



## **INTERNAL AUDIT DIVISION**

### **REPORT 2018/137**

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

**There were critical and systemic  
deficiencies in controls and management  
oversight arrangements over warehouse  
management and distribution of non-food  
items**

**18 December 2018  
Assignment No. AR2018/111/06**

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

## EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the operations in Djibouti for the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess whether the Representation was managing the delivery of services to persons of concern in a cost-effective manner and in compliance with UNHCR's policy requirements. The audit covered the period from 1 January 2017 to 31 March 2018 and included a review of: (a) partnership management; (b) planning and resource allocation; (c) shelter; (d) education; (e) health; (f) inter-agency and partner coordination; and (g) warehouse management and distribution of non-food items (NFIs).

There was a critical need for the Representation to strengthen controls and management oversight arrangements over warehouse management and NFI distributions which had systemic and recurring deficiencies. Furthermore, OIOS raised recommendations related to the implementation of the Comprehensive Refugee Response Framework (CRRF) in Djibouti, especially in the education and health sectors, and the need for the Representation to strengthen its controls in the areas of shelter, partnership management, and planning and resource allocation. In general, the Representation needed to strengthen its compliance with UNHCR rules, policies and procedures and mainstream enterprise risk management more effectively into its operational management.

OIOS made one critical and five important recommendations. To address issues identified in the audit, the Representation needed to:

- Develop an internal action plan to mainstream the CRRF approach in its operations, and facilitate the conduct of an assessment of the capacity and capability of L'Office National d'Assistance aux Réfugié et Sinistré (ONARS) and thus the development of a capacity building plan to assist ONARS in effectively executing its mandate of establishing appropriate structures and systems for the implementation of CRRF;
- Prepare a transition and exit strategy and update the relevant Project Partnership Agreements to guide the effective provision of health and education services, in accordance with the new National Refugee Law and under the CRRF;
- Finalize a comprehensive shelter strategy taking into consideration the needs of refugees, the climatic challenges, potential for collaboration with key stakeholders, and alignment with other humanitarian sectors;
- Strengthen management oversight over receipt and distribution of NFIs and put in place arrangements to ensure compliance with relevant inventory management policies as well as accountability for the delivery of NFIs to intended beneficiaries (**critical**);
- Strengthen partner selection, capacity building and monitoring processes, and the management of associated risks, to ensure that selected partners provide services to refugees in an effective and timely manner; and
- Strengthen strategic planning processes to ensure that available resources are put to the best use, i.e. the areas of priority, and prioritize the risk of limited funding and institute measures to mitigate it.

UNHCR accepted the recommendations and initiated action to implement them.

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# **Audit of the operations in Djibouti 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 Djibouti for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The UNHCR Representation in Djibouti (hereinafter referred to as ‘the Representation’) was established in 1978 to provide refugees, asylum seekers and other persons of concern with international protection and humanitarian assistance. As at 31 March 2018, Djibouti was hosting 27,366 refugees and asylum seekers; 45 per cent of whom were from Somalia, 36 per cent from Ethiopia, 15 per cent from Yemen and 4 per cent from Eritrea. Except for the Somali refugees who had lived in Djibouti for over 25 years, most of the other refugees arrived after March 2015. On 19 September 2016, the United Nations General Assembly adopted the New York Declaration for Refugees and Migrants, which set out the key elements of a Comprehensive Refugee Response Framework (CRRF) to be applied to large-scale movements of refugees and protracted refugee situations. Djibouti was among the 15 countries that agreed to pilot the CRRF approach. Further, Djibouti’s National Refugee Law was promulgated on 5 January 2017 to ensure a favourable protection environment for refugees, enable them to enjoy fundamental rights, including access to social services, and facilitate their socio-economic integration in the country.
3. The Representation had a Country Office in the capital city, Djibouti, Field Offices in Obock and Ali Sabieh, and refugee settlements called Markazi, Holl-Holl and Ali Addeh. It was headed by a Representative at the P-5 level. The Representation had 58 staff, including 9 international and 12 affiliate staff. It recorded total expenditure of \$12.1 million in 2017 and had a budget of \$8.3 million for 2018 (of which \$2.2 million was spent by 31 March 2018). It worked with eight partners in both 2017 and 2018.
4. Comments provided by the Representation are incorporated in italics.

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

5. The objective of the audit was to assess whether the Representation was managing the delivery of services to persons of concern in a cost-effective manner and in compliance with UNHCR’s policy requirements.
6. This audit was included in the 2018 risk-based work plan of OIOS due to the risks related to increased number of arrivals of persons of concern because of the Yemeni and Ethiopia refugee crises as well as the risks related to implementation of the CRRF approach.
7. OIOS conducted this audit from May to August 2018. The audit covered the period from 1 January 2017 to 31 March 2018. Based on an activity-level risk assessment, the audit covered higher and medium risk areas pertaining to the operations in Djibouti, which included: (a) partnership management; (b) planning and resource allocation; (c) shelter; (d) education; (e) health; (f) interagency and partner coordination, including the implementation of the CRRF; and (g) warehouse management and distribution of non-food items (NFIs). An assessment of the control environment and enterprise risk management (ERM) was integrated in the six areas listed above.
8. 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 systems; (d) sample testing of controls using both systematic and random sampling methods; (e) visits to the Representation's Country Office in Djibouti, Field Offices in Ali Sabieh and Obock, and the offices of five partners implementing UNHCR projects; and (f) observation of programme activities implemented in two refugee settlements, Ali Addeh and Obock.

9. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

### **III. AUDIT RESULTS**

#### **A. Inter-agency and partner coordination**

##### There was a need for the Representation to put in place measures to more effectively support the Government in the CRRF implementation arrangements

10. As one of the CRRF roll-out countries, Djibouti adopted a 'whole-of-society' approach to promote the inclusion of refugees in host communities and involve development actors in the refugee responses. To achieve the desired CRRF benefits, the Representation was to support the Djibouti Government in: (i) establishing proper coordination structures; (ii) developing a country specific National Action Plan and road map to guide the work that would be done under the CRRF, clarify the roles and responsibilities of stakeholders, and ensure that stakeholders make firm commitments to the Framework; (iii) ensuring that adequate funding agreements are in place to cover identified prioritized activities; and (iv) instituting mechanisms for measuring performance in the implementation of the CRRF.

11. In line with the principles of inter-agency and partner coordination and the New York Declaration, the Representation supported the Djibouti Government in 2017 in the establishment of a CRRF Steering Committee, Secretariat, National Coordination Group and various sectoral groups, which consisted of representatives from the Government, United Nations, development partners and non-government organizations. The Representation in collaboration with the different stakeholders also drafted the terms of reference for these coordination structures. However, OIOS noted that while the Steering Committee held some meetings, no sectoral group meetings had been held. Also, contrary to the National Action Plan, a tripartite platform between the Ministry of Interior, L'Office National d'Assistance aux Réfugié et Sinistré (ONARS) and UNHCR to be set up to facilitate refugees' access to their fundamental rights under the new law had not been established at the time of the audit.

12. The New York Declaration defined UNHCR's role as 'developing and initiating' comprehensive responses under the CRRF in different countries and regions where refugees are hosted. In this regard, the Representation supported the Government's development of a five-year National Action Plan (2017-2022) which was finalized in December 2017. However, despite the Representation's support, the Plan had not been operationalized at the time of the audit, which raised the risk that refugees would not be included in on-going and future projects. For example, there was a \$20 million five-year loan granted by a multilateral financial institution for education, health, livelihoods and solar energy for host populations in Ali Addeh, Holl-Holl and Obock which excluded refugees. Additionally, the National Action Plan was not comprehensive as it lacked a budget and modalities for fundraising and management of funds as well as specific partner commitments for its implementation. Further, it proposed outcome indicators to measure performance over time, but lacked targets for monitoring the pace and quality of CRRF implementation.

13. The Representation's risk register did not identify risks related to the transfer of services from partners appointed by UNHCR to government structures under the CRRF, especially during the transition

period. OIOS highlights in sections B (Education) and C (Health) of this report the specific risks that arose from the adoption and operationalization of the CRRF and their impact on the delivery of services to refugees, which the Representation had not documented and actively managed.

14. The gaps in setting up CRRF noted above were within the mandate of ONARS as the designated Secretariat. The National Action Plan stipulated that ONARS' capacity was to be assessed to effectively execute its mandate, i.e. in establishing CRRF structures and systems and coordinating the related activities, such as planning, fundraising, resource allocation, and monitoring. The Representation's role was to facilitate the conduct of such an assessment but it had not happened at the time of the audit. There was also limited institutional guidance available to the Representation on its role in setting up and operationalizing the CRRF approach. Per the UNHCR CRRF Task Team at headquarters, the provision of high level guidance was deliberate considering the different country contexts. However, the Task Team acknowledged that the Representation needed tailored support in operationalizing CRRF to ensure its successful implementation and thereby achieve the desired impact on refugees.

**(1) The UNHCR Representation in Djibouti should: (i) in consultation with the UNHCR Comprehensive Refugee Response Framework (CRRF) Task Team and with support from the Bureau for Africa, develop an internal action plan to mainstream the CRRF approach in its operations; and (ii) facilitate the conduct of an assessment of the capacity and capability of L'Office National d'Assistance aux Réfugié et Sinistré (ONARS) and the development of a capacity building plan to support ONARS in effectively executing its mandate of establishing appropriate structures and systems for the implementation of the CRRF (which includes updating the National Action Plan).**

*UNHCR accepted recommendation 1 and stated that continuous measures were being taken to support the implementation of the CRRF approach. Recommendation 1 remains open pending receipt of: (i) a finalized action plan that supports mainstreaming the CRRF approach in the Representation's operations; and (ii) an approved capacity building plan for ONARS to address the gaps identified in the capacity assessment.*

## **B. Education**

The Representation needed to develop an exit strategy for the transitioning of the provision of education services to refugee children to the Ministry of Education

15. The Representation's education budget for 2018 was \$550,000, down from \$1.3 million in 2017. To ensure that children (48 per cent of the refugee population in Djibouti) had access to education, the Representation was required to assess the needs and barriers to education among persons of concern and develop, implement and monitor strategies and activities to address the needs in line with the UNHCR Global Education Strategy. It was also required to ensure the involvement of all actors including national and local government, particularly the Ministry of Education, the United Nations Country Team and host communities.

16. The Representation's draft education strategy (2015-2017) covered the Ali Addeh and Holl-Holl settlements and urban areas but did not cater for refugees in Markazi settlement. In addition to being outdated, it had not been finalized during its lifecycle or updated to reflect the changes that had happened after its initial development. For example, the draft strategy did not reflect the impact the inclusion of refugees in the national education system would have on the provision of education in the short, medium and long term under the new national refugee law and the adoption of the CRRF approach in which education was a priority area. Additionally, OIOS had raised the issue of the lack of an operational strategy

in education during its previous audit conducted in 2015 (report 2016/039), as the existing strategy developed in 2013 was a draft and had never been completed.

17. The draft education strategy 2015-2017 lacked a detailed work plan articulating the activities that needed to be undertaken, a budget showing resources that would be required for its implementation, and the indicators to measure progress of implementation. The draft strategy also lacked linkages with other related sectoral strategies, e.g. for child protection, sexual and gender-based violence and livelihoods. For example, while most school going refugee children in urban settings could not access formal education due to lack of birth certificates, no provisions were made in the strategy to support refugees in obtaining them.

18. In August 2017, the Representation signed a Memorandum of Understanding with the Ministry of Education for the inclusion of refugees in the national education system, with the aim to ensure continued funding and sustainability of education to them. Under the CRRF approach, the Representation transferred the running of refugee schools in the settlements to the Ministry. The Representation also signed a Project Partnership Agreement (PPA) with the Ministry, allocating \$550,000 towards the provision of education services to refugees. OIOS could not find evidence that the Representation's Implementing Partnership Management Committee (IPMC) played any role in assessing the capacity and capability of the Ministry to implement the PPA, and making a recommendation in this regard to the Representative, before the PPA was signed. Under this new arrangement, UNHCR's primary objective that all refugee children of school going age attend school, was not met. To the contrary, 3,440 and 3,088 children were reported as not having accessed education by December 2017 and August 2018 respectively.

19. The provision of quality education to refugee children was impacted by the high teacher to student ratio, with the ratios in schools in Ali Addeh and Holl-Holl ranging between 1:60 and 1:80. The Markazi school had only 9 out of the 13 teachers required for the children enrolled and its senior school did not have a mathematics teacher in 2017 resulting in students not sitting their end of year exams. The same school did not receive education materials from January to March 2018. The failure to provide school going girls with sanitary clothes/pads affected their school attendance, yet the Representation had 15,150 square meters of cloth in its warehouse. The school feeding programme previously run under the previous partner also stopped under the CRRF although the Ministry of Education was running such programmes in other rural schools. At the time of the audit, the Ali Addeh primary school had not received water for six months because its broken taps and leaking water tank had not been fixed. After the audit, the Representation installed a water tank to provide water pending finding of a permanent solution to the problem.

20. The Representation had not identified the issues cited above because it had not undertaken any performance monitoring during 2018. As already noted in section A of this report, the risks associated with the transfer of responsibilities to the Government had also not been identified in the Representation's risk register. A proper risk assessment conducted upfront could have prevented some of the shortcomings mentioned above from materializing, or at least mitigated them. The root cause of the shortcomings was the lack of a transition and exit strategy to ensure that school going refugees were fully integrated into the Government's education programmes before the old system was dismantled. This affected access to and quality of education provided to school going refugees. OIOS raises a recommendation on this issue under section C below on health, given the close interlinkages of the actions required.

## **C. Health**

There was a need for the Representation to develop an exit strategy to guide the transitioning of the provision of health services to refugees to the Ministry of Health

21. Until 2017, UNHCR alongside its partners provided primary health care to refugees, with an annual budget of \$1.1 million. The Representation was required to: (i) assess the health needs of the population

of concern; (ii) develop and implement a health strategy aligned with the UNHCR Global Health Strategy, in partnership with the host government and with support from the UNHCR Regional Service Centre in Nairobi and Public Health Section of the Division of Programme Support and Management; and (iii) monitor the implementation of the strategy and take corrective actions.

22. The Representation developed a five-year health strategy (2016-2020) in 2015 in consultation with all relevant stakeholders for the provision of health services to refugees in Djibouti. This followed a related audit recommendation in the 2016 OIOS audit report. However, as was the case with the education strategy, the health strategy was not updated with the key changes in the health sector, in particular prioritization of health under CRRF where refugees were to be fully integrated into the national health system and the impact this would have on the provision of health services in the short, medium and long term.

23. In line with the CRRF and the new refugee law, the Representation selected the Ministry of Health as a partner and entered into a PPA with the Ministry in February 2018 where the management of the health clinics in all refugee settlements was transferred to the latter. Under the signed PPA, the Ministry of Health was allocated \$1 million for provision of health services to refugees in 2018. However, the Representation did not complete the project description section in the PPA and in consequence it lacked information related to key performance indicators, targets and outputs. Also, as was the case with the PPA with the Ministry of Education, there was no evidence that the Representative formally agreed to entering into the PPA with the Ministry of Health following a due diligence assessment and recommendation by the IPMC.

24. While the key objective of the transfer of responsibilities to the Government was improving refugees' access to and improving quality of health services, OIOS in its visit to the Ali Addeh health facility noted that this was impacted by the lack of medical staff. Following the handover of the management of the clinics to the Ministry of Health in December 2017, the doctor and the laboratory technician hired by the previous implementing partner left. The individuals appointed to replace them had not reported to duty at the time of the audit. In consequence, patients were attended to by the head nurse, with major cases being referred to the doctor in Ali Sabeh. The clinic did not have electricity because its solar system had not been repaired yet funds for this were included in the 2018 PPA budget. Consequently, since 2017, the cold storage system for vaccines was not working, with patients requiring vaccinations having to go to clinics outside the settlement. Clinics resorted to ordering drugs that required refrigeration on a weekly basis so they would not deteriorate under the heat.

25. OIOS also noted that the Ministry of Health, as required by the PPA, had not instituted proper record keeping at the clinics after it took over their management in the refugee settlements. For example, clinics could not account for medicines received and issued to patients as prescription forms were not completed for medicines dispensed, daily consumption reports were not maintained by the pharmacist, and periodic reconciliations were not done by the clinician.

26. The UNHCR Health Information System that was used by the previous partner for data collection, analysis and reporting was discontinued in anticipation that the Ministry would institute its own system. However, at the time of the audit, such a system was still not in place and the Ministry was not providing the Representation with performance reports as required in the PPA. The Representation had also not undertaken any performance monitoring. Consequently, both the Ministry and the Representation lacked information to give them visibility on the progress and quality of programme implementation. This raised the risk that any failure to provide the quality health services to refugees would go undetected.

27. The Representation had disbursed \$400,000 to the Ministry of Health by 30 April 2018, with \$143,184 spent on staff salaries, per diems and refugee health workers' incentives, as reported by the Ministry. However, the Representation's programme and project control staff were denied access to the necessary documents maintained at the Ministry of Health headquarters and were thus unable to undertake



performance and financial monitoring. Despite several requests, OIOS was also unable to access the Ministry of Health general ledger, payment vouchers and bank reconciliations related to UNHCR expenditure during the audit mission. OIOS was only able to access records at the clinics visited in the settlements. After the audit mission, the Representation informed OIOS that it was granted limited access and was thus able to validate the expenditures in order to process the second project instalment.

28. The root causes of the issues cited above included the lack of an up-to-date strategy that would define the provision of services under the Ministry of Health. There was also no transition and exit strategy to ensure a proper hand over in the provision of health services under the new implementation arrangements before the discontinuation of the UNHCR systems. This adversely impacted the provision of health services during the transition period, as outlined above.

**(2) The UNHCR Representation in Djibouti should, in collaboration with the Ministries of Education and Health, prepare a transition and exit strategy and update the relevant Project Partnership Agreements to guide the effective provision of health and education services, in accordance with the new National Refugee Law and under the Comprehensive Refugee Response Framework.**

*UNHCR accepted recommendation 2 and stated that the Representation had initiated the development of strategies that incorporated exit plans in the education, health, water and shelter sectors. Recommendation 2 remains open pending receipt of evidence that: (i) exit plans have been incorporated in the health and education strategies; and (ii) PPAs have been signed with the Ministries reflecting the effective delivery of services in the areas of health and education in accordance with the latest relevant strategies.*

## D. Shelter

There was a need for the Representation to develop a comprehensive shelter strategy to ensure that refugees have shelters that provide privacy, protection from the elements, emotional security and a space to live

29. The Representation prioritized shelter in its country operations plans for 2017 and 2018 to address the poor shelter conditions in refugee settlements. The UNHCR Global Shelter Strategy 2014-2018 required it to develop a shelter strategy at an early stage of contingency planning with a clear trajectory towards durable and sustainable solutions suitable to the specific context of displacement and alternatives to settlements, supported by: (i) a needs assessment; (ii) participation of the population of concern and of the overall local affected population, host governments, and partners in developing shelter options; (iii) coordination with other relevant sectors (sexual and gender based violence, education, health and nutrition, water, sanitation and hygiene, and livelihoods); and (iv) technical support from technical experts.

30. The Representation developed a five-year shelter strategy for 2015-2019; however, it was still in draft at the time of the audit, four years into its implementation. The draft strategy was also not comprehensive because it did not cover the over 1,300 Yemeni refugees at the Markazi settlement and was not revised to reflect relevant changes, e.g. the impact of the adoption of the National Refugee Law in 2017 and the CRRF approach. For example, while the strategy listed UNHCR as the lead in implementation of the shelter strategy, the leadership was expected to change to the Government under CRRF. The draft shelter strategy was also not updated for the Ali Addeh and Holl-Holl settlements to reflect the increase in the shelter unit cost from \$1,400 when the strategy was drafted to \$2,320 at the time of the audit.

31. The Representation undertook a shelter needs assessment in 2015 to inform the development of the strategy as required in the UNHCR Global Shelter Strategy. Per the strategy, the Representation committed

to replace the dilapidated tents where refugees lived in Ali Addeh and Holl-Holl with semi-permanent structures. However, four years into the strategy implementation period, only 412 out of 6,627 (6 per cent) of targeted households had semi-permanent shelters. The Representation attributed this to the reduction in its overall budget which led to a proportionate decrease in the shelter budget from \$839,305 in 2017 to \$156,654 in 2018. The Representation instead opted to purchase tents and, in consequence, most refugees in the three settlements were still living in temporary shelters, i.e. family and desert tents and housing units.

32. Contrary to the shelter principles, the temporary shelters provided to refugees did not consider the harsh weather conditions in which refugees lived in Markazi. The family tents absorbed a lot of heat because they were single-layered, as did the housing units which were made of plastic and were not well ventilated. The family tents could not withstand the seasonal strong Khamsin winds that were laden with sand. In consequence, some refugees opted not to use these two shelters, resulting in the Representation holding excessive inventory and having to incur storage costs for 323 of the 500 tents (valued at \$234,105) purchased in March 2018. The family tents also did not provide a sustainable solution since they needed to be replaced biennially (at a cost of \$468) which was a challenge considering the reduction in funding.

33. The draft shelter strategy was developed without considering shelter related activities by other stakeholders. For example, it did not consider the 300 units that were constructed by the King Salman Relief Centre in 2015 that could house approximately 1,500 refugees in the Markazi settlement. These units remained unoccupied three years since their construction, due to the lack of funding for electricity for air conditioning and water for the inbuilt kitchenettes and bathrooms. Although the units were not UNHCR's responsibility, finding a solution to these infrastructure issues would support the provision of shelter to some 1,500 refugees. This also demonstrated the strategy's limited alignment with other related sectors, e.g. water and sanitation, so that solutions could have been better integrated.

34. The Representation listed the failure to provide shelter as high risk in its risk register but the risk was not prioritized for action. The issues raised above were due to the lack of a comprehensive strategy to guide the Representation on how to provide shelters that would meet the UNHCR principles and benchmarks (protection from the elements, privacy, emotional security, and a space to live in a dignified manner) in the face of declining funding. The absence of suitable shelter meant that some refugees left Markazi to seek refuge in the city during the Khamsin (sand storm) season.

**(3) The UNHCR Representation in Djibouti, in consultation with the Shelter and Settlement Section in UNHCR headquarters, should develop and finalize a comprehensive shelter strategy taking into consideration the needs of refugees, the climatic challenges, potential for collaboration with key stakeholders, and alignment with other humanitarian sectors.**

*UNHCR accepted recommendation 3 and stated that with the support of the Senior Regional Shelter and Settlement Officer, the Representation had initiated measures with key stakeholders to develop a shelter strategy. Recommendation 3 remains open pending receipt of the finalized shelter strategy.*

## **E. Warehouse management and non-food item distribution**

There was a critical need to strengthen the Representation's capacity and management oversight over distribution of non-food items to ensure they reach beneficiaries and are properly accounted for

35. The Representation received, stored and distributed NFIs worth \$550,000 in the period under audit. In order to ensure their delivery in a timely manner to the intended beneficiaries of concern, the Representation was required to: (i) effectively manage warehouses with suitable record keeping and physical controls; (ii) establish beneficiary targeting criteria; (iii) develop and deliver a distribution plan

that is suitably communicated to recipients; (iv) monitor the actual distribution of NFIs; and (vi) conduct post distribution monitoring and reconciliations to ensure the items reached the intended beneficiaries.

36. The Representation did not have a distribution plan or criteria for selection of beneficiaries to ensure that NFIs reached the most vulnerable refugees. It also did not reconcile the NFIs issued from the warehouse to those distributed and was therefore unable to properly account for them. It also did not have documentation to evidence the conduct of post distribution monitoring and did not put mechanisms in place to obtain feedback from refugees on the effectiveness of the distribution mechanisms. The Representation's distribution reports were not dated or signed as evidence that its staff had attended the distributions.

37. Contrary to UNHCR rules that prohibit the use of PPAs for commercial transactions, the Representation signed a PPA with ONARS for the rent of warehouse space in Djibouti City, with the funds amounting to \$40,700 classified as "capacity building". The PPA lacked standard lease clauses to protect the interests of UNHCR, e.g. a notice period. Therefore, when ONARS terminated the warehouse arrangement in January 2018 without any prior notice, and before the liquidation of the PPA, the Representation did not have legal grounds to recover any part of the prepaid rent or a basis for calculating how much of the \$40,700 would be recoverable.

38. The Representation selected a new warehouse in 2018, without assessing different rental options to ensure that its cost represented best value for money. At the time of the audit and five months after transferring inventory into this warehouse, the Representation had not finalized the warehouse contract. The contract was signed after the audit. The Representation lacked a storage layout plan to support the storage costs charged, did not maintain standard operating procedures clarifying the roles and responsibilities between UNHCR and its logistics partner and had not designated a warehouse manager or an inventory focal point.

39. The Representation had not put in place a proper warehouse document management system, and therefore there was no mechanism to check stock accuracy. Basic stock records such as bin cards, inventory counting sheets, inspection reports, and goods received notes were not maintained. In addition, contrary to UNHCR rules, stock issuances were requested by email and not through approved material stock requests. OIOS attempt to reconcile physical stock and MSRP records showed large discrepancies for jerry cans, blankets, tents, stoves, solar lamps and synthetic sheets because MSRP had not been updated for one year.

40. Although a recommendation on warehousing and distribution of NFIs raised in the previous OIOS audit was closed based on documentary evidence and assurances from UNHCR that the issues were resolved, the current audit could not confirm any sustained improvement in controls. On the contrary, as noted above, the weaknesses remained systemic and pervasive. OIOS concluded that management oversight over the warehousing and NFI distribution function was weak. For instance, the Representation had not prioritized the risk of fraud in supply chain in its risk register to ensure adequate mitigating measures were implemented and actively monitored. The weaknesses were compounded by the fact that the function was run by only one United Nations Volunteer with no relevant prior experience. Given that this is a risk that the Representation had not addressed since the previous audit conducted by OIOS in 2015, the likelihood that NFIs have been lost or misappropriated and have not reached all the intended beneficiaries is very high. Similarly, it is likely that UNHCR has lost money due to suboptimal warehouse management.

**(4) The UNHCR Representation in Djibouti should take action to strengthen its management oversight over receipt and distribution of non-food items (NFIs) and put in place arrangements to ensure compliance with relevant inventory management policies as well as accountability for the delivery of NFIs to intended beneficiaries.**

*UNHCR accepted recommendation 4 and stated that the Representation had initiated and taken several measures to improve inventory management and distribution of NFIs. Recommendation 4 remains open pending receipt of evidence of: (i) development and implementation of SOPs that are aligned to UNHCR policies and guidance on inventory management and distribution; (ii) preparation of distribution plans, distribution criteria and post distribution monitoring reports for NFIs; and (iii) reconciliation of NFIs issued from the warehouse to distribution lists.*

## **F. Partnership management**

There was a need for the Representation to strengthen its partner selection, capacity building and monitoring processes to ensure partners provide services to refugees in an effective manner

41. Implementation through eight partners accounted for 85 per cent of the Representation's total budget in the period under audit. To ensure partners implement project activities effectively, the Representation was required to: (i) select or retain partners through a process with adequate authorization, objectivity, transparency, consistency and timeliness; (ii) sign well developed project agreements with partners and transfer instalments in a timely manner; (iii) monitor the project activities and expenditures through a risk based and multi-functional approach; (iv) effectively use and monitor the external audit reports of partner projects; and (v) arrange for building capacity of partners as and when necessary.

42. The IPMC managed the partner selection and retention processes. It carried out desk reviews of the non-governmental partners in 2017 and 2018, but without reassessing their capacity and instituting measures to strengthen their internal controls to safeguard project resources, even though some of the retained partners in 2017 had well known challenges. For example, the IPMC retained two partners that had qualified audit opinions in 2016 based on ineligible costs amounting to \$51,874 (5 per cent of total project expenditure) and \$426,946 (36 per cent of the total expenditure) respectively. The two partners disagreed with the external auditors' analysis of ineligible expenditure but the Representation had not reviewed the additional information provided by the partners to assess if any funds needed to be recovered. This should have been a key issue to consider and bring to conclusion before deciding to retain these partners for another year. After the OIOS mission, the Representation arranged for the external auditors to review the additional documents provided by partners, and was awaiting the outcome of the review.

43. The Representation signed PPAs with its partners on time and designated procurement exceeding \$100,000 to three partners in 2017 and 2018 in accordance with UNHCR requirements. However, the Representation did not institute sufficient capacity building measures for partners with known challenges in delivering services to refugees. For example, in 2017, the Representation's monitoring reports highlighted one partner's capacity challenges that resulted in delayed implementation of sexual and gender based violence activities but since this, no subsequent capacity-building in this area could be evidenced. The Representation also did not increase its performance monitoring of this partner considering the known weaknesses. Consequently, once implementation was underway in 2018, the Representation continued to identify significant weaknesses in this partner's capacities and internal controls.

44. The Representation prepared monitoring plans for all partners except the Ministries of Education and Health. Although the monitoring plans were meant to be risk based, the Representation proposed the same number and intensity of monitoring visits regardless of the assessed partner risk. For example, the plans did not make any distinction between monitoring of partners with known performance or control issues and/or implementation challenges, those that had not accounted for disbursed funds, and those with a good performance record. The Representation's multi-functional teams undertook mid and year-end performance verifications but the resultant reports merely listed challenges reported by partners and refugees and did not cover the partners' performance against set targets. OIOS noted that one partner did

not follow competitive processes to procure goods and services, e.g. kerosene and transport for repatriation of refugees. Another partner hired minibuses at a cost of \$23,418 to transport refugees from the settlements to Djibouti City when using public transport, which refugees customarily took, would have cost \$2,116.

45. There were significant misclassifications in partner budgets for two international partners amounting to \$367,810 and \$88,813, where budget lines for paying refugee related labor were classified as cash based interventions. Consequently, amounts that should have been disallowed when computing the project headquarters support costs were included, resulting in an overpayment of such costs. OIOS also identified several other misclassifications of expenditure that impacted availability of accurate information for financial reporting and decision-making. For example, voluntary repatriation expenses amounting to \$449,882 were classified under other contractual services.

46. Partners also made budget line transfers without the required approval from the Representation and revisions to the relevant PPA workplans and budgets. For example, 50 showers costing \$19,774 intended for Yemeni refugees in Markazi settlement were instead constructed in Ali Addeh settlement for Somali refugees. In another case, the Representation revised a PPA in December 2017 to cover voluntary repatriation of refugees to Somalia; however, this was a reimbursement of costs already incurred (\$39,618) since this partner had completed the activity in October 2017.

47. The issues cited above were caused by several reasons which collectively resulted in a weak control environment: the IPMC did not undertake the necessary due diligence during the selection of partners; the Programme Unit did not establish the necessary controls for managing project partnerships; and the multi-functional monitoring team did not discharge its duties so as to identify key risks for mitigation.

**(5) The UNHCR Representation in Djibouti should develop and ensure full implementation of an action plan to strengthen its partner selection, capacity building and monitoring processes and the management of associated risks, as well as ensure that selected partners provide services to refugees in an effective and timely manner.**

*UNHCR accepted recommendation 5 and stated that measures were already being instituted to strengthen the process for identifying and retaining partners for 2019. Recommendation 5 remains open pending receipt of evidence of the implementation of an action plan developed to address the identified issues related to retention, capacity building and monitoring of partners.*

## **G. Planning and resource allocation**

The Representation needed to strengthen its strategic planning processes to ensure that available resources are put to the best use

48. The Representation's funding reduced from \$11.8 million in 2017 to \$8.3 million in 2018 (30 per cent decrease). To manage the risks of failure to provide the most vital assistance to vulnerable persons of concern in such circumstances, it was essential for the Representation to ensure that: (i) the needs of the persons of concern are comprehensively assessed; (ii) goals and objectives are prioritized and established, aligned with UNHCR global strategic priorities and be informed by timely and reliable data on the population of concern; (iii) protection and operational strategies are defined; and (iv) the required outputs and activities are defined, budgets allocated and deliverables established.

49. The Representation carried out a needs assessment using the Age, Gender and Diversity approach to inform its annual planning process, and data on the population of concern in Djibouti was periodically updated to reflect the changes in refugee numbers. As funding reduced, the Representation prioritized the

integration of refugees into Government systems. However, the Representation continued funding the same activities despite having handed health and education to the Government. Also, as noted in sections B and C above, the Representation lacked comprehensive strategies to ensure that refugees received vital services after the transition to the government. In addition, as already shown in section D, although the Representation listed shelter as a priority, the funds allocated to it were insufficient to have a meaningful impact.

50. The Representation finalized its multi-year, multi-partner planning strategy (2018–22) in September 2017 aimed at empowering refugees through durable solutions. This strategy included amongst other things progressively transitioning the delivery of services to refugees to sustainable, locally-led mechanisms. However, until such a time that this happened, the responsibility remained with the Representation, and OIOS noted that the Representation did not allocate sufficient resources for effective delivery of services. For example, the Representation prioritized durable solutions with emphasis on self-reliance and livelihoods activities to cater for 81 per cent of refugees (45 per cent of whom were Somalis who had lived in Djibouti for over 25 years) who were in the three settlements and depended primarily on humanitarian assistance. However, only \$71,000 was allocated to self-reliance and livelihoods in the 2018 budget which impacted the Representation’s ability to provide related services to refugees.

51. Although the reduced funding and the challenges management had in prioritizing the limited funding in the face of its growing needs were well known and the Representation had listed inadequate funding to meet basic needs as a high risk in its risk register, it did not prioritize the risk or implement the proposed actions to mitigate it. These challenges were compounded by the absence of a livelihoods strategy that would promote self-sufficiency. A livelihoods strategy was finalized after the audit but unless the Representation allocates funding to this area deemed as a priority, it may not be implemented effectively.

**(6) The UNHCR Representation in Djibouti should: (i) strengthen its strategic planning processes to ensure that available resources are put to the best use, i.e. areas of priority; and (ii) prioritize the risk of limited funding and institute measures to mitigate it.**

*UNHCR accepted recommendation 6 and stated that the Representation had initiated and taken a number of measures to address the specific instances raised in the audit. Recommendation 6 remains open pending receipt of: (i) an updated risk register that prioritizes the risk of limited funding and lists mitigating measures to address this risk; and (ii) evidence of better alignment of resources to the Representation’s identified areas of strategic importance.*

#### IV. ACKNOWLEDGEMENT

52. 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

## STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	The UNHCR Representation in Djibouti should: (i) in consultation with the UNHCR Comprehensive Refugee Response Framework (CRRF) Task Team and with support from the Bureau for Africa, develop an internal action plan to mainstream the CRRF approach in its operations; and (ii) facilitate the conduct of an assessment of the capacity and capability of L'Office National d'Assistance aux Réfugié et Sinistré (ONARS) and the development of a capacity building plan to support ONARS in effectively executing its mandate of establishing appropriate structures and systems for the implementation of the CRRF (which includes updating the National Action Plan).	Important	O	Submission to OIOS of: (i) a finalized action plan that supports mainstreaming the CRRF approach in the Representation's operations; and (ii) an approved capacity building plan for ONARS to address the gaps identified in the capacity assessment.	31 March 2019
2	The UNHCR Representation in Djibouti should, in collaboration with the Ministries of Education and Health, prepare a transition and exit strategy and update the relevant Project Partnership Agreements to guide the effective provision of health and education services, in accordance with the new National Refugee Law and under the Comprehensive Refugee Response Framework.	Important	O	Submission to OIOS of evidence that: (i) exit plans have been incorporated in the health and education strategies; and (ii) PPAs have been signed with the Ministries reflecting the effective delivery of services in the areas of health and education in accordance with the latest relevant strategies.	31 March 2019
3	The UNHCR Representation in Djibouti, in consultation with the Shelter and Settlement Section in UNHCR headquarters, should develop and finalize a comprehensive shelter strategy taking into consideration the needs of refugees, the climatic	Important	O	Submission to OIOS of the finalized shelter strategy.	31 March 2019

<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.

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

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

## STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
	challenges, potential for collaboration with key stakeholders, and alignment with other humanitarian sectors.				
4	The UNHCR Representation in Djibouti should take action to strengthen its management oversight over receipt and distribution of non-food items (NFIs) and put in place arrangements to ensure compliance with relevant inventory management policies as well as accountability for the delivery of NFIs to intended beneficiaries.	Critical	O	Submission to OIOS of documentary evidence of: (i) development and implementation of SOPs that are aligned to UNHCR policies and guidance on inventory management and distribution; (ii) preparation of distribution plans, distribution criteria and post distribution monitoring reports for NFIs; and (iii) reconciliation of NFIs issued from the warehouse to distribution lists.	31 March 2019
5	The UNHCR Representation in Djibouti should develop and ensure full implementation of an action plan to strengthen its partner selection, capacity building and monitoring processes and the management of associated risks as well as ensure that selected partners provide services to refugees in an effective and timely manner.	Important	O	Submission to OIOS of documentary evidence of the implementation of an action plan developed to address the identified issues related to retention, capacity building and monitoring of partners.	31 March 2019
6	The UNHCR Representation in Djibouti should: (i) strengthen its strategic planning processes to ensure that available resources are put to the best use, i.e. areas of priority; and (ii) prioritize the risk of limited funding and institute measures to mitigate it.	Important	O	Submission to OIOS of: (i) an updated risk register that prioritizes the risk of limited funding and lists mitigating measures to address this risk; and (ii) evidence of better alignment of resources to the Representation's identified areas of strategic importance.	31 March 2019



# **APPENDIX I**

## **Management Response**

## Management Response

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Representation in Djibouti should: (i) in consultation with the UNHCR Comprehensive Refugee Response Framework (CRRF) Task Team and with support from the Bureau for Africa, develop a plan to mainstream the CRRF approach in its operations; and (ii) facilitate the conduct of an assessment of the capacity and capability of L'Office National d'Assistance aux Réfugiés et Sinistrés (ONARS) and the development of a capacity building plan to support ONARS in effectively executing its mandate of establishing appropriate structures and systems for the implementation of the CRRF (which includes updating the National Action Plan).	Important	Yes	Senior CRRF Officer	31 December, 2018	<p>(i) It is important to underline that the seminal objective of the CRRF approach is to factor, integrate and mainstream refugee needs, objectives and coverage into national systems and safety nets, rather than sustain singular/separate refugee programs or crystallize refugee or humanitarian programs as the solutions for contextual national or local host community needs.</p> <p>(ii) In this context, it is highlighted that in Djibouti the approach is the correct one. It has an existing National Action Plan (NAP) that mainstreams priorities of the CRRF as very much a government-driven approach. The prioritized sectors are education, health, WASH, livelihoods, and legal reform.</p> <p>(iii) For its part, UNHCR Djibouti, first, continues to implement its operations in the country to meet mandated protection, assistance and solutions responsibilities for which it is accountable and for which it has received donor and organizational funding to realize as per the approved UNHCR Djibouti Operations Plan. The</p>

<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 the operations in Djibouti for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>respective CRRF-related objectives, targets, outputs and outcomes are however aligned accordingly with the overall CRRF objectives.</p> <p>(iv) The Office has, with respect to the CRRF, played a key supporting role, along with other partners, in the elaboration of the NAP in line with both the respective objectives and alignments in Djibouti and those drawn from the Nairobi IGAD Declaration. Regarding implementation of the CRRF approach as set within the NAP, UNHCR is a key player in the CRRF steering committee where, once again, it is particularly attentive to questions of coherence, alignment and integration. The Africa Bureau and the Division of Resilience and Solutions (DRS) have been actively involved in every step of these processes, strategic and programmatic elaboration and implementation support and follow-up.</p> <p>(v). UNHCR Djibouti works on a daily basis with its governmental counterpart. UNHCR's Protection Unit advises and supports the partner in Refugee Status Determination (RSD) eligibility procedures and protection related matters, while UNHCR's CRRF Unit supports the reinforcement of their capacities and implementation of the CRRF approach.</p>

## Management Response

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Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						(vi). The above summary shows that all the key steps and actions called for by the audit recommendation have been implemented. On this basis, the Office considers that the recommendation can be closed.
2	The UNHCR Representation in Djibouti should, in collaboration with the Ministries of Education and Health, prepare a transition and exit strategy and update the relevant Project Partnership Agreements to guide the effective provision of health and education services, in accordance with the new National Refugee Law and under the Comprehensive Refugee Response Framework.	Important	Yes	Program Officer	31 December, 2018	<p>(i). UNHCR Djibouti has already started developing strategies for an exit plan in key sectors including education, health, water and shelter. The exit plan will be included in the various implementation strategies so that gradually, the Government will take full responsibility towards the persons of concern to UNHCR. UNHCR Senior Regional Technical Officers for Health, Education, and Shelter based in the UNHCR Regional Service Center in Nairobi are providing technical guidance and support.</p> <p>(ii). For now, it is important to underline the importance at this initial phase for the international community, including UNHCR, to continue supporting the Government in fulfilling its commitments in line with the CRRF objectives of due responsibility and burden sharing.</p> <p>(iii). The Office has already signed respective Project Partnership Agreements (PPA) with the concerned entities namely the Ministries of</p>

## Management Response

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>Education, Health, Environment, and Interior. Agreements are also set to be signed with the Ministries of Water, Labor and Social Affairs in order to ensure continuity of the smooth inclusion of refugees in the national systems. This will also provide opportunities, under the new refugee law, for more socio economic activities available for refugees leading to self-sufficiency.</p> <p>(iv). As the development of the transition and exit strategy jointly with relevant line Ministries is to be finalized expected within the planned timeframe and the PPAs for effective provision of health and education services in accordance with the new National Refugee Law and under the CRRF have also been concluded and signed the Office considers that this recommendation can be closed.</p>
3	The UNHCR Representation in Djibouti, in consultation with the Shelter and Settlement Section in UNHCR headquarters, should develop and finalize a comprehensive shelter strategy taking into consideration the needs of refugees, the climatic challenges, potential for collaboration with key stakeholders, and alignment with other humanitarian sectors.	Important	Yes	Program Officer	31 March 2019	(i) The Senior Regional Shelter and Settlements Officer (SRSSO) was on mission in Djibouti from 7 to 14 October 2018 and visited all the three settlements for a comprehensive assessment of housing including the ones built by the King Salman Center Foundation in Obock as part of the process of developing the strategy called for in this recommendation.

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Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						(ii) With the support of the SRSSO, the Office organized a workshop on 8 October 2018 with the government and other stakeholders to jointly develop the outline of the shelter strategy. On the basis of this workshop, an initial draft has already been prepared and stakeholder consultations are now under way in developing the full strategy. It is expected that the strategy will have been finalized by 31 March 2019.
4	The UNHCR Representation in Djibouti should take action to strengthen its management oversight over receipt and distribution of non-food items (NFIs) and put in place arrangements to ensure compliance with relevant inventory management policies as well as accountability for the delivery of NFIs to intended beneficiaries.	Critical	Yes	Representative	30 November 2018	<p>(i). The recommendation is very well noted and necessary actions have already been taken by UNHCR Djibouti to ensure that the warehouse management, NFI distribution and inventory management are improved.</p> <p>(ii) A Supply Management and Logistics Service (SMLS) mission was undertaken to the Operation from 5 to 14 November 2018 during which training on effective inventory and warehouse management, record-keeping and physical controls and Supply-related technical processes in the MSRP was conducted for UNHCR and World Food Program (WFP) Supply Staff.</p> <p>(iii) The Office has initiated the establishment of beneficiary-targeting criteria and the development of a</p>

## Management Response

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>distribution plan that will be communicated to recipients.</p> <p>(iv) A monitoring form has been put in place to report on and keep track of all distributions and returns of inventories to be recorded in the system through GS45 (UNHCR's template on asset disposal and issuance request) in coordination with Headquarters (HQ). This monitoring form is also used by UNHCR Field Offices for post-distribution monitoring and reconciliations to ensure that the items were received by the intended beneficiaries.</p> <p>(v). A proper mechanism for beneficiaries' feedback on the effectiveness of the distribution mechanism is in the course of being designed instituted.</p> <p>(vi). Following the SMLS mission, all reconciliations and documentation of stock warehousing, distribution and returns been recorded and accounted for.</p> <p>(vii) The storage costs charged by WFP to UNHCR were added to the contract.</p> <p>(viii). Standard operating procedures have been clarified between UNHCR and WFP.</p>

## Management Response

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>(xi). The inventory focal point appointed by the Representative is responsible for ensuring that all agreed services are implemented.</p> <p>(x) Proper filing system and guidelines for the warehouse and for the office are implemented by the UNHCR inventory focal point and the WFP warehouse manager.</p> <p>(xi) Records are correspondingly updated once there are stock movements. For example, Material Stock Reports (MSR) reference number is written on the corresponding bin card in the warehouse and a copy is filed in the Procurement folder at the office.</p> <p>(xii). As per above, the Representation has taken a full range of actions to address the critical aspects of this recommendation and is confident that, with controls and arrangements for NFI due diligence now put in place, the Office is now fully compliant with relevant inventory management policies and is duly accountable for the delivery of NFIs to intended beneficiaries.</p>
5	The UNHCR Representation in Djibouti should develop and ensure full implementation of an action plan to strengthen its partner selection,	Important	Yes	Project Control Officer	31 December, 2018	(i). This recommendation is very well noted and necessary actions are being taken.



## Management Response

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	capacity building and monitoring processes and the management of associated risks as well as ensure that selected partners provide services to refugees in an effective and timely manner.					<p>(ii). The Office has now finalized the 2018 desk review of the partners which took into consideration the findings of the Multi-Functional Team (MFT). All Governmental partners (ONARS, Ministry of Education, Ministry of Health and Ministry of Environment) and the partner in child protection (ICAN) are retained for 2019. Desk review recommendations will be closely followed up with the partners who have been retained.</p> <p>(iii). Four partners have reached the 4 consecutive partnership years' limit hence calls for expression of interest to select new partners for 2019 have been launched in the following sectors: WASH, SGBV, shelter, and community mobilization. On 6 December 2018 the IPMC was called to review the concept notes and make recommendations. IPMC recommended NRC for WASH and shelter; LWF for SGBV and community mobilization. The recommendations will be submitted to the Representative for decision/approval.</p> <p>(iv) A workshop for MFT members on risk-based monitoring has taken place on 10 and 11 October 2018 facilitated by a Consultant from an audit firm funded by Implementing Partnership and Management Service (IPMS). The objective of the workshop was to raise</p>

## Management Response

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>risk awareness with regard to the monitoring of partners. The main takeaways from the workshop are related to: variety of monitoring methods and approaches; importance of quality rather than quantity of monitoring; improved awareness of different sources and levels of risk; and the importance of regular monitoring of and mitigating measures for PPA related risks.</p> <p>(v). Following the workshop, the Office has finalized its own risk-assessment, and completed relevant forms for all PPAs with the exception of one partner. These risk registers will be regularly reviewed and updated to reflect the contextual dynamics and ensure timely risk mitigation, including further MFT and IPs' capacity building if/when required.</p> <p>(vi). The Office considers that it has fully addressed the action points of this recommendation and is confident that it is now fully compliant with the relevant procedures for due diligence.</p>
6	The UNHCR Representation in Djibouti should: (i) strengthen its strategic planning processes to ensure that available resources are put to the best use, i.e. areas of priority; and (ii) prioritize the risk of limited funding and institute measures to mitigate it.	Important	Yes	Representative	30 November, 2018	<p>(i). This recommendation is well noted and the Office will continue to further improve its strategic planning process and its optimal use of available resources.</p> <p>(ii). The Office is drafting a strategy and training staff to introduce in a phased</p>

Management Response

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>manner the use of Cash Based Interventions (through multipurpose cash grants and social protection in coordination with WFP) to meet shelter and NFI needs in the 2019 programme year.</p> <p>(iii). Reduction of transport costs for the repatriation of refugees from settlements to Djibouti city has been discussed with the government partner and better price deals are being negotiated in order to reduce the cost by more than 80%.</p> <p>(iv). With the introduction of new partnerships with different line ministries, expenditures have reduced significantly. For example, in 2017 the health sector implemented by an international non-governmental organization (INGO), cost over USD 1,800,000. In 2018, because of UNHCR Djibouti's partnership with the Ministry of Health there was a reduction of about USD 1,000,000 in the total expenditures for this specific activity. This example shows clearly that efforts are being made to better manage and prioritize available resources.</p> <p>(v). The risk assessment has commenced to include the risk of having limited funding and this is already reflected in the</p>

## Management Response

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>risk register as per the deadline of 30 November 2018.</p> <p>(vi). The Office considers that the necessary actions have been taken to ensure the due diligence called for by this recommendation and is thus requesting closure of the recommendation.</p>