



INTERNAL AUDIT DIVISION

REPORT 2017/067

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

There was a need to strengthen controls
over partnership management, shelter
activities, distribution of non-food items,
procurement and vendor management, staff
accommodation, and risk management
processes

12 July 2017

Assignment No. AR2017/111/01

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

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the Office of the United Nations High Commissioner for Refugees (UNHCR) operations in Chad. The audit covered the period from 1 January 2015 to 31 December 2016 and included a review of: planning and resource allocation; partnership management; shelter and settlement activities; distribution of non-food items (NFIs); procurement and vendor management; arrangements for staff accommodation; and enterprise risk management (ERM).

The UNHCR Representation in Chad had effective controls in place for planning and resource allocation. However, there was a need for the Representation to strengthen controls over designation of procurement authority to partners, monitoring of project activities implemented by partners, distribution of NFIs, procurement and vendor management, and staff accommodation. The Representation also needed to seek guidance from the Shelter and Settlement Section at UNHCR headquarters on its shelter activities, and further enhance its risk management procedures.

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

- Put in place effective management supervision arrangements over partnership management to ensure that: (i) partners are entrusted with procurement in accordance with UNHCR requirements; and (ii) project monitoring activities are risk-based and adequately coordinated;
- Seek guidance from the Shelter and Settlement Section regarding: (i) the development of standard operating procedures (SOPs) on data collection, analysis and reporting of shelter activities; and (ii) the facilitation of a transfer of 1,000 Refugee Housing Units considered unsuitable for Chad and remaining unused to another UNHCR operation;
- Develop SOPs defining requirements for receipt of NFIs and physical monitoring, reporting and reconciliation of distributed NFIs;
- Establish management controls to ensure: (i) implementation of adequate vendor vetting and registration procedures; (ii) implementation of comprehensive procurement planning and sourcing; (iii) existence of signed contracts and frame agreements for large procurement needs; (iv) compliance with recommended minimum bidding periods; and (v) systematic submission of all procurement to vendors with a cumulative value of above \$20,000 to the relevant Committee on Contracts for review and approval;
- Develop an action plan, with clearly defined activities and staff responsibilities, including for management review, to ensure full implementation of the Administrative Instruction on UNHCR-Provided Accommodation in the Field; and
- Prioritize identified risks in the country risk register, identify and initiate the required treatments, including monitoring thereof, and ensure that all risk focal points and other key managers and staff are trained on risk management using available training resources.

UNHCR accepted the recommendations and has initiated action to implement them.

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Audit of the operations in Chad 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 Chad for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The UNHCR Representation in Chad (hereinafter referred to as ‘the Representation’) started its operations in 1998 to provide refugees, asylum-seekers and other persons of concern with international protection and humanitarian assistance. As at December 2016, the Representation was assisting 517,000 refugees and asylum seekers from Sudan, Central African Republic and Nigeria, as well as internally displaced persons (IDPs) and people at risk of statelessness in 20 refugee camps, several out of camp locations and urban areas. The Representation’s budget decreased sharply from \$80.2 million in 2015 to \$68.9 million in 2016 and further to \$62.5 million in 2017. This forced it to re-focus its strategic approach to self-reliance and beneficiary mobilization while maintaining essential care and maintenance services (with the key areas being self-reliance and livelihoods that absorbed \$5.8 million in 2015 and \$5.2 million in 2016 and care and maintenance that absorbed \$9.6 million in 2015 and \$8.7 million in 2016).
3. The Representation was headed by a Representative at the D-1 level and it had, at the time of the audit, 375 regular and 46 affiliate staff. It had a Country Office in N’ djamena, four Sub Offices in Iriba, Farchana, Goz Beida and Gore, and seven Field Offices in Amdjarass, Guereda, Hadjar-Hadid, Koukou-Angarana, Haraze, Maro and Baga Sola. The Representation recorded total expenditure of \$75.4 million in 2015 and \$67.2 million in 2016. It worked with 21 partners in 2015 and 16 in 2016. The partner expenditures represented 79 and 69 per cent of the total programme implementation in 2015 and 2016 respectively. For 2017, the Representation further consolidated its portfolio and reduced the number of partners to 13.
4. Comments provided by the Representation are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

5. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over UNHCR operations in Chad.
6. The audit was included in the 2017 risk-based internal audit work plan of OIOS due to risks related to the size and complexity of the operations in Chad concurrently dealing with refugees, IDPs, returnees and stateless persons in urban, camp and out-of-camp settings.
7. OIOS conducted the audit from January to March 2017. The audit covered the period from 1 January 2015 to 31 December 2016. Based on an activity-level risk assessment, the audit covered higher risk processes and activities pertaining to the operations in Chad, which included: planning and resource allocation; partnership management; shelter and settlement activities; distribution of non-food items (NFIs); procurement and vendor management; arrangements for staff accommodation; and enterprise risk management (ERM).
8. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical reviews of data, including financial data from Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system, and performance data from FOCUS, the UNHCR results-based management system; (d) sample testing of controls using both

systematic and random sampling methods; (e) visits to the Representation's Country Office in N'Djamena, Sub Offices in Gore, Iriba and Farchana, and the offices of four partners implementing UNHCR projects; and (f) observation of programme activities implemented in four refugee settlements (Dosseye, Iridimi, Bredjing and Treguin).

III. OVERALL CONCLUSION

9. The Representation had effective controls in place for planning and resource allocation. However, there was a need for the Representation to strengthen controls over designation of procurement authority to partners, monitoring of project activities implemented by partners, distribution of NFIs, procurement of goods and services and vendor management, and staff accommodation. It also needed to seek guidance from the Shelter and Settlement Section at headquarters on its shelter activities, and further enhance its risk management procedures.

IV. AUDIT RESULTS

A. Planning and resource allocation

The Representation had effective controls in place over the planning and resource allocation process to ensure an inclusive and transparent approach that took into account budgetary constraints

10. In accordance with the UNHCR Programme Manual, the Representation is required to conduct a needs assessment using the Age, Gender and Diversity participatory approach, and use the results of the assessment to assist in operational decision-making and to provide the foundation for the design of protection and operational strategies, projects, and sector objectives and deliverables, and to allocate budgets accordingly.

11. OIOS reviewed the Representation's needs assessment process at three Sub Offices (Iriba, Farchana and Gore) for two population groups (Sudanese refugees in the East and Central African refugees in the South) and the subsequent prioritization and budgeting process at the Sub Office and Country Office level. The review indicated that the Representation had conducted needs assessments on a yearly basis in a transparent manner and ensured participation of all stakeholders in both the planning and implementation process. Through several stages of negotiations across the Representation, and in line with UNHCR's global strategic priorities and with due consideration of the local operational context and operating level constraints such as the decrease in the budget allocation, the Representation determined its annual operations plans and priorities, and allocated the available resources accordingly. OIOS therefore concluded that the Representation had effective controls in place over planning and resource allocation.

B. Partnership management

The Representation needed to strengthen controls over designation of procurement authority to partners and financial and performance monitoring of projects implemented by partners

12. The UNHCR Enhanced Framework for Implementing with Partners requires the Representation to: a) select partners in a transparent manner by following a competitive selection process with pre-established criteria for selection, including for designation of procurement to partners; b) sign Project Partnership Agreements (PPAs) in December preceding the year of implementation; c) ensure that a risk-based project monitoring plan is developed and implemented by a multi-functional team.

13. OIOS reviewed the effectiveness of controls the Representation had put in place over partnership management for the period from January 2015 to December 2016 and visited four partners both at their premises and four refugee camps. The review indicated that the partner retention and selection procedures were implemented as per UNHCR requirements. However, the review also indicated the following weaknesses in designation of procurement authority to partners and financial and performance monitoring of projects implemented by partners:

- Through the signature of the PPAs in 2015 and 2016, the Representation designated a total of \$33.1 million for procurement of goods and services to 16 partners, of which only 6 had been pre-qualified by UNHCR to undertake procurement activities with UNHCR funds. It also did not perform a cost-benefit analysis to determine whether procurement through partners would be more advantageous than direct implementation, and did not undertake an assessment of procurement capacity of each of these partners, as required. The 2017 PPAs were also finalized without complying with these requirements.
- The Representation did not have monitoring plans for verification of the validity of reported project expenditures and assessment of the progress in project implementation against project targets for the PPAs in 2015. Such monitoring plans were prepared for 2016 but they were not risk-based, did not include financial monitoring activities, and were not systematically implemented. In particular, financial verification visits to partners were limited, for instance in 2016 only seven partners were visited once in the third quarter of the year. Performance monitoring was also implemented inconsistently, with a low number of visits to the camps and limited evidence of review of partners' monthly progress reports. Overall, there was little evidence of coordination within the Representation, through a multi-functional approach, of the integration of financial and performance monitoring activities.

14. The above weaknesses occurred because the Representation did not exercise sufficient management supervision to ensure compliance with the UNHCR policy and procedures on designation of procurement to partners and that the requirements for project monitoring were followed. The situation was further complicated by the challenging logistical arrangements and the geographical spread of the operations. Financial verifications were done by project control staff, mainly operating at Country Office level, while programme verifications were performed by staff operating at the Sub and Field Office level. In addition, the post of the Project Control Officer was vacant for six months. Inadequate controls over designation of procurement authority to partners and project monitoring could result in loss of financial resources and failure to meet the needs of persons of concern.

(1) The UNHCR Representation in Chad should put in place effective management supervision arrangements to ensure that: (i) partners are designated procurement in accordance with UNHCR requirements; and (ii) financial and performance monitoring activities are risk-based and adequately coordinated to allow reconciling programme results with partners' expenditure reports.

UNHCR accepted recommendation 1 and stated that the Representation had developed standard operating procedures (SOPs) which were now being applied to any PPA revision that implies procurement exceeding the threshold of \$100,000 per partner. A cost-benefit analysis would be undertaken to determine whether procurement by partners would have a comparative advantage. Financial and performance monitoring were now closely coordinated between the Programme Office and Project Control, taking into account partners' risk profile. Furthermore, for 2017, the Representation approved monitoring plans for all PPAs and anticipated to perform more visits to partners, including verifications by multifunctional teams, following the recruitment of a new Project Control Officer. Recommendation 1 remains open pending receipt of evidence to support:

(i) systematic and consistent implementation of procedures for designation of procurement by partners in accordance with UNHCR requirements; and (ii) systematic conduct of financial and performance monitoring activities by multifunctional teams, in accordance with the risk-based plans.

C. Basic needs and essential services

There was a need to seek guidance from the Shelter and Settlement Section on shelter activities in Chad

15. To ensure adequate and durable shelters for persons of concern and effective monitoring of settlement and shelter activities, UNHCR needs to: (i) develop and implement a local settlement and shelter strategy at the contingency planning stage with a clear trajectory toward sustainable solutions; (ii) implement SOPs on data collection, analysis and reporting of shelter activities; (iii) assess its technical expertise capacity and address resulting gaps; and (iv) monitor performance vis-à-vis established shelter indicators. These requirements are also promulgated in the UNHCR Global Strategy for Settlement and Shelter 2014-2018, with the aim to ensure consistency in implementation of settlement and shelter activities and to mitigate associated risks.

16. As at 31 December 2016, the Representation made available a total of 148,601 permanent shelters for its persons of concern, 64 per cent of which it considered to be adequate or in good condition. Based on its 2013-2017 local shelter strategy, revised to take into account the protracted nature of refugee operations in Chad, the Representation implemented in 2015 and 2016 a progressive exit strategy by empowering persons of concern to build their own shelters with the support of the community through the provision of training, 371 tool kits and 2,052 shelter material kits. OIOS visited both partners implementing shelter and settlement activities and four camps in Dosseye, Iridimi, Briedjing and Treguin, and confirmed that beneficiaries had received and used the shelter materials and tool kits for the intended purpose and that UNHCR had observed that the Sphere standards (the voluntary code for minimum standards in humanitarian response) were met. However, OIOS noted the following weaknesses:

- The Representation did not have SOPs for data collection, analysis and reporting of shelter activities. Staff in Field Offices manually collected related data and reported the results in FOCUS, but the Representation did not adequately monitor the accuracy and reasonableness of the data collected. For instance, consolidated shelter data at the Representation level erroneously indicated an achievement of 148,688 versus the target of 500 for the indicator on “number of persons of concern receiving land allocation for shelter”.
- The Representation could not install the 1,000 Refugee Housing Units, costing \$1.5 million, it had received from the Shelter and Settlement Section in September 2015 as part of a shelter pilot project, due to lack of water points in the camps identified for relocation of refugees and the fact that the arrangement would result in implementing two shelter standards in Chad, i.e., one for local shelter and the other under the Refugee Housing Unit concept.

17. The cited shortcomings in shelter management occurred because the Representation did not adequately communicate with the Shelter and Settlement Section to obtain the necessary support and guidance. Such communication would have been essential for the development of local SOPs on data collection, analysis and reporting of shelter activities, the establishment of appropriate shelter objectives and indicators, and the development of monitoring and reporting tools and documentation requirements on shelter activities. In addition, the Representation did not conduct, in close consultation with the Shelter and Settlement Section, a formal and structured assessment of the suitability of the Refugee Housing Units to the local shelter context, prior to their deployment. As a result, the Representation was not fully ensuring

that it implemented shelter activities in an effective manner and mitigated the associated risks. This included an opportunity cost of \$1.5 million tied up to the uninstalled 1,000 Refugee Housing Units.

(2) The UNHCR Representation in Chad should seek guidance from the Shelter and Settlement Section at headquarters regarding: (i) the development of local standard operating procedures on data collection, analysis and reporting of shelter activities, including establishment of objectives and indicators and requirements for monitoring of shelter activities; and (ii) the facilitation of a transfer of 1,000 Refugee Housing Units, considered unsuitable for Chad and remaining unused, to another UNHCR operation.

UNHCR accepted recommendation 2 and stated that, through discussion with relevant divisions at headquarters, SOPs would be developed for data collection, analysis and reporting of shelter activities in Chad based on specificities of different camps and sub-offices. The Representation had also requested the support of an expert mission from headquarters. In addition, the Representation, through negotiations with relevant divisions at headquarters, was preparing to facilitate the transfer of the 1,000 Refugee Housing Units as soon as funding and transport modalities were confirmed. Recommendation 2 remains open pending receipt of evidence that the Representation has: (i) established SOPs on data collection, analysis and reporting of shelter activities; and (ii) transferred the Refugee Housing Units to another UNHCR operation.

The Representation needed to implement appropriate monitoring and control arrangements over the distribution of NFIs to ensure they reach the intended beneficiaries

18. UNHCR rules and procedures on commodity distributions and warehouse management require the Representation to put in place adequate arrangements for planning, inventory management, monitoring and reporting of the distribution of NFIs. This includes establishing criteria for selection of beneficiaries and developing distribution plans, undertaking regular on-site distribution monitoring, maintaining adequate warehousing arrangements, establishing procedures for inventory monitoring and recording, and preparing reconciliation reports between NFIs issued from warehouses and distributed to beneficiaries.

19. The Representation distributed NFIs through partners valued at \$1.7 million during 2015 and 2016. OIOS observed weaknesses in the distribution processes, as follows:

- The Representation did not have any documentation as evidence that beneficiaries had acknowledged receipt of NFIs with a signature or finger print or monitoring reports to support this.
- The Representation did not sufficiently monitor the partner summary reports on each distribution to ensure that they were accurate and agreed to the totals as per the beneficiary lists. It also did not reconcile the items issued from the warehouse with the distributed items.
- In Sub Office Farchana, two partners consistently reported a lower than actual inventory balance after distribution. This was not detected by the Representation, and the differences appeared to pertain to unaccounted losses.

20. As a consequence of the above control weaknesses, the Representation was unable to provide evidence that the NFIs had actually reached the intended beneficiaries. This was because the Representation had not implemented adequate management monitoring arrangements and local procedures to guide the partners distributing NFIs in the country on its behalf.

(3) The UNHCR Representation in Chad should implement appropriate management monitoring arrangements over non-food item (NFI) distributions, supported by standard operating procedures defining requirements for beneficiary acknowledgement of receipt of NFIs, and physical monitoring, reporting and reconciliation of NFIs distributed.

UNHCR accepted recommendation 3 and stated that an SOP governing monitoring of NFI distributions was now operational. Sub-Office Gore had implemented the key steps of the audit recommendation which acknowledge receipts, monitoring and reconciliation of stocks and recording/follow up of stock not distributed. Recommendation 3 remains open pending receipt of evidence to support that the Representation is systematically monitoring NFI distributions, in line with the new SOPs, country-wide.

D. Procurement and vendor management

There was a need to enhance procurement planning and contract management, as well as management supervision and oversight arrangements over procurement and vendor management

21. To ensure the integrity of the procurement process and that the Representation receives value for money for the acquisition of goods and services to support its operations, it is essential to: (i) prepare an annual procurement plan according to identified needs; (ii) establish an effective vendor management system; (iii) initiate timely procurement activities in accordance with the procurement plan; and (iv) ensure adequate oversight over procurement activities by establishing a Local Committee on Contracts (LCC). These requirements are further promulgated in the UNHCR Manual on Supply Management with the aim to ensure consistency in application of procurement rules and procedures and to mitigate associated risks.

22. From 1 January 2015 to 31 December 2016, the Representation issued purchase orders and concluded contracts locally with a total amount of \$20.3 million. OIOS reviewed 23 contracts and purchase orders worth a total of \$7.5 million, as well as the Representation's vendor management, procurement planning and contract management procedures.

23. The Representation had an active Vendor Review Committee in 2015. However, the Committee did not meet in 2016 and new vendors were registered in MSRP by staff from different units without the review of the Committee. The Representation also lacked internal procedures for vendor vetting and vendor registration. As a result, there were 68 vendors recorded twice or in some cases multiple times in the system. For 696 registered vendors there were no vendor registration files.

24. The Representation prepared annual procurement plans for 2015, 2016 and 2017. However, these plans did not include all programme and administration needs, including those for replacement of vehicles, generators and trucks. They also did not include the procurement requirements for project purposes based on determination of those goods that would be more cost effective to be sourced by UNHCR internationally or locally rather than by partners. Out of the 23 procurement cases reviewed by OIOS, 21 pertained to goods and services that were not included in the procurement plan. Also, the procurement plans requirements lacked target dates, thus making advance planning by the Representation's Supply Unit ineffective. As a result, the Representation incurred higher procurement costs and was exposed to the risk of lower quality of goods and services as follows:

- The Representation procured spare parts locally for \$1 million. However, it did not undertake a comparative analysis of the prices of the same spare parts if procured internationally, and it did not seek the advice of UNHCR Supply and Logistics Management Service at headquarters in this regard. In addition, instead of achieving procurement efficiencies by consolidating the spare part

and lubricant requirements for the whole UNHCR fleet, the Representation resorted to procuring the same items separately for administration vehicles and programme vehicles at a higher cost.

- In 14 of the 23 procurement cases reviewed, the Representation issued tenders to prospective vendors with response times varying between 10 and 20 days whereas the UNHCR procurement rules and procedures required 4 to 8 weeks. In the absence of any documented justification, OIOS associated lack of planning as the reason for these control deficiencies, which resulted in low number of offers, ranging between 2 and 11 offers per bidding exercise in the cases reviewed.

25. The Representation also did not sign contracts or frame agreements with its two largest suppliers for the delivery of fuel (\$2.5 million annually) and soap (\$500,000 annually). The Representation instead ordered these products through issuance of purchase orders as and when needed. As a result, for example, the continuity of the operations was put at risk because all UNHCR offices were running 24/7 on generator fuel for electricity needs. Furthermore, for some of its other procurement needs the Representation was resorting to annual contracts only, thereby having to re-tender on an annual basis, instead of securing the supply of goods and services needed on a longer term basis. For example, it invested \$580,000 in the renovation of the new Country Office building in N'Djamena despite the fact that it had contractually secured the lease for only one year at a cost of \$380,000.

26. In addition, the Representation did not monitor the cumulative amount of procurement by each vendor on a consistent basis throughout the year. As a result, it did not submit all procurement cases to the LCC for review and approval when required. For example, during the audit period the Representation made payments to 27 vendors (each with a cumulative value above \$20,000) for a total of \$1 million without the LCC approval.

27. The control weaknesses cited above occurred due to: (i) lack of adequate coordination between different units in the Representation to ensure comprehensive and timely procurement planning; and (ii) lack of adequate management supervision combined with insufficient oversight by the LCC to ensure compliance with UNHCR procurement rules and procedures. As a consequence, the Representation was at risk of not getting value for money from its procurement activities, whilst also being exposed to increased risk of fraud.

(4) The UNHCR Representation in Chad should put in place appropriate management supervision and oversight arrangements over procurement and vendor management to ensure: (i) implementation of adequate vendor vetting and registration procedures; (ii) implementation of comprehensive procurement planning and sourcing; (iii) existence of signed contracts and frame agreements for large procurement needs; (iv) compliance with recommended minimum bidding periods; and (v) systematic submission of all procurement to vendors with a cumulative value of above \$20,000 to relevant Committee on Contracts for review and approval.

UNHCR accepted recommendation 4 and stated that: (i) the Representation's Vendor Review Committee was meeting monthly during 2017; (ii) a comprehensive procurement planning and sourcing for 2018 had been prepared and would be updated for programme, administration and activities relevant to new projects; (iii) signed contracts and frame agreements had been prepared for large procurements like soap and fuel; (iv) bidding procedures were now adhered to, particularly the recommended minimum requirements; (v) all purchases exceeding a cumulative value of \$20,000 were monitored; and (vi) Chad was included in the planned training schedule of the Headquarters Committee on Contracts in September 2017. Recommendation 4 remains open pending receipt of evidence that all instances of procurement with a cumulative value above \$20,000 per vendor are systematically submitted to the relevant Committee on Contracts for review.

E. Staff accommodation

The Representation needed to strengthen monitoring of the implementation of the administrative instruction on staff accommodation

28. To maintain psycho-social well-being of UNHCR staff deployed in the field, the Representation is required to: (i) put in place arrangements for ensuring that staff accommodation in the field meets the minimum standards on living conditions, i.e., in respect of: quality of staff accommodation and living environment; food, water and hygiene; and recreational and communication facilities; (ii) ensure that the end users of accommodation exercise their responsibility for making their living environment acceptable and livable; and (iii) ensure accurate and complete collection, recording and reporting of rental income from staff accommodation and its utilization to maintain and improve the staff accommodation facilities. The above requirements are promulgated in the Administrative Instruction on UNHCR-Provided Accommodation in the Field.

29. The Representation maintained staff accommodation in 12 different locations with a total of 152 rooms. At the time of the audit in February 2017, the staff accommodations were occupied by 69 registered users. The Representation reported total rental income of \$464,121 during the audit period. OIOS visited three staff accommodations at the Sub Offices in Gore, Farchana and Iriba, consisting of 51 rooms in total, of which 36 were made of concrete or hard wall whilst 15 were made of pre-fabricated modular containers, and tested 42 vouchers for staff accommodation expenditure totaling \$149,583 out of \$218,734 recorded in 2015 and 2016 for the three locations.

30. The staff accommodations in all three locations met the minimum standards on living conditions as regards the requirements for: minimum room space; privacy in hard wall rooms; adequacy of bathroom facilities; adequacy of water supply and electricity; adequacy of security installations and security control measures; and quality of recreational and communication facilities. Food and drinking water were provided as planned in all three locations. However, staff staying in pre-fabricated modular containers in Iriba and Farchana did not enjoy full privacy as the walls between rooms were not sound-proof. There were also no medical kits in Iriba. In addition, the fire extinguishers in the three locations had already expired. In respect of the usage and management of staff accommodation, the three offices visited did not conduct briefings to occupants on their responsibility and accountability in taking care of the facilities. The offices also did not develop and implement a preventive maintenance plan to sustain the economic life of the staff accommodation and its accessories.

31. The Representation did not rectify weaknesses related to the collection and recording of rental income. For example, OIOS noted inconsistencies in the deduction from rental income due from occupants. The Sub Office in Iriba collected \$641 per month from international staff while the other two Sub Offices in Farchana and Gore collected \$609 as a five per cent reduction was applicable because kitchen and dining facilities were shared. This was not consistent with the UNHCR rules as the five per cent reduction applies only where no kitchen and dining space is provided. The three offices collected from international United Nations Volunteers (UNVs) \$100 per month instead of the required \$145 for the period from July 2014 to October 2015 and the required \$160 from November 2015 to December 2016. OIOS also noted that the three Sub Offices did not maintain adequate records for booking and monitoring of occupants' stay in the staff accommodations.

32. The Representation also did not ensure that 75 per cent of previous year's rental income was budgeted in the subsequent year's administrative budget for staff accommodation, as required. The budget of \$295,963 for 2015 and 2016 combined was less than the 75 per cent of total rental income of \$351,641

during 2014 and 2015. In August 2016, the Representation requested (post-facto) the Global Staff Accommodation Manager to credit back the 75 per cent of the previous year's rental income of \$264,363 to its cost centre, but this was denied as the Representation did not follow the Administrative Instruction. As to the recording of expenditures against the budget for staff accommodation, the Sub Office in Farchana erroneously recorded expenditures of \$143,323 to incorrect accounts.

33. The cited weaknesses occurred because of inadequate supervision by the Representation's management of the implementation of the administrative instruction on staff accommodation, including: the need to analyze the revenue from the use of UNHCR-provided staff accommodation; the need to conduct briefings to occupants regarding their responsibility and accountability for the use of the facilities; and the need to implement a preventive maintenance plan for staff accommodations. As a result, the Representation was not fully ensuring the availability of quality and livable staff accommodation in Chad. It was also not adequately mitigating the risks related to recording of income and expenditures for staff accommodation.

(5) The UNHCR Representation in Chad should develop an action plan, with clearly defined activities and staff responsibilities, including for management review, to ensure full implementation of the Administrative Instruction on UNHCR-Provided Accommodation in the Field.

UNHCR accepted recommendation 5 and stated that the improvement of living and working conditions was one of the priorities of the management of the UNHCR operation in Chad. An action plan had been put in place clarifying activities and responsibilities of staff involved in the management of staff accommodation. Procedures had been prepared defining the system of internal control and income collection mechanism, and the modalities of room reservations/allocations. Recommendation 5 remains open pending receipt of evidence of measurable progress in implementing the activities contained in the action plan for improving staff accommodations in Chad, and management review thereof.

F. Enterprise risk management

The Representation needed to put in place clear process requirements for maintenance of the risk register and ensure that key staff are trained on risk management

34. In accordance with the UNHCR ERM Framework, in order to effectively manage risks to its operational objectives, the Representation is required to: a) understand its operational context; b) identify the key risks; c) analyze and evaluate these risks; and d) develop and implement a plan to treat the risks. The Representation also needs to monitor and report on its priority risks and ensure that relevant staff are effectively trained and consulted on the ERM procedures.

35. The Representation had duly assigned roles and responsibilities for ERM. The Representative was the risk owner and he was supported in this role by four focal points: the Assistant Representative for Operations; the Senior Supply Officer; the Head of the Iriba Sub Office for the East' and the Head of the Gore Sub Office for the South.

36. OIOS reviewed the country operations plans and PPAs for 2016 and 2017 but could not establish a direct link between them and the Representation's risk register. There was no evidence that the risk review was done in conjunction with the detailed planning process. The risk identification and assessment process was not documented, such as through notes or minutes of ERM workshops held. Project risks identified in the PPAs were based only on discussions with partners rather than being fed from (or into) the ERM process, which could have been expected, at least at a summarized level, given that about 70 per cent of the

Representation's operations were implemented by partners. It was therefore not clear whether the Representation had appropriately considered its operational context in risk identification.

37. The risk register lacked prioritization of risks. Treatment plans for each risk were added only on 2 February 2017, shortly before the OIOS audit mission. Risk monitoring procedures had also not been formalized. Furthermore, three of the four focal points had received the required training online and in person; however, the Head of Sub Office Gore had not yet been trained. Other key staff in the Branch Office, Sub Offices and Field Offices had also not received any formal training or undertaken the online training on ERM.

38. OIOS associated the weaknesses in risk identification, assessment and treatment with the lack of full management commitment to the implementation of the risk management process in the Representation. As a result, the Representation was not using UNHCR's ERM Framework to effectively manage its risks to the achievement of its objectives.

(6) The UNHCR Representation in Chad should: (i) review its risk register to prioritize the risks and to identify and initiate the required treatments, including monitoring thereof; and ii) ensure that all risk focal points and other relevant managers and staff are trained on risk management using available training resources.

UNHCR accepted recommendation 6 and stated that the risk register had been reviewed for risk prioritization and treatment. On-going monitoring would be undertaken, especially during the 2017 Mid-Year Review exercise and for the 2018 detailed planning exercise in November 2017. Risks were shared during meetings of the multi-functional teams to capture emerging risks and to close risks that are no longer relevant. The Representation would review the actions taken to mitigate risks for corrective actions. A training session on risk management had been organized on 25 February 2017 for risk management focal points followed by three more sessions in May 2017 at Goz Beida, Farchana, and Iriba. Recommendation 6 remains open pending receipt of evidence of regular monitoring of the priority risks.

V. ACKNOWLEDGEMENT

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

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

STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNHCR Representation in Chad should put in place effective management supervision arrangements to ensure that: (i) partners are designated procurement in accordance with UNHCR requirements; and (ii) financial and performance monitoring activities are risk-based and adequately coordinated to allow reconciling programme results with partners' expenditure reports.	Important	O	Submission to OIOS of evidence to support: (i) systematic and consistent implementation of the procedures for designation of procurement by partners in accordance with UNHCR requirements; and (ii) systematic conduct of financial and performance monitoring activities by multifunctional teams, in accordance with the risk-based plans.	31 December 2017
2	The UNHCR Representation in Chad should seek guidance from the Shelter and Settlement Section at headquarters regarding: (i) the development of local standard operating procedures on data collection, analysis and reporting of shelter activities, including establishment of objectives and indicators and requirements for monitoring of shelter activities; and (ii) the facilitation of a transfer of 1,000 Refugee Housing Units, considered unsuitable for Chad and remaining unused, to another UNHCR operation.	Important	O	Submission to OIOS of evidence that the Representation has: (i) established standard operating procedures on data collection, analysis and reporting of shelter activities; and (ii) transferred the Refugee Housing Units to another UNHCR operation.	31 December 2017
3	The UNHCR Representation in Chad should implement appropriate management monitoring arrangements over non-food item (NFI) distributions, supported by standard operating procedures defining requirements for beneficiary acknowledgement of receipt of NFIs, and physical monitoring, reporting and reconciliation of NFIs distributed.	Important	O	Submission to OIOS of evidence to support that the Representation is systematically monitoring NFI distributions, in line with the new standard operating procedures, country-wide.	30 September 2017

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNHCR in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
4	The UNHCR Representation in Chad should put in place appropriate management supervision and oversight arrangements over procurement and vendor management to ensure: (i) implementation of adequate vendor vetting and registration procedures; (ii) implementation of comprehensive procurement planning and sourcing; (iii) existence of signed contracts and frame agreements for large procurement needs; (iv) compliance with recommended minimum bidding periods; and (v) systematic submission of all procurement to vendors with a cumulative value of above \$20,000 to relevant Committee on Contracts for review and approval.	Important	O	Submission to OIOS of evidence that all instances of procurement with a cumulative value above \$20,000 per vendor are systematically submitted to the relevant Committee on Contracts for review.	30 September 2017
5	The UNHCR Representation in Chad should develop an action plan, with clearly defined activities and staff responsibilities, including for management review, to ensure full implementation of the Administrative Instruction on UNHCR-Provided Accommodation in the Field.	Important	O	Submission to OIOS of evidence of measurable progress in implementing the activities contained in the action plan for improving staff accommodations in Chad, and management review thereof.	30 September 2017
6	The UNHCR Representation in Chad should: (i) review its risk register to prioritize the risks and to identify and initiate the required treatments, including monitoring thereof; and ii) ensure that all risk focal points and other relevant managers and staff are trained on risk management using available training resources.	Important	O	Submission to OIOS of evidence of regular monitoring of the priority risks.	30 September 2017

APPENDIX I

Management Response

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Representation in Chad should put in place adequate management supervision mechanisms to ensure that: (i) Partners are designated procurement in accordance with UNHCR requirements; and (ii) Financial and Performance monitoring activities are risk-based and adequately coordinated to allow reconciling Programme results with partners' expenditure reports	Important	Yes	Senior Programme Officer	31-December 2017	(i) The Representative has taken note of the auditor's recommendation and has commenced to put in place supervisory mechanisms to ensure that partners are designated procurement in accordance with UNHCR requirements. As such, Standard Operating Procedures have been developed and are now applied to any partnership agreement revision that implies procurement exceeding the threshold of 100,000USD by a partner. A Cost-Benefit Analysis shall be undertaken to determine whether procurement by a Partner would have a comparative advantage. (ii) Financial and Performance monitoring are now closely coordinated between Program Office and Project Control taking into account partners' risk profile which is based on both internal oversight and external

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² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>audit. This is conducted in compliance with the new template on Risk Assessment Form on which Multi-Functional Team members were initiated by Project Control and new forms are being developed for all PPAs. Monitoring will be conducted based on this tool.</p> <p>In late 2016, a new project control officer was recruited and the representation anticipates to perform more visits to partners including verifications by Multifunctional Teams.</p> <p>Furthermore, for 2017, approved monitoring plans have been prepared and being executed in conjunction with partners for all PPAs.</p>
2	The UNHCR Representation in Chad should seek guidance from the Shelter and Settlement Section at headquarters on: (i) development of local standard operating procedures for the data collection, analysis and reporting of shelter activities, including	Important	Yes	Assistant Representative Head of Operations	31-Dec-2017	(i) Through discussion with the relevant divisions at Headquarters, SOPs are to be developed for data collection, analysis and reporting of shelter activities based on specificities of different camps and sub-offices. The Chad operation has requested the

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	establishment of objectives and indicators as well as requirements for monitoring of shelter activities; and (ii) facilitation of a transfer of 1,000 Refugee Housing Units, considered unsuitable for Chad and remaining unused, to another UNHCR operation.					<p>support of an expert mission from Headquarters to develop the SOPs and support to the update of Chad national shelter strategy.</p> <p>(i) The Representation though negotiations with the relevant divisions at Headquarters is preparing to facilitate the transfer of the 1000 Refugee Housing Units (RHU) as soon as funding and transport modalities are confirmed. The actual transfer of RHU will be intimated to OIOS once effected.</p>
3	The UNHCR Representation in Chad should implement appropriate management monitoring arrangements over non-food item (NFI) distributions, supported by Standard Operating Procedures defining requirements for beneficiary acknowledgement of receipt of NFIs, and physical monitoring, reporting and reconciliation of the NFIs distributed.	Important	Yes	Senior Programme Officer	30-June-2017	<p>An SOP governing monitoring of NFI distributions is operational. Sub-Office Gore has implemented the key steps of the audit recommendation which acknowledge receipts, monitoring and reconciliation of stocks and a recording/follow-up of stock not distributed.</p> <p>The mitigation action is in place; therefore, closure of this recommendation is requested.</p>

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	The UNHCR Representation in Chad should put in place appropriate management supervision and oversight arrangements over procurement and vendor management to ensure: (i) implementation of adequate vendor vetting and registration procedures; (ii) implementation of comprehensive procurement planning and sourcing; (iii) existence of signed contracts and frame agreements for large procurement needs; (iv) compliance with recommended minimum bidding periods; and (v) systematic submission of all procurement to vendors with a cumulative value of above \$20,000 to relevant Committee on Contracts for review and approval.	Important	Yes	Senior Supply Officer	30-April-2017	<p>Part (i) The Vendor Review Committee meets monthly in 2017 and performs critical functions which include vendor vetting and registrations procedures. Minutes of the meeting are on file.</p> <p>Part (ii) A comprehensive procurement planning and sourcing for 2018 has been prepared. The plan will be updated for program, admin and activities relevant to new projects.</p> <p>Part (iii) Signed contracts and frame agreements have been prepared for large procurements like soap and fuel.</p> <p>Part (iv) Bidding procedures are now adhered to, particularly the recommended minimum requirements. A tracking folder is maintained by the Supply Section.</p> <p>Part (v) The Vendor Review Committee has been established and tasked to monitor all purchases exceeding a cumulative value of US\$ 20,000. Queries/reports are generated to determine cumulative purchase values for each vendor. Chad is</p>

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>included in the planning training schedule of the HCC in Sep 2017.</p> <p>As the key mitigating actions have been implemented through required monitoring taking place, closure of this recommendation this recommendation is requested.</p>
5	The UNHCR Representation in Chad should develop an action plan, with clearly defined activities and staff responsibilities, including for management review, to ensure full Implementation of the Administrative Instruction on UNHCR-Provided Accommodation in the Field.	Important	Yes	Senior Admin Officer	30-June-2017	<p>Improvement of living and working conditions was defined as one of the priorities of the management of the UNHCR operation in Chad.</p> <p>An action plan has been put in place clarifying activities and responsibilities of staff involved in the management of staff accommodation based on the administrative instruction.</p> <p>An SOP has been prepared which defines the system of internal control and income collection mechanism, the modalities of room reservations/allocations.</p>

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						As the key mitigating actions have been implemented and that a monitoring system is in place, the closure of this recommendation is requested.
6	The UNHCR Representation in Chad should: (i) review its risk register to prioritize the risks and to identify and initiate the required treatments, including monitoring thereof; and (ii) ensure that all risk focal points and other managers and relevant staff are trained on risk management using available training resources.	Important	Yes	Assistant Representative Head of Operations	30-June-2017	<p>The risk register has been reviewed to address the comments relating to risk prioritization and treatment. On-going monitoring will be undertaken, especially during the 2017 Mid-Year review exercise and for the 2018 detailed planning exercise in November 2017. Risk management sessions were included during the 2018 COP process and is an integral part of all operational plans.</p> <p>The risks by category (operational, institutional and fraud) have been shared with relevant colleagues for review during meetings of multi-functional teams to assess the pertinence of the risks currently recorded in the risk register, to capture new risks in current environments as additions to the risk register, as well as to close risks that are no longer relevant.</p>

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>The Representation will review the actions taken to mitigate risks and if additional measures should be required.</p> <p>A training session on risk management had been organized on 25th February 2017 for risk management focal points. Three more training sessions were conducted in May 2017 (Goz Beida, Farchana, Iriba).</p> <p>As the key mitigating actions have been implemented and a regular monitoring is in place, the closure of this recommendation is requested.</p>