



## INTERNAL AUDIT DIVISION

### REPORT 2013/138

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Audit of United Nations High  
Commissioner for Refugees operations  
in Botswana

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

FINAL OVERALL RATING:  
PARTIALLY SATISFACTORY

20 December 2013  
Assignment No. AR2013/113/04

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# AUDIT REPORT

## Audit of United Nations High Commissioner for Refugees operations in Botswana

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations High Commissioner for Refugees (UNHCR) Representation responsible for the management of the operations in Botswana (hereafter referred to as ‘the Representation’).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The Representation was opened in 1982 to provide refugees with international protection and humanitarian assistance. The population of concern as at 30 April 2013 consisted of 3,480 refugees and asylum seekers mainly from Zimbabwe (1,030), Namibia (982), Somalia (542) and Angola (449). This represents an increase of 20 per cent to the population of concern of 2,900 in 2007. This increase was due to new arrivals from Zimbabwe within the period 2008 to 2013. All refugees resided in the Dukwi refugee camp. The main durable solutions for the population of concern were voluntary repatriation and resettlement. The Representation worked with two implementing partners in 2011 and 2012. It had a branch office in Gaborone and a field office in Dukwi, and reported to the Regional Representation Office for Southern Africa (ROSA) based in Pretoria, South Africa.
4. The expenditures of the Representation were \$2.7 million in 2012 and \$3.2 million in 2011. The budget for 2013 was \$3.7 million. Implementing partners were responsible for 44 per cent of programme expenditures (\$1.8 million in total for 2011 and 2012). The Representation had 13 Property, Plant and Equipment (PPE) assets with a purchase value of \$344,622; and, 69 Serially Tracked Items (STI) assets with a purchase value of approximately \$80,820 as of March 2013. As at 23 April 2013, the Representation had eight regular staff posts of which seven were filled. During 2011/2012, the Representation issued 245 purchase orders valued at \$2.1 million.
5. Comments provided by the Representation are incorporated in *italics*.

### II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of the Representation’s governance, risk management and control processes in providing reasonable assurance regarding **the effective management of UNHCR operations in Botswana**.
7. This audit was included in OIOS 2013 risk-based annual work plan as this Representation was assessed as higher risk due to risks related to the adequacy of its current arrangements in light of the 20 per cent increase in the size of the population of concern.
8. The key controls tested for the audit were: (a) project management; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Project management** - controls that are designed to provide reasonable assurance that there is accurate and complete monitoring and reporting of the Representation's project activities.

(b) **Regulatory framework** - controls that provide reasonable assurance that financial management, security, asset management and procurement policies and procedures are adequate and effective.

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

10. OIOS conducted this audit from May to June 2013. The audit covered the period from 1 January 2011 to 31 March 2013.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness. OIOS interviewed UNHCR staff in the branch office in Gaborone and the field office in Dukwi; interviewed relevant implementing partner staff; reviewed policies, guidelines, procedures and other relevant documents; and reviewed data available in the Managing for Systems, Resources and People (MSRP) system.

### III. AUDIT RESULTS

12. The Representation governance, risk management and control processes examined were initially assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of UNHCR operations in Botswana**. OIOS made six recommendations to address issues identified in the audit.

13. Project management was initially assessed as partially satisfactory as there was a need to develop a plan of action to address control weaknesses at implementing partners and to maintain accurate inventory records. The Representation took action to implement a plan to verify implementing partner expenditures and to monitor implementing partner project activities. Regulatory framework was initially assessed as partially satisfactory because procedures to monthly close accounts were not performed in accordance with UNHCR rules. There was also a need to implement adequate local procurement procedures and consistently obtain required approvals from the relevant committee on contracts. Furthermore, there was a need for a plan to implement full compliance with the Minimum Operating Security Standards (MOSS) for both offices.

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

Table 1  
Assessment of key controls

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

### A. Project management

Action taken to implement a plan to verify implementing partner expenditures and monitor implementing partner project activities

15. The Representation had no evidence on file of any verification or monitoring of implementing partner expenditures, and implementing partner project activities for 2011 and 2012, totalling \$1.8 million. The Representation could not therefore demonstrate that implementing partners had implemented the project activities and expenditures in line with the project objectives and budgets. At the time of the audit, \$335,000 was still outstanding in implementing partner instalments because the fourth quarter implementing partner expenditures for 2012 had not been verified and recorded as required by 28 February 2013. The Representation had incorrectly relied on the external audit of implementing partner projects for the financial verification of implementing partner expenditures, which was still ongoing for 2012 projects. The main reason for the lack of verification of expenditures and monitoring of implementing partners projects was the absence of a monitoring plan.

**(1) The UNHCR Representation in Botswana should develop and implement a plan to verify implementing partner expenditures and monitor implementing partner project activities.**

16. *The Representation indicated that it accepted recommendation 1 and stated that financial verification of implementing partner expenditure was scheduled for completion in the year. The Representation conducted the second quarter and third quarter financial verification. The Representation, implementing partners and the Government of Botswana have agreed on quarterly joint monitoring missions. This takes place a week after receipt of implementing partner reports. The first joint monitoring mission was conducted on 23 July 2013. Based on the action taken, recommendation 1 has been closed.*

Need to develop and implement a plan of action to address control weaknesses at implementing partners

17. OIOS visited both implementing partners and reviewed financial, procurement and material controls to assess the implication of the absence of project monitoring in 2011 and 2012. OIOS noted a number of control weaknesses, which included:

- One implementing partner had reported year-end commitments as expenditures, in its Implementing Partner Financial Monitoring Report, which was not in compliance with UNHCR rules.
- Both implementing partners had not reconciled their bank balances to their reported refund balances.
- Advances were given to implementing partner staff to make payments in the camp without recording these in the name of the staff member concerned for accountability purposes.
- Both implementing partners had not implemented consistent procurement procedures requiring at least three quotes to support purchases, as required by UNHCR rules, which could result in lack of value for money on purchases.
- At one implementing partner, there were no controls to ensure that construction materials for a refugee housing project (valued at \$169,000) were used in line with the bill of quantities agreed at the start of the project. The materials were unrecorded and were kept at several locations making it difficult to track them. Some materials, such as cement and wooden doors, had also deteriorated due to delays in construction resulting in wastage. The extent of damage was not yet established at the time of the audit. For the refugee housing project, there was no plan in place detailing the different phases of construction, completion dates and how the delays in construction would be addressed.

**(2) The UNHCR Representation in Botswana should develop a plan of action to address the weaknesses in financial, procurement and materials controls at implementing partners.**

18. *The Representation indicated that it accepted recommendation 2 and stated that in addition to joint monitoring visits, field office staff does regular site visits to monitor progress of activities. This would further be strengthened in line with the recommendation. Recommendation 2 remains open pending receipt of documentary evidence of a plan of action to address the weaknesses in financial, procurement and material controls at implementing partners.*

Need to maintain accurate inventory records

19. UNHCR rules require that field offices maintain inventory records to support the receipt, issue and distribution of items stored in warehouses. The value of goods distributed in 2011/2012 was \$1.3 million. OIOS noted the following weaknesses in the controls over the receipt, issuance, verification, recording and distribution of food and Non-Food items (NFI) in the camp in 2011/2012:

- Receipt and issue of items at the warehouse was not correctly done  
For food and non-food items, there were no supporting documents evidencing the receipt of goods. However, payments were processed. For one purchase of maize totalling \$70,000 the lack of goods received notes had resulted in an overpayment of \$9,500 which had not been detected. There was also no documentation to support the issuances from the warehouse.
- Recording of receipts and issuances in MSRP  
The recording in MSRP of warehouse receipts and issuances was done in Gaborone based on e-mails or telephone communications, not supported by documentation on file and often with significant delays. As a result, the recordings were not in compliance with IPSAS.
- Stock verification in warehouse  
Due to the weaknesses in receiving and issuing from the warehouse and the lack of adequate and on time recording of these actions, the stock balances reported to UNHCR headquarters at the end of 2012 were incorrect as the physical quantities for the inventory items did not agree to the

recorded amounts. At the time of the audit there was an unexplained shortfall in the physical stock balance totalling \$115,000.

- Distribution of food and non-food items

There was no evidence that items had actually reached beneficiaries in 2011 and 2012, because beneficiaries did not sign for receipt and distribution files were deleted after two months. OIOS determined that for the two months reviewed, the distributed items were less than the recorded issuances from the warehouse as follows: 151 food packages (five per cent of total) in April and 252 food packages (eight per cent of total) in May 2013. The Representation was not able to explain the difference.

20. As a result of the identified control weaknesses in the maintenance of inventory records, it was not possible to obtain assurance that all these items actually reached the intended beneficiaries. There were several causes some of which were mitigated subsequent to the audit field work. One was the absence of a supply associate and procedures to guide staff, which caused the weaknesses in warehouse management. The Representation took corrective action to improve controls by recruiting a supply associate in May 2013 to manage the warehouses and implement segregation of functions between warehouse management and distribution. Subsequent to the audit field work, management had developed and implemented Standard Operating Procedures to guide the process of warehousing and distribution and assign duties to staff in the offices for distribution of food and non-food items. Recording now takes place at field office Dukwi based on supporting documentation for each stage of the process. The Representation had still to account for the inventory shortfalls.

**(3) The UNHCR Representation in Botswana should take action to maintain accurate inventory records in compliance with the rules. This should include action to resolve differences between stock items physically present in the warehouse and stock items recorded in the Managing for Systems, Resources and People.**

21. *The Representation indicated that it accepted recommendation 3 and stated that with the assistance of the regional office a verification of the warehouse stock was conducted against records in MSRP. In line with the establishment of SOPs the Representation would now ensure that records are maintained in MSRP and no time gaps would be allowed. For the existing gaps, the Representation would request the LAMB to permit it to write it off. Physical verification of inventory was conducted in October 2013 with the regional office and assistance from Headquarters. Recommendation 3 remains open pending: receipt of documentary evidence that action has been taken to maintain accurate inventory records; resolution of differences between items present in the warehouse and items recorded in MSRP; and confirmation that missing items were submitted to the LAMB for write-off.*

## **B. Regulatory framework**

### Need to implement procedures and arrangements to monitor monthly accounts closure and reporting to UNHCR headquarters

22. There was no evidence that the monthly accounts closure reports had been produced and reviewed by management, as required by the rules for account closure and reporting. This was inconsistent with the requirement for every field office to close its month-end accounts and assess the accuracy of information by reviewing key reports from the accounting system. The monthly reporting package should also contain a list of open items, the warehouse inventory balance, bank reconciliation and the signed cash count forms for petty cash accounts. Some of the reports that had not been produced

included the requisition and purchase order budgetary report, and operational budget/expense by implementing partner report.

23. Furthermore, the 2011 and 2012 monthly reporting packages from Botswana were incomplete and were not signed by the Head of Office. They lacked reports on open items, the warehouse inventory balance and on the two petty cash accounts. For 2013, none of the monthly packages (January to April 2013) had been submitted to headquarters.

24. The inadequacies in monthly closure and reporting were caused by the lack of training for staff and the management in Botswana, on financial management requirements. ROSA also did not monitor the compliance with monthly reporting requirements despite being copied by the Representation on the month-end communication to headquarters. A contributory factor was also the lack of any administration/finance staff in Botswana from July 2012 to the date of the audit.

**(4) The UNHCR Representation in Botswana in consultation with the Regional Office in Southern Africa should:**

- a. conduct training for staff on financial management and reporting requirements; and,**
- b. monitor and confirm that closure activities and monthly packages to headquarters are in compliance with the requirements.**

25. *The Representation indicated that it accepted recommendation 4 and stated that the position covering financial management had been filled since May 2013. All staff members would complete the mandatory IPSAS courses on learn and connect. The existing control arrangements to ensure reporting as per rules would be reviewed. The regional office conducted training at the Representation on MSRP, FOCUS and monthly closure requirements. Further training on financial management for staff would be conducted in the 1st quarter of 2014. Effective November 2013, all offices in the region are required to send copies of their monthly account packages, each month, to the regional office for review. Recommendation 4 remains open pending receipt of documentary evidence that training on financial management and reporting requirements for staff has been conducted and confirmation obtained that closure activities, and the related submission of monthly packages to headquarters, are being done satisfactorily.*

Need to implement adequate procurement procedures and establish purchase order files to facilitate obtaining approval from committee on contracts when required

26. The Representation had not obtained required approval from the Regional Committee on Contracts (RCC) for several purchase orders with a total value of \$823,000 (39 per cent of total procurement). Competitive bidding was also not demonstrated for purchases aggregating to \$453,000. The situation was caused by: (i) lack of implementation of adequate procurement procedures including the requirement that procurements in excess of \$20,000 needed RCC approval; (ii) inadequate monitoring by the regional office of large purchase orders being issued without RCC approval; and (iii) lack of established purchase order files to support and monitor the procurement procedures followed, which hampered retrieval of crucial supporting documents.

**(5) The UNHCR Representation in Botswana should implement appropriate local procedures for procurement. These should include arrangements for the monitoring of local procurement by the regional office; approval from the relevant committee on contracts for procurement over \$20,000; undertaking competitive bidding for purchases; and the establishment of purchase order files.**



27. *The Representation indicated that it accepted recommendation 5 and stated that procurement done through Regional Office complied with procedures including securing tenders or minimum required quotes. These procedures were now being followed by the Representation for all procurements conducted locally. Committee on Contracts approval was sought for procurement above \$20,000. Recommendation 5 remains open pending receipt of evidence that procurement activities were monitored by the regional office to ensure appropriate approvals for purchases over \$20,000 by the relevant Committee on Contracts and confirmation that purchase order files were established.*

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

#### **IV. ACKNOWLEDGEMENT**

30. OIOS wishes to express its appreciation to the Management and staff of the United Nations High Commissioner for Refugees operations in Botswana for the assistance and cooperation extended to the auditors during this assignment.

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

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of United Nations High Commissioner for Refugees operations in Botswana

Recom. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	The UNHCR Representation in Botswana should develop and implement a plan to verify implementing partner expenditures and monitor implementing partner project activities.	Important	C	Action completed	Implemented
2	The UNHCR Representation in Botswana should develop a plan of action to address the weaknesses in financial, procurement and materials controls at implementing partners.	Important	O	Receipt of documentary evidence of a plan of action to address the weaknesses in financial, procurement and material controls at implementing partners.	31 March 2014
3	The UNHCR Representation in Botswana should take action to maintain accurate inventory records in compliance with the rules. This should include action to resolve differences between stock items physically present in the warehouse and stock items recorded in the Managing for Systems, Resources and People.	Important	O	Receipt of documentary evidence that action has been taken to maintain accurate inventory records; resolution of differences between items present in the warehouse and items recorded in MSRP; and confirmation that missing items have been submitted to the LAMB for write-off	31 March 2014
4	The UNHCR Representation in Botswana in consultation with the Regional Office in Southern Africa should: <ul style="list-style-type: none"> <li>a. conduct training for staff on financial management and reporting requirements; and,</li> <li>b. monitor and confirm that closure activities and monthly packages to headquarters are in compliance with the requirements.</li> </ul>	Important	O	Receipt of documentary evidence that training on financial management and reporting requirements for staff has been conducted and confirmation obtained that closure activities, and the related submission of monthly packages to headquarters, are being done satisfactorily	31 March 2014
5	The UNHCR Representation in Botswana should	Important	O	Receipt of evidence that procurement activities	31 March 2014

<sup>1</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by UNHCR in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of United Nations High Commissioner for Refugees operations in Botswana

Recom. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
	implement appropriate local procedures for procurement. These should include arrangements for the monitoring of local procurement by the regional office; approval from the relevant committee on contracts for procurement over \$20,000; undertaking competitive bidding for purchases; and the establishment of purchase order files.			were monitored by the regional office to ensure appropriate approvals for purchases over \$20,000 by the relevant Committee on Contracts and confirmation that purchase order files were established.	

# **APPENDIX I**

## **Management Response**

## MANAGEMENT RESPONSE

## Audit of United Nations High Commissioner for Refugees operations in Botswana (AR2013/113/04)

Rec. no.	Recommendation	Critical / Important	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Representation in Botswana should develop and implement a plan to verify implementing partner expenditures and monitor implementing partner project activities.	Important	Yes	Program Officer	July 2013	Financial verification of implementing partner expenditure has been scheduled for completion in the remaining six month of this year. To date the Representation has already conducted the second quarter and third quarter financial verification. The Representation, implementing partners and Government of Botswana have agreed on quarterly joint monitoring missions. This takes place a week upon receipt of implementing partner reports. The first joint monitoring mission was conducted on 23 July 2013. Furthermore, a committee has just been set up that will review partner submission and also be responsible for partner monitoring.
2	The UNHCR Representation in Botswana should develop a plan of action to address the weaknesses in financial, procurement and material controls at implementing partners.	Important	Yes	Program Officer	31 March 2014	As mentioned above, a plan to verify implementing partner expenditure is in place and is being implemented. In addition to joint monitoring visits, field office staff does regular site visits to monitor progress of activities. This will further be strengthened in line with the recommendation.
3	The UNHCR Representation in Botswana should take action to maintain accurate inventory records in compliance with the rules. This should include action to resolve differences between stock items physically	Important	Yes	Warehouse Manager, Supply Associate	31 March 2014	With the assistance of ROSA a verification of the warehouse stock was conducted against records in MSRP. In line with the establishment of

APPENDIX 1

MANAGEMENT RESPONSE

Audit of United Nations High Commissioner for Refugees operations in Botswana (AR2013/113/04)

Rec. no.	Recommendation	Critical / Important	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	present in the warehouse and stock items recorded in the Managing for Systems, Resources and People.					SOPs the Representation will now ensure that records are maintained in MSRP and no time gaps are allowed. For the existing gaps, the Representation will request the LAMB to permit it to write it off. Physical Verification of Inventory was conducted in October 2013 with ROSA and assistance from Headquarters.
4	The UNHCR Representation in Botswana in consultation with the Regional Office in Southern Africa should: (a) conduct training for staff on financial management and reporting requirements; and, (b) monitor and confirm that closure activities and monthly packages to headquarters are in compliance with the requirements.	Important	Yes	Senior Regional Finance Officer	By 1 <sup>st</sup> quarter of 2014	The position covering financial management has been filled since May 2013. All staff members will complete the mandatory IPSAS courses on learn and connect. The existing control arrangements and ensure reporting as per rules will be reviewed. ROSA conducted training at the Representation on MSRP, FOCUS and monthly closure requirements. Further training on financial management for staff will be conducted will conduct in the 1 <sup>st</sup> quarter of 2014. Effective November 2013, all offices in the region are required to send copies of their monthly account packages, each month, to ROSA for review.
5	The UNHCR Representation in Botswana should implement appropriate local procedures for procurement. These should include arrangements for the monitoring of local procurement by the regional office;	Important	Yes		31 March 2014	Procedures for procurement done through ROSA are followed at regional office, and this includes securing tenders or minimum required quotes. The same

## MANAGEMENT RESPONSE

## Audit of United Nations High Commissioner for Refugees operations in Botswana (AR2013/113/04)

Rec. no.	Recommendation	Critical / Important	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	approval from the relevant committee on contracts for procurement over \$20,000; undertaking competitive bidding for purchases; and the establishment of purchase order files.					procedures are now followed by the Representation for all procurements conducted locally. Following the selection of the procurement item, it is sent to ROSA for approval.