



INTERNAL AUDIT DIVISION

REPORT 2016/118

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

Overall results relating to the effective management of UNHCR European operations in Turkey were initially assessed as satisfactory

FINAL OVERALL RATING: SATISFACTORY

14 October 2016

Assignment No. AR2016/121/02

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVE AND SCOPE	1-2
III. AUDIT RESULTS	2-9
A. Strategic planning	3
B. Project management	3-6
C. Regulatory framework	6-9
IV. ACKNOWLEDGEMENT	9
APPENDIX I Management response	

AUDIT REPORT

Audit of the European operations in Turkey 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 European operations in Turkey for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The UNHCR Representation in Turkey (hereinafter referred to as the “Representation”) was established in 1960 and is headed by a Representative at the D-2 level. The Representative reports to the Director of the Bureau for Middle East and North Africa with regards to the Syrian and Iraqi situations of the operations in Turkey and to the Director of the Bureau for Europe with regards to other caseloads. The Representation’s Country and Case Management offices are located in the capital, Ankara. The Representation also has a Sub-Office in Gaziantep, near the Syrian border, as well as Field Offices in Istanbul and Van and Field Units in Sanliurfa, Antakya and Izmir. As of March 2016, there were 2.7 million registered Syrian refugees in Turkey, as well as 265,000 registered non-Syrians.
4. In 2014 and 2015, the Representation spent \$5.1 million and \$8.5 million respectively on its non-Syrian operations (i.e. European operations and the Iraqi caseload). In 2016, the budget for non-Syrian operations was \$7.7 million (13.8 per cent of the total budget of the operations in Turkey). Four partners worked with the Representation on the non-Syrian caseload with expenditures of \$1.9 million in 2014 and \$4.4 million in 2015. The non-Syrian portion of the budget for these partners for 2016 is \$2.4 million. The most significant areas of expenditure for the non-Syrian operations were improving reception conditions and registration and status determination as well as delivering basic needs and essential services to persons of concern, mainly through cash assistance. These areas accounted for over 90 per cent of the expenditures and budget for the non-Syrian operations in 2014 and 2015.

II. OBJECTIVE AND SCOPE

5. The audit was conducted to assess the adequacy and effectiveness of UNHCR governance, risk management and control processes in providing reasonable assurance regarding the **effective management of UNHCR European operations in Turkey**.
6. The audit was included in the OIOS 2016 risk-based internal audit work plan for UNHCR due to risks associated with management of the European operations in Turkey given the large financial expenditures, politically complex operational context, and the impact of the influx of Syrian refugees.
7. The key controls tested for the audit were: (a) strategic planning; (b) project management; and (c) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Strategic planning** - controls that provide reasonable assurance that the Representation's strategic plans for its programme and protection activities are developed in alignment with the UNHCR global strategic priorities and established planning procedures and guidelines.

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

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

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

9. OIOS conducted the audit from April to July 2016. The audit covered the period from 1 January 2014 to 31 March 2016. OIOS visited the Country and Case Management Offices in Ankara and the Field Office in Istanbul.

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

III. AUDIT RESULTS

11. The UNHCR governance, risk management and control processes examined were initially assessed as **satisfactory**¹ in providing reasonable assurance regarding the **effective management of UNHCR European operations in Turkey**.

12. The Representation had: i) conducted strategic planning in line with UNHCR global strategic priorities and established planning procedures and guidelines; ii) effectively managed partnerships; iii) established adequate physical facilities and supervisory and monitoring controls related to reception and registration; iv) put in place effective controls over cash-based assistance to the non-Syrian caseload; v) taken appropriate steps to address the causes of high vacancy rates; vi) established effective controls over the Medical Insurance Plan; and vii) ensured that controls over financial tracking and reporting were functioning as intended. In addition, in response to observations raised during the audit, the Representation took immediate action to: i) strengthen monitoring controls over the implementation of the strategic use of refugee status determination (RSD); and ii) document and seek approval for the decision to engage interpreters through a partner.

13. The initial overall rating was based on the assessment of key controls presented in Table 1.

¹ A rating of "**satisfactory**" means that governance, risk management, and control processes are adequately designed and operating effectively to provide reasonable assurance regarding the achievement of control and/or business objectives under review.

Table 1
Assessment of key controls

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

A. Strategic planning

Strategic planning was conducted in line with UNHCR global strategic priorities and established planning procedures and guidelines

14. The UNHCR Programme Manual requires the Representation to: plan its operations; set goals and objectives; design its protection and operational strategies; define required outputs and activities; allocate budgets; and establish deliverables. This strategic planning process should be aligned with the UNHCR global strategic priorities and be informed by timely and reliable data on the population of concern and both participatory and comprehensive needs assessments considering age, gender and diversity issues.

15. The Representation developed strategic plans in line with the requirements. In 2015, it conducted participatory assessments in 26 refugee hosting cities, covering all population groups and incorporating age, gender and diversity issues. It prepared information on the populations of concern, disaggregated by location, age, gender, and various vulnerability criteria. The operations plans for 2014, 2015 and 2016 included protection and operational strategies directly informed by the operational data and needs assessments. These plans were developed using a multi-functional approach and with inputs from partners within the timelines suggested by the Programme Manual. The Representation specified outputs and activities with allocated budgets as required. The objectives of the plans were aligned with the global strategic priorities. Therefore, OIOS concluded that strategic planning for the European operations in Turkey was undertaken in accordance with UNHCR requirements.

B. Project management

Partnership management related to European operations was effective

16. In accordance with the UNHCR Enhanced Framework for Implementing with Partners, the Representation is required to: (a) select and retain the best-fit partners for its projects following an objective and transparent selection process or obtain appropriate waivers; (b) establish agreements with partners on a timely basis using the relevant UNHCR Project Partnership Agreement template; and (c) establish and deliver a risk-based plan for performance and financial monitoring to be conducted by a multi-functional team to verify project activities and expenditures reported by partners.

17. The Representation worked with four partners as part of its European operations. A multi-functional Implementing Partnership Management Committee (IPMC) was established in 2013. For 2014, the Representation obtained an appropriate waiver from the partner selection process due to the emergency situation in Turkey. For 2015, IPMC met and approved the retention of the two existing partners and the selection of one new partner. Another new partner was a government agency with a unique mandate and was therefore exempt from the full partnership selection process, with an appropriate authorization of the Representative based on the justification provided. For 2016, the Representation initiated a full partner selection process with advertised calls for expressions of interest. IPMC reviewed in detail the submitted concept notes and made documented decisions in accordance with UNHCR requirements.

18. The Representation concluded Project Partnership Agreements in a timely manner using appropriate templates. The agreements had clear budgets and identified risks with relevant indicators and specific targets. Contributions for partner personnel costs were determined with reference to partners' salary scales. OIOS reviewed the partner monitoring plans, partner financial and narrative reports and the mid-year reviews of partners and found that the Representation monitored the performance and financial controls of partners as required. Although in 2014 and 2015, the Representation did not prepare an annual monitoring plan, in 2016 it developed a risk-based plan and reflected this in the Project Partnership Agreements. In June 2015, it conducted mid-year review meetings with the partners in which implementation, challenges and concerns were discussed and suggestions for improvement were agreed. In February 2016, the Representation undertook comprehensive financial verification missions of all partners. The Representation also developed draft templates to standardise the documentation of performance monitoring by multifunctional teams and field monitoring missions. It regularly received monthly indicator reports and quarterly work plan reports from partners. Three of the partners had been subject to external audits and the Representation tracked the implementation of recommendations raised by the external auditors.

19. OIOS therefore concluded that controls over partnership management related to the European operations were effective.

Physical facilities and supervisory and monitoring controls related to reception and registration were adequate

20. The Representation is required to have supervisory and monitoring controls in place to ensure it provides adequate reception conditions for persons of concern to allow for the early identification of specific needs and to provide them with suitable information about their rights. Further, the procedural standards for RSD require the Representation to maintain adequate physical facilities for the reception of asylum seekers.

21. OIOS visited the Representation's Case Management Office where persons of concern were received prior to RSD and resettlement interviews, as well as the partner office where registration was conducted on behalf of UNHCR. In both locations, supervisory processes were in place to ensure the early identification of specific needs and vulnerabilities. The partner staff had appropriate access to proGres (the UNHCR registration database for persons of concern) and vulnerable persons of concern were alerted to UNHCR protection staff in real time. Protection staff were regularly on site to interview vulnerable persons. In the Case Management Office, supervisory processes were in place and all assessments were reviewed and signed by a supervisor. The physical environment of both locations was adequate. The waiting areas were sheltered with access to water, toilets and child friendly spaces. Suitable information was available to persons of concern including posters and leaflets about their rights in relevant languages, complaints boxes and details of the office opening times outside the office.

Interview rooms had panic buttons installed. Therefore, OIOS concluded that the physical facilities and supervisory and monitoring controls related to reception and registration were adequate.

Prompt action was taken to strengthen monitoring controls over the implementation of the strategic use of refugee status determination

22. As the Representation implements the strategic use of RSD, it needs to develop and apply clear vulnerability criteria for identifying cases for RSD. Further, as the Government continues conducting its own RSD, the Representation needs to have a clear assessment of the Government's capacity and deliver activities to support the Government in closing gaps in its asylum decision procedures.

23. The Representation developed vulnerability criteria for the strategic use of RSD which it began applying from 1 January 2016. Under this approach, the Representation would only conduct RSD for the most vulnerable persons of concern whose protection needs could only be addressed internationally through resettlement. Subsequently, the vulnerability and protection situation of all asylum seekers, regardless of their nationality, was assessed before they were scheduled for an RSD interview. From 1 January to 31 March 2016, 791 cases were referred to RSD. OIOS review of proGres data indicated that 790 cases met the established vulnerability criteria. One case was referred for RSD in error but this was detected by the Representation and the interview did not take place. However, in 128 instances (16 per cent), caseworkers did not correctly update proGres with the identified vulnerabilities of cases referred for RSD. In response to this audit observation, the Representation took immediate action to update proGres. The Representation also revised its procedures to require reviewers of cases to perform additional checks of data in proGres before endorsing a referral.

24. With regards to the development of the Government's capacity to conduct RSD, the Representation conducted a range of capacity building activities during the audit period. These activities included on-the-job training, staff exchanges, translating country of origin information into Turkish, and classroom based training for Government staff. The Representation jointly established a Quality Assurance Board with the Government. This Board was responsible for assessing the quality of RSD and other asylum processes throughout the country, identifying weaknesses, drafting guidelines for Government asylum processes, and establishing minimum operating standards and a new training curriculum for asylum decision processes. OIOS reviewed assessments from the Quality Assurance Board as well as from on-the-job visits and concluded that the Representation was monitoring the quality of Government procedures and identifying gaps. The Representation also undertook selected evaluations of aspects of the capacity building activities carried out in 2014 and 2015. Two international non-governmental organizations had conducted independent assessments of the national asylum system in Turkey. The Representation reviewed these reports and put forward RSD processing modalities intended to address the gaps they had identified.

25. OIOS therefore concluded that the Representation had effective controls in place to implement the revised vulnerability criteria for the strategic use of RSD and to quality assure and build the capacity of the Government to undertake asylum decisions.

Controls over cash-based assistance to non-Syrian caseload were effective

26. According to the UNHCR Operational Guidelines on Cash-Based Interventions, the Representation is required to establish and monitor: (a) policies and procedures for cash-based assistance, including selection criteria; (b) arrangements to mitigate the risks of fraud; and (c) timelines for cash-based assistance programmes considering seasonal needs. The Representation should also mitigate potential risks associated with sexual and gender-based violence in the design of the programmes.

27. The Representation had a long running cash assistance programme for the traditional caseload which disbursed \$1.4 million in 2014 to 1,666 families who received monthly assistance as well as 2,428 families receiving one time assistance or cash support for education. In 2015, \$1.7 million was disbursed to 1,579 families on a monthly basis and 2,748 families received one time assistance or cash support for education. For 2016, the Representation planned to deliver cash assistance with a budget of \$1.3 million.

28. The cash was disbursed through the Representation's bank, which received lists of beneficiaries and the amounts due to them each month. Beneficiaries signed upon receiving the cash and the bank provided copies of these signed lists to the Representation. The Programme Unit reviewed each payment and the Finance Unit performed reconciliations and monitored open items. The Representation had developed standard operating procedures with clear vulnerability and selection criteria. In 2016, it further established a multi-functional panel to review the assistance offered to all persons who had received cash for more than 24 months as well as all new requests for assistance. Partner staff conducted house visits to persons of concern and provided detailed assessment forms to the panel. OIOS reviewed 45 decisions by the panel which was 17 per cent of the 263 decisions taken up to 31 March 2016. In each case, appropriate supporting documentation was on file and the decision of the panel was correctly implemented in subsequent monthly payments. The house visits and verification of claims, as well as the review by the multi-functional panel, mitigated the risk of fraud. Protection and sexual and gender-based violence risks were considered on a case-by-case basis in the detailed house visits. One time cash assistance payments made for winterization were done in early winter 2015 taking into account seasonal needs. A detailed post distribution monitoring report was prepared on these payments.

29. Based on the above, OIOS concluded that the current controls were effective although labour intensive. However, the Representation explained that it had recently completed a tender for a cash assistance provider and that the selected bidder offered electronic records which could be verified and reconciled more efficiently. OIOS is therefore not raising a recommendation with regards to the efficiency of controls for the cash assistance programme to non-Syrians.

C. Regulatory framework

The Representation had taken appropriate steps to address the causes of high vacancy rates

30. The Representation is required to recruit, contract and deploy staff to meet its current and future operational needs. In order to achieve this, the Representation needs to have effective controls in place to manage its vacancy rate and to reduce staff turnover, where possible.

31. As of March 2016, the Representation had 313 posts of which 43 (13.7) per cent were vacant. The implementation rate of staff expenditures over 2014 and 2015 was less than 70 per cent. For 2014, this resulted due to the rapid upscaling of the operations. In January 2014, there were 161 posts. By January 2015, this had increased to 311 posts of which 151 were vacant. For 2015, this was driven, in part, by the high turnover of national staff. Over the period covered by the audit, 56 General Service posts became vacant. In 26 of these cases, the incumbent resigned from UNHCR. The Representation explained that in Turkey, the United Nations was not competitive in terms of financial and other benefits offered to its employees, particularly for more senior General Service staff. Moreover, international non-governmental organizations were able to offer higher positions and salaries to United Nations staff. For 2015, the revised salary scale as determined by the International Civil Service Commission for General Service staff in Turkey increased by 0.2 per cent. In 2014, inflation in Turkey had been 8.2 per cent and the depreciation of the Turkish Lira further reduced the purchasing power of local staff. The Representation discussed the issue at the inter-agency Operations Management Team. Also, staff associations of United Nations agencies based in Turkey, with inputs from UNHCR staff, wrote a letter to

the Office of Human Resource Management in New York outlining concerns with the application of the methodology in determining the salary increment. However, the Office of Human Resource Management responded that the methodology had been correctly applied and that it would not be possible to revise the decision or to bring forward the date of the next survey.

32. As setting the salary levels of national staff was outside of the control of the Representation there was no further action that it could take. However, the Representation did take action to reduce the length of time taken to fill vacancies in an effort to reduce the overall vacancy rate. The Human Resource Unit identified causes of delays in previous recruitments, which included poorly drafted submissions to the Local Assignments Committee or certain steps in the process not being completed quickly enough. To address these causes, the Human Resource Unit issued guidance to hiring managers on the recruitment process and target timelines in January 2016. Other practices, such as advertising vacancies as soon as a staff member's resignation was accepted by the Representative, and closely monitoring the progress of each vacancy, also helped to reduce recruitment times. The 26 posts for national staff which were advertised in the first half of 2015 took on average 24.4 weeks to fill. The 11 posts which were advertised in the second half of 2015 took on average only 17.5 weeks to fill.

33. Based on the above, OIOS concluded that the Representation had taken appropriate action to reduce the vacancy rate to the extent possible.

Immediate action was taken to document and seek approval for the decision to engage interpreters through a partner

34. The Representation is required to comply with UNHCR policies on the use of affiliate workforce. In particular, affiliate workforce staff should not have any UNHCR staff reporting to them, not have direct spending authority, diplomatic or government relation roles, or make public information statements without prior authorization. The ratio between UNHCR regular and additional workforce staff must remain such that a sufficient number of key UNHCR staff are in place for effective managerial decision-making and the supervision of all persons working in an operation. Furthermore, the use of irregular arrangements for hiring staff, such as recruiting them through partners, is not allowed.

35. The Representation had 61 affiliate workforce staff as of March 2016. This represented 18 per cent of the total workforce. The Human Resource Unit tracked the overall number of affiliate workforce and gave consideration to the risks to continuity as well as the benefits in terms of flexibility and cost offered by affiliate workforce. No affiliate workforce staff had supervisory roles over regular staff and none had spending authority, government relation roles or made public statements. However, the Representation had engaged over 60 interpreters through a partner to provide interpretation services in the UNHCR case management building for RSD and resettlement interviews as well as gate counselling. This was in addition to its own 61 affiliate workforce staff and was not in compliance with the UNHCR rules on hiring interpreters which only allowed for individual contracts or the United Nations Office for Project Services or United Nations Volunteers modalities. The Representation explained that it used this modality because the majority of interpreters with the language skills needed to serve the population of concern were foreign nationals. The Representation was not allowed to hire foreign nationals as individual contractors by the Government, but partners were. The Representation also explained that it had attempted to implement other permitted modalities but that none of these had proved feasible. Therefore, the Representation had decided to outsource the recruitment and administration of interpreters to a partner instead of using individual contracts as of the second half of 2014. It considered this to be the only way in which it could support its substantive RSD and resettlement operations.

36. While the audit was still in progress, the Representation formally documented its decision to engage interpreters through a partner in a memorandum to the UNHCR Division of Human Resources

Management. This memorandum requested a waiver from the UNHCR rules on the administration of interpreters which the Division of Human Resources Management approved. The Representation also demonstrated that the interpreters received induction training and code of conduct training, and signed confidentiality statements as they would have done if recruited directly by UNHCR. Through these actions, the Representation promptly mitigated the operational risks of engaging interpreters through a partner. OIOS therefore does not raise any recommendation in this area.

Administrative controls over the Medical Insurance Plan were effective

37. According to the UNHCR Medical Insurance Plan (MIP) Statutes and Internal Rules, the Representation is responsible for enrolling subscribers and their eligible family members, ensuring compliance by subscribers with these rules, screening and processing their claims and collecting subscribers' contributions. In addition, the Representation is required to keep appropriate records on those matters, for consultation or auditing purposes.

38. All staff and eligible family members were enrolled as required. OIOS reviewed a sample of 34 MIP claims with a total value of \$120,000. This represented 25 per cent of the \$488,000 of claims paid in 2014 and 2015, according to data from Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system. All claims were processed in accordance with the MIP Statutes and Internal Rules. All supporting documents were on file and only eligible expenses were paid. Confidential medical information was filed separately from financial records and only accessed by authorized staff. All claims reviewed were processed within one month and the average processing time was less than seven days. The MIP Administrators had received appropriate training and the process was subject to effective oversight and segregation of duties. OIOS identified discrepancies between the records of total MIP payments recorded in MSRP and those recorded in the MIP System of \$40,000 in 2014 (21 per cent) and \$30,000 (10 per cent) in 2015. However, the Representation was able to reconcile these differences by identifying payments to staff from other operations receiving medical treatment in Turkey whose expenses were recorded against Turkey in MSRP, but against their employing operation in the MIP System. Based on the above, OIOS concluded that controls over the administration of MIP were effective.

Controls over financial tracking and reporting were functioning as intended

39. The UNHCR Manual and Financial Internal Control Framework require the Representation to ensure that all payments are suitably authorised and with relevant supporting documentation kept on file. They also require the Representation to: ensure appropriate segregation of financial duties; delegate authority sufficiently to allow effective operations; manage and account for petty cash and operational advances effectively; conduct month-end closure activities, including bank reconciliations and submission of financial reports to headquarters; and budget for and monitor administrative expenditures.

40. OIOS reviewed a sample of 81 vouchers with a value of \$13.4 million out of a total of \$134.1 million over the period covered by the audit, but excluding instalments to partners which were tested separately. All vouchers had appropriate supporting documentation on file. These included approvals, original contracts and matching invoices, purchase orders, and goods/services received notes where applicable. No staff members performed incompatible duties and the delegation of authority plan was in accordance with UNHCR rules. Access to MSRP was mainly given to staff based in the Ankara Country Office but some access had also been delegated to staff in the Sub-Office in Gaziantep to support more effective operations. Controls over petty cash were adequate. The Representation conducted month-end closure activities and bank reconciliations and submitted reports to headquarters as required. Administrative expenses were budgeted and monitored effectively. The Representation had also implemented a number of measures to reduce administrative costs, including developing a database to

better monitor and control travel expenses, negotiating fixed rental rates for offices without annual increases, and using technology to reduce telecommunications costs. Based on the above, OIOS concluded that controls over financial management were functioning as intended.

IV. ACKNOWLEDGEMENT

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

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

APPENDIX I

Management Response



UNHCR

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

Memorandum

UNHCR

Case postale 2500
CH-1211 Genève 2

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

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

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

File: FIN-02-01-02
Code/Dossier: CM00/2016/0135/FT/ft

Subject/Objet: **Response to the draft audit of European operations in Turkey (AR2016/121/02)**

Date: 14 October 2016

1. Please note UNHCR has reviewed the draft audit report of the European operations in Turkey. In view of the fact that the draft report does not raise any recommendations requiring action, UNHCR has no further comment.
2. I take this opportunity to inform OIOS that the Representation appreciated the auditors' positive and delicate approach to the UNHCR Operation in Turkey, and their comprehensive understanding of the operational environment.
3. Thank you for your attention.


Cw. Cristescu