



## INTERNAL AUDIT DIVISION

### REPORT 2015/093

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Audit of the arrangements for cash-based interventions in the Office of the United Nations High Commissioner for Refugees

Overall results relating to management of cash-based interventions were initially assessed as partially satisfactory. Implementation of six important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

2 September 2015

Assignment No. AR2014/163/02

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# AUDIT REPORT

## Audit of the arrangements for cash-based interventions in 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 arrangements for cash-based interventions in the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. Cash-based interventions (CBI) are a tool for supporting the mandate of UNHCR based on a concept that uses cash to provide basic needs and essential services and other kinds of assistance to populations of concern. Rather than provide food, shelter and other assistance in kind, UNHCR gives cash-based assistance to refugees and other persons of concern, where circumstances permit, for them to make their own decisions about their priority needs. While this kind of assistance has existed in UNHCR since around 1980, the organization, with the Division of Programme Support and Management (DPSM) taking the lead, has been pursuing the expanded use of CBI globally since 2011. The use of CBI is in line with a general trend in the delivery of humanitarian assistance worldwide.
4. The UNHCR Cash-Based Interventions Section was established in January 2015 with only one regular position, a P-5 Head of Office, supported by temporary posts of two P-3s and one P-2. To provide field support, three P-3 positions were created under the High Commissioner's Capacity Building Initiative in UNHCR offices in South Africa, the Democratic Republic of the Congo and Senegal. UNHCR has also expanded the use of consultant deployees as CBI experts in the field. During 2014, such deployees supported operations in Lebanon, Iraq, Egypt, Tunisia, Niger, Zambia, Chad, Mali and Ethiopia. A multi-functional working group has been put in place at UNHCR headquarters to ensure that the use of CBI takes into account the interests of all relevant divisions. In 2014, the global CBI recorded expenses were \$124.1 million, the majority of which were incurred in the Middle East and North Africa region.
5. Comments provided by UNHCR are incorporated in *italics*.

### II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNHCR governance, risk management and control processes in providing reasonable assurance regarding the **effective management of cash-based interventions in UNHCR operations**.
7. The audit was included in the OIOS 2015 risk-based internal audit work plan for UNHCR because of the risks associated with the increased use of CBI in field operations, as well as the risk of inadequate institutional and management structures that could affect the scaling up of CBI as an implementation modality.

8. The key controls tested by the audit were: (a) strategic planning; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Strategic planning**- controls that provide reasonable assurance that UNHCR strategic planning arrangements for CBI are implemented effectively.

(b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide UNHCR operations in planning, implementation and monitoring of CBI activities; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information related to CBI.

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

10. OIOS conducted this audit from January to May 2015. The audit covered CBI activities from 1 January to 31 December 2014 at the UNHCR headquarters and in country operations in Egypt and Zambia. The audit also considered audit results emanating from the audits of the following seven country operations: Iraq, Jordan, Lebanon, Turkey, Ukraine, Algeria and Indonesia.

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 and analytical reviews, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

### III. AUDIT RESULTS

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

13. There was a need for UNHCR to: (i) finalize a strategic plan to articulate the business model, objectives and goals of cash-based interventions; (ii) strengthen partnerships with United Nations agencies and non-governmental organizations; (iii) carry out a comprehensive assessment of risks related to CBI at the global level; (iv) provide guidance to field offices on financial and administrative procedures for CBIs; (v) improve vulnerability criteria and targeting methodologies; and (vi) help field offices to put in place standard operating procedures for implementing CBI programmes.

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

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<sup>1</sup> A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

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 cash-based interventions in UNHCR operations	(a) Strategic planning	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(c) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

## A. Strategic planning

A formal strategy was required to articulate the business model, objectives and goals of cash-based interventions

15. The UNHCR Operational Guidelines for Cash-Based Interventions in Displacement Settings state that the UNHCR mandate for protection and solutions, and the comprehensive and multi-sector assistance programmes that flow from it, make cash-based interventions a particularly appropriate tool for addressing the needs of refugees and other persons of concern. To achieve this, UNHCR needs to have a clearly articulated corporate strategy and business model, with objectives and goals and associated timelines and deliverables, that guide its global CBI operations in meeting its commitment to protect, assist and find solutions for all persons of concern.

16. UNHCR did not yet have a formal strategic plan for cash-based interventions. At the time of the audit, there was a broad outline for a strategic plan that contained a conceptual framework for cash-based interventions. However, this document was at its preliminary stages and relevant details such as objectives, goals and a clear articulation of the business model were yet to be completed. DPSM issued the Operational Guidelines for Cash-Based Interventions in Displacement Settings in February 2015, but as these were meant to help field operations with setting up and managing CBI programmes they did not holistically address issues of strategic importance to the organization as a whole.

17. In the absence of dedicated staff in 2014, UNHCR could not devote sufficient resources to the finalization of the strategic plan. The CBI Section was not formally established until January 2015 and its first task was to release the above-mentioned operational guidelines for CBI. Without a formal strategic plan, it was not clear how UNHCR intended to address its needs for scaling up CBI operations globally.

**(1) The UNHCR Division of Programme Support and Management, in consultation with other Divisions and Regional Bureaux, should develop an action plan for finalizing a strategy, including a business model, objectives and goals, as well as associated timelines and deliverables, for institutionalizing cash-based interventions in UNHCR.**

*UNHCR accepted recommendation 1 and stated that DPSM had initiated development of the strategic plan for CBI, which would be based upon an action plan agreed with the other Divisions and Regional Bureaux and under the overall guidance of UNHCR senior management. Recommendation 1 remains*

open pending receipt of the approved strategic plan, including a business model, objectives and goals, as well as associated timelines and deliverables, for institutionalizing cash-based interventions.

There was a need to strengthen partnerships at field level with United Nations agencies and non-governmental organizations on cash-based interventions

18. The Introduction to Cash Based Interventions in UNHCR Operations, a UNHCR publication issued in 2013, requires fostering partnerships within and beyond the humanitarian community, and tapping into existing systems to deliver assistance and protection. The same document further requires that the modalities of the partnerships should be spelt out, including in terms of adequate delineation of the precise role of partners.

19. Although UNHCR fostered partnerships with United Nations agencies and non-governmental organizations in the field, there were shortcomings in respect of developing viable partnerships. For instance, cooperation agreed at headquarters level between UNHCR and a United Nations agency did not work as intended in Egypt where UNHCR implemented a CBI programme of \$17 million. The two agencies agreed to deliver assistance jointly to populations of concern. To do so, they issued a joint Request for Proposals in December 2013, requesting financial service providers to come forward with an electronic transfer solution called One-card. This was done without adequately exploring the compatibility of the different requirements of UNHCR and the United Nations agency. The process, therefore, faced multiple obstacles and delays and was hampered by ineffective cooperation between the two agencies. The lack of cooperation was due to inconsistent aims of the two agencies, high staff turnover and inadequate human resources dedicated to the joint undertaking. As UNHCR tried to move the One-card process forward, the United Nations agency – as the lead buyer in the Request for Proposals – instead proceeded to introduce its own e-voucher system in collaboration with some local supermarkets.

20. As a result, although the Representation in Egypt stated that the overall relationship with the United Nations agency at the country level was satisfactory, the absence of clear guidelines and definition of responsibilities on the One-card model to serve the two agencies led to some delays in decision making. A material example of such delays was the joint requisition to hire a financial service provider to provide the One-card services. It took almost a year for the Representation to realise that conditions were not suitable and to embark on its own arrangements. In these new arrangements, the Representation planned to issue a new request for proposal in August 2015 and to have the selected service provider start by the beginning of 2016.

21. Likewise, partnerships with non-governmental organizations needed to be strengthened to minimize duplications that may exist in the delivery of cash assistance. In Turkey, there was scope for common and coordinated needs assessment and consolidated reporting and monitoring to avoid overlaps between UNHCR and its partners. In Lebanon, there were several partners providing cash assistance to families in need and, therefore, checks such as the Refugee Assistance Information Management System needed to be used more effectively to ensure that UNHCR did not include the same families in its cash assistance programmes. These instances occurred because adequate procedures were not implemented for coordinating with partners to minimize the risk of duplications.

**(2) The UNHCR Division of Programme Support and Management should further develop modalities of cooperation with United Nations agencies and non-governmental organizations on cash-based interventions, in particular in terms of common arrangements for working together with such agencies at the country level. The Division should also provide guidance and support to country operations for them to agree on modalities of cooperation and coordination with partners to minimize the risk of duplication of cash assistance rendered to beneficiaries.**

*UNHCR accepted recommendation 2 and stated that it would continue to develop and strengthen modalities for cooperation with United Nations agencies and non-governmental organisations for CBIs. During 2014 and 2015, UNHCR also developed or revised memoranda of understanding with major international NGO partners to include provisions for CBIs. UNHCR and major partners were in the process of developing tools for joint assessments, delivery, and coordination for multi-purpose cash grants. UNHCR would also review the possibility of issuing supplemental operational guidance to support and facilitate the efforts of field operations to strengthen coordination and cooperation with partners and minimize the risks identified by OIOS. Recommendation 2 remains open pending receipt of: (i) a sample of the tools developed, and evidence of their use, to facilitate cooperation with United Nations and international non-governmental organization partners on multi-purpose cash grants; as well as (ii) evidence of the modalities developed to minimize the risk of duplication of cash assistance.*

A comprehensive risk assessment of cash-based interventions at the global level needed to be completed

22. According to the Administrative Instruction and Procedures for the Implementation of Enterprise Risk Management in UNHCR, all field operations and headquarters entities were required to complete their first risk assessment no later than 31 March 2015.

23. DPSM was yet to finalise a comprehensive assessment of risks pertaining to cash-based interventions at the global level. It explained that it had complied with the Administrative Instruction and Procedures for the Implementation of Enterprise Risk Management in April 2015 and shared the draft risk assessment with OIOS. The assessment identified one risk focusing on the lack of corporate ownership and systematic use of CBIs and the disconnect between CBI being a corporate priority, vis-à-vis the level of resources dedicated to it. The assessment did not incorporate risks pertaining to inadequate financial and administrative procedures, lack of global and country strategies, and insufficient targeting methodologies. DPSM explained that these additional risks were not specific to DPSM, but were cross cutting among the Divisions and Bureaux. DPSM further noted that the risk assessment exercise for CBI would also involve the Division of Financial and Administrative Management, the Division of International Protection and the Division of Emergency, Security and Supply.

24. Field offices, on the other hand, had largely complied with the requirement, and prepared and submitted their risk assessments within the deadline of 31 March 2015. The Representation in Egypt, for example, had identified six specific risks pertaining to CBI: increasing government control of non-governmental organizations; cash assistance not targeting the most vulnerable; fraud in cash payments for voluntary repatriation/emergency grants; inequality of assistance for different refugee populations; and fraud in eligibility for health and education related services. OIOS noted that at field level, the process of risk assessment was enhanced by the fact that the Cash-Based Interventions Section had released two annexes to the Operational Guidelines for Cash-Based Interventions in Displacement Settings which included a sample of both protection and financial risks related to CBIs. Completion of those templates and annexing them to the standard operating procedures for cash-based interventions in field operations was, according to DPSM, going to be mandatory for each field office.

25. At headquarters level, the delay in completing the risk assessment exercise was caused by the fact that the CBI Section was not formally established until January 2015. If risks related to CBI are not identified and assessed, and appropriate risk response strategies are not formulated in a timely manner, UNHCR could be exposed to ineffective implementation of CBI programmes.

**(3) The UNHCR Division of Programme Support and Management, in coordination with the Division of Financial and Administrative Management, the Division of International Protection and the Division of Emergency, Security and Supply, should develop an action plan for the identification and assessment of risks pertaining to cash-based interventions at the global level.**

*UNHCR accepted recommendation 3 and stated that it would develop an action plan for assessment of risks pertaining to the implementation of cash-based interventions. The process would be facilitated by the Chief Risk Officer, building on the recently adopted framework for risk management in UNHCR. Recommendation 3 remains open pending receipt of the action plan for the identification and assessment of risks pertaining to cash-based interventions at the global level.*

## **B. Regulatory framework**

### More guidance should be provided to field operations on financial and administrative procedures related to cash-based interventions

26. The Operational Guidelines for Cash-Based Interventions in Displacement Settings encourage the use of electronic payment systems, such as pre-paid debit cards, smart cards, mobile money transfer systems and electronic vouchers, that have the potential to provide more efficient and reliable delivery systems, as compared to traditional arrangements for delivering cash assistance. For these arrangements to be successful, it is necessary that appropriate financial and administrative procedures are established that set out the roles and responsibilities of both UNHCR and the financial services providers and that regulate the accounting and payment related issues. Adequate guidelines should also be established for the identification, selection and contracting of financial service providers. Further, UNHCR has established a chart of accounts and expenditures need to be charged to the applicable account code found on this chart. The account code should be the one most closely related to the transaction in question.

27. At the UNHCR Representations in Egypt and Lebanon, the respective Programme Sections lacked adequate guidance with regard to the accounts to which CBI transactions should be posted. As a result, vouchers for 2014 with a total value of \$10.6 million reviewed by OIOS were posted to incorrect accounts. Although they were reversed by the Representations upon advice received from the Division of Financial and Administrative Management (DFAM), the large number and the financial value of the mispostings raised concern about lack of effective guidance on the subject. Unless expenditures are correctly coded and accounted for, UNHCR will not be able to report accurately on its expenditures.

28. Furthermore, specific procedures on the identification, selection and contracting of financial service providers for CBI purposes were not in place, and some UNHCR operations were yet to sign contracts with their financial service providers. Although field offices relied on UNHCR procurement rules, the CBI implementation modality was new in the organization and technical requirements, such as the number and geographical locations of auto-teller machines, data protection ability of the financial service providers and other requirements, had not yet been made clear to the field operations. Field offices lacked guidance on parameters to use when selecting suitable financial service providers, and faced challenges in assessing and managing these providers in the absence of standard information that each financial service provider was expected to provide in response to requests for proposals.

29. In Iraq, the Representation did not sign a contract with the concerned bank and, as a result, the bank had no instructions for procedures that it needed to follow before, during and after the cash distribution. The impact of this was that there were disagreements between UNHCR and the bank with regard to the accuracy of the list of beneficiaries. Besides, the Representation's expectations with regard to the supply of bank statements by the bank every two weeks were not aligned with the bank's ability to produce such statements for 16 different branches. In Lebanon, adequate action was not taken on beneficiary bank accounts which had no withdrawals for a few months, although the agreement stated that amounts on accounts with no activity would be reimbursed to UNHCR. From the 2013/2014 winterization programme an amount of \$504,000 was left unused on beneficiary bank accounts.



30. The above deficiencies were due to lack of guidelines to field operations on financial and administrative matters regarding CBI, which were still in draft form at the time of this audit. The absence of detailed guidelines made it difficult for Representations to: a) post CBI transactions to appropriate codes; b) implement appropriate procedures for working with financial service providers; and c) select viable financial services providers.

**(4) The UNHCR Division of Financial and Administrative Management, in consultation with the Division of Programme Support and Management and other relevant Divisions and Services, should issue guidance on financial and administrative procedures related to cash-based interventions. These should include instructions on technical requirements and criteria for selecting financial service providers, delineation of roles and responsibilities of both UNHCR and the service providers, as well as clear guidance to field offices on the accounting codes to use on cash-based interventions.**

*UNHCR accepted recommendation 4 and stated that DFAM was preparing an Administrative Instruction on the Finance Procedures for CBI, which were under review by DPSM and other relevant Divisions and Services. It included guidance on the issues highlighted in the recommendation. Recommendation 4 remains open pending receipt of the finalized Administrative Instruction on the financial and administrative procedures related to cash-based interventions.*

There was a need to improve vulnerability criteria and targeting methodologies for more effective cash-based assistance to be rendered to populations of concern

31. The UNHCR 2013 publication on ‘The introduction to cash-based interventions in UNHCR operations’, requires that cash-based interventions should target assistance based on socio-economic vulnerability of the household. An appropriate targeting strategy and criteria depends on the programme objective, operating context, and the phase of the refugee assistance. The criteria for assessing the vulnerability of the population of concern needs to be comprehensive, clear and non-contradictory, and linked to objectives of the cash-based initiatives, in order to minimize exclusion and inclusion errors. Commonly adopted criteria include: (a) socio-demographic characteristics such as age, gender or diversity, and marital status; (b) economic status determined by income, expenditures, or household assets; and (c) other risk factors or vulnerability criteria such as nutritional status, disability or chronic illness, household size, and dependency ratios.

32. In Egypt, it was not clear whether vulnerability criteria were directly linked to the negative coping mechanisms that CBI aimed to reduce. A total of 11 out of 26 randomly selected beneficiaries OIOS spoke to in Damietta and Alexandria indicated that sometimes they resorted to negative coping mechanisms such as child labour or begging, which, apart from inadequate financial resources, could be a result of lack of comprehensive, objective-oriented criteria for selecting beneficiaries.

33. In Zambia, six criteria were used as follows: unaccompanied and/or separated children; persons with disability; elderly persons of 60 years of age and above; new arrivals; terminally ill; and temporary vulnerability. However, the blanket inclusion of all new arrivals, on the basis that all new arrivals are in need of support, may have resulted in some exclusion errors. No-shows ranged from 11 to 24 per cent (28 per cent in May 2014, 35 per cent in June 2014 and 40 per cent in August 2014). Apart from this, in November 2014, 1,200 beneficiaries that were not supposed to be on the list were included due to inadequate targeting methodologies, all of whom turned out to be no-shows. OIOS discussions with ten randomly selected beneficiaries showed that beneficiaries with serious medical conditions, who were not included on the list of beneficiaries to accommodate new arrivals, could have utilized the unclaimed cash that was re-banked on a monthly basis. Upon inquiry, OIOS was informed that some of the new arrivals

at Mayukwayukwa Camp reported to the camp as a mere formality, and subsequently returned to the capital city, Lusaka (500 km away) where they chose to stay. There was reasonable doubt as to their eligibility for cash assistance. If the Representation had assessed the vulnerability of the new arrivals, only those truly deserving could have been selected for cash assistance. This could have allowed the Representation to accommodate other deserving cases.

34. In Lebanon, the socio-economic assessment was also lacking to ensure the selection of those in most need of assistance based on clear socio-economic criteria. The reason was that the household questionnaire had not yet been finalized. UNHCR did not also have an established scoring to rank beneficiaries and identify the most vulnerable for inclusion. The current cases assisted were either included because they fitted the so called 'bio-index' or were included based on protection vulnerability assessment in the field offices based on household visits. The Representation had included 30 per cent of the 23,000 households without conducting household visits, which were meant to assess the socio-economic vulnerability. However, the criteria of the bio-index did not necessarily mean socio-economic vulnerability. OIOS understood that this approach was necessary in situations where home-visits were not logistically possible due to a high influx.

35. The cause for the inclusion/exclusion errors was that UNHCR was yet to finalize organization-wide targeting strategies for the identification and assessment of beneficiaries. A Targeting Task Force had been created in DPSM in 2014, but there were no clear deadlines for finalizing its work. The absence of comprehensive targeting strategies could lead to the inclusion of undeserving CBI beneficiaries at the expense of vulnerable populations.

**(5) The UNHCR Division of Programme Support and Management, in coordination with the Division of International Protection, and in consultation with other Divisions and Bureaux, should develop guidance for targeting of multi-purpose cash grants to meet basic needs on the basis of socio-economic vulnerability of affected populations.**

*UNHCR accepted recommendation 5 and stated that it had established a Task Force on targeting, with DPSM acting as chair, to provide an overall framework for work on targeting, guide the development of systems, tools and guidance, provide field support, coordinate research and analysis and strengthen strategic partnerships. The Task Force's draft terms of reference included the development of operational guidance. UNHCR added that the operational guidance on targeting for multi-purpose cash grants must be adapted to the operational context and objectives of the CBIs. Recommendation 5 remains open pending receipt of guidance on targeting of multi-purpose cash grants intended to meet basic needs based on the socio-economic vulnerability of affected populations.*

#### Standard operating procedures for cash-based interventions needed to be in place in all countries

36. The Operational Guidelines for Cash-Based Interventions in Displacement Settings state that UNHCR country offices need to develop comprehensive Standard Operating Procedures (SOP) as a prerequisite for effective implementation of CBI programmes. Annex 1 to the Operational Guidelines contains a template for country-level SOPs for cash-based interventions.

37. In 2014, fifty country operations implemented CBI programmes mostly in collaboration with a United Nations agency. UNHCR prepared its own SOPs in only 12 of those country operations, while the rest used SOPs of the United Nations agency. Of these 12 countries, only Egypt, Lebanon, Jordan, Iraq, Burundi, Niger and Zambia had SOPs with the basic information that was expected to be contained in such SOPs. The review observed the following shortcomings in the quality of the SOPs:

- In Ukraine, the Representation had a sequence of activities it routinely adhered to when processing cash assistance, but it was yet to document these in standard operating procedures.
- In Egypt, a review of the SOP prepared by a partner showed that much of what the partner did in practice when implementing the CBI programme for UNHCR was not documented. For example, the existing SOP did not reflect the procedures for assisting refugees without a residency permit. OIOS was informed that such refugees were indeed assisted.
- In Indonesia, while the SOP was prepared, it did not adequately address aspects such as: (i) procedures for the reconciliation of the partner's beneficiary list with the list of eligible beneficiaries kept by the Representation; (ii) procedures for the verification of the signature of the beneficiary receiving allowance with the specimen signature on file; and (iii) procedures for the periodic assessments of the impact of the provision of monthly subsistence allowance.
- In Iraq, the preparation of SOPs was not harmonized for the whole country. The north prepared its own SOPs for the Kurdistan region whereas the centre prepared separate SOPs for the Central region of Iraq. This was because UNHCR operations in the North and the Central region worked semi-autonomously whereas partners were common across both regions. Furthermore these SOPs were not shared with the partner implementing the CBI programmes in all the regions.
- In Lebanon, SOPs lacked procedures for segregation of duties. The Representation had given excessive responsibilities to some of its data management staff who were in control of the target beneficiary listings and keeping the bank cards and pins. Besides, the Representation lacked evidence of approvals, either by programme or other functions, for additions to beneficiary listings that came from field offices.

38. The absence of comprehensive standard operating procedures could result in inadequate arrangements for the delivery of cash assistance in field operations. This situation occurred because the CBI Section was only fully set up at the beginning of 2015 and, therefore, it lacked capacity in 2014 to adequately assist country operations with the preparation of comprehensive SOPs.

**(6) The UNHCR Division of Programme Support and Management, in cooperation with the Division of Financial and Administrative Management and Regional Bureaux, should put in place a mechanism to ensure that standard operating procedures are established by country operations implementing cash-based intervention programmes and that those standard operating procedures are reviewed and cleared to ensure that the minimum requirements and relevant procedures contained in the prescribed template are not omitted.**

*UNHCR accepted recommendation 6 and stated that the Operational Guidelines for Cash-Based Interventions in Displacement Settings called for field operations to establish country-level standard operating procedures and provide a template for this purpose. The Administrative Instruction on finance procedures for the implementation of CBIs would include the requirement for field offices to establish local SOPs and to obtain clearance for these SOPs from DPSM and DFAM. Recommendation 6 remains open pending receipt of the Administrative Instruction containing a requirement for field offices to establish local standard operating procedures and to clear them with DPSM and DFAM.*

#### IV. ACKNOWLEDGEMENT

39. 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) David Kanja  
Assistant Secretary-General for Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the arrangements for cash-based interventions in the Office of the United Nations High Commissioner for Refugees

Recom. no.	Recommendation	Critical <sup>2</sup> / Important <sup>3</sup>	C/ O <sup>4</sup>	Actions needed to close recommendation	Implementation date <sup>5</sup>
1	The UNHCR Division of Programme Support and Management, in consultation with other Divisions and Regional Bureaux, should develop an action plan for finalizing a strategy, including a business model, objectives and goals, as well as associated timelines and deliverables, for institutionalizing cash-based interventions in UNHCR.	Important	O	Submission to OIOS of the approved strategic plan, including a business model, objectives and goals, as well as associated timelines and deliverables, for institutionalizing cash-based interventions.	31 December 2015
2	The UNHCR Division of Programme Support and Management should further develop modalities of cooperation with United Nations agencies and non-governmental organizations on cash-based interventions, in particular in terms of common arrangements for working together with such agencies at the country level. The Division should also provide guidance and support to country operations for them to agree on modalities of cooperation and coordination with partners to minimize the risk of duplication of cash assistance rendered to beneficiaries.	Important	O	Submission to OIOS of: (i) a sample of the tools developed, and evidence of their use, to facilitate cooperation with United Nations and international non-governmental organization partners on multi-purpose cash grants; as well as (ii) evidence of the modalities developed to minimize the risk of duplication of cash assistance.	30 September 2016
3	The UNHCR Division of Programme Support and Management, in coordination with the Division of Financial and Administrative Management, the Division of International Protection and the Division of Emergency, Security and Supply, should develop an action plan for the identification and assessment of risks pertaining to cash-based	Important	O	Submission to OIOS of an action plan for the identification and assessment of risks pertaining to cash-based interventions at the global level.	30 September 2016

<sup>2</sup> 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.

<sup>3</sup> 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.

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

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

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the arrangements for cash-based interventions in the Office of the United Nations High Commissioner for Refugees

Recom. no.	Recommendation	Critical <sup>2</sup> / Important <sup>3</sup>	C/ O <sup>4</sup>	Actions needed to close recommendation	Implementation date <sup>5</sup>
	interventions at the global level.				
4	The UNHCR Division of Financial and Administrative Management, in consultation with the Division of Programme Support and Management and other relevant Divisions and Services, should issue guidance on financial and administrative procedures related to cash-based interventions. These should include instructions on technical requirements and criteria for selecting financial service providers, delineation of roles and responsibilities of both UNHCR and the service providers, as well as clear guidance to field offices on the accounting codes to use on cash-based interventions.	Important	O	Submission to OIOS of the finalized Administrative Instruction on the financial and administrative procedures related to cash-based interventions.	31 December 2015
5	The UNHCR Division of Programme Support and Management, in coordination with the Division of International Protection, and in consultation with other Divisions and Bureaux, should develop guidance for targeting of multi-purpose cash grants to meet basic needs on the basis of socio-economic vulnerability of affected populations.	Important	O	Submission to OIOS of guidance on targeting of multi-purpose cash grants intended to meet basic needs based on the socio-economic vulnerability of affected populations.	31 December 2016
6	The UNHCR Division of Programme Support and Management, in cooperation with the Division of Financial and Administrative Management and Regional Bureaux, should put in place a mechanism to ensure that standard operating procedures are established by country operations implementing cash-based intervention programmes and that those standard operating procedures are reviewed and cleared to ensure that the minimum requirements and relevant procedures contained in the prescribed template are not omitted.	Important	O	Submission to OIOS of the Administrative Instruction containing a requirement for field offices to establish local standard operating procedures and to clear them with DPSM and DFAM.	31 March 2016

# **APPENDIX I**

## **Management Response**

## Management Response

## Audit of the arrangements for cash-based interventions in the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical <sup>6</sup> / Important <sup>7</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Division of Programme Support and Management, in consultation with other Divisions and Regional Bureaux, should develop an action plan for finalizing a strategy, including a business model, objectives and goals, as well as associated timelines and deliverables, for institutionalizing cash-based interventions in UNHCR.	Important	Yes	Director, DPSM	Q4 2015	The Division of Programme Support & Management (DPSM) has initiated development of the strategic plan for Cash-Based Interventions (CBI), which will be based upon an action plan agreed with the other Divisions and Regional Bureaux and will be under the overall guidance of UNHCR's senior management, The strategic plan and will incorporate the elements recommended by OIOS.
2	The UNHCR Division of Programme Support and Management should further develop modalities of cooperation with United Nations agencies and non-governmental organizations on cash-based interventions, in particular in terms of common arrangements for working together with such agencies at the country level. Further, the Division should provide guidance and support to country operations for them to agree on modalities of cooperation and coordination with partners to minimize the risk of duplication of cash assistance rendered to beneficiaries.	Important	Yes	Director, DPSM	Q3 2016	<p>UNHCR will continue to develop and strengthen modalities for cooperation with United Nations agencies and non-governmental organisations for CBIs.</p> <p>UNHCR already has developed certain arrangements with the concerned United Nations agency, presently the organisation's most important partner in this area, through a "Joint Plan on Cash &amp; Vouchers," which was agreed in 2011 and renewed in 2014, as well as through semi-annual High-Level Meetings between UNHCR and the agency.</p> <p>During 2014 and 2015, UNHCR has also developed or revised memoranda of understanding with major international NGO partners to include provisions for</p>

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

<sup>7</sup> Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

## Management Response

## Audit of the arrangements for cash-based interventions in the Office of the United Nations High Commissioner for Refugees

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						<p>cash-based interventions.</p> <p>UNHCR's new standard project partnership agreements, developed as part of the Enhanced Framework for Implementing with Partners and which are signed at country level with UNHCR implementing partners, also include specific provisions for CBIs.</p> <p>Through a grant, UNHCR and major UN and INGO partners are currently developing tools for joint assessments, delivery, and coordination for multi-purpose cash grants.</p> <p>UNHCR is reviewing the possibility of issuing supplemental operational guidance to support and facilitate the efforts of field operations to strengthen coordination and cooperation with partners and minimize the risks identified by OIOS.</p>
3	The UNHCR Division of Programme Support and Management, in coordination with the Division of Financial and Administrative Management, the Division of International Protection and the Division of Emergency, Security and Supply, should develop an action plan for the identification and assessment of risks pertaining to cash-based interventions at the global level.	Important	Yes	Director, DPSM	Q3 2016	UNHCR will develop an action plan for assessment of risks pertaining to the implementation of cash-based interventions. The process will be facilitated by the Chief Risk Officer, building on the recently adopted framework for risk management in the organization.
4	The UNHCR Division of Financial and Administrative Management, in consultation with the Division of Programme Support and Management and	Important	Yes	Controller	Q4 2015	The Division of Financial and Administrative Management (DFAM) is preparing Administrative Instructions (AI) on the Finance Procedures for CBI, which



## Management Response

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	other relevant Divisions and Services, should issue guidance on financial and administrative procedures related to cash-based interventions. These should include instructions on technical requirements and criteria for selecting financial service providers, delineation of roles and responsibilities of both UNHCR and the service providers, as well as clear guidance to field offices on the accounting codes to use on cash-based interventions.					are under review by DPSM and other relevant Division and Services. The draft AI includes guidance on the issues highlighted in the recommendation.
5	The UNHCR Division of Programme Support and Management, in coordination with the Division of International Protection, and in consultation with other Divisions and Bureaux, should develop guidance for targeting of multi-purpose cash grants to meet basic needs on the basis of socio-economic vulnerability of affected populations.	Important	Yes	Director, DPSM	Q4 2016	<p>UNHCR has established a Task Force on targeting, with DPSM acting as chair, to provide an overall framework for work on targeting, guide the development of systems, tools and guidance, provide field support, coordinate research and analysis and strengthen strategic partnerships. The Task Force's draft terms of reference include the development of operational guidance and documenting good practices and lessons learned on targeting.</p> <p>UNHCR note that the operational guidance on targeting for multi-purpose cash grants must be adapted to the operational context and objectives of the CBIs, making it impossible to formulate generic or pre-determined targeting criteria to be applied on "one size fits all" basis.</p> <p>Where the objective of the CBI is to meet the basic needs of the most socio-economically vulnerable, for example, UNHCR may assess this through proxy</p>

## Management Response

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						indicators, such as expenditure, assets, gaps as compared to Minimum Expenditure Basket, use of negative coping strategies, etc. In contrast, targeting for CBI to promote sustainable livelihoods will be based upon the skills, capacities of the individual and his or her potential to be required to benefit from the programme objectives.
6	The UNHCR Division of Programme Support and Management, in cooperation with the Division of Financial and Administrative Management and Regional Bureaux, should put in place a mechanism to ensure that standard operating procedures are established by country operations implementing cash-based intervention programmes and that those standard operating procedures are reviewed and cleared to ensure that the minimum requirements and relevant procedures contained in the prescribed template are not omitted.	Important	Yes	Controller	Q1 2016	<p>UNHCR's <i>Operational Guidelines for Cash-Based Interventions in Displacement Settings</i> call for field operations to establish country-level standard operating procedures (SOPs) and provide a template for this purpose.</p> <p>As noted in response to Recommendation 3, DFAM is preparing an AI on finance procedures for the implementation of CBIs. The draft AI includes the requirement for field offices to establish local standard operating procedures (SOPs) and to obtain clearance for these SOPs from DPSM and DFAM, which would be applied as soon as the administrative instruction has been issued.</p>