



## INTERNAL AUDIT DIVISION

### REPORT 2016/052

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#### Audit of Office for the Coordination of Humanitarian Affairs Syria operations

Overall results relating to the effective management of the Office for the Coordination of Humanitarian Affairs Syria operations were initially assessed as partially satisfactory. Implementation of four important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

19 May 2016

Assignment No. AN2015/590/03

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# **AUDIT REPORT**

## **Audit of Office for the Coordination of Humanitarian Affairs Syria operations**

### **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Office for the Coordination of Humanitarian Affairs (OCHA) Syria operations.

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. OCHA operations in Syria commenced in mid-2011 when the crisis first started. In September 2012, the Emergency Relief Coordinator (ERC) declared the Syria crisis as an OCHA corporate emergency, triggering the start of OCHA emergency operations. In January 2013, the Inter-Agency Standing Committee (IASC) activated a Level 3 emergency, designating the Syria crisis a system-wide emergency of the highest priority. The inter-agency humanitarian response to the Syria crisis was based on two pillars, i.e., the response inside the country and the refugee response in the neighboring countries. The response was guided by the Syria Humanitarian Assistance Response Plan (2013 and 2014), the Strategic Response Plan for Syria for 2015, and the Regional Refugee and Resilience Plan for 2015-2016.

4. The Syria crisis has developed into one of the largest and most complex humanitarian crises in the world. As of September 2015, humanitarian actors estimated that 13.5 million people were in need of humanitarian assistance in Syria, including more than 6 million children. Humanitarian operations in Syria took place in a difficult, dangerous and challenging environment impacting safe and unhindered access of humanitarian personnel and the delivery of supplies and equipment to protect civilians and facilitate the delivery of humanitarian assistance.

5. Five OCHA offices, including the Regional Office for the Syria Crisis and the Country Offices, located in Syria, Jordan, Lebanon and Turkey were involved in the coordination of the humanitarian response to the Syria crisis. The offices in Syria and Turkey dealt exclusively with the response inside Syria, while those in Jordan and Lebanon supported responses in their respective countries as well as cross-border operations into Syria. The OCHA presence in the region has evolved with the deepening crisis.

6. The regional Syria emergency response fund (the Regional ERF) was established in 2012 by the ERC to help address the humanitarian situation in Syria and neighboring countries. It received about \$81 million as contributions from donors from 2012 to 2014 with total allocations of \$75.5 million made through mid-2014. The Regional ERF was replaced with four country-based pooled funds (CBPFs) in mid-2014. Table 1 provides a financial snapshot of the newly-established funds:

**Table 1: Funding and allocation status of new CBPFs (in \$ million) as of July 2015**

<b>Fund</b>	<b>Total Contributions</b>	<b>Total Allocations</b>	<b>Percentage Allocated</b>	<b>Number of Projects Funded</b>
Turkey	79.4	33.1	42	70
Syria	15.6	7.2	46	11
Jordan	5.7	1.0	18	4
Lebanon	7.6	1.7	22	8
<b>Total</b>	<b>\$108.3</b>	<b>43.0</b>		<b>93</b>

7. In addition to the Regional ERF and new CBPFs, about \$174 million from the Central Emergency Response Fund (CERF) was allocated to three countries from 2012 to 2015: Syria, \$108 million; Jordan, \$40.5 million; and Lebanon, \$25.5 million.

8. During the period 2013-2015, OCHA operations for Syria maintained a presence in the Regional Office in Jordan, and in field offices in Syria, Jordan, Lebanon and Turkey. The total cost plans for these offices amounted to \$66.1 million, which included funding for 166 posts: 66 professional and 100 general service staff members.

9. Comments provided by OCHA are incorporated in italics.

## **II. OBJECTIVE AND SCOPE**

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

11. The audit was included in the 2014 risk-based work plan of OIOS due to the risks that: (i) coordination of overall humanitarian activities in a complex emergency and insecure operational environment may not be effective; and (ii) project monitoring mechanisms to assure that funds were used for the intended purposes may not be adequate.

12. The key control tested for the audit was coordinated management. For the purpose of this audit, OIOS defined this key control as one that provides reasonable assurance that: (i) humanitarian needs for OCHA Syria operations are assessed taking into consideration the risk environment and the availability of various sources of funding at the disposal of humanitarian coordinators; (ii) coordinated programming of the humanitarian needs is undertaken with identification and allocation of necessary funding broken down into humanitarian response projects; (iii) implementation of the projects is regularly monitored to obtain assurance that the funds are used for the intended purpose; (iv) project performance, including financial performance, is monitored and reported on a timely basis; and (v) staff and other resources are managed to ensure effective support to the delivery of humanitarian response.

13. The key control was assessed for the control objectives shown in Table 2.

14. OIOS conducted this audit from June to September 2015. The audit covered the period from March 2012 to September 2015 and included the Syria Regional ERF, the new CBPFs and allocations from CERF. The audit reviewed programming, allocations and disbursements of funds, as well as monitoring, reporting and external auditing of completed projects. It also covered the monitoring and

other oversight activities of the CERF grant recipient organizations. The audit was carried out in OCHA offices in New York, Jordan and Turkey (Gaziantep).

15. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

### III. AUDIT RESULTS

16. The OCHA 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 OCHA Syria operations**. OIOS made seven recommendations to address the issues identified.

17. OCHA established coordination mechanisms in the affected countries that evolved over time. OIOS observed, however, that the appointment of the Regional Humanitarian Coordinator (RHC) at the Assistant-Secretary-General level was not in compliance with the United Nations Staff Regulations and Rules as the decision was not made by the Secretary-General. The effectiveness and capacity of the OCHA offices in coordinating the complex humanitarian assistance operations were significantly hampered by high vacancy rates in OCHA field offices. OCHA did not put in place, in collaboration with the Office of Human Resources Management, a strategy to apply special measures for its operations in accordance with the General Assembly resolution 46/182 of 1991. Furthermore, the initial administrative capacity of the OCHA response to the crisis was not commensurate with the complexity of the humanitarian emergency.

18. OCHA took action to: initiate recovery of funds from an implementing partner that were used for questionable expenditures; establish long-term agreements for conducting project audits of CBPFs; and clarify CERF accountability policies to ensure that CERF grant recipient organizations report periodically to resident/humanitarian coordinators on the status of grant implementation.

19. The initial overall rating was based on the assessment of the key control presented in Table 2. The final overall rating is **partially satisfactory** as implementation of four important recommendations remains in progress.

**Table 2: Assessment of key control**

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of OCHA Syria operations	Coordinated management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

<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.

## Coordinated management

### The Whole-of-Syria Approach was being reviewed

20. The OCHA 2014-2017 Strategic Framework stated that effective coordination was essential to helping humanitarian actors to achieve better collective results. This was in line with General Assembly resolution 46/182, which required the ERC to establish and maintain the closest cooperation with United Nations agencies and international humanitarian organizations and to make all feasible advance arrangements with them for the purpose of ensuring the most effective assistance.

21. OCHA was quick to establish a presence in the affected countries when the humanitarian crisis in Syria began in 2011. It was also aware of the regional nature of the crisis, and consequently its response alongside the humanitarian partners through the IASC evolved over time. The ERC designated an RHC in 2012 to oversee the humanitarian response with a regional focus while retaining the national humanitarian systems in Jordan, Turkey (Gaziantep) and Syria, and to a certain extent in Lebanon, as hubs. However, because of legal, operational and security reasons, there was very little direct sharing of strategic and operational information among the hubs.

22. In July 2014, the Security Council adopted resolution 2165, which authorized the United Nations to conduct cross-border operations into Syria from Turkey and Jordan. This resolution led the humanitarian community in the region to adopt the Whole-of-Syria Approach, which brought different offices under the common coordination mechanism of the RHC with strategic support from OCHA Headquarters. Despite these major changes and the significant improvement therefrom, main challenges to consolidating the new coordination structure under the Whole-of-Syria framework remained, requiring:

- Minimization of potential leadership conflict;
- Better definition of the respective roles of hubs and coordinators vis-a-vis the Whole-of-Syria bodies and coordinators;
- Establishment of a more effective, consistent and up to date contingency planning both at the local and Whole-of-Syria levels; and
- More effective identification, prioritization and costing of needs across the different hubs.

23. At the time of the audit, OCHA and the humanitarian partners were reviewing the Whole-of-Syria Approach to determine lessons learned; therefore, OIOS did not make a recommendation on this issue.

### The Regional Humanitarian Coordinator for Syria required appointment by the Secretary-General

24. The Secretary-General's bulletin on delegation of authority in the administration of Staff Regulations and Staff Rules stated that the offer of appointments for staff being recruited at the Assistant Secretary-General level and the decision to assign a staff member to any of the activities or offices of the United Nations at the Assistant-Secretary-General level were reserved exclusively for the Secretary-General.

25. To ensure an effective regional response to the humanitarian needs within Syria and in the wider region, and also in light of the multi-country response operation, the ERC, in consultation with IASC partners, designated an RHC and a Deputy Regional Humanitarian Coordinator (DRHC) in 2012. The RHC was broadly to provide strategic regional coherence and guidance to humanitarian operations in the region, in support of the country-based humanitarian coordinators and national level coordination structures.

26. The post of RHC was at the Assistant Secretary-General (ASG) level and was budgeted in the OCHA field office cost plans (for Syria, Regional Office for the Syria Crisis, and OCHA Gaziantep) under a grant budget line. Costs of approximately \$300,000 for the RHC and DRHC posts were covered by grants to the United Nations Development Programme (UNDP). Accordingly, the UNDP Administrator issued the letter of appointment to the RHC at the ASG level.

27. Although designated by the ERC, the RHC held a letter of appointment with UNDP signed by the UNDP Administrator. However, the authority to appoint a staff member at the ASG level was reserved exclusively for the Secretary-General. There was also no service level agreement between OCHA and UNDP to appoint OCHA international staff.

28. OCHA stated that it did not have an authorized ASG post in its staffing table to recruit the RHC. It further stated that as an inter-agency function, the RHC was appointed by, worked on behalf of and in the name of the IASC, which included all key United Nations agencies and international non-governmental organizations (NGOs) working in the humanitarian field. Although the decision to designate the RHC was done in consultation with the IASC, the latter did not have authority to appoint a United Nations staff member at any level.

29. There were no provisions or instructions in the IASC guidance clearly outlining the administrative process to appoint RHCs at the ASG level. There was also no regional humanitarian coordination strategy and standard operating procedures for its implementation without which the arrangement regarding the substantive authority of RHC vis-à-vis the humanitarian coordinators, who were still responsible for the humanitarian situation in the countries concerned, was unclear. Therefore, the RHC needed appropriate authority to effectively carry out the regional humanitarian coordination responsibilities through an appointment by the Secretary-General.

30. *OCHA commented that the ERC had delegation of authority to appoint humanitarian coordinators at all levels. The procedures to appoint humanitarian coordinators were included in the 1994 report of the Secretary-General to the Economic and Social Council (ECOSOC) (A/49/177/Add.1 – E/1994/80/Add.1, 1 November 1994), which the General Assembly took note of in resolution 49/139. The Secretary-General subsequently reaffirmed the procedures in his 1995 report to ECOSOC (A/50/203 – E/1995/79) which the General Assembly took note of in resolution 50/57.*

31. OIOS did not agree with OCHA comments as the referenced report referred to the ERC authority to “designate”, not to “appoint” the RHC/humanitarian coordinator in “consultation” with IASC. United Nations Staff Regulations and Rules confirm the sole authority of the Secretary-General to “appoint” staff at the ASG level. However as a recommendation on this matter has been made in the audit of management of human resources in OCHA (Assignment No. AN2015/590/01), OIOS did not make a recommendation in the present report.

#### Long standing vacancies of key positions limited OCHA operational capacity and effectiveness

32. The Strategic Framework for 2014-2017 stated that OCHA would ensure that highly experienced and qualified leaders would be in place at the right time, particularly in complex situations requiring effective leadership, expertise and coordination capacity.

33. At the time of the audit fieldwork, the average vacancy rate relating to professional positions was 59 per cent with four out of five offices having a vacancy rate of more than 50 per cent. The Deputy Head positions in two offices were vacant and one Deputy Head position was temporarily vacant because the incumbent was on surge deployment since March 2015. Fifty per cent of the P-4 positions were vacant

in one office. OIOS noted that 21 posts or 54 per cent of the vacant positions were under recruitment at the time of the audit.

34. OCHA also relied heavily on staff on short-term assignments and surge support at the initial stages of its humanitarian emergency operations in Jordan and Gaziantep. For the offices in Jordan and Gaziantep, the Administrative Officer posts were filled by three short-term assignments and three surge assignments respectively until Officers were recruited against the posts in December 2014.

35. Such appointments weakened the effectiveness of the administrative services provided, and exposed OCHA to risks of noncompliance with established procedures. For example, in Jordan, six out of eight service provider contracts were not in compliance with procurement policies. Payments exceeding the local direct payment authority of \$4,000 were made to three providers who had no contracts for cleaning, mobile and landline telephone, and internet services. The Office was in the process of regularizing these arrangements with proper contractual services. Likewise in Gaziantep, the new Administrative Officer had to regularize a number of contracts upon arrival in the Office. For example, the Office entered into a contract with an intermediary to pay its utility and telephone bills for which OCHA paid a service fee of 12 per cent of the total bills, although this was not a common or a required practice in Turkey.

36. There were several reasons for the vacancies, some specific to each office while others were due to lack of strategic considerations for deployment of staff in humanitarian emergencies. All of the heads of offices were new in their posts (less than one year). The recruitment for the Syria Office in Damascus was hindered by difficulty to obtain visas. OCHA further stated that during the early stages of the crisis, the nature of the humanitarian needs and the response required were complex and dynamic. A range of staffing profiles was necessary to effectively respond to the needs in that context, and the Syria operations relied on short-term expertise to provide support on complex and specific issues. As the operation stabilized, and the necessary staffing profiles became clearer, offices in the Syria region started to recruit longer term staff.

37. Nevertheless, OCHA did not put in place, in collaboration with the Office of Human Resources Management, a strategy to implement special measures to fully take advantage of the provisions in General Assembly resolution 46/182 of 1991. The resolution stated that: “Special emergency rules and procedures should be developed by the United Nations to enable all organizations to disburse emergency funds quickly, and procure emergency supplies and equipment, as well as to recruit emergency staff”.

**(1) OCHA should, in conjunction with the Office of Human Resources Management, develop a strategy for special measures within the provisions of General Assembly resolution 46/182 to expedite the recruitment of emergency staff and to build capacity for effectively supporting emergency humanitarian activities.**

*OCHA accepted recommendation 1 and stated that the “Standing Administrative Measures” developed under the custodianship of the Secretary-General, have significant potential to address OCHA particular requirements and to respond to the relevant provisions of General Assembly resolution 46/182. Recommendation 1 remains open pending receipt of a strategy for utilizing special measures, developed in conjunction with the Office of Human Resources Management, to help expedite the recruitment of emergency staff.*

### Cash transfers to third parties with no formal agreement with OCHA

38. ERF Guidelines in effect prior to February 2015 required NGO implementing partners to have a valid United States dollar denominated bank account in the organization's name to receive funds through wire transfers from the United Nations and other donors, and to make remittances when required. Due to local regulations, this requirement was modified to allow the transfer of funds to implementing partners in local currency through UNDP into the accounts of organizations that had grant agreements with OCHA.

39. An NGO was approved through a grant agreement signed in November 2013 to distribute winter clothing to internally displaced people in Syria, with an expected completion date of 20 January 2014. The project budget was \$207,684. In its proposal, the implementing partner indicated that a third party would be responsible for all administration services and support. OCHA stated that it accepted this arrangement due to the urgent need to provide winter clothing to displaced persons.

40. The initial disbursement of 80 per cent of the project budget was transferred in Syrian Pounds to the third party's bank account through UNDP Syria without a formal agreement between OCHA and the third party. The NGO requested, and was granted a no cost extension extending the project duration to 24 April 2014, but never implemented the project because of lack of capacity. Subsequently, on 10 December 2014 UNDP received a refund from the third party amounting to 24,676,480 Syrian Pounds, or about \$130,000. Due to the passage of time and the depreciation of the Syrian Pound, there was an exchange loss of about \$36,000. No interest was paid to OCHA. The effect of this transaction was not only the exchange losses suffered, but also the failure to distribute the winter clothing to people in need.

41. Since the audit, OCHA clarified the guidance on disbursements to implementing partners in the CBPF guidelines. In light of the action taken by OCHA, OIOS did not make a recommendation on this issue.

### External audit coverage of projects funded under the Syria Regional Emergency Response Fund was low

42. OCHA ERF guidelines issued in October 2012 that governed the Syria Regional ERF required that each project implemented by an NGO be audited at least once during its lifetime.

43. Of the 214 ERF projects with a value of \$75.6 million, the audit reports for 43 projects (\$11.2 million project budget) due by 31 May 2015 were still outstanding as of 30 September 2015. The audit report due dates ranged from 31 March 2013 to 31 May 2015. On average, the audit reports were overdue by 10 months.

44. This was partly due to the volatile operational environment in Syria and difficulty of accessing project sites, but also because OCHA had not implemented an effective project monitoring mechanism and high staff turnover in OCHA country offices. Delays in conducting audits would limit the ability of OCHA to provide assurance that the funds were used for the intended purposes.

**(2) OCHA should develop a plan including target dates to ensure that the remaining projects of the regional Syria Emergency Response Fund are audited and financially closed expeditiously.**

*OCHA accepted recommendation 2 and stated that a procurement process as well as an audit plan had been launched to address this issue. All audits would be completed by the third quarter of 2016. Recommendation 2 remains open pending notification of the completion of the project audits under the regional Syria ERF.*

Audit services contract was needed to audit the newly established country-based pooled funds

45. The Operational Handbook for CBPFs issued in February 2015 stated that OCHA would continue to maintain a project based approach to audit NGO partners receiving funds from CBPFs while developing detailed guidelines to introduce risk-based partner audits. The Country Office was responsible for procuring audit services through the local service provider, and for ensuring that an audit service agreement was always in force.

46. For the Turkey Humanitarian Pooled Fund (HPF), some projects from the first allocation and the reserve allocation had either passed their completion dates, or were due for completion. However, OCHA had not initiated actions to procure audit services to audit the newly established CBPFs. For Syria and Jordan, audits were expected to be conducted under an existing contract with an audit company that was to expire in December 2015.

47. Lack of a valid contract for audit services could delay the audits of completed projects and limit OCHA from being able to provide assurance to donors that the funds were used for the intended purposes.

48. The delay was attributed to some uncertainty at the country level to engage external auditors for project audits because of the anticipated move towards risk-based partner audits. However, OCHA headquarters was yet to establish an audit plan that would facilitate risk-based partner audits.

**(3) OCHA should complete the procurement process for audit services so that the project audits of the newly established country-based pooled funds can be completed in a timely manner.**

*OCHA accepted recommendation 3 and stated that long-term agreements for audit services were established in March 2016. Based on the action taken by OCHA, recommendation 3 has been closed.*

**(4) OCHA should develop and roll out its risk-based audit strategy in accordance with the country-based pooled fund policies.**

*OCHA accepted recommendations 4 and stated that it was preparing terms of reference for a global contract for audit services to implement its risk-based audit approach in line with the CBPF guidelines. Recommendation 4 remains open pending receipt of evidence on the roll-out of risk-based audit approach.*

External audit recommendations involving potential misuse of funds were not addressed

49. The OCHA Head of Office was required to immediately inform OCHA headquarters whenever there was an indication of possible fraud, corruption or misuse of funds related to CBPF projects so that the OCHA Executive Officer could determine whether a formal investigation process was warranted.

50. OIOS reviewed 14 external audit reports. Thirteen of these were related to the Syria Regional ERF-funded projects, while one was related to the new CBPF for Jordan. Twelve of the 14 audit reports had unqualified audit opinions. One report had a qualified opinion relating to ineligible expenditure. Implementing partner A in Iraq was granted three projects totaling \$542,847, of which \$434,277 was disbursed. The external audit report issued in September 2014 found that most of the expenditures reported by the implementing partners were questionable. The external auditors noted that:

- There was no accounting system to reflect project entries;
- There were insufficient supporting documents for payments;
- Disbursement were paid in cash; and
- There was evidence of overstatement of expenditures and double billing.

51. OCHA informed the partner of the results of the audit only in July 2015. Although OCHA had consulted with the Office of Legal Affairs, actions had not been initiated to recover funds as of August 2015. OIOS also noted that a request for an investigation was not initiated. OCHA explained that delays in addressing this issue were due to the reorganization of the regional fund into country-specific funds.

**(5) OCHA should initiate action to recover the funds disbursed to Implementing Partner A from the Syria Regional Emergency Response Fund that were used for questionable expenditures.**

*OCHA accepted recommendation 5 and stated that the RHC had written to the partner regarding the questionable expenses and the return of the funds. OCHA was currently pursuing an amicable settlement on the reimbursement of the funds. Based on the action taken by OCHA, recommendation 5 has been closed.*

Disbursements were not always made to the implementing partners in a timely manner

52. Memoranda of Understanding (MOUs) between OCHA and implementing partners required disbursements to be made within 10 days of signing the agreement, consistent with the Operational Handbook for CBPFs. Furthermore, the CBPF guidelines required that final disbursements be processed within 10 business days of the clearance of the final external audit report.

53. There were delays in disbursements to implementing partners both after: (i) signing the agreement following the approval of a project; and (ii) completion of a project and clearance of the final external audit report as described below:

(i) The first call for proposals for the Turkey HPF was issued in September 2014 with winterization related activities as a key priority. The MOUs were signed by OCHA and implementing partners in mid-December 2014, and cleared by New York in early February 2015, about 45 days later. As a result, disbursements to partners were only made on or after 17 February 2015, at a time when winter was coming to an end. Consequently, key priority activities were not implemented. For example, funds of \$98,986 provided to a partner for the provision of immediate shelter for winterization were not disbursed as of 30 June 2015 because the target winter season was missed.

(ii) For the Syria Regional ERF, several projects had been audited, but the final disbursements had not been released to the implementing partners, as shown by the examples in Table 3.

**Table 3: Status of sample requests for final disbursements as at 30 September 2015**

<b>Project No.</b>	<b>Date of audit report</b>	<b>Amount of final disbursement</b>	<b>Date of final disbursement request from ERF Manager</b>	<b>Date disbursed/ refunded</b>
077	15/10/2014	\$98,804	23/03/2015	Outstanding
026	06/11/2014	\$4,637	22/01/2015	Outstanding
118	19/03/2015	\$50,000	23/04/2015	Outstanding
057	25/02/2015	\$87,321	17/03/2015	Outstanding
095	06/01/2015	\$91,845	14/01/2015	08/05/2015
101	12/05/2015	\$96,757	25/05/2015	Outstanding

54. The delayed disbursements were attributed to: (i) non-approval of the new Global Guidelines on CBPFs; (ii) Umoja black out period and training of finance staff; (iii) transfer of responsibility for disbursements and key personnel from the Administrative Services Branch in Geneva to the Funding Coordination Section in New York; (iv) additional time spent on verification of banking details for Turkish NGOs; and (v) timing of the second standard allocation for the Turkey HPF.

55. Since the audit, OCHA introduced a procedure that allows the Funding Coordination Section to issue financial authorizations to UNDP to effect payments to implementing partners and thereby avoid delays. In light of the action taken by OCHA, OIOS did not make a recommendation on this issue.

#### Project monitoring and other oversight feedback from CERF grant recipient organizations was needed

56. The Secretary-General's bulletin on the establishment and operation of CERF indicated that "eligible organizations that have received a loan or a grant shall comply with their own financial regulations and rules, including their own internal and external auditing procedures and internal arrangements regarding audits of implementing partners. If an audit report contains observations specific to the contribution of the Fund, the eligible organization shall communicate the recommendations and the eligible organization's responses to the Coordinator". Letters of understanding between OCHA and recipient United Nations organizations also spelt out specific requirements for CERF, including expectations for reporting and auditing.

57. A review of 17 CERF projects in Syria, Jordan and Lebanon with a total value of \$53.5 million indicated that OCHA projects complied with current requirements for approvals, timeliness of disbursements, financial and narrative reporting. However, OCHA country offices were not monitoring the individual projects or periodically obtaining information from recipient organizations on their assurance activities, including the results of their monitoring and audits of projects.

58. Currently, there was no expectation for OCHA to actively monitor CERF projects. OCHA also did not pursue periodic reports on the monitoring and other assurance activities from the recipient organizations since no mechanisms formally existed as part of the CERF accountability policy.

59. As the Syrian crisis continues, more funding could be released from CERF. However, opportunities to improve implementation of projects funded by CERF grants could be missed if information on their implementation status from agencies' assurance activities was not obtained periodically by resident/humanitarian coordinators from the CERF grant recipient organizations.

**(6) OCHA should clarify CERF accountability policies to ensure that CERF grant recipient organizations report periodically to resident/humanitarian coordinators on the status of grant implementation based on information from their monitoring and other assurance activities.**

*OCHA accepted recommendation 6 and stated that it had issued a guidance note that clarifies CERF recipient organizations' responsibility to keep the resident/ humanitarian coordinators and the humanitarian country teams informed of the status of grant implementation. Based on the action taken by OCHA, recommendation 6 has been closed.*

#### OCHA Gaziantep was not covered by a host country agreement

60. OCHA operations in the field were generally covered under the UNDP host country agreements, which outlined United Nations privileges and immunities, including tax exemptions. The OCHA office in Gaziantep was not covered by the UNDP host country agreement. According to OCHA, the Government of Turkey required all United Nations entities present in Turkey to have a separate host country agreement and indicated that the UNDP country agreement could not cover OCHA.

61. In October 2013, OCHA signed an agreement with the Turkish Ministry of Foreign Affairs to establish OCHA Office in Gaziantep. However, the agreement needed to be ratified by the Turkish Parliament, which was still pending as of July 2015. Without a host country agreement, OCHA had been paying taxes at the rate of 18 per cent on all its local operational expenses. For the period 2013-2015, about \$400,000 had been spent on taxes. To remedy the tax issues, OCHA and the Government of Turkey were working on an agreement to expedite the import, export and transit of relief consignments and possessions of relief personnel. The draft was under review by OCHA, the Office of Legal Affairs and the Government of Turkey. OIOS observed that the issues of the standard United Nations Privileges and Immunities were not addressed by the draft agreement.

**(7) OCHA should, in collaboration with the United Nations Development Programme and the Office of Legal Affairs, resolve the status of the OCHA Gaziantep Office in Turkey as a United Nations entity that has tax and other privileges from the Member State, and seek reimbursement of the taxes paid.**

*OCHA accepted recommendation 7 and stated that host country agreement was scheduled to be discussed and ratified by the Turkish Parliament soon. Recommendation 7 remains open pending resolution of the status of the Gaziantep Office in Turkey.*

## **IV. ACKNOWLEDGEMENT**

62. OIOS wishes to express its appreciation to the Management and staff of OCHA for the assistance and cooperation extended to the auditors during this assignment.

*(Signed)* Eleanor T. Burns  
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## STATUS OF AUDIT RECOMMENDATIONS

## Audit of Office for the Coordination of Humanitarian Affairs Syria operations

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	OCHA should, in conjunction with the Office of Human Resources Management, develop a strategy for special measures within the provisions of General Assembly resolution 46/182 to expedite the recruitment of emergency staff and to build capacity for effectively supporting emergency humanitarian activities.	Important	O	Submission of a strategy for utilizing special measures, developed in conjunction with the Office of Human Resources Management, to help expedite the recruitment of emergency staff.	31 December 2016
2	OCHA should develop a plan including target dates to ensure that the remaining projects of the regional Syria Emergency Response Fund are audited and financially closed expeditiously.	Important	O	Submission of evidence that project audits under the regional Syria ERF have been completed.	30 September 2016
3	OCHA should complete the procurement process for audit services so that the project audits of the newly established country-based pooled funds can be completed in a timely manner.	Important	C	Action completed	Implemented
4	OCHA should develop and roll out its risk-based audit strategy in accordance with the country-based pooled fund policies.	Important	O	Submission of evidence that the risk-based audit approach has been rolled out.	31 December 2016
5	OCHA should initiate action to recover the funds disbursed to Implementing Partner A from the Syria Regional Emergency Response Fund that	Important	C	Action completed.	Implemented

<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 OCHA in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

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>
	were used for questionable expenditures.				
6	OCHA should clarify CERF accountability policies to ensure that CERF grant recipient organizations report periodically to resident/humanitarian coordinators on the status of grant implementation based on information from their monitoring and other assurance activities.	Important	C	Action completed.	Implemented
7	OCHA should, in collaboration with United Nations Development Programme and the Office of Legal Affairs, resolve the status of OCHA Gaziantep Office in Turkey as a United Nations entity that has tax and other privileges from the Member State, and seek reimbursement of the taxes paid.	Important	O	Submission of evidence on the resolution of the status of the Gaziantep Office in Turkey with the host country.	31 December 2016

# **APPENDIX I**

## **Management Response**

United Nations  Nations Unies  
INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR

TO: Ms. Muriette Lawrence-Hume, Chief,  
A: New York Audit Service,  
Internal Audit Division, OIOS

DATE: 3 May 2016

REFERENCE: IAD: 16-00203

THROUGH:  
S/C DE:

FROM: Stephen O'Brien, Under-Secretary-General for  
DE: Humanitarian Affairs and Emergency Relief  
Coordinator



SUBJECT: Response to the revised draft report on the audit of the  
OBJET: OCHA Syria operations (AN2015/590/02)

1. In reference to your memorandum dated 27 April 2016, I am attaching OCHA's updated management response.
2. Please note that recommendations 3, 5, and 6 have been implemented. Enclosed herewith is the supporting documentation required to close these recommendations.
3. Thank you.

## Management Response

## Audit of Office for the Coordination of Humanitarian Affairs Syria operations

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	OCHA should, in conjunction with the Office of Human Resources Management, develop a strategy for special measures within the provisions of General Assembly resolution 46/182 to expedite the recruitment of emergency staff and to build capacity for effectively supporting emergency humanitarian activities.	Important	Yes	Executive Officer	Q4 2016	The “Standing Administrative Measures”, developed under the custodianship of the Secretary-General, have significant potential to address OCHA’s particular requirements and to respond to the relevant provisions of General Assembly resolution 46/182 by providing more expedient and flexible options for emergency response.
2	OCHA should develop a plan including target dates to ensure that the remaining projects of the regional Syria Emergency Response Fund are audited and financially closed expeditiously.	Important	Yes	Head of Finance, FCS	Q3 2016	The procurement process, including audit plan, has been launched to address this and all audits will be completed by 3 <sup>rd</sup> quarter of 2016.
3	OCHA should complete the procurement process for audit services so that the project audits of the newly established country-based pooled funds can be completed in a timely manner.	Important	Yes	Chief, FCS	Implemented	Long-Term Agreements for audit services are in place since March 2016.
4	OCHA should develop and roll out its risk-based audit strategy in accordance with the country-based pooled fund policies.	Important	Yes	Head of Finance, FCS	Q4 2016	OCHA is preparing terms of reference for a global contract for audit services. This will be for a risk-based approach in line with the CBPF guidelines.

<sup>1</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>2</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.

## Management Response

## Audit of Office for the Coordination of Humanitarian Affairs Syria operations

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
5	OCHA should initiate action to recover the funds disbursed to Implementing Partner A from the Syria Regional Emergency Response Fund that were used for questionable expenditures.	Important	Yes	Head of Oversight and Compliance Unit, FCS	Implemented	The Regional HC has written to the partner regarding the questionable expenses and the return of the funds in letters dated 5 July and 29 November 2015 (with support from OLA). OCHA is currently pursuing an amicable settlement on the reimbursement of the funds.
6	OCHA should clarify CERF accountability policies to ensure that CERF grant recipient organizations report periodically to the Resident/Humanitarian Coordinator on the status of grant implementation based on information from their monitoring and other assurance activities.	Important	Yes	Chief, Performance, Monitoring and Policy Section, CERF	Implemented	A guidance note outlining roles and responsibilities with respect to monitoring of CERF projects at field level has been finalized. Amongst other things, the guidance clarifies CERF recipient agencies' responsibility to keep the RC/HC and HCT informed about the status of grant implementation. The CERF secretariat has also developed a standard interim reporting template for agencies to report key project implementation information to the RC/HC. The guidance note along with an interim reporting template with prepopulated CERF project data have been disseminated to field focal points for all CERF allocations made in 2016 and will form part of standard communication for future grants.
7	OCHA should, in collaboration with United Nations Development Programme	Important	Yes	OCHA Head of Office	Q4 2016	The Agreement was scheduled to be discussed at the 86th Parliament

## Management Response

## Audit of Office for the Coordination of Humanitarian Affairs Syria operations

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	and the Office of Legal Affairs, resolve the status of OCHA Gaziantep Office in Turkey as a United Nations entity that has tax and other privileges from the Member State, and seek reimbursement of the taxes paid.					session, held on 5 May 2016 and is expected to be ratified shortly.