



INTERNAL AUDIT DIVISION

REPORT 2015/142

Audit of the operations in the Central African Republic for the Office of the United Nations High Commissioner for Refugees

Overall results relating to effective management of the operations in the Central African Republic were initially assessed as partially satisfactory. Implementation of six important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

24 November 2015

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AUDIT REPORT

Audit of the operations in the Central African Republic 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 the Central African Republic (CAR) for the Office of the United Nations High Commissioner for Refugees (UNHCR).

2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.

3. The UNHCR Representation in CAR (hereinafter referred to as ‘the Representation’) was established in 1986. Since December 2013, approximately 25 per cent of the population of CAR of 4.5 million has been displaced by the conflict in the country. From March 2014 to March 2015, the Representation operated under the highest level of crisis response status (level three emergency), as declared by the United Nations Emergency Relief Coordinator. In May 2015, the Representation was assisting 426,238 Internally Displaced Persons (IDPs) and 7,367 refugees and asylum-seekers. The refugees were residing in two camps and the IDPs were scattered over the country with most of them residing in over 100 unofficial sites. The Representation’s role in this emergency IDP programme was governed by the cluster approach, which is the international humanitarian coordination system in such situations. The Representation’s strategic priorities in its Country Operation Plan for 2015 were based on its leading role in the following three clusters: protection; non-food items and shelter; and camp coordination.

4. In 2013, all UNHCR offices in CAR were looted due to violence in the country. From December 2013, the Representation re-established its presence and opened new offices in seven locations. The Representation had a Country Office in Bangui, a Sub Office in Bouar, and five Field Offices in Kaga-Bandoro, Bambari, Bossangoa, Zemio and Paoua. It was headed by a Representative at the D-1 level. In May 2015, the Representation had 84 posts and 57 staff on temporary assistance. The Representation had total expenditure of \$30.9 million in 2014 and an initial authorized budget for 2015 of \$29.6 million. The Representation worked with 15 partners in 2014 and 11 in 2015. These partners implemented 62 per cent of the Representation’s programme-related expenditures.

5. Comments provided by UNHCR are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNHCR governance, risk management and control processes in providing reasonable assurance regarding the **effective management of UNHCR operations in CAR**.

7. The audit was included in the OIOS 2015 risk-based internal audit work plan for UNHCR due to risks related to the growth of the operations in CAR caused by the conflict in the country.

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

(a) **Strategic planning** - controls that provide reasonable assurance that the Representation's strategic planning for its programme and protection activities is implemented in alignment with the UNHCR global strategic priorities.

(b) **Project management** - controls that provide reasonable assurance that there is proper planning and implementation as well as accurate and complete monitoring and reporting of the Representation's project activities.

(c) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the management of the operations in CAR; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

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

10. OIOS conducted the audit from April to July 2015. The audit covered the period from 1 January 2014 to 28 February 2015. The audit team visited four UNHCR offices in CAR (Bangui, Bossangoa, Bambari and Paoua), two IDP settlements and one refugee camp.

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

13. The Representation prepared its Country Operations Plan, contingency plan and protection strategy in line with UNHCR requirements. However, there was a need for the Representation to: (a) review its staffing structure in line with its programme objectives; (b) strengthen controls over procurement entrusted to partners; (c) develop a coordinated system of performance monitoring by a multi-functional team; (d) strengthen monitoring of the distribution of non-food items; (e) improve controls over vendor and procurement management; and (f) strengthen oversight over the management of assets.

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

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

Table 1
Assessment of key controls

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

A. Strategic planning

The Representation prepared its Country Operations Plan, contingency plan and protection strategy in line with relevant requirements

15. UNHCR rules require the Representation to prepare a Country Operations Plan aligned with the UNHCR global strategic priorities and based on an assessment of the needs of the population of concern by following a participatory assessment approach. The rules also require the Representation to develop a contingency plan for emergency operations and a protection strategy. The Representation prepared a Country Operations Plan that was aligned with the UNHCR global strategic priorities and based on an assessment of the needs of the population of concern that followed a participatory assessment approach. It also developed a contingency plan for the emergency and a protection strategy.

The Representation's staffing structure needed to be reviewed in line with programme objectives

16. The UNHCR Results Framework requires the Representation to link its programme objectives to the financial and human resources required for implementation. In accordance with the UNHCR Manual, the Representation can hire staff on temporary assistance to cover the immediate need for local staff in emergency situations. According to the UNHCR Manual, the Representation can include local temporary staff in the administrative budget for up to six months after which normal staff positions should be created and approval from the UNHCR Budget Committee obtained. The UNHCR Manual also stipulates that under no circumstances shall the continuous period of temporary appointment exceed 729 days.

17. The Representation had 57 general service staff who had been on temporary contracts from January 2014; this number represents 58 per cent of the total number of general service staff. The Budget Committee had approved these positions for 10 months. However, there was no subsequent approval for continuation of the temporary assistance staff beyond these 10 months, and regular staff posts were also not established. In the five Field Offices, 29 of the 44 general service staff were on temporary contracts. In some areas, the Representation also lacked a clear link between its programme objectives and the human resources required to implement them. For example:

- There was no supply staff in the Field Offices although each of the offices had responsibilities for supply matters, such as the management of warehouses and fuel.

- There were no programme staff in the Field Offices, except in Field Office Paoua, which were implementing and monitoring the bulk of the UNHCR programme in CAR.
- Field Office Bossangoa had 11 staff although it had no programme activities to implement in 2015. The office explained that its main role was cluster coordination with other agencies in the area; however, a clear link between such activities and the related human resources required was missing.

18. The main reason for the above shortcomings was that the Representation had not adequately prioritized the assessment of its human resources requirements due to the ongoing insecurity and emergency situation in the country. In March 2015, it submitted requests for new regular general service staff positions as part of the Country Operations Plan 2016, but was told by the Bureau for Africa that due to funding constraints in UNHCR, new staff positions could not be granted. As a result, the Representation was at risk of losing the experience and expertise of its temporary staff, which would adversely affect the continuity of the operations. By the end of 2015, staff on temporary assistance who have been deployed in the operation since January 2014 will have reached their maximum allowable contract duration of 729 days, after which temporary contracts can no longer be extended.

(1) The UNHCR Representation in the Central African Republic, in cooperation with the Bureau for Africa and other relevant Divisions at UNHCR headquarters, should prioritize the assessment of its staffing requirements by clearly linking programme objectives to human resources required for all its offices, and limit the continued hiring of staff on temporary assistance without appropriate approvals.

UNHCR accepted recommendation 1 and stated that the Representation requested an increase of the staffing budget. This request reflected the operational requirements in Bangui and field locations and would allow the creation of the majority of national positions required to support the programme. The request also outlined the reasons for the creation of national positions as well as changes in some of the international positions. The Bureau for Africa undertook a desk review of the initial proposal submitted by the Representation. Final discussions on certain positions were ongoing. The review was being finalized and the proposed discontinuation/creation of positions would be submitted to the Bureau Director and Budget Committee immediately after finalization of the review. Recommendation 1 remains open pending receipt of evidence of approval of the staffing proposal that links programme objectives and human resources requirements and eliminates the need for staff on temporary assistance.

B. Project management

Controls over procurement entrusted to partners required strengthening

19. The UNHCR Policy and Procedures on Procurement by Partners with UNHCR Funds require the Representation to conduct an assessment of the adequacy of the partners' capacity to procure before designating procurement authority to them. All such partners should also be pre-qualified by the UNHCR Procurement and Contract Management Service to undertake large procurement activities in excess of \$100,000 per year. The Representation should further monitor procurement activities undertaken by partners to ensure compliance with relevant procurement rules and procedures.

20. In 2014, the Representation entrusted procurement to 11 partners, in excess of \$100,000 each, with a cumulative procurement value of more than \$5.1 million. Six of the 11 partners were pre-qualified to undertake procurement for UNHCR. The total value of procurement entrusted to those not pre-qualified was \$1.9 million. The Representation also did not undertake an assessment of the adequacy of

the partners' capacity to conduct effective and efficient procurement using UNHCR funds. In addition, although there was evidence in the partner financial monitoring reports that the Representation was monitoring the procurement undertaken by the partners, the extent of the work of the financial verification team in this regard could not be fully established because the relevant supporting records were not systematically kept on file.

21. As a consequence, the Representation was exposed to the risk of not obtaining value for money for the procurement entrusted to its partners using UNHCR funds. The main reason for these shortcomings was that the Representation's management had not enforced compliance with UNHCR rules on procurement by partners.

(2) The UNHCR Representation in the Central African Republic should put in place arrangements for ensuring that the procurement capacity and pre-qualification status of partners are assessed before entrusting procurement to them and that the partners' procurement activities are systematically reviewed and documented as part of the financial monitoring activities.

UNHCR accepted recommendation 2 and stated that the Representation would remind all partners of the necessity to request for pre-qualification. The Representation would also take pre-qualification into account during the ongoing partner selection process. Supply staff would monitor procurement procedures of partners during the implementation and provide support/training on procurement regulations and rules. Training sessions were held on 21 and 22 July 2015 for partners and UNHCR staff to enhance the capacity of partners. Recommendation 2 remains open pending receipt of evidence that: (a) for the 2016 projects, the assessment of partners' procurement capacity and ability to add value for money to UNHCR has been undertaken prior to entrusting procurement to partners; and (b) the partners' compliance with procurement rules and procedures as part of the 2015 projects has been regularly and systematically reviewed.

There was a need to develop a coordinated system of performance monitoring by a multi-functional team

22. The UNHCR Manual requires the Representation to monitor project activities implemented by partners. Monitoring in the UNHCR rules refers to ongoing review of operations by a multi-functional team to track whether protection and solution activities are having the desired impact and are proceeding according to plan and targets. As per the UNHCR Manual, the Representation's approval of each partner's quarterly report means that the Representation accepts both the expenditures incurred by the partner using UNHCR funds and the project activities implemented by the partner.

23. In terms of financial monitoring of partners, the Representation had implemented a plan of financial verification visits, prepared financial monitoring reports and implemented a system of following up on recommendations raised in its financial monitoring reports. However, although the Representation had assessed the overall programme performance against targets in the mid-year and annual reviews, its performance monitoring activities related to each project and partner needed improvement as follows:

- The Field Offices reported weekly through situation reports, but these reports did not systematically identify the partners involved in project implementation or assess whether partners were achieving agreed targets.
- The Representation had not established a multi-functional monitoring team to be responsible for performance monitoring of project activities and reporting on them.

- The performance monitoring conducted was not consistently linked to the quarterly approval of the partner reports. For example, the Country Office in Bangui was approving the quarterly reports of each partner without first ensuring that the project performance of the same partner had been verified by all offices in the country.

24. The main reason for the above shortcomings was that the Representation had not adequately planned and coordinated the monitoring activities between staff in all sections and locations involved in performance monitoring. Consequently, there was a risk that the Representation's performance monitoring activities did not identify areas where partners' performance was lacking and needed to be strengthened for the maximum benefit of the persons of concern.

(3) The UNHCR Representation in the Central African Republic should develop a coordinated system of performance monitoring by a multi-functional team, while ensuring that: (a) the timing and location of monitoring activities are linked to the approval of the partners' quarterly reports; and (b) monitoring reports adequately assess the reported partner performance against established targets.

UNHCR accepted recommendation 3 and stated that the Representation had set up a Multifunctional Team (MFT) with clear terms of reference. Standard operating procedures for the MFT had been developed in collaboration with various sections to guide subsequent performance monitoring missions. Of the four MFT visits planned for this year, two monitoring missions were conducted. Future releases of instalment to partners would be subject to MFT clearance. In that regard, MFT missions would be conducted regularly to the field prior to the disbursement of the next instalments, security allowing. This would enable an adequate and effective assessment of the reported partner performance against established targets. Recommendation 3 remains open pending receipt of: (a) the performance monitoring plan together with evidence that monitoring activities are linked to the approval of the partners' quarterly reports; and (b) sample monitoring reports showing that performance reported by partners is now systematically assessed against established targets.

Monitoring of the distribution of non-food items required strengthening

25. According to the UNHCR Handbook for Emergencies and the UNHCR Handbook for Commodity Distribution, monitoring of the non-food items (NFI) distribution system is an important management responsibility of UNHCR and consists of ongoing reviews to ensure that the planned number of people of concern receive the specified quantities of NFIs. UNHCR rules further require the Representation to perform a physical verification of inventories in all warehouses to ensure that physical stock balances are correctly reported in Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system.

26. The Representation distributed NFIs, including shelter materials, valued at \$3.2 million, both through direct implementation and through six partners. It had a process in place to identify beneficiaries for NFI distributions. However, the audit observed the following weaknesses:

- There was no link between some of the issuances of NFIs from the warehouses to the individual distribution reports. OIOS reconciled the quantities of items issued and distributed from 1 January 2014 to 28 February 2015 and observed differences totalling \$67,000 that could not be explained. The warehouse issuances were higher than the reported distributed items.
- The Representation lacked documentation evidencing that it had conducted regular monitoring of NFI distributions to ensure that all items reached the intended beneficiaries.

- The Representation had not followed up on items left over after each distribution to ensure that these would reach intended beneficiaries at a later stage. Some partners did not report on the level of left over items. Regarding those who did report the number of NFI items left over, there was no audit trail to identify what had subsequently happened to those items.
- Even though all field offices had a warehouse, the Representation had not recorded any of these warehouses in the MSRP inventory records. Therefore, NFIs with an estimated aggregated value of \$350,000 were not recorded as inventories. Instead, they were recorded as distributed.

27. The main reason for these control deficiencies was that the Representation had not put in place adequate procedures for monitoring NFI distributions, including clear assignment of responsibilities to its programme, supply and NFI/shelter cluster staff. As a result, there was a risk that the NFIs did not systematically reach the intended beneficiaries.

(4) The UNHCR Representation in the Central African Republic should develop and implement local procedures, which define the assignment of responsibilities between staff, for monitoring non-food item distributions.

UNHCR accepted recommendation 4 and stated that standard operating procedures for NFI distribution were developed for implementation in July 2015. Distribution reports for NFIs were checked as part of the verification exercises. The Supply Unit would ensure effective monitoring of stocks in collaboration with field offices and the logistics partner. The Representation had also finalized and shared a monitoring tool with respective UNHCR field offices and relevant parties to ensure effective NFI distribution monitoring under the responsibility of the Camp Coordination and Management shelter cluster. Recommendation 4 remains open pending receipt of evidence of the implementation of monitoring procedures for NFI distributions which ensure that: NFI items reach the intended beneficiaries; items issued and distributed are reconciled; left over items are tracked; and NFI inventories are properly recorded in MSRP.

C. Regulatory framework

Controls over vendor and procurement management needed to be improved

28. UNHCR procurement rules and procedures require the Representation to prepare an annual purchasing plan, which includes estimates of all goods and services to be procured. Competitive bidding for procurement should be applied and the Local Committee on Contracts should be in place to review all contracts equal to or greater than \$20,000 to ensure effective implementation of procurement procedures. The Representation is further required to: (a) pre-qualify vendors and record them in the vendor database, (b) evaluate vendors' performance, and (c) set up a Vendor Review Committee to facilitate the implementation of the vendor management process.

29. The Representation's vendor database included 522 approved vendors. Because of the absence of vendor files containing key documents and vendor evaluation checklists, it was not clear how the Representation had vetted these vendors and whether it had evaluated the performance of the vendors since their inclusion in the database. In addition, the Representation estimated that approximately two thirds of the 522 vendors were no longer active due to the difficult operational situation in CAR. The Vendor Review Committee was not established until 23 September 2014 and it had met only once since that date. The work to update the vendor database started in April 2015, but there was no document indicating the overall plan and milestones for completing the task.

30. The Representation's annual purchasing plan was prepared for 2014; but it only included the purchase of goods from the administration budget. Therefore, it did not include planned procurement for programme purposes. Also, a review of 48 purchase orders (with a value of \$3.8 million) showed weaknesses in 19 purchase orders (with a value of \$1.3 million), as follows:

- The Representation did not submit seven purchase orders totaling \$0.2 million to the Local Committee on Contracts for its prior approval.
- The deadline for submission of offers was less than four weeks for 12 purchase orders totaling \$1.1 million. The actual deadlines for submission of offers ranged from 7 to 17 days, as opposed to the recommended four to eight weeks.

31. The Representation explained that its procurement activities had been adversely affected by the emergency situation and the limitations of the local market for goods and services. However, the weaknesses observed by the audit were also due to incomplete procurement planning and ineffective review by the Local Committee on Contracts of contracts and associated procurement processes. These weaknesses increased the risk of financial losses, potential for fraud and not achieving value for money from procurement.

(5) The UNHCR Representation in the Central African Republic should develop: (a) an annual purchasing plan covering all procurement requirements; (b) procedures to ensure that contracts are submitted for review and approval of relevant Committees on Contracts before their conclusion; (c) an action plan to ensure completion of vendor vetting, registration and performance evaluation procedures.

UNHCR accepted recommendation 5 and stated that the Representation would request the various budget holders to submit their annual purchasing plan for the year 2016 in November 2015. The purchase plan for the last semester of 2015 had been consolidated by the Supply Unit. Long/short term contracts as well as purchase orders exceeding \$20,000 were being submitted to the Local Committee on Contracts and Headquarters Committee on Contracts respectively for review, depending on the threshold. Following the report of a consultant on market research, the vendor registration was updated. However, clean-up of the database was still in progress. Recommendation 5 remains open pending receipt of evidence that the procedures for vendor vetting, registration and performance evaluation have been implemented.

There were weaknesses in oversight over management of assets

32. In accordance with the UNHCR Policy and Procedures for Asset Management Boards, the Representation is required to establish a Local Asset Management Board to oversee the management of assets at the country level. The Representation should physically verify all Property, Plant and Equipment (PPE) and Serially Tracked Items (STIs) once a year and account for missing items. Regarding the accounting treatment of leasehold improvements, the Representation is required to submit every quarter the Construction/Improvement Status Report and copies of supporting documents to the Accounts and Financial Service at UNHCR headquarters so that leasehold improvements can be capitalized if all recognition criteria are met.

33. The Representation established a Local Asset Management Board; however, the Board was not active. It met only once during the audit period. This resulted in weaknesses in oversight over the management of assets, as demonstrated by the following instances of non-compliance with the asset management policies and procedures:

- Although the Representation conducted an annual physical verification of PPE (with a purchase value of \$4.6 million) in November 2014, the reconciliation with MSRP asset records was not completed until March 2015.
- The Representation did not submit the Construction/Improvement Status Report and copies of supporting documents to the Accounts and Financial Service on a quarterly basis. Expenditures amounting to \$227,000 were thus not capitalized affecting completeness of PPE reported.
- The Representation had not conducted an annual physical verification of STIs. Of the total 627 STIs in MSRP with a purchase value of \$1.0 million, only 69 had been physically verified during the period under review. Due to extensive looting and theft in UNHCR offices in CAR caused by violence in early 2013, 300 STIs acquired in or before 2012 with a purchase value of \$444,836 were likely looted. Most of the STIs acquired since 2013 had not been barcoded and were not traceable. However, they still remained in the asset records and, without a comprehensive physical verification, the exact number of STIs present or missing could not be determined.

34. The above deficiencies were due to inadequate oversight over asset management and the inactivity of the Local Asset Management Board. The Representation indicated that because of the strong headquarters involvement in matters related to asset management in CAR, the role of its own management and that of the Asset Management Board was diminished. However, inadequate oversight over asset management at the local level exposed the Representation to a risk of loss of assets due to theft or damage and inability to account for missing assets.

(6) The UNHCR Representation in the Central African Republic should put in place appropriate management oversight arrangements to ensure that: (a) the Local Asset Management Board is reactivated; (b) the physical verification of Property, Plant and Equipment, including reconciliation with the asset records, is conducted in a timely manner; (c) all Serially Tracked Items are verified, bar-coded and registered; and (d) leasehold improvements are capitalized if all recognition criteria are met.

UNHCR accepted recommendation 6 and stated that the Representation reactivated the Local Asset Management Board. A session had been held and action taken on the disposal of PPE/STI. The physical verification of PPE/STI was carried out in all field offices as well as in Bangui. All items were verified and those without barcodes were barcoded. Recommendation 6 remains open pending receipt of evidence that: (a) any differences between verified and recorded STIs and the asset records for STIs have been accounted for; and (b) all leasehold improvements meeting the recognition criteria have been capitalized.

IV. ACKNOWLEDGEMENT

35. 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, Acting Head
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the operations in the Central African Republic for the Office of the United Nations High Commissioner for Refugees

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNHCR Representation in the Central African Republic, in cooperation with the Bureau for Africa and other relevant Divisions at UNHCR headquarters, should prioritize the assessment of its staffing requirements by clearly linking programme objectives to human resources required for all its offices, and limit the continued hiring of staff on temporary assistance without appropriate approvals.	Important	O	Submission to OIOS of documentary evidence of approval of the staffing proposal which should clearly link programme objectives and human resources requirements and eliminate the need for staff on temporary assistance.	31 December 2015
2	The UNHCR Representation in the Central African Republic should put in place arrangements for ensuring that the procurement capacity and pre-qualification status of partners are assessed before entrusting procurement to them and that the partners' procurement activities are systematically reviewed and documented as part of the financial monitoring activities.	Important	O	Submission to OIOS of evidence that: (a) for the 2016 projects, the assessment of partners' procurement capacity and ability to add value for money to UNHCR has been undertaken prior to entrusting procurement to partners; and (b) the partners' compliance with procurement rules and procedures as part of the 2015 projects has been regularly and systematically reviewed.	31 December 2015
3	The UNHCR Representation in the Central African Republic should develop a coordinated system of performance monitoring by a multi-functional team, while ensuring that: (a) the timing and location of monitoring activities are linked to the approval of the partners' quarterly reports; and (b) monitoring reports adequately assess the reported partner performance against established targets.	Important	O	Submission to OIOS of: (a) the performance monitoring plan together with evidence that monitoring activities are linked to the approval of the partners' quarterly reports; and (b) a sample of monitoring reports showing that performance reported by partners is now systematically assessed against established targets.	31 December 2015

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 the Central African Republic for the Office of the United Nations High Commissioner for Refugees

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
4	The UNHCR Representation in the Central African Republic should develop and implement local procedures, which define the assignment of responsibilities between staff, for monitoring non-food item distributions.	Important	O	Submission to OIOS of evidence of the implementation of monitoring procedures for NFI distributions which ensure that: NFI items reach the intended beneficiaries; items issued and distributed are reconciled; left over items are tracked; and NFI inventories are properly recorded in MSRP.	31 December 2015
5	The UNHCR Representation in the Central African Republic should develop: (a) an annual purchasing plan covering all procurement requirements; (b) procedures to ensure that contracts are submitted for review and approval of relevant Committees on Contracts before their conclusion; (c) an action plan to ensure completion of vendor vetting, registration and performance evaluation procedures.	Important	O	Submission to OIOS of evidence that the procedures for vendor vetting, registration and performance evaluation have been implemented.	31 December 2015
6	The UNHCR Representation in the Central African Republic should put in place appropriate management oversight arrangements to ensure that: (a) the Local Asset Management Board is re-activated; (b) the physical verification of Property, Plant and Equipment, including reconciliation with the asset records, is conducted in a timely manner; (c) all Serially Tracked Items are verified, bar-coded and registered; and (d) leasehold improvements are capitalized if all recognition criteria are met.	Important	O	Submission to OIOS of evidence that: (a) any differences between verified and recorded STIs and the asset records for STIs have been accounted for; and (b) all leasehold improvements meeting the recognition criteria have been capitalized.	31 December 2015

APPENDIX I

Management Response

Management Response

Audit of the operations in Central African Republic for the Office of the United Nations High Commissioner for Refugees

Para. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of Responsible individual	Implementation date	Client comments
1	The UNHCR Representation in Central African Republic, in cooperation with the Bureau for Africa and other relevant Divisions at UNHCR headquarters, should assess its staffing requirements by clearly linking programme objectives to human resources required for all its offices and limit the continued hiring of staff on temporary assistance without adequate approval.	Important	Yes	HQ and HCR-Bangui (Management/admin/HR)	December 2015	<p>The Representation has requested an increase of the staffing budget. This request reflects the operational requirements in Bangui and field locations and would allow the creation of the majority of national positions required to support the programme. The request also outlines the reasons for the creation of national positions as well as changes in some of the international positions.</p> <p>The Bureau has undertaken a Desk review, based on the initial proposal submitted by the Representation. Final discussions on certain positions are ongoing. The review is being finalized and the proposed discontinuation /creation of positions will be submitted to the Bureau Director and Budget Committee immediately after finalization of the review.</p> <p>As soon as the positions are approved, staff on Temporary Appointments (TA) will be informed of the non-extension of their TA contracts as well as the opportunity to apply to the newly created Fixed Term Appointment (FTA) positions.</p>
2	The UNHCR Representation in the Central African Republic should put in place arrangements for ensuring that the procurement capacity and prequalification status of partners are assessed before entrusting procurement to them and that the partners procurement activities are	Important	Yes	Assistant Rep/Programme /Supply Units.	Ongoing	<p>The office will remind all partners of the necessity to request for pre-qualification and will take pre-qualification into account during the ongoing partner selection process. Partners that did not submit their request will be prompted to do so before signing of the 2016 sub-agreements.</p> <p>Supply colleagues will monitor procurement procedures of partners during the implementation and provide</p>

¹ 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.

² 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 operations in Central African Republic for the Office of the United Nations High Commissioner for Refugees

Para. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of Responsible individual	Implementation date	Client comments
	systematically reviewed and documented as part of financial monitoring activities.					<p>support/training on procurement rules and regulations.</p> <p>Training sessions were held on 21 and 22 July 2015 for partners and UNHCR staff from field offices to enhance capacity of partners.</p>
3	<p>The UNHCR Representation in Central African Republic should develop a coordinated system of performance monitoring by a multi-functional team, while ensuring that: (a) the timing and location of the monitoring activities are linked to the approval of the partners' quarterly reports; and (b) the monitoring reports adequately assess the reported partner Performance against established targets.</p>	Important	Yes	Assistant Rep (Ops)/Project control and Programme Units. (MFT)	Work in progress/ongoing	<p>The UNHCR Representation has set up a Multifunctional Team (MFT) with a clear Terms of Reference.</p> <p>Standard Operating Procedures for the MFT have been developed in collaboration with various sections to guide subsequent performance monitoring missions.</p> <p>Of the 4 MFT visits planned for this year, two monitoring missions were conducted: One to Kaga Bandoro and a second one to Bouar from 6th to 12th August 2015. A mission report highlighting the objectives, findings and recommendations was prepared.</p> <p>Three other missions to Bambari (6th-8th May 2015), Zemio (from 25th to 27th September 2015) and Paoua (14th to 18th September) were carried out by Project control and Programme .</p> <p>To balance out the lack of a full MFT participation, staff members of the concerned field locations representing different units were fully involved in the Programme/Project Control missions.</p> <p>Mission reports for Bambari and Zemio showing diverse staff including Protection were prepared.</p> <p>Releases of installment to partners will in future be subject to</p>

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						<p>a clearance by the MFT. In that regard, MFT missions will be conducted regularly to the field prior to the disbursement of the next installments, security allowing. This would enable an adequate and effective assessment of the reported partner performance against established targets.</p> <p>Field monitoring (including missions by Project control and Programme) enabled the Representation to assess the reported partners' performance against established targets. The observations made during the field monitoring missions will guide discussions with partners on their implementation capacity during the last quarter of 2015 and a possible review of the current partner agreements as well as decisions on 2016 partnerships.</p>
4	The UNHCR Representation in Central African Republic should develop and implement local procedures, which define the assignment of responsibilities between staff for monitoring Non Food Item distribution.	Important	Yes	Programme/Shelter cluster coordination and supply units.	October 2015	<p>Standard Operating Procedures for non-food items (NFI) distribution were developed for implementation in July 2015.</p> <p>Distribution reports for NFIs are checked as part of the verification exercises. Supply will ensure effective monitoring of the stock in collaboration with field offices and the logistics partner.</p> <p>The office has finalized and shared a monitoring tool with respective UNHCR field offices and relevant parties to ensure effective NFI distribution monitoring under the responsibility of the Camp Coordination and Management shelter cluster.</p>
5	The UNHCR Representation in the Central African Republic should develop: (i) an annual purchasing plan; (ii) procedures to ensure that contracts are submitted for review and approval	Important	Yes	Admin/Programme and Supply units.	End November 2015	Supply will request the various budget holders to submit their annual purchasing plan for the year 2016 during November 2015. The requirements will be consolidated and reviewed by the Deputy Representative in charge of Operations.

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	to the relevant Committees on Contracts before their conclusion; (iii) procedures to ensure adequate vendor vetting, registration and performance evaluation.					<p>The Purchase plan for the last semester of 2015 has been consolidated by the Supply unit.</p> <p>Long/short term contracts as well as Purchase Orders exceeding 20,000 US\$ are being submitted to the Local Committee on Contracts and Headquarters Committee on Contracts respectively for review, depending on the threshold.</p> <p>Following the report of the consultant on market research (engaged by UNICEF and UNHCR), the vendor registration was updated. However, cleanup of the database is still in progress.</p>
6	The UNHCR Representation in the Central African Republic should activate the Local Asset Management Board to oversee that: (i) the physical verification of Property, Plant and Equipment (PPE), including the reconciliation with the asset records, is conducted in a timely manner, (ii) leasehold improvements are capitalized if all recognition criteria are met, and (iii) the Serially Tracked Items (STIs) are bar-coded and registered in the asset records, physical verification of STIs is conducted once a year, and STIs are disposed of in a timely manner.	Important	Yes	Representative/ Supply unit.	October 2015	<p>The Representation re-activated the Local Asset Management Board. A session has been held and action has been taken on PPE/STI for disposal.</p> <p>The physical verification of PPE/STI was carried out in all field offices as well as in Bangui. All items were verified and those without barcodes were barcoded.</p>