Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2025/023

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

The Representation needed to strengthen controls over strategic planning to ensure resources are used in an efficient and cost-effective manner

27 June 2025
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Audit of the operations in Kenya 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 Kenya 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 forcibly displaced persons in an efficient and cost-effective manner and in accordance with UNHCR policy requirements. The audit covered the period from 1 January 2022 to 31 December 2023 and included (a) planning and resource allocation; (b) registration; (c) cash-based interventions (CBIs); (d) shelter and settlement; (e); education; (f) public health; and (g) supply chain management.

Despite facing funding challenges and operating in a complex environment, the Representation did not revise its strategies to reprioritize funding toward the key increasing programme needs nor explore more efficient ways to deliver its programmes. The lack of reliable registration and programme data, as well as inadequate programme performance metrics, further impacted on the Representation's strategic planning and programme decision-making. Weaknesses in the Representation's oversight of partner-led programme implementation also impacted on the timeliness and quality of services provided to forcibly displaced persons. Further, gaps in controls led to inefficiencies in implementing certain programmes and in processes such as procurement.

OIOS made nine recommendations. To address issues identified in the audit, UNHCR Representation in Kenya needed to:

- Enhance its strategic and operational planning processes;
- Reinforce its oversight over the government's registration process to improve data quality and ensure that expenditures are in line with the funding agreements;
- Scale up the use of cash as the preferred assistance modality and improve management of the CBI programme using appropriate indicators and ensuring most favorable contractual arrangements for financial service providers, including regarding their transaction fees;
- Take measures to strengthen the delivery of shelter and settlement interventions;
- Reinforce its planning, implementation and oversight of the education programme so available resources are used in an efficient and cost-effective manner;
- Address the quality of health services provided to forcibly displaced persons;
- Develop and implement an action plan to improve compliance with procurement guidance;
- Strengthen monitoring of procurement designated to partners; and
- Strengthen controls over the monitoring of fuel.

UNHCR accepted all recommendations and has initiated action to implement them. Actions required to close the recommendations are indicated in Annex I.

CONTENTS

Audit of the operations in Kenya 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 Kenya for the Office of the United Nations High Commissioner for Refugees (UNHCR).

2. The UNHCR Representation in Kenya (hereinafter referred to as the 'Representation') was established in 1969 to provide forcibly displaced persons with international protection, humanitarian assistance, and durable solutions. As of 31 March 2025, the Representation was assisting 843,165 refugees and asylum seekers; 57 and 23 per cent of whom were from Somalia and South Sudan, respectively. Of this number, 428,016 people resided in four camps in Dadaab (two camps in Ifo, and one each in Dagahaley and Hagadera), 303,247 in Kakuma and Kalobeyei settlements, and 111,902 in urban areas.

3. The Representation's multi-year strategy (2023-2026) focused on maintaining asylum space, supporting government fair protection processes, helping displaced persons achieve durable solutions, mainstreaming refugees into government services, and economic inclusion and self-reliance. This strategy was aligned to the operationalization of the 2023 Shirika Plan that sought to transform camps into integrated settlements by ensuring displaced persons became self-reliant and were integrated into host communities.

4. The Representation was headed by a Representative at the D-2 level who reported to the Director of the Regional Bureau of the East and Horn of Africa and Great Lakes region. It had 316 regular staff posts and 41 affiliate staff at the time of the audit. It had a country office in Nairobi, and two sub-offices in Dadaab and Kakuma. The Representation recorded total expenditure of $84.4 million, $71.4 million, and $81.2 million in 2022, 2023 and 2024, respectively, and worked with 24 partners in the years 2022 to 2024, who implemented 48 per cent of the programme related expenditures in 2022-2023 and 32 per cent in 2024.

5. To acquire, process and store data related to programmes and activities under review, the Representation relied on institutional information systems and applications such as proGres, CashAssist, Managing Systems, Resources and People (MSRP) and Cloud Enterprise Resource Planning (Cloud ERP), COMPASS, and Workday.

6. Comments provided by UNHCR are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess whether the Representation was managing the delivery of services to the forcibly displaced persons in an efficient and cost-effective manner and in accordance with UNHCR policy requirements.

8. This audit was included in the 2024 risk-based work plan of OIOS due to the risks related to the size and complexity of the operations in Kenya.

9. OIOS conducted this audit from July 2024 to January 2025. The audit covered the period from 1 January 2022 to 31 December 2023 and focused on the following higher risk areas: (a) planning and resource allocation; (b) registration; (c) cash-based interventions (CBIs); (d) shelter and settlement; (e) education; (f) public health; and (g) supply chain management.

10. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; (d) sample testing of controls; (e) visits to the Representation's branch and sub-offices and selected implementing partners; and (f) observation of programme activities implemented in Dadaab, Kakuma and Nairobi.

11. OIOS assessed the reliability of data related to registration, CBIs, and procurement by (a) performing electronic testing; (b) reviewing existing information and data in proGres, CashAssist, MSRP and Cloud ERP, COMPASS, and Workday systems; and (c) interviewing UNHCR Kenya personnel knowledgeable about the data. Additionally, OIOS traced a random sample of data to source documents. Except for the data quality issues reported in the relevant sections of this report, OIOS determined that overall, the data was sufficiently reliable for the purpose of addressing audit objectives.

12. The audit was conducted in accordance with the Global Internal Audit Standards.

III. AUDIT RESULTS

A. Planning and resource allocation

The resource allocation was neither effective nor sustainable

13. The Representation's operation was constrained by limited resources at a time when there was a significant increase in displaced persons. For example, from 2022 to 2023, the number of displaced persons went from 677,710 to 766,049, triggering an increase in the operating plan budget from $146 million to $153 million, and this at a time when the funding (operating level budget) was decreasing from $84 million to $72 million, aggravating the funding gap. The situation was similar in 2024, as reflected in table 1. This funding constraint needed to be taken into consideration for any appropriate adjustment to the strategy, planning and resource allocation.

Table 1: **Funding situation between 2022 and 2024 (in $ million)**

	2022	**2023**	**2024**
Resources needs: operating plan (OP) budget	145.5	153.4	166.0
Available funding: operating level (OL) budget	84.4	72.3	88.1
Funding gap	61.1	81.1	77.9
Funding gap (percentage)	**42**	**53**	**46.9**
Programme costs as a percentage of available budget (OL)	65	59	63
Administration as a percentage of available budget (OL)	10	11	9
Staff costs as a percentage of available budget (OL)	25	30	28
Total	**100**	**100**	**100**

(a) Multi-year strategy

14. The multi-year strategy had a performance framework with defined indicators and baselines. However, the set targets and reported results were unrealistic. For example: (i) the target for the indicator 'proportion of people that receive CBIs and/or non-food items' was 100 per cent, implying that all those in need would receive assistance; and (ii) the indicator on the "access to asylum procedure" was measuring percentage of new arrivals who had been profiled to receive assistance and not actual registration. Furthermore, the indicators did not consider qualitative factors such as quality of education and number of girls attending school for the education programme, which recorded an improvement of primary school enrolment from 80 to 82 per cent between 2022 and 2023.

(b) Resources allocation

15. The Representation allocated 77 per cent of its 2022-2023 programme budgets to the seven priority areas listed in its multi-year strategy. However, the following gaps in the prioritization and resource allocation process were noted:

- Government pledge - Initiatives meant to alleviate the financial constraints, such as the 2019 Government of Kenya pledge to include refugees under its programmes, did not materialize due to inadequate donor funding. Hence, the Representation retained responsibility over the displaced persons, which was contrary to its strategic direction to mainstream them in government services.
- Staff costs - While there were staff reductions due to decreased funding in 2023, these costs relatively remained high. Consequently, this impacted on programmes such as shelter, education and public health which received only 39, 42, and 30 per cent respectively of the required resources, thereby impacting service delivery as discussed in sections D, E and F of this report.
- Partners - Despite reduced funding, the Representation did not reduce the number of funded partners, attributing this to the need for continuous service delivery. Overall, 66.4 per cent of the partners' costs went towards staff salaries and not towards programme activities. The Representation attributed this to staff-driven programme activities, e.g., registration, education and health.
- Prioritization - The Representation prioritized other activities over core programmes such as health, education and shelter. For instance, the Representation spent $331,000 on the construction of Kalobeyei Sports Complex intended to promote social cohesion and community well-being. At the time of the audit, the construction that started in 2018 was yet to be completed, with an additional $140,000 or $2.4 million needed depending on the option selected to complete the project and rectify design and budgeting shortcomings. This did not represent value for money.

(1) The UNHCR Representation in Kenya should enhance its strategic and operational planning processes through: (i) advocating for mainstreaming displaced persons into government services; (ii) reviewing the allocation of resources for prioritized sectors; and (iii) establishment of realistic and reasonable targets and indicators to ensure cost-effective programme implementation.

UNHCR accepted recommendation 1 and stated that: (i) the Shirika Plan implementation would address the transition toward integrated services; (ii) the resources allocation is reviewed depending on available funding and pending funding submissions to donors which may result in OL increase; and (iii) most targets have been lowered due to funding cuts and would be further revised in the detailed planning for 2026. The advocacy strategy would be developed by 31 December 2025.

B. Registration

Oversight of government partner activities was weak

16. The Government of Kenya was responsible for conducting registration activities, with the Representation responsible for providing technical support and capacity building, for which the Representation spent $4.2 million in the period under audit.

17. Most of the $4.2 million provided to the government partner went toward payment of salaries of staff involved in registration, which was not sustainable. The payments were made by the government partner with no oversight by the Representation. As a result, the government partner paid daily subsistence

allowances to government staff totaling $141,085 for services that government should have been providing. The government partner also did not have third party documentation to support expenditure totaling $117,054 related to consultancy, air travel, per diem, and transportation costs. Furthermore, there was a missed opportunity for cost saving when the government partner opted to collect its own data while another funded non-government partner had the required biodata and biometric information at a cost of $256,770.

18. OIOS review of registration records for a sample of persons in the proGres system noted gaps in the quality of the data, for example:

- Inadequate data quality - A review of 153,293 individual records registered in 2022-2023 revealed incomplete, inaccurate, and inconsistent data entries. For instance, they lacked key information such as city of birth (53,124 cases), parents' names (44,471), country of birth (22,877), and inconsistent 'marital status' (870). Despite being eligible for biometric enrollment, 20,060 of the eligible 99,163 persons (20 per cent) were not enrolled.
- Unauthorized changes - In 4 of 48 records reviewed, two government staff had made changes to biodata in proGres, i.e. the date of birth, without proper justification as required by Standard Operating Procedures (SOPs). This increased the risk of including ineligible persons for protection, solutions and assistance.
- Risk of duplicated registrations - Some 5,296 individuals did not have unique identifiers. A random check of 100 cases revealed 11 cases (22 individuals) with duplicate registrations in Dadaab, raising the risk of improper access to protection and assistance.

(2) The UNHCR Representation in Kenya should reinforce its oversight over the government partner's: (i) registration process to improve the quality of population data for programme planning and decision-making; and (ii) expenditures so they are incurred in line with the partnership framework agreements.

UNHCR accepted recommendation 2 and stated that the government partner is required to submit Performance Progress Reports and UNHCR verifies both financial and performance data.

C. Cash-based interventions

The management of cash assistance had weaknesses

19. The Representation distributed CBIs totaling $8 million to forcibly displaced persons. CBIs constituted 10 per cent of a refugee's basic needs in Kakuma, whereas those in Dadaab primarily received in-kind assistance. This, however, contravened UNHCR's strategic direction to prioritize CBIs over non-food items (NFIs) as the preferred modality of service delivery to displaced persons, considering that it is supposed to be more cost-efficient, give refugees more decision-making power, and afford them dignity. Furthermore, a review of the CBI programme revealed the following gaps in its management:

- Transfer values - The Representation was unable to bridge the gap between the minimum expenditure basket and average household income of displaced populations due to funding constraints. Further, CBI transfer values were established without considering regional variations in the cost of living, e.g. for beneficiaries living in urban areas. There was a disproportionate distribution of CBIs, with Nairobi receiving higher per capita amounts than other regions, i.e., 22.6 per cent of total CBI expenditure catering only for 0.5 per cent of the total beneficiaries. This was due to the lack of set location-specific minimum expenditure basket-driven amounts.

- Standard operating procedures - The Representation's CBI related SOPs were outdated, which neither reflected recent changes in ERP system nor covered CBIs targeting vulnerable girls and children with disabilities.
- Implementation modality - The Representation distributed cash directly and also through partners for the education programme. The distribution through partner was not only operationally inefficient but also posed the risk of duplication of assistance. The Representation noted the need to streamline modalities for operational efficiency by 2026.
- Transaction fees - The Representation selected two financial service providers (FSP) for its CBI programmes for Kakuma. However, one of the FSPs had higher transaction fees, and this resulted in lost savings of $163,566 over two years.

Issues from post-distribution monitoring were not resolved in a timely manner

20. Post-distribution monitoring (PDM) is a post-facto exercise for a specific cash distribution, conducted independently from the actual cash distribution itself. Strong CBI monitoring through systematic PDM and data analysis informs and supports adjustments to CBI programming. However, the Representation conducted PDM in 2023 that excluded Dadaab and Kakuma. It thus lacked data to inform the design and delivery of CBIs, especially under the shelter programme. The beneficiaries' feedback in the PDM reports indicated the following issues: (a) inability to identify key issues that impacted on the CBI delivery to beneficiaries (e.g., outdated beneficiary records); and (b) lack of awareness by beneficiaries of the amount and timing of assistance.

21. The Representation had CBI indicators, including: (i) proportion of people that receive cash transfers and (ii) proportion of people with primary reliance on clean fuels and technology. However, it lacked proper indicators to measure the effectiveness of the CBI programme. For instance, the indicator on assistance did not differentiate between the assistance provided via CBIs and other modalities during the year. It also did not reflect the frequency with which beneficiaries received assistance. For instance, while the Representation reported that it achieved a 95 per cent result for 'proportion of people that receive cash transfers and/or NFIs', the assistance had only been provided for 2 out of the 12 months.

22. The above weaknesses had an impact on the effective delivery of cash assistance to beneficiaries. This was attributed to inadequate staff capacity in the Representation to design, plan, implement and monitor the delivery of assistance through cash.

(3) The UNHCR Representation in Kenya should: (i) in line with the UNHCR strategic direction, scale up the use of cash assistance as the preferred modality for service delivery; and (ii) improve the management of cash-based interventions by using appropriate performance indicators, and ensuring the most favorable contractual arrangements for financial service providers, including regarding their transaction fees.

UNHCR accepted recommendation 3 and stated that it would revise its 2026 modalities ensuring a more cost-effective implementation including the use of cash over CRIs/NFIs, endorsement of FSP, and adequate coverage of programme design, planning, implementation and monitoring including PDMs.

D. Shelter and settlement

The lack of a country specific strategy impacted shelter management and monitoring

23. The Representation spent $11 million on shelter interventions in the period under audit and was able to reach 21,830 out of the 35,692 persons (61 per cent) in need. These interventions included construction, repairs and maintenance of temporary, semi-permanent, communal and emergency shelters, and reception centers.

24. The Representation, however, did not have a country-specific strategy to direct prioritization of available funds among many needs and comprehensive SOPs to guide partners on shelter programme implementation. Further, it had not conducted key assessments to inform its strategic planning for shelters in camps. For instance, the participatory assessments were conducted in Dadaab and urban areas to inform the design of the shelter programme, but not in Kakuma which housed 29 per cent of the displaced persons. No rapid environmental assessments were conducted in five camps and settlements visited during the audit. Consequently, settlements were established in flood-prone areas and constructed infrastructure such as latrines and dikes were destroyed during the rains.

25. The lack of a strategy was evident in the Representation's limited consideration of sustainable development principles, which contributed to the following shelter management and monitoring issues noted during OIOS' visits to the Dadaab and Kakuma camps:

- Temporary shelters - Most displaced persons had temporary/transitional shelters (680 family tents were last issued in 2022), which housed up to 10 people instead of the required maximum of 5. This means that these persons lived in sub-standard quality shelters, and were exposed to protection, health and security risks. The Representation had no plans to move them to more durable shelters over time. Also, reception centers in Kakuma were overcrowded with inhabitants exceeding capacity by between 26 to 75 per cent, and staying in these centers for between 1.5 to 6 years.
- Non-involvement of beneficiaries - Forcibly displaced persons were not involved in shelter programme design nor implementation, and beneficiaries concerns were not taken into account. For instance, the lack of privacy in communal shelters increased protection risks especially among women and children. Also, the 32 permanent shelters at ex-Dadaab camp totaling $118,801 lacked essential facilities such as cooking areas, latrines, showers, and proper lighting.
- Shelter inequities - Shelters were issued based on arrival dates, resulting in inequities in distribution to new vulnerable arrivals. For instance, a single male received a family-sized shelter for five people while a female-headed household with five children got a dilapidated tent.
- Sectoral coordination - There were gaps in the coordination between the shelter programme and other relevant sectors such as water, sanitation and hygiene, resulting in inadequate facilities for displaced persons. For example, 95 improved shelters for 229 individuals only had two instead of the required 12 latrines.
- Contingency planning - While the 2022 contingency plan provided for 300 family tents, the Representation did not have any at the time of the audit; thereby rendering the process ineffective and implying it was inadequately prepared for crises.

Monitoring and reporting of shelter activities was ineffective

26. The Representation lacked reliable shelter data for decision-making. For instance, it reported that 98 per cent of displaced people were living in habitable housing, but this only reflected new arrivals that received shelter materials and not the actual state of shelters. While the Representation was reporting good results, OIOS noted otherwise, i.e., that 56 per cent of displaced persons actually lived in poor quality, overcrowded emergency shelters, indicating substantial shortfalls in critical support for vulnerable populations.

27. OIOS was not provided with the multi-functional team's monitoring reports for 2022 and 2023, and the programme function's performance monitoring reports did not adequately identify shelter implementation issues and mitigating actions. For instance, no action had been taken to address the sale of shelter materials in local markets. Also, safety risks related to shelters were not mitigated. For instance, over 50 per cent of large tent-like structure (commonly called Rubb Halls in emergency operations) in the camps were structurally not sound but no repairs were planned. Displaced persons were also cooking inside family tents which created fire hazards.

28. These weaknesses were caused by gaps in strategic planning and operational guidance, and lapses in effective management and monitoring of the shelter and settlement programme. They resulted in displaced people living in sub-optimal shelter conditions.

(4) The UNHCR Representation in Kenya should strengthen the delivery of shelter and settlement interventions by: (i) revising the strategy; (ii) enhancing shelter management through improved project performance reporting; and (iii) implementing an action plan to address identified shelter and settlement related findings of monitoring activities.

UNHCR accepted recommendation 4 and stated that the approach toward shelter has been on emergency response. The government's Shirika Plan transforms the refugee management system from camps to integrated shelters – thus a change in the approach.

E. Education

The education programme did not fully ensure better educational outcomes and student well-being

29. In 2022-2023, the Representation spent $16 million on its education programme with improvements in the provision of education including: (a) an increase in children's enrollment in primary, secondary and tertiary institutions; (b) improvement in the success rates in the Kenya Certificate of Primary Education examinations; and (c) qualification and admission in universities of three per cent of students in 2022 and six per cent in 2023.

(a) Important issues that had an impact on the effectiveness of the programme

30. Despite the progress noted above, the issues below impacted on the Representation's ability to achieve better educational outcomes and ensure student well-being:

- Facilities and equipment - Classroom sizes ranged between 50:1 to 158:1 in the seven schools visited, which exceeded the national standard ratio of 40:1. Several classrooms, latrines, and equipment were either underutilized or in disrepair. Examples included 24 classrooms in five schools and 33 latrines in three schools remaining unused because of structural integrity issues and the small number of students that had enrolled in the institutions. Furthermore, there were

significant risks to the health and safety of students and school personnel, such as abandoned buildings with unrestricted access, open pits, and poor structural integrity in certain school buildings.

- School materials - The Representation was unable to provide all students with needed supplies. For instance, uniforms were only provided to vulnerable students, meals to primary school learners and sanitary items to a few girls. Additionally, the ratio of students per textbook ranged between 3 to 65. This not only impacted on student attendance and retention but also on their performance. The Representation and education partner could not provide proper account of the textbooks, uniforms, and food supplies provided.
- Payment of allowances - The payment of airtime and lunch allowances to government officials administering national certification examinations needed to be reviewed for cost savings. For instance, the total cost for the examinations administered in 2022-2023 was $227,689. The audit of a sample of such disbursements indicated that $1,616 was paid for airtime and lunch allowances for a small group of government officials.

(b) Inefficient implementation of an important education project

31. The Representation disbursed cash assistance totaling $1.8 million under the Albert Einstein German Academic Refugee Initiative (DAFI) programme. The audit noted that delays by UNHCR headquarters in providing information on DAFI scholarships not only caused confusion on the number of admission slots that were available but also hindered the timely disbursement of funds, thereby impacting the intended beneficiaries.

32. The Representation did not have adequate information to inform the design of the DAFI scholarship programme. For instance, the Representation did not conduct the required surveys to get feedback on scholars' ability to find jobs and adequacy of counseling services provided to them.

(c) The monitoring and reporting of the education programme was inadequate

33. Strong monitoring and reporting of the day-to-day implementation of the education programme including school attendance, school facilities and quality of instruction, whether directly implemented by the Representation or through partners, is part of the overall management cycle that informs and supports programming recalibration. The audit identified significant gaps in monitoring and reporting of the education programme:

- Monitoring - There was a high dropout rate (19 per cent for the 2023 scholarship) among refugee scholars under the government-funded Kenya Primary Equity in Early Learning programme, which could have been addressed if the Representation's monitoring was adequate to facilitate identification of causes of the dropouts. The challenges faced by the scholars included family problems, language barriers and cultural issues.
- Financial management - The education partner used six bank accounts in three different banks, instead of the dedicated account to effect payments to vendors. This created challenges in tracing payments, thereby raising fraud and error risks. Further, the audit could not trace transfers totaling $85,051 to bank statements in the November 2023 reconciliation.
- Reporting - The reporting on expenditures and indicators in the Representation's Annual Results was erroneous. For example, the reported expenditures for the education programme of $15.9 million in the Annual Results differed from the amount in MSRP/Cloud ERP of $14.5 million. Further, results reported against the indicator on the proportion of young people in tertiary education differed from what was reported in the annual results and the Representation's data.

34. The issues above were primarily caused by inadequate financial resources and missed opportunities to rationalize available funding. This called for reinforced strategic planning to meet the increasing needs for children of school-going age.

(5) The UNHCR Representation in Kenya should enhance its planning and implementation of the education programme through: (i) strengthening the management of school facilities, materials, and the allowances paid to government staff; (ii) taking measures to enhance its monitoring and reporting of the activities.

UNHCR accepted recommendation 5 and stated that it is strengthening the programme planning and implementation such as progressive inclusion of refugee children in public schools, constructing infrastructure and repairing or demolishing unsafe structures, increasing refugees access to secondary school scholarships, tracking scholarship beneficiaries and inclusion of education data in the National Education Management Information System (NEMIS) and ProGres. UNHCR would enhance monitoring and reporting of activities under the existing monitoring and reporting frameworks.

F. Public health

Implementation and monitoring weaknesses were observed in the delivery of health services

35. The Representation spent $15.6 million on the provision of health services to forcibly displaced persons in the period under audit, e.g., running the health facilities including staff and maintenance costs, provision of health supplies, capacity development; assistance to forcibly displaced persons including premiums payments to health insurance fund and medical fees for the referrals; and health partners-related costs. Based on its reviews, the audit found the controls over procurement of medicines and management of medical referrals adequate.

36. OIOS visited 8 of 16 health facilities, inspected three medicine warehouses, and reviewed various health services, including the construction of level IV hospital in Dadaab. OIOS noted that the facilities were congested, with clinicians handling 80-105 consultations per day. This exceeded the UNHCR's target of 75 and Sphere standards of 50. Patients faced long waiting times of 1-4 hours, and with health risks exacerbated during disease outbreaks like cholera and malaria. Furthermore, several facilities faced maintenance and usage issues, such as three unsanitary latrines and two locked latrines in a Kakuma facility and broken windows in Dadaab, posing health and safety risks. For example, the January 2024 floods severely damaged the Kapooka Health Centre's infrastructure wiping out the four-door latrine block and storage buildings, thereby putting the remaining assets and patients at risk.

37. Further, OIOS' visits revealed that some health facilities used manual systems to record health data while others used partner's electronic system, causing inconsistency in practice. In addition, OIOS noted gaps in inventory management: (a) shortages and overages of medicines e.g., 60 missing amlodipine and 63 excess tranexamic acid in a Kakuma pharmacy; and (b) unexplained adjustments in the stock cards e.g., 404 was adjusted to 328 per the inventory count of paracetamol as of 13 December 2023. There were also no logbooks that tracked personnel movement into pharmacies and warehouses.

38. Other issues in the review of health activities implemented by the Representation and through partners included: (a) one of the health partners had processed payments through two bank accounts instead of the designated one, thereby complicating financial oversight; and (b) there were discrepancies in reported health expenditures in the Representation's Annual Results and financial data, with a $200,000 difference noted between the reported $15.6 million and MSRP/Cloud ERP amount of $15.8 million.

(6) The UNHCR Representation in Kenya should strengthen the quality of health services by: (i) effectively managing and maintaining health facilities; and (ii) improving inventory management of medicines.

UNHCR accepted recommendation 6 and stated that the Representation would: (i) improve facilities and medicine stock monitoring to ensure reconciliation of quantities; and (ii) advocate for government support to the health system in refugee hosting counties.

G. Supply chain management

The procurement and contracts management by the Representation needed significant improvement

39. The Representation procured goods and services worth $45.9 million in 2022-2023, with categories detailed in table 2.

Table 2: **2022-2023 procurement by category and amount (in $ million)**

	Category	2022	2023	Total
1	Business/administrative/security services	9.5	8.4	17.9
2	Construction services	5.5	5.3	10.8
3	Fuel/oils	4.3	6.1	10.4
4	Service to beneficiaries	4.0	2.8	6.8
	Total	**23.3**	**22.6**	**45.9**

40. The audit identified significant gaps in the Representation's procurement control framework which impacted on the Representation's ability to get best value from procurements and increased the risk of financial losses and fraud. OIOS noted the following:

- Procurements were concentrated at the year-end, e.g., 57 per cent of the purchases in 2022 happened in November and December.
- Forty-one procurements above $4,000 totaling $5.3 million were made without purchase orders. The procurement of security and cleaning services totaling $0.9 million was made with ex-post facto approval. Payments for security services in December 2023 were made without any valid contract.
- The Representation lacked proper processes for managing vendors, with no vendor registrations conducted in the period under audit. In addition, the Representation extended contracts without conducting vendor performance evaluations on prior contracts as required, e.g., in the case of the contract for cleaning services totaling $462,042. The Vendor Review Committee membership was also outdated, and it did not maintain proper records.

41. OIOS further reviewed 23 procurement actions totaling $12.8 million and noted the following weaknesses across the procurement and contract management process:

- Solicitation method - The Representation's persistent use of less suitable solicitation method resulted in missed cost savings totaling $1.8 million. For example, the Representation used requests

for proposal (RFP)[1] instead of Invitation to Bid (ITB) for its procurement of security services, and the construction of a Level IV hospital in Dadaab. The latter was more suitable considering that there were clear requirements and criteria. This resulted in the selection of higher bids of $7.7 million and $1.1 million under RFP instead of the lowest bids of $6 million and $1 million respectively. While the Representation stated that it needed the Division of Emergency, Security and Supply to guide its decisions on the solicitation methods to employ, OIOS maintained that ITB would have been appropriate in the two procurements reviewed in line with the Administrative Instruction on Procurement (UNHCR/AI/2021/05) stating the use of ITB if the requirements and criteria are clear.

- Bid evaluation - The Representation did not follow evaluation criteria in the procurement of:
    - Consultancy services for structural analysis ($101,537), where the vendor with the lowest offer and highest technical evaluation was disqualified because their bid was below the engineer's estimate; and
    - Security services where the incumbent vendor offered two financial bids (alternative and compliant models) but was not disqualified.
- Contract extension - The Representation extended contracts without conducting vendor performance evaluations on prior contracts as required, e.g., in the case of the contract for cleaning services totaling $462,042.
- Payment - Payments were made to vendors without the required supporting documents. For instance, payments for security services in November and December 2023 lacked time sheets and had discrepancies in the number of guards provided to different locations. Further, payments of police incentives totaling $325,917 in 2022 were made without a signed Memorandum of Understanding between the government and UNHCR in place.
- Delivery delays - There were significant delays in delivering purchased goods and services. For instance, purchase orders from 2021 and 2022 totaling $3.5 million remained open, indicating that items either had not been delivered or orders not closed at the time of the audit. This indicated that the items may not have been needed. Additionally, there was a six-month delay in delivering a $1.1 million hospital project at the time of the audit.

42. The above weaknesses represented: (a) non-compliance with the procurement rules; (b) compromised integrity, fairness, and transparency of the relevant procurement processes; (c) best value not being obtained on purchases; and (d) risks that deliveries were not made in accordance with the specifications and payments effected.

(7) The UNHCR Representation in Kenya should develop and implement an action plan to significantly improve the compliance with procurement guidance, especially related to planning, contract awarding and vendor evaluation.

UNHCR accepted recommendation 7 and stated that the Representation would: (i) sensitize requesting units to produce tangible procurement plans; (ii) share simplified guidance on procurement up to vendor evaluation to all concerned; and (iii) enhance compliance monitoring.

[1] The UNHCR Administrative Instruction on Procurement (UNHCR/AI/2021/05) stated that RFP is used for requirements that cannot be expressed in a detailed manner or evaluated against pre-determined mandatory "pass" or "fail" criteria only and UNHCR seeks proposals of bidders on how they would approach and satisfy the requirements. In RFP, the bid selection is based on the most responsive bid which is not necessarily the lowest cost bid. In ITB, the bid selection is based on the lowest cost technically qualified bid.

The monitoring of procurement by partners was not effective

43. Procurement designated to partners in 2022-2023 totaled $8.0 million. Throughout the duration of the project agreement, the procurement done by partners is monitored through the periodic financial verifications conducted by the Representation's multi-functional team.

44. However, OIOS' review of 175 vouchers with procurement actions totaling $1.9 million in four funded partners disclosed several instances of lapses in procurement processes. Examples included:

- Split purchases - Two partners made split purchases for dry foods on numerous occasions in 2022-2023 totaling $107,207. This resulted in missed opportunities for bulk purchasing discounts.
- Bid solicitation - Two partners did not have the list of bids received for the purchase of dry foods totaling $8,574 and renovation of a school totaling $50,197.
- Bid evaluation - One partner did not use the criteria listed in the solicitation documents to evaluate bids for hardware materials totaling $97,445. Also, no proper justification was provided for contracts that were not awarded to the lowest bidders, e.g., for the purchase of hardware materials totaling $13,123, services to construct latrines totaling $57,448, and books, resulting in missed savings of $3,024. In addition, partners adjusted bids during evaluations. For instance, the technical and financial bids for the winning vendor for construction of accommodation units in Kalobeyei reception center contained errors and this impacted the overall cost and ranking of bids. Thus, while the winning bid was $78,619, the contract was signed for $84,044.
- Payment - A payment for the staff accommodation renovation totaling $30,610 was not supported with engineer inspection reports and completion certificates. Amounts paid differed from vendors' invoices, e.g., the contract amount for construction materials was $80,088 but the vendor invoiced and was paid $6,883 more. Value added tax payments totaling $69,657 were made by partners to a non-registered vendor and vendors without registration numbers and thus were not recoverable.

45. The weaknesses in partner procurement processes were due to the Representation's inadequate monitoring, including inadequate planning of monitoring activities supported by partner risk profile assessment and absence of supply officers in the monitoring teams as required. This: (a) compromised the integrity of the procurement processes; (b) sometimes did not result in best value being obtained; and (c) raised the risk that deliveries may not be made in full, on time and in accordance with the specifications and payments.

(8) The UNHCR Representation in Kenya should strengthen monitoring of procurement designated to partners by: (i) implementing risk-based monitoring with sample coverage based on partner risk profiles; and (ii) ensuring supply officers participate in the multi-functional team in reviews of supply related transactions.

UNHCR accepted recommendation 8 and stated that the Representation: (i) issued SOP for the inclusion of supply colleagues in financial verification; (ii) would organize a workshop on procurement by partners in 2025; and (ii) would thereafter evaluate the effectiveness of SOP and the workshop.

The monitoring of fuel consumption was deficient

46. OIOS review of fuel management from January 2022 to August 2024 and the new fuel management system implemented in January 2024 identified gaps in the analysis and use of fuel consumption data, which increased the risks of financial loss and fraud.

47. In particular, the Representation tracked but did not analyze fuel usage for generators and all its vehicles and therefore was unable to identify discrepancies in consumption. For example: (a) in three instances, the fuel issued for generators exceeded consumption by 136 liters; and (b) the Representation did not identify unreasonable fuel consumption, such as filling a 40-liter tank generator with 112 liters and a generator running for 29 hours in one day. The Representation also had not set utilization rates for generators and thus did not investigate instances where consumption was different for similar capacity: (i) generators, i.e., between 4 and 54 minutes per liter; and (ii) vehicles, i.e., between 4 and 17 kilometers per liter.

(9) The UNHCR Representation in Kenya should strengthen controls over monitoring of fuel consumption efficiency to mitigate the risks of loss and fraud.

UNHCR accepted recommendation 9 and stated that it: (i) initiated a fuel management project in Kakuma; and (ii) is completing an action plan to identify root causes, responsible staff and timeline.

IV. ACKNOWLEDGEMENT

48. 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.

Internal Audit Division
Office of Internal Oversight Services

ANNEX I

STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical[2]/ Important[3]	C/ O[4]	Actions needed to close recommendation	Implementation date[5]
1	The UNHCR Representation in Kenya should enhance its strategic and operational planning processes through: (i) advocating for mainstreaming displaced persons into government services; (ii) reviewing the allocation of resources for prioritized sectors; and (iii) establishment of realistic and reasonable targets and indicators to ensure cost-effective programme implementation.	Important	O	Receipt of evidence of: (i) advocacy plan for processes mainstreaming forcibly displaced persons into government services; (ii) alignment of resource allocations to prioritized sectors; and (iii) revised performance framework.	31 December 2025
2	The UNHCR Representation in Kenya should reinforce its oversight over the government partner's: (i) registration process to improve the quality of population data for programme planning and decision-making; and (ii) expenditures so they are incurred in line with the partnership framework agreements.	Important	O	Receipt of evidence of: (i) database reports showing improved quality of registration data; (ii) periodic monitoring reports for static data changes and action on the identified unauthorized data changes; (iii) correspondences on resolution of duplicated registrations and periodic monitoring of such duplications; and (iv) recovery of ineligible expenditure by the government partner, including offset of subsequent instalments.	31 August 2025
3	The UNHCR Representation in Kenya should: (i) in line with the UNHCR strategic direction, scale up the use of cash assistance as the preferred modality for service delivery; and (ii) improve the management of cash-based interventions by using appropriate performance indicators, and ensuring the most favorable contractual arrangements for financial service providers, including regarding their transaction fees.	Important	O	Receipt of evidence of: (i) an action plan to increase cash assistance as the preferred modality; (ii) updating the cash transfer value; (iii) reports on implementation of issues identified during post-distribution monitoring; and (iv) performance frameworks listing indicators targets and results.	31 December 2025

[2] Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.
[3] Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.
[4] Please note the value C denotes closed recommendations whereas O refers to open recommendations.
[5] Date provided by UNHCR in response to recommendations.

ANNEX I

STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical[2]/ Important[3]	C/ O[4]	Actions needed to close recommendation	Implementation date[5]
4	The UNHCR Representation in Kenya should strengthen the delivery of shelter and settlement interventions by: (i) revising the strategy; (ii) enhancing shelter management through improved project performance reporting; and (iii) implementing an action plan to address identified shelter and settlement related findings of monitoring activities.	Important	O	Receipt of evidence of: (i) revised shelter and settlement strategy including involvement of refugees in related decisions; (ii) sectoral coordination meetings minutes; (iii) reports on distribution of shelters on the basis of protection vulnerability; (iv) PMC-02 reports demonstrating monitoring by multifunctional teams; and (v) shelter occupancy reports to show decongestion.	31 December 2026
5	The UNHCR Representation in Kenya should enhance its planning and implementation of the education programme through: (i) strengthening the management of school facilities, materials, and the allowances paid to government staff; (ii) taking measures to enhance its monitoring and reporting of the activities.	Important	O	Receipt of evidence of: (i) assessment of school facilities with actions taken to address identified gaps; (ii) communication to the government partner showing reviewed allowances for government officials; and (iii) monitoring reports of education activities.	31 December 2025
6	The UNHCR Representation in Kenya should strengthen the quality of health services by: (i) effectively managing and maintaining health facilities; and (ii) improving inventory management of medicines.	Important	O	Receipt of evidence of: (i) assessment of health facilities with actions plans to reflect how gaps will be addressed; and (ii) reports on reconciled inventory of medicines in the pharmacies and warehouses.	31 December 2026
7	The UNHCR Representation in Kenya should develop and implement an action plan to significantly improve the compliance with procurement guidance, especially related to planning, contract awarding and vendor evaluation.	Important	O	Receipt of evidence of action plans to address identified gaps in planning, contract awarding and vendor evaluation.	31 December 2025
8	The UNHCR Representation in Kenya should strengthen monitoring of procurement designated to partners by: (i) implementing risk-based monitoring with sample coverage based on partner risk profiles; and (ii) ensuring supply officers participate in the multi-functional team in reviews of supply related transactions.	Important	O	Receipt of evidence of strengthened monitoring over partner procurement including: (i) reassessment reports of partner capacity to procure on behalf of UNHCR; and (ii) financial verification reports of partner procurements.	31 December 2025
9	The UNHCR Representation in Kenya should strengthen controls over monitoring of fuel consumption efficiency to mitigate the risks of loss and fraud.	Important	O	Receipt of evidence of: (i) fuel utilization efficiency monitoring reports; (ii) reports on remedial actions taken on fuel efficiency	31 December 2025

ANNEX I

STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical[2]/ Important[3]	C/ O[4]	Actions needed to close recommendation	Implementation date[5]
				discrepancies and violations; and (iii) generator fuel usage and efficiency analysis reports.	

APPENDIX I

Management Response

APPENDIX I

MANAGEMENT RESPONSE

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

Rec. no.	Recommendation	Critical[6]/ Important[7]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
1	The UNHCR Representation in Kenya should enhance its strategic and operational planning processes through: (i) advocating for mainstreaming displaced persons into government services; (ii) reviewing the allocation of resources for prioritized sectors; and (iii) establishment of realistic and reasonable targets and indicators to ensure cost-effective programme implementation.	Important	Yes	Deputy Representative/ Planning Coordinator	December 31st 2025	(i) The plan for the implementation of the Shirika Plan will address the transition towards integrated services. (ii) The allocation of resources is continuously reviewed depending on funding available and pending funding submissions to donors which may result in OL increase. (iii) most targets have been lowered due to the recent funding cuts and will be further revised as part of the detailed planning for 2026. The advocacy strategy will be developed by 31st December 2025.
2	The UNHCR Representation in Kenya should reinforce its oversight over the government partner's: (i) registration process to improve the quality of population data for programme planning and decision-making; and (ii) expenditures so they are incurred in line with the partnership framework agreements.	Important	Yes	Part (i) Snr Protection Officer and the Information Management Officer Part (ii) Snr Programme Officer	31st August 2025 However, this is a continuous practice, but can be again demonstrated after the Mid-Year review and therefore tentative date is 31st August 2025	(ii) DRS is required to submit monthly Performance Progress Reports as stipulated in the PWP; UNHCR undertakes both Financial and Performance verification using an MFT approach 3 times a year which includes on-site visits and asset verifications. DRS has been externally audited in 2025.
3	The UNHCR Representation in Kenya should: (i) in line with the UNHCR strategic direction, scale up the use of cash	Important	Yes	Snr. Programme	31st December 2025	With the current financial situation, UNHCR will revise its 2026 implementation modalities in

[6] Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

[7] Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

Rec. no.	Recommendation	Critical[6]/ Important[7]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
	assistance as the preferred modality for service delivery; and (ii) improve the management of cash-based interventions by using appropriate performance indicators, and ensuring the most favorable contractual arrangements for financial service providers, including regarding their transaction fees.			Officer/CBI Associate		November ensuring a more cost-effective implementation modality is implemented including the use of cash over CRIs/NFIs. A review and/or endorsement of the FSP will take place prior to 2026 implementation. The CBI Multi-Functional team (MFT) will ensure that all areas of the program – design, planning, implementation and monitoring will be adequately covered, including Post Distribution Monitoring (PDMs).
4	The UNHCR Representation in Kenya should strengthen the delivery of shelter and settlement interventions by: (i) revising the strategy; (ii) enhancing shelter management through improved project performance reporting; and (iii) implementing an action plan to address identified shelter and settlement related findings of monitoring activities.	Important	Yes	Deputy Representative as Operation Coordinator and Heads of SO Kakuma and Dadaab	31/12/2026	The approach towards shelter has been an emergency response. The Shrika transforms the refugee management system from camps to integrated shelters – thus change in approach. Review of strategy looks at sustainability. E.g. Dadaab has a Shelter Strategy in line with the spirit of the Shirika Plan
5	The UNHCR Representation in Kenya should enhance its planning and implementation of the education programme through: (i) strengthening the management of school facilities, materials, and the allowances paid to government staff; (ii) taking measures to enhance its monitoring and reporting of the activities.	Important	Yes	Snr Education Officer and education focal points (CO Nairobi and SO Kakuma and Dadaab)	31/12/2025	In coordination with MOE and Partners and in alignment to the Shirika Plan, the Representation is taking measures to strengthen its planning and implementation of education programmes including progressive inclusion of refugee children in public schools, constructing infrastructure and repairing or demolishing unsafe structures, increasing refugees access to secondary school scholarships, instituting mechanisms to track scholarship beneficiaries and

Rec. no.	Recommendation	Critical[6]/ Important[7]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						inclusion of refugee education data in the National Education Management Information System (NEMIS) and ProGres. Main entry points leveraged include the MOE Kenya Primary Equity in Education and Learning Programme (KEPEEL) and Kenya Secondary Education Equity and Quality Improvement Programme (SeQUIP) funded by the World Bank's Danish MFA and Porticus funding . UNHCR will enhance monitoring and reporting of activities under the existing monitoring and reporting frameworks.
6	The UNHCR Representation in Kenya should strengthen the quality of health services by: (i) effectively managing and maintaining health facilities; and (ii) improving inventory management of medicines.	Important	Yes	Part (i) Snr Programme Officer and Snr Public Health Officer Part (ii) Snr Public Health Officer	31/12/2026 Review Quarterly from Quarter 4 2025 and ensure system is working well by fourth quarter 2026	The recommendation is well noted, and we will continuously improve facilities infrastructure and medicine stock monitoring to ensure quantities recorded in stock cards tallies with physical count. We will also advocate for support from government which has received funding from World Bank to support health system in refugee hosting Counties under the project called Building Resilience and Responsive Health Systems (BREHS) in Kenya.
7	The UNHCR Representation in Kenya should develop and implement an action plan to significantly improve the compliance with procurement guidance, especially related to planning, contract awarding and vendor evaluation.	Important	Yes	Snr. Supply Officer	Action plan in place by 31 December 2025	The Representation takes note of the recommendation. Requesting Units will be sensitized to produce tangible procurement plans. In addition, simplified guidance on procurement up to Vendor evaluation will be produced and shared with all concerned.

Rec. no.	Recommendation	Critical[6]/ Important[7]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						Compliance Monitoring: - Prepare checklist for main processes involved in each procurement and ensure that they are met before finalizing the procurement - Train all involve in procurement including requestors to ease understanding of the processes and policies - Support contract managers to evaluate Suppliers when needed.
8	The UNHCR Representation in Kenya should strengthen monitoring of procurement designated to partners by: (i) implementing risk-based monitoring with sample coverage based on partner risk profiles; and (ii) ensuring supply officers participate in the multi-functional team in reviews of supply related transactions.	Important	Yes	Project Control Officer	To be implemented by 31 December 2025	The Representation has developed an SOP for the inclusion of supply colleagues during onsite financial verification. A two-day workshop on Procurement by partners will be organized in Q3 to enforce the compliance of partners with UNHCR's Procurement policies, guidelines and best practices. A matrix for evaluating the effectiveness of the SOP and training workshop has been elaborated.
9	The UNHCR Representation in Kenya should strengthen controls over monitoring of fuel consumption efficiency to mitigate the risks of loss and fraud.	Important	Yes	Senior Administration and Finance Officer	31/12/2025	GFM has initiated a fuel management Project in Kakuma. The objective is to Assess fuel infrastructure requirements based on projected fossil fuel demands. In addition, we are reviewing relevant data to identify the root causes, develop a matrix with action plan, responsible staff and timeline. This matrix will be ready by the end of August 2025.