



## INTERNAL AUDIT DIVISION

### REPORT 2016/116

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

The Representation implemented an effective  
system of controls over its operations

12 October 2016

Assignment No. AR2016/131/04

# **Audit of the operations in Israel for the Office of the United Nations High Commissioner for Refugees**

## **EXECUTIVE SUMMARY**

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the United Nations High Commissioner for Refugees (UNHCR) operations in Israel.

The audit covered the period from 1 January 2015 to 30 April 2016 and included the following activities and processes: (a) planning and resource allocation; (b) programme monitoring and reporting; (c) partnership management; (d) cash-based interventions in the form of financial assistance payments to persons of concern; (e) procurement and vendor management; and (f) financial tracking and reporting.

OIOS concluded that the UNHCR Representation in Israel had an adequate and effective system of controls in place for the areas covered by the audit.

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# **Audit of the operations in Israel for the Office of the United Nations High Commissioner for Refugees**

## **I. BACKGROUND**

1. The UNHCR Representation in Israel (hereinafter referred to as ‘the Representation’) started its operations in mid-1970s as an Honorary Representation. It became a full-fledged Representation in 2007 after Israel started to receive a steady influx of asylum-seekers from Sudan and Eritrea, who were irregularly crossing the border with Egypt in 2006. As at 30 April 2016, the estimated population of persons of concern (POCs) for the Representation was 43,369 asylum-seekers and refugees, of whom 70 per cent were from Eritrea, 19 per cent from Sudan, and the remaining 11 per cent from different West African, Asian and Eastern European countries.

2. Since 2009, the Ministry of Interior of the Government of Israel has been responsible for the registration and refugee determination status (RSD) process. The Representation has a role in advocacy and monitoring, with focus on: the improvement in the legal framework concerning detention and detention-like residence of asylum-seekers; access to civil registration; access to asylum procedures and legal assistance; mapping of protection needs, counselling and solutions; and durable solutions. The majority of POCs are located in urban areas, while others are residing in the detention facilities of Saharonim and Givon, as well as in the Holot “open residence facility”. The Representation prioritized the following areas in its operations plans for 2015 and 2016: (i) ensuring access to territorial protection and asylum procedures; (ii) expanding opportunities for durable solutions; (iii) reducing protection risks; and (iv) promoting human potential through increased opportunities.

3. The Representation has only one office, which was a Country Office located in Tel Aviv. It is headed by a Representative at the P-5 level. As at 30 April 2016, the Representation had 18 authorized posts. It had expenditure of \$2.8 million in 2015 and \$1.5 million for the 4-month period from 1 January to 30 April 2016 against a budget of \$2.4 million for 2016. To implement its projects, the Representation worked with the same eight partners in 2015 and in 2016. The partners’ total expenditures of \$1.3 million for the period from 1 January 2015 to 30 April 2016 represented 83 per cent of the Representation’s programme-related expenditures of \$1.6 million during this period.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

4. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over UNHCR operations in Israel.

5. This audit was included in the 2016 risk-based work plan of OIOS because of the risks and complexities associated with managing UNHCR’s programme and protection activities in Israel.

6. OIOS conducted this audit from June to August 2016. The audit covered the period from 1 January 2015 to 30 April 2016. Based on an activity-level risk assessment, the audit covered higher and medium risk processes and activities pertaining to the operations in Israel, which included: (a) planning and resource allocation; (b) programme monitoring and reporting; (c) partnership management; (d) cash-based interventions in the form of financial assistance payments to POCs; (e) procurement and vendor management; and (f) financial tracking and reporting.

7. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical reviews of data, including financial data from Managing for Systems,

Resources and People (MSRP), the UNHCR enterprise resource planning system, and performance data from FOCUS, the UNHCR results-based management system; (d) testing of controls using random sampling; and (e) visits to the offices of two partners implementing UNHCR projects.

### **III. OVERALL CONCLUSION**

8. The Representation had an adequate and effective system of controls in place for the areas covered by the audit. The audit procedures conducted by OIOS did not identify any significant control weaknesses regarding planning and resource allocation, programme monitoring and reporting, partnership management, financial assistance payments to POCs, procurement and vendor management, and financial tracking and reporting.

### **IV. AUDIT RESULTS**

#### **A. Planning and resource allocation**

The Representation's arrangements for planning and resource allocation were working as intended

9. In accordance with UNHCR planning procedures and guidelines, the Representation prepared its operations plans for 2015 and 2016 following the conduct of comprehensive needs assessments and focused group discussions with relevant stakeholders, such as partners, POCs and government counterparts. The operations plans set annual goals and objectives, and defined activities and outputs with allocated budgets. The Representation also established a protection strategy, which took into account the UNHCR global strategic priorities and the specific needs of POCs. To support the protection strategy, the Representation developed standard operating procedures related to registration, RSD and resettlement. OIOS therefore concluded that the Representation had effective arrangements in place for planning and resource allocation.

#### **B. Programme monitoring and reporting**

The Representation had effective arrangements in place for programme monitoring and reporting

10. The Representation is required to monitor its overall programme performance and impact through regular field missions and conversations with diverse groups of POCs, as well as by effectively using the organization's results-based management software, FOCUS. In addition, to facilitate the achievement of its objectives, it is essential that the Representation reports on its progress toward them at least twice a year.

11. In compliance with the UNHCR requirements on programme performance monitoring and reporting, the Representation assessed its performance effectively through regular monitoring of projects implemented by partners and contracted third parties. The monitoring procedures included periodic meetings with POCs and government counterparts. The Representation also used data in FOCUS to undertake mid-year and year-end assessments of achievement of indicators contained in the operations plan and submitted the associated reports to UNHCR Headquarters in a timely manner. Although the Representation had not achieved the targets for 19 of its 34 indicators in 2015, it adequately assessed and reported to Headquarters the reasons and justifications of the variances in both the mid-year and year-end reports. OIOS concluded that the Representation had effective controls for programme monitoring and reporting.

## **C. Partnership management**

### Controls over partnership management were effectively implemented

12. The Representation is required to implement a competitive selection process for its project partnerships. It also needs to: (a) enter into Project Partnership Agreements shortly after the selection process has been concluded; (b) develop an annual risk-based project monitoring plan to be implemented by a multi-functional monitoring team; (c) review partners' accounting systems and financial procedures for their adequacy; (d) verify reported expenditures and recover unspent balances and expenditures that cannot be accounted for; (e) ensure that partners' procurement activities comply with agreed rules and procedures; and (f) monitor partners' performance to assess the progress of project implementation against expenditures incurred and the targets and objectives of the Project Partnership Agreement.

13. In accordance with the requirements, the Representation established in 2014 and revised in 2015 its Partner Selection and Retention Committee which decided to retain eight partners used in 2014 for 2015 projects. The Representation conducted a competitive process for selection of partners for the 2016 projects.

14. The Representation complied with the UNHCR requirements relating to engagement of partners and signed all Project Partnership Agreements at the beginning of the project year. It established a financial verification team composed of staff from various sections, which conducted 32 financial verifications of all partners in 2015, including mid-year and year-end verifications. The verifications included monitoring of partners' financial procedures, compliance with the provisions of Project Partnership Agreements, and procurement activities undertaken by partners. The team also verified the reported expenditures and any unspent balances of the instalments made by UNHCR to partners and assessed the progress of project implementation vis-a-vis the level of financial spending.

15. OIOS concluded that the Representation had implemented effective control arrangements for partnership management.

## **D. Cash-based interventions**

### The Representation had an adequate and effective system of controls over financial assistance payments

16. The Representation is required to establish adequate controls for implementing cash assistance programmes for POCs. These controls include: (i) ensuring that limited resources target the most vulnerable beneficiaries and these persons are accurately identified and receive the assistance as intended; and (ii) putting in place arrangements to mitigate the risk of fraud in cash assistance programmes.

17. From 1 January 2015 to 30 April 2016, the Representation provided financial assistance of \$66,224, mostly for rent and food, to vulnerable POCs. The Representation had put in place adequate standard operating procedures for implementing cash-based assistance programmes. These included procedures for conducting vulnerability assessments to receipt of financial assistance by the POCs and regular coordination between the Representation and partners to mitigate the risk of double payments. OIOS reviewed 13 vouchers totalling \$21,423 for financial assistance provided directly by the Representation and 14 vouchers totalling \$1,934 for financial assistance distributed by a partner. The review indicated that the established controls were implemented as intended.

18. OIOS concluded that the Representation had an adequate and effective system in place to control the provision of financial assistance payments to POCs.

## **E. Procurement and vendor management**

The Representation addressed control deficiencies in vendor management and enhanced the technical knowledge of members of the Local Committee on Contracts

19. UNHCR procurement rules and procedures require the Representation to: (a) establish an effective vendor management system; (b) prepare an annual procurement plan according to identified needs; (c) initiate procurement activities in accordance with the procurement plan; and (d) ensure adequate oversight over procurement activities by establishing a Local Committee on Contracts (LCC).

20. OIOS review of the controls in place for vendor management indicated that the Representation did not provide adequate oversight over the review of the vendor database as it had not constituted a Vendor Review Committee (VRC). The vendor database contained 445 vendors, for which four duplicates, and several inactive vendors with whom the Representation had no transactions during the last three years. In addition, the Representation did not document each vendor's performance in the database.

21. The Representation however, established the VRC in July 2016, while the audit was ongoing, and the Committee met for the first time during the same month. The Representation subsequently completed the clean-up of the vendor database in August 2016. It also prepared and started implementing a remedial action plan defining the specific activities for which the VRC was mandated, together with the staff responsibilities and respective timelines for the activities to be completed.

22. The Representation prepared annual procurement plans for 2015 and 2016 according to identified needs and undertook procurement activities in line with the procurement plan. It issued 101 purchase orders valued at \$370,287 from 1 January 2015 to 30 April 2016. It had established an LCC, and this Committee met five times during the period under review. However, the LCC did not identify and address a number of weaknesses in the Representation's procurement activities. For example, although the Committee approved a waiver from competitive bidding for office rental involving \$71,429, it did not ensure that the same case was also submitted to the Committee on Contracts at Headquarters for approval, as required.

23. However, while the audit was ongoing, the Representation planned and organized an information session on the procurement rules and procedures for members of LCC. Subsequently, in August 2016, the LCC met and elaborated on the roles and functions of the Committee members. As a result of the action taken, no recommendation was made.

## **F. Financial tracking and reporting**

Controls related to delegation of authority, financial management and reporting, and payments made under the Medical Insurance Plan were in place

24. The Representation is required to: (i) implement effective controls over delegation of authority in financial management; (ii) implement adequate controls over the management of cash; (iii) follow up on open items (receivables); (iv) submit accurate monthly reports to headquarters; and (v) monitor disbursements of administrative expenditures. It is also required to implement the rules of the UNHCR Medical Insurance Plan (MIP) on the reimbursement of medical claims by staff.

25. The Representation prepared and updated the delegation of authority plan for designated staff acting as preparers, reviewers and approvers. It complied with UNHCR rules on cash in bank and

conducted periodic bank reconciliations. It also systematically submitted to Headquarters its monthly and year-end financial reports. The Representation complied with the UNHCR financial rules on payments for administrative expenditures, and also ensured that open items were analyzed, monitored and recovered in a timely manner, except for the Value Added Tax recoverable account. However, as part of its submission of the monthly financial package to UNHCR Headquarters, the Representation provided adequate justifications regarding the Value Added Tax recoverable of \$83,108. The Division of Financial and Administrative Management acknowledged the Representation's justification.

26. The total reimbursements under MIP in 2014 and 2015 amounted to \$36,234. OIOS reviewed 31 vouchers totaling \$10,540 relating to reimbursements claimed by staff from MIP. As required by the MIP Statutes, the Representation implemented effective control arrangements for the reimbursements. These included: (i) training the MIP Administrators; (ii) processing claims in a timely manner; (iii) seeking guidance from UNHCR Headquarters in doubtful cases; (iv) implementing three layers of review of claims to ensure accuracy of payments; (v) ensuring that original copies of invoices and receipts supported every staff's claim except for the doctor's prescription which were kept by the pharmacies under Israeli law; (vi) ensuring that cumulative reimbursements for dental care and individual claims were kept within the MIP reference salary; and (vii) ensuring that claims were duly supported by the MIP claim form and the MIP benefit advice.

27. Therefore, OIOS concluded that the Representation's control arrangements over delegation of authority, disbursements, cash management, bank reconciliations, monitoring of receivables, monthly financial reporting, and reimbursements under MIP were working as intended.

## **V. ACKNOWLEDGEMENT**

28. OIOS wishes to express its appreciation to the management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.

*(Signed)* Eleanor T. Burns  
Director, Internal Audit Division  
Office of Internal Oversight Services

# **APPENDIX I**

## **Management Response**



**UNHCR**  
United Nations High Commissioner for Refugees  
Haut Commissariat des Nations Unies pour les réfugiés

## Memorandum

UNHCR

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CH-1211 Genève 2

To/A: Mr. Mika Tapio, Chief, UNHCR Audit Service, OIOS

Through: Ms. Linda Ryan, Controller and Director, Division of Financial and Administrative Management, DFAM 

From/De: Mr. Erwin Policar, Audit Coordinator, DFAM 

File Code/Dossier: FIN-02-01-02  
CM00/2016/0134/NB/nb

Subject/Objet: **Response to the draft audit of the Operations in Israel for the UNHCR (AR2016/131/04)**

Date: 5 November 2016

1. Please note UNHCR has reviewed the draft audit report of the operations in Israel. In view of the fact that the draft report does not raise any recommendations requiring action, UNHCR has no further comment.
2. I take this opportunity to inform OIOS that the Representation appreciated the auditors' useful observations and advice.
3. Thank you for your attention.

  
Cw. Cristescu