sulaymaniyah, and the offices of nine partners, (e) inspection of seven camps, 42 shelters and one warehouse; (f) process walkthroughs at three registration centres, and (g) detailed transactions testing.

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

III. AUDIT RESULTS

A. Planning and resource allocation

Controls over planning and resource allocation were effective

11. In order to provide vital protection and assistance to persons of concern, it is essential that: i) the needs of persons of concern are comprehensively assessed and informed by timely and reliable data on the population of concern; ii) goals and objectives are identified and planned through a participatory process that also takes in the views of concerned actors, including implementing and operational partners and the host country government; iii) goals and objectives are prioritized and aligned with UNHCR's global strategic priorities; iv) protection and operational strategies are defined and harmonized; and v) required outputs and activities are defined, budgets are allocated, and deliverables are established. These requirements are also promulgated in UNHCR's Programme Manual, with the aim to provide consistency in operations planning at the country level and to mitigate the associated risks.

12. The Representation conducted participatory assessments with persons of concern to inform planning for 2017 and 2018. It also analysed registration data in proGres, the UNHCR refugee registration database, of 286,234 refugees and asylum seekers as at 30 June 2017, and protection monitoring data collected in assessments of 36,000 refugees and asylum seeker households and over 66,000 IDP households. The Representation developed profiling reports based on this information, as well as information captured from the Syrian border, identifying trends and needs. The Representation consulted with Government departments and partners, identified needs, and prioritized operational responses in line with the UNHCR global strategic priorities. The Operations Plans for 2016 and 2017, in conjunction with the Humanitarian Response Plan (HRP) of the same years and Iraq chapter of the 3RP (2017-18), articulated clear protection and operational strategies in line with these priorities. The Representation defined outputs and activities with associated budgets and performance targets for each area. OIOS therefore concluded that controls over planning and resource allocation were effective.

B. Partnership management

There was a need to strengthen risk-based management of projects implemented by partners

13. In order to achieve expected project results through the use of partners, it is essential to: i) select or retain partners through a competitive process; ii) sign well developed project agreements with the partners in a timely manner; iii) monitor the project activities and expenditures through a risk-based and multi-

functional approach; and iv) build partner capacity where needed. These requirements are promulgated in the UNHCR Enhanced Framework for Implementing with Partners, with the aim to support accountability over UNHCR resources entrusted to partners, and to manage the associated risks.

14. The Representation selected and retained partners in Northern Iraq in accordance with the relevant procedures. However, 25 Project Partnership Agreements (PPAs) in 2016 and 2017 were signed after the project start date due to lengthy negotiations with partners. The Representation designated procurement of goods and services to 23 partners with an aggregate value of \$42.2 million. It assessed the procurement capacity of these partners but did not undertake the required formal cost-benefit analysis to assess whether procuring through partners would be advantageous. However, the Representation conducted a cost-benefit analysis to be used for the 2018 PPAs.

15. The Representation had monitoring plans and conducted 115 financial and 42 programme verifications in 2016 and 2017. OIOS reviewed the effectiveness of the monitoring and visited nine partners at their premises and at seven camps. The review indicated that:

- The Representation's monitoring of procurement conducted by partners required strengthening. OIOS review of 17 procurement cases of nine partners valued at \$10.3 million identified weaknesses in the solicitation, handling and receipt of bids.
- The Representation was not effectively monitoring partners' implementation of recommendations it had previously raised, particularly on cash in bank accounts. For instance, three of the nine partners visited still did not maintain a cashbook and prepare bank reconciliations at the time of OIOS' visit.
- The Representation's performance monitoring of activities implemented by partners needed improvement. For instance, OIOS visits to seven camps where UNHCR had engaged three partners identified multiple weaknesses in camp management, including fire hazards (such as flammable materials stocked in communal kitchens); health hazards (such as blocked waterways in open canals that accumulated stagnant water); uninstalled tents (valued at \$7,000); unused sanitation facilities; and underutilized infrastructure (such as a public garden that was only open for two hours a day, and latrine and shower rooms used as storage).
- The Representation did not effectively manage Quick Impact/Community Support Projects (QIPs/CSPs) valued at \$11.0 million and implemented by partners. The Sub Office Dohuk and the Field Office Sulaymaniyah conducted an evaluation of QIPs/CSPs in 2017 while Sub Office Erbil had not. OIOS reviewed five QIPs/CSPs valued at \$0.7 million. Two QIPs/CSPs were not used for their intended purposes (a room intended for X-rays was used as storage and an office in a Fire Station was used as a gym). A third project was selected on the assumption that there would be 400 local and 1,600 IDP beneficiaries while there were only 108 constructed houses in the entire community. The audit observations supported the conclusion of the evaluation in Dohuk on the lack of a comprehensive strategy for QIPs/CSPs.
- The Representation conducted training on programme and financial management and project control in 2016 and 2017 to address the needs of its partners. However, OIOS assessed that there was still a need to enhance partners' capacity for managing procurement and personnel costs, and preparing cashbooks and bank reconciliations for governmental partners.

16. The above weaknesses occurred because of insufficient risk based prioritization of controls over: (i) the requirement to do a cost-benefit analysis on the designation of procurement to partners; (ii) timely signing of PPAs; (iii) monitoring on partner's procurement activities, cash management and compliance with the terms of PPAs; and (iv) capacity building of partners. As a result, the Representation was not fully ensuring that value for money was obtained from projects implemented by partners, and that the risk of loss of financial resources was adequately mitigated.

(1) The UNHCR Representation in Iraq should strengthen risk-based management of projects implemented by partners in the Kurdistan Region in Iraq.

UNHCR accepted recommendation 1 and stated that the project monitoring plans for 2018, including procurement monitoring plans, were being revised, while the revision of the standard operating procedures (SOP) on QIPs/CSPs was underway. Recommendation 1 remains open pending receipt of the revised project monitoring plans, a sample of monitoring reports reflecting review of partners' procurement processes, the 2018-19 strategy for implementation of QIPs/CSPs and the related SOP.

C. Inter-agency and partner coordination

There was a need to ensure that UNHCR fulfils its planning and monitoring role as cluster lead agency

17. In order to ensure effective delivery of assistance to persons of concern in priority areas, UNHCR needs to coordinate with other agencies, partners and government departments in a streamlined and agreed upon manner with regard to planning, fundraising, public information, delivery and monitoring. Coordination is also important to avoid duplication of efforts or gaps in interventions. These broad requirements are promulgated in the Refugee Coordination Model and the Inter Agency Standing Committee cluster approach.

18. OIOS identified multiple examples of effective inter-cluster and sector coordination, particularly with regard to protection mainstreaming led by the Protection Cluster. For the sectors and clusters led by the Representation, clear terms of reference were in place, regular meetings were held and coordination was active. Performance data was entered into ActivityInfo, a UNHCR software application for data collection and reporting, directly by partners, while the Representation quality assured the data entries made. Funding appeals were coordinated through the 3RP and the HRP respectively.

19. However, the Representation faced resource challenges in leading and participating in clusters and sectors. For example: the Camp Coordination and Camp Management Cluster was led by another agency as the UNHCR post for Cluster Lead was vacant; the Basic Needs Sector lead was due to leave without a replacement lined up; the Representation was not attending Livelihoods Cluster and Sector meetings despite this being an area identified in its needs assessments; and not all clusters had information managers or support to cluster leads in place. OIOS noted that the Representation had already identified the risks associated with high turnover and low staff resourcing for sector and cluster roles. OIOS also noted that for 2018 the Representation was expected to face continued resource pressures and might need to reduce overall staffing costs. Hence, OIOS did not raise a recommendation in this area but encouraged the Representation to maintain cluster staffing at the desired levels.

20. OIOS also raised a concern about the risk of duplication and gaps in assistance due to the lack of a consolidated database of IDP households showing all assistance and support delivered by cluster members and the Government. The Representation and a number of its partners used a common system for assessing households and identifying beneficiaries. The Representation anticipated that the system would be used by additional partners in 2018, although it still would not be used by all cluster members. OIOS also noted that ActivityInfo captured assistance delivered by all partners, by type and location. Although it did not contain household level data, the information captured did mitigate the risk of large-scale duplication and gaps. The Representation also provided OIOS with evidence of specific controls through the Cash Working Group whereby beneficiary lists were shared between major cash providers to remove duplication. The Representation considered the risk of duplication of assistance provided by the Government to not be

significant. OIOS accepted the Representation's contention that the residual risk of duplication and gaps in assistance delivery was low.

21. One of the three UNHCR-led clusters lacked a work plan identifying detailed activities, and two clusters did not break down HRP targets by governorate. Further, none of these clusters broke HRP targets down by cluster member and only one reported on achievement against HRP targets at the end of 2016 or mid-year 2017. Another cluster reported against HRP targets but for the first 11 months of 2016 only. As a result, two of the three UNHCR-led clusters lacked complete performance information and did not track and report on whether they had achieved their targets for 2016 or were on course to achieve them for 2017.

(2) The UNHCR Representation in Iraq should substantiate controls over the development of cluster work plans and monitoring and reporting on performance against targets in the Humanitarian Response Plan.

UNHCR accepted recommendation 2 and provided evidence of implementing some of the required actions. Recommendation 2 remains open pending receipt of: i) reports of actual performance against 2017 HRP targets for the Camp Coordination and Camp Management Cluster and the Cash Working Group; and ii) evidence that plans are in place to ensure that performance against 2018 HRP targets is tracked for the Cash Working Group.

D. Financial tracking and reporting

The Representation took prompt action to address the remaining shortcomings in financial management

22. In order to provide for sound management of financial resources, it is essential to: i) ensure that cash and bank funds are safeguarded and accounted for; ii) ensure adequate segregation of duties; iii) ensure monthly review of accounts and adequate financial reporting to Headquarters; iv) ensure administrative budgets are justified; and v) ensure that receivables are collected. These requirements are promulgated in UNHCR Manual on Financial Management (Chapter 6), with the aim to ensure consistency in application of financial rules and procedures and to mitigate the associated risks including fraud risks.

23. OIOS reviewed a sample of operational and administrative expenditures in Northern Iraq worth \$5.6 million, as well as overall administrative expenditures, petty cash ledgers and vouchers. The Representation systematically maintained accounting and financial records and developed localised SOPs on payments; national staff salaries; entitlements and recoveries; handling of open items; and accounting, recording, reconciliation and safeguarding of records. The Representation liquidated receivables and conducted bank reconciliations in a timely manner. There were no conflicts in responsibilities and authorities in the delegation of authority plans for 2016 and 2017. However, OIOS noted that in 11 cases the monthly and end-of-year financial reports to headquarters in 2016 and 2017 were submitted later than the target dates. In response to this audit observation, the Representation designated a focal point to ensure timely submission of reports to headquarters. In view of the prompt action by the Representation, OIOS did not raise any recommendation in this regard.

E. Security and staff safety

Prompt action was taken to mitigate the remaining security risks and areas of non-compliance with Minimum Operating Security Standards

24. It is essential for UNHCR operations to adopt a risk management approach balancing the criticality of programmes and associated dangers to staff based on a reasonable determination of acceptable risk.

Operations also need to actively participate in the country United Nations Security Management System, comply with its minimum standards, and fulfil the accountabilities of participating agencies including those related to coordination and staff training and awareness. These requirements are promulgated in the UNHCR Security Management Policy and Management Accountability Framework as well as the United Nations Security Management System Policy Manual.

25. The Representation participated in a countrywide Programme Criticality assessment led by the United Nations Country Team and conducted activities in Northern Iraq according to accepted levels of risk. The Representation had also developed a Business Continuity Plan and attended 32 of the 34 Area Security Management Team meetings held between 1 January 2016 and 30 June 2017. The Representation's security staff participated in security cell meetings and provided input to the development of Minimum Operating Security Standards and Security Risk Management documents. The Representation was compliant with over 90 per cent of the security requirements. Residential Security Measures were in place and international staff were only cleared to stay in approved accommodation. OIOS identified some gaps in security controls which the Representation immediately addressed by: ensuring that the approval for the expired Programme Criticality assessment was extended; planning and conducting security visits to registration sites; improving provision of personal protective equipment; improving the physical security of UNHCR vehicle keys; and sharing the Field Security Handbook with all staff. OIOS therefore concluded that controls related to security and staff safety in Northern Iraq were adequate and did not raise any further recommendation in this area.

F. Procurement and vendor management

There was a need to strengthen management supervision and oversight arrangements over procurement

26. In order to achieve value for money, UNHCR procurement rules and procedures require the Representation to: (i) ensure safety and security of records and documentation related to the procured goods and services; (ii) establish an effective vendor management system; (iii) prepare an annual procurement plan according to the identified needs; (iv) implement transparent and competitive procurement procedures; and (v) ensure adequate oversight over procurement activities and award of contracts by the relevant committees on contract.

27. OIOS reviewed the minutes of all 22 Local Committee on Contracts (LCC) meetings held in 2016 and 2017 and 80 purchase orders worth \$42.7 million (out of a total procurement volume of \$104.5 million in the audit period). The review indicated the following control weaknesses:

- *Record-keeping and filing:* Records related to procurement for 17 contracts of goods and services and purchase orders worth \$20.9 million, and three minutes of LCC meetings held in 2016 along with the supporting documents, were missing.
- *Vendor management:* The Representation's Vendor Review Committee had evaluated and cleaned up the database consisting of 1,885 vendors. However, key contact information was missing in some cases. During the audit, the Representation updated the required information. Therefore, OIOS did not raise a recommendation on this issue.
- *Procurement planning:* The Representation did not carry out procurement activities in accordance with its procurement plan. For example, it issued 106 purchase orders valued at \$36.8 million in the last two months of 2016 creating undue pressure on the acquisition process.
- *Procurement procedures:* In five cases worth a total of \$742,000, the Representation gave a response time for the invitation to bid of 10 to 21 days instead of four to six weeks as required, thus limiting competition. In three of these cases, only two to three bidders responded, further reducing

competition. In one case, the technical evaluation committee recommended vendors who did not meet key criteria, without recording the justifications for this exception.

- *Oversight by LCC:* LCC minutes lacked key details of how the members reached procurement decisions. For example, 12 of the 22 minutes reviewed did not mention availability of funds for the procurement while 14 did not present key information such as the total amount of the contract, tendering details and results of financial and technical evaluations.

28. The main reason for these control deficiencies was that the Representation had not established adequate management supervision controls over procurement and contract management. As a result, the Representation was exposed to increased risk of financial losses and could not assure that it was getting value from the procurement of goods and services.

(3) The UNHCR Representation in Iraq should reinforce oversight and management supervision arrangements over procurement in the Kurdistan Region in Iraq to ensure that: (i) adequate systems and procedures are established for safeguarding the Supply Unit records; (ii) oversight by the Local Committee on Contracts is strengthened; and (iii) established contract and procurement management procedures are systematically followed.

UNHCR accepted recommendation 3 and stated that the Representation had taken several actions to strengthen management control and oversight over procurement such as introduction of a progress report on the implementation of the 2018 procurement plan, systematic use of contract tracking sheets, guidance notes on filing and archiving, and updated version of the country preventive and corrective action plan. It also attached a sample of minutes of LCC meetings as evidence of strengthened oversight over procurement and contract management. Based on the action taken and evidence provided by UNHCR, recommendation 3 has been closed.

G. Registration

There was a need to strengthen registration procedures across Northern Iraq

29. In order to effectively receive persons of concerns, identify their needs and capture meaningful information on them to facilitate operational planning and future assistance, it is essential to: i) undertake registration and profiling of persons of concern whilst ensuring confidentiality and accuracy; ii) deploy sufficient levels of competent and adequately trained staff to enable timely and good quality registration; and iii) develop, implement and monitor SOPs, including anti-fraud controls, to ensure consistent registration processes, data integrity, physical security and safe storage of records. These requirements are also promulgated in the UNHCR Protection Manual.

30. The Representation was conducting registration upon arrival and continuous registration for asylum seekers and refugees in Northern Iraq in nine partner-run registration centres. OIOS visited urban registration centres in Erbil and Sulaymaniyah as well as a camp based centre in Dohuk. Multiple oversight missions from headquarters and resettlement countries had raised recommendations on registration. OIOS noted that significant progress had been made since 2016 to address these recommendations. Anti-fraud information and complaints boxes were prominently displayed and biometrics were routinely used. Partner staffing levels and operating procedures were adequate to allow applicants to receive a certificate on the day of their registration interview.

31. However, OIOS observed a number of remaining control weaknesses and inconsistent practices. These included: applicants being called by name rather than number (albeit in one location only);

inconsistent controls over the access to filing rooms; variable process flows and number of interviews required; inconsistent provision of disabled access and nursing areas; applicants having access to the rooms where secure paper and stamps were kept; partner registration staff, but not protection staff, being able to create protection events in proGres; and refugees and asylum seekers not being given materials explaining their legal rights and responsibilities.

32. Because of these shortcomings, persons of concern were exposed to confidentiality and protection risks, and there was an unnecessarily high risk that specific needs would not be captured accurately in proGres. In response to the audit, the Representation took a number of steps to correct weaknesses identified including revising the processes in one centre and granting UNHCR staff in each location read access to the consolidated proGres database. One underlying cause for these persisting control weaknesses was that the SOP for registration did not cover the process flows within centres and that the SOP was only available in English whilst many registration staff were not fluent in English. A second cause was the lack of clarity over who in Erbil was responsible for monitoring and ensuring the implementation of the SOP across the region. If these two causes are not addressed, similar or new control weaknesses in the registration process are likely to emerge in the future, even if the weaknesses identified by this audit are addressed. OIOS noted that the Representation had already begun revising the SOP to reflect changes introduced in response to the findings of previous oversight missions.

(4) The UNHCR Representation in Iraq should harmonize and strengthen oversight of registration procedures in the Kurdistan Region in Iraq by: a) updating the standard operating procedures for registration to address outstanding oversight recommendations, ensure appropriate access to proGres, and establish clear principles for managing the process flows within registration centres; b) translating this document into Kurdish; and c) assigning clear accountabilities, responsibilities and authorities for ensuring the implementation of the registration procedures across the region.

UNHCR accepted recommendation 4 and stated that the new SOP on registration had been finalized, and would soon be translated into Arabic and Kurdish languages and circulated widely among the persons of concern. Recommendation 4 remains open pending receipt of evidence that the registration SOP and its Kurdish translation have been circulated and put into practice, and evidence that refugees and asylum seekers are now being given materials explaining their rights and responsibilities.

H. Shelter and settlement

There was a need to enhance the management of shelter and settlement activities

33. In order to effectively deliver shelter solutions, it is essential to develop and implement shelter and settlement strategies with a clear trajectory toward durable solutions suitable to the specific context of displacement and alternatives to camps. The strategies need to be supported by: i) needs assessments; ii) participation of the population of concern and local affected population, host governments, and partners; iii) coordination with other sectors; iv) implementation of SOPs on data collection, analysis and reporting of shelter activities; and v) sufficient technical expertise.

34. As of August 2017, the Representation had implemented 17,160 of the planned 19,543 shelters in nine camps. OIOS verified the existence of 42 shelter and related infrastructure projects in seven camps. Shelter Guidelines and a Country Shelter Strategy for 2016-2017 covering settlement and shelter solutions for the emergency response were in place. The strategy outlined, inter alia, the participation and roles of key stakeholders; the requirement to conduct a needs assessment; implementation arrangements including

coordination with the other sectors; shelter and site planning standards; and monitoring and evaluation arrangements. The Representation had multiple SOPs for areas such as technical works, shelter upgrades in camps, cash for upgrading shelters, and refugee housing units. It had a Technical Unit composed of 11 staff, 5 of whom had undertaken shelter-related training. However, OIOS noted the following weaknesses:

- The shelter strategy did not consider some key aspects of existing and planned shelter solutions, such as: the use of solar panels and other environment-friendly initiatives; the new design of facilities for persons with specific needs; the envisaged connectivity of camps with the municipality neighbourhood as a durable solution; and an exit strategy.
- The Representation did not establish SOPs on the collection and analysis of data on shelter and settlement modalities, although it regularly prepared shelter reports. The other existing SOPs did not clearly cover shelter upgrades or the disposal and replacement of damaged tents.
- A number of beneficiaries upgraded shelters with their own funds in ways that undermined safety. There were also weaknesses in the monitoring of construction of shelter and infrastructure. For example, one project was not fully in accordance with the specifications, and there were cracks on the lean concrete above the backfilling of the retaining wall in another camp.

35. The above weaknesses occurred because of inadequate management supervision in ensuring that: (i) the shelter strategy was revised to align it with the current and planned solutions; (ii) consolidated SOPs that include implementing shelter solutions and data collection were in place; and (iii) monitoring of shelter and infrastructure projects in accordance with standards and specifications was effectively carried out. As a result, the Representation was not fully ensuring that it implemented settlement and shelter activities effectively and mitigated the associated risks.

(5) The UNHCR Representation in Iraq should implement an action plan in the Kurdistan Region in Iraq to strengthen: (i) the shelter strategy by aligning it with the current conditions and planned solutions; (ii) standard operating procedures to include data collection and analysis; and (iii) monitoring of shelter and infrastructure projects in accordance with shelter standards and specifications.

UNHCR accepted recommendation 5 and stated that the development of the shelter and settlement strategy had been started. The strategy would be aligned to the comprehensive protection and solutions strategy, and would also contain a monitoring plan. A specific appendix on data collection on technical work had already been added to the SOP to complement it. Recommendation 5 remains open pending receipt of the new shelter strategy and a sample of monitoring reports prepared in accordance with the shelter standards and specifications.

I. Enterprise risk management

There was a need to strengthen risk management by capturing emerging risks in a timely manner

36. In order to effectively manage risks to its operational objectives, the Representation needs to: i) understand its operational context; ii) identify its key risks; iii) analyse and evaluate these risks; and iv) develop and implement a plan to treat these risks. The Representation also needs to monitor and report on its risk management processes and ensure that these processes are communicated and that relevant key staff are effectively trained and consulted. This should be done in accordance with the UNHCR ERM Framework to ensure consistency across the Organization.

37. The Representation first developed its risk register in 2015, and reviewed its risks in November 2016 and was in the process of updating the risk register at the time of the audit. Key elements of the

operational context and challenges identified in the Operations Plans, such as high staff turnover in key positions, political tensions, the security situation and access to territory were reflected in the risk register. The Representation prioritized 14 risks based on their residual rating for active follow-up. The review and monitoring of risks in 2016 was conducted only by the risk management focal points with minimal consultation and involvement of other units. However, for 2017 a consultation exercise was conducted with the Heads of Units and Heads of Offices, including through a full day workshop. The risk management focal points also attended training delivered by the UNHCR ERM Unit.

38. OIOS review of the risk register indicated that it was generally of good quality, with risks appropriately categorized, ratings for likelihood and impact selected with reference to the definitions in the policy, and relevant proactive and reactive treatments identified. In response to the audit, the Representation further specified the geographic location of risks to highlight those which applied to KRI, in order to better enable operational managers to identify risks relevant to them. However, emerging risks, such as those related to the referendum on independence in KRI and potential subsequent violence and displacement, were not captured in the risk register in a timely manner.

39. Although the Representation managed risks to its operations related to the referendum, the lack of a process to capture emerging risks meant that the risk register would not remain current and potential mitigations to foreseeable risks were less likely to be identified in advance. In the opinion of OIOS, this occurred because the Representation viewed the risk register more as a product to be developed, reviewed and approved annually rather than as a working tool to assist it in managing risks to achieving its objectives on an ongoing basis.

(6) The UNHCR Representation in Iraq should introduce a process to ensure that critical emerging risks are captured in the risk register in a timely manner.

UNHCR accepted recommendation 6 and stated that the Representation was constantly monitoring the ever evolving political, socio economic and security context of Iraq and updating the risk register to account for changes. Further, the Operation had initiated revisions of their contingency plans based on updated risk assessments. Based on the action taken and documentation provided by UNHCR recommendation 6 has been closed.

IV. ACKNOWLEDGEMENT

40. 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 Northern Iraq 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 Iraq should strengthen risk-based management of projects implemented by partners in the Kurdistan Region in Iraq.	Important	O	Submission to OIOS of the revised project monitoring plans, a sample of monitoring reports reflecting review of partners' procurement processes, and the 2018-19 strategy for implementation of QIPs/CSPs and the related standard operating procedures.	30 May 2018
2	The UNHCR Representation in Iraq should substantiate controls over the development of cluster work plans and monitoring and reporting on performance against targets in the Humanitarian Response Plan.	Important	O	Submission to OIOS of: (i) reports of actual performance against 2017 HRP targets for the Camp Coordination and Camp Management Cluster and the Cash Working Group; and ii) evidence that plans are in place to ensure that performance against 2018 HRP targets is tracked for the Cash Working Group.	30 June 2018
3	The UNHCR Representation in Iraq should reinforce oversight and management supervision arrangements over procurement in the Kurdistan Region in Iraq to ensure that: (i) adequate systems and procedures are established for safeguarding the Supply Unit records; (ii) oversight by the Local Committee on Contracts is strengthened; and (iii) established contract and procurement management procedures are systematically followed.	Important	C	Action completed	Implemented
4	The UNHCR Representation in Iraq should harmonize and strengthen oversight of registration procedures in the Kurdistan Region in Iraq by: a) updating the standard operating procedures for registration to address outstanding oversight	Important	O	Submission to OIOS of evidence that the registration SOP and its Kurdish translation have been circulated and put into practice, and evidence that refugees and asylum seekers are	30 June 2018

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.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the operations in Northern Iraq 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
	recommendations, ensure appropriate access to proGres, and establish clear principles for managing the process flows within registration centres; b) translating this document into Kurdish; and c) assigning clear accountabilities, responsibilities and authorities for ensuring the implementation of the registration procedures across the region.			now being given materials explaining their rights and responsibilities.	
5	The UNHCR Representation in Iraq should implement an action plan in the Kurdistan Region in Iraq to strengthen: (i) the shelter strategy by aligning it with the current conditions and planned solutions; (ii) standard operating procedures to include data collection and analysis; and (iii) monitoring of shelter and infrastructure projects in accordance with shelter standards and specifications.	Important	O	Submission to OIOS of the new shelter strategy and a sample of monitoring reports prepared in accordance with the shelter standards and specifications.	30 April 2018
6	The UNHCR Representation in Iraq should introduce a process to ensure that critical emerging risks are captured in the risk register in a timely manner.	Important	C	Action completed	Implemented

APPENDIX I

Management Response

Management Response

Audit of the operations in Northern Iraq 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 Iraq should strengthen risk-based management of projects implemented by partners in the Kurdistan Region in Iraq.	Important	Yes	Senior Program Officer (Coordination office)	31 March 2018 31 March 2018 30 May 2018	<p>Since the audit took place, UNHCR has enhanced its investment of resources and internal capacity to strengthen partner procurement monitoring. Evidence of systematic reviews of partners' procurement has been provided to OIOS.</p> <p>Project Monitoring Plans for all 2018 partners, including procurement monitoring plans, are being revised to include monitoring of partner's procurement processes.</p> <p>UNHCR Operation in Northern Iraq is finalizing revision of Standard Operating Procedures (SOPs) on Quick Impact Projects/Community Support Projects that will inform project implementation in 2018.</p>
2	The UNHCR Representation in Iraq should substantiate controls over the development of cluster work plans and monitoring and reporting on performance against targets in the Humanitarian Response Plan.	Important	Yes	Representative	30 June 2018	The Iraq Representation is submitting existing evidence detailing actions taken, while gradually implementing outstanding ones.

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 Northern Iraq for the Office of the United Nations High Commissioner for Refugees

3	The UNHCR Representation in Iraq should reinforce oversight and management supervision arrangements over procurement in the Kurdistan Region in Iraq to ensure that: (i) adequate systems and procedures are established for safeguarding the Supply Unit records; (ii) oversight by the Local Committee on Contracts is strengthened; and (iii) established contract and procurement management procedures are systematically followed.	Important	Yes	Senior Supply Officer	28 February 2018	The operation has implemented OIOS requirements. Evidences have been provided to OIOS of following implemented actions: * Reports on the progress of implementation of the 2018 procurement plan * Communications on systematic use of contract tracking sheets * Samples of recent minutes of Local Contracts Committee meetings containing complete information supporting decisions made * Newly drafted Guidance Note for filing and archiving * Updated version of the Country preventive and corrective action plan
4	The UNHCR Representation in Iraq should harmonize and strengthen oversight of registration procedures in the Kurdistan Region in Iraq by: a) updating the standard operating procedures for registration to address outstanding oversight recommendations, ensure appropriate access to proGres, and establish clear principles for managing the process flows within registration centres; b) translating this document into Kurdish; and c) assigning clear accountabilities, responsibilities and authorities for ensuring the implementation of the registration procedures across the region.	Important	Yes	Senior Protection Officer	30 June 2018	A new Registration SOP has been finalized, where main recommendations have been taken into consideration along with translation in Arabic and Kurdish languages. Staff are undertaking induction on the revised SOP. The mass communication part, including production of leaflets to communicate with population of concern, has been revised and is undergoing dissemination.

Management Response

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

5	The UNHCR Representation in Iraq should implement an action plan in the Kurdistan Region in Iraq to strengthen: (i) the shelter strategy by aligning it with the current conditions and planned solutions; (ii) standard operating procedures to include data collection and analysis; and (iii) monitoring of shelter and infrastructure projects in accordance with shelter standards and specifications.	Important	Yes	Senior Coordinator (Technical)	30 April 2018	(i) The development of the shelter and settlement strategy has started and a decision was taken to align it to the comprehensive protection and solutions strategy. (ii) The SOP for Technical unit and SOP for technical work were already provided by the Representation to the auditors during fieldwork. A Specific Appendix on data collection to complement the SOP on Technical Work is attached. (iii) All shelter and infrastructure interventions are implemented according to the Bill of Quantities and UNHCR standards. It is noteworthy that a monitoring plan will be included in the Shelter and settlement strategy mentioned above.
6	The UNHCR Representation in Iraq should introduce a process to ensure that critical emerging risks are captured in the risk register in a timely manner.	Important	Yes	Project Control Officer (Coordination Office)	Implemented	The Operation is constantly monitoring the ever evolving political, socio economic and security context of Iraq and updating the risk register to account for changes. Further, the Operation initiated revisions of their contingency plans based on updated risk assessments.