



## INTERNAL AUDIT DIVISION

### REPORT 2018/003

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

There were critical deficiencies in controls and management oversight arrangements over procurement and vendor management which could adversely impact the achievement of the country programme objectives

1 February 2018  
Assignment No. AR2017/111/06

# **Audit of the operations in the Republic of the Congo 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 the Republic of the Congo for the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess whether the UNHCR Representation in the Republic of the Congo was managing the delivery of services to its persons of concern in a cost-effective manner and in compliance with UNHCR's policy requirements. The audit covered the period from 1 January 2016 to 31 July 2017 and included a review of: (a) planning and resource allocation; (b) partnership management; (c) cash-based interventions (CBI); (d) procurement and vendor management; and (e) enterprise risk management.

There was a critical need for the Representation to strengthen controls and management oversight arrangements over procurement and vendor management, where deficiencies were pervasive. In addition, the Representation needed to: (a) explain significant misalignments between resource allocation and population data in operations plans; (b) strengthen controls over partner selection and retention, and the monitoring of procurement by partners and long outstanding partner advances; (c) ensure that there is an adequate control framework for CBI implemented through partners; and (d) strengthen procedures related to risk identification, assessment and treatment.

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

- Ensure that its supply staff and members of the Local Committee on Contracts are sufficiently trained and effective controls over procurement and vendor management, including regular supervisory reviews, are in place (**critical**);
- Put in place review procedures to ensure that operations plans contain accurate and reliable population data and demonstrate adequate alignment between resources allocated and population data;
- Increase staff awareness of established policies and guidelines and strengthen management oversight over selection and retention of partners, procurement by partners and performance monitoring, and resolve long-standing open items related to a partner;
- Complete an assessment to select the suitable implementation modality for CBI, assess partners' capacity and competence in delivering CBI, describe partner responsibilities in conducting CBI in the project descriptions, ensure that partners establish adequate controls over CBI, and reconcile the amounts transferred to partners with the records of cash distributed by them; and
- Ensure adequate alignment between the risk register and operations plans, conduct a robust risk prioritization exercise, and ensure adequate risk treatments are designed for identified priority risks.

UNHCR accepted the recommendations, has implemented two of them and is in the process of implementing the remaining three recommendations.

# CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	1-2
III. AUDIT RESULTS	2-9
A. Procurement and vendor management	2-4
B. Planning and resource allocation	4-5
C. Partnership management	5-7
D. Cash-based interventions	7-8
E. Enterprise risk management	8-9
IV. ACKNOWLEDGEMENT	9
ANNEX I      Status of audit recommendations	
APPENDIX I   Management response	

# **Audit of the operations in the Republic of the Congo 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 the Republic of the Congo for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The UNHCR Representation in the Republic of the Congo (hereinafter referred to as ‘the Representation’) was established in 1982. As of 31 July 2017, the Representation assisted 47,564 refugees and 7,173 asylum seekers, of whom 55 per cent were from the Central African Republic (CAR), 26 per cent from the Democratic Republic of the Congo (DRC) and 18 per cent from Rwanda. In addition, there were an estimated 81,000 Internally Displaced Persons (IDPs) in the Republic of the Congo.
3. The Representation’s 2016 operations plan listed the following key strategic priorities: (i) capacity-building for the Congolese authorities regarding the recording, documentation and processing of claims, and (ii) health, education and security from Sexual Gender-Based Violence, in particular for CAR refugees.
4. The Representation had its Country Office in Brazzaville, and it also had a Field Office in Betou. It was headed by a Representative at the P-5 level, who reported to the Regional Representative in Kinshasa, DRC. As of 31 July 2017, the Representation had 46 posts and 10 affiliate staff. The Representation’s total expenditure for 2016 was \$5.0 million. Its budget for 2017 amounted to \$8.8 million, of which \$5.8 million had been spent by 31 July 2017. The Representation worked with six partners in 2016 and seven in 2017. The total expenditure of the partners amounted to \$4.6 million in 2016, and accounted for 80 per cent of the Representation’s programme related expenditure during the year.
5. Comments provided by the Representation are incorporated in italics.

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

6. The objective of the audit was to assess whether the UNHCR Representation in the Republic of the Congo was managing the delivery of services to its persons of concern in a cost-effective manner and in compliance with UNHCR’s policy requirements.
7. The audit was included in the 2017 risk-based internal audit work plan of OIOS because of the risks related to a possible major refugee influx from DRC, the worsening situation related to IDPs in the country, and the prolonged CAR refugee situation.
8. OIOS conducted the audit from August to November 2017. The audit covered the period from 1 January 2016 to 31 July 2017. Based on an activity-level risk assessment, the audit covered higher risk areas pertaining to the operations in the Republic of the Congo, which included: (a) planning and resource allocation; (b) partnership management, including partner selection and retention, preparation of project agreements, designation of procurement authority to partners, project financial and performance monitoring, and partner capacity-building; (c) cash-based interventions (CBI); (d) procurement and vendor management, including procurement planning, procurement processing and contract management, and vendor management; and (e) enterprise risk management (ERM).
9. 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, and the UNHCR results-based management system; (d) sample testing of controls using systematic and random methods; and (e) visits to the UNHCR Country Office in Brazzaville and the offices of selected partners implementing UNHCR projects.

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

### **III. AUDIT RESULTS**

#### **A. Procurement and vendor management**

There was a critical need for the Representation to comply with the procurement rules to ensure best value is obtained from purchases and the integrity of the procurement process is safeguarded

11. To ensure the integrity of the procurement process and that UNHCR 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) initiate timely procurement activities in accordance with the procurement plan to facilitate transparent and competitive procurement; and (iii) ensure adequate oversight over procurement activities. These requirements are stipulated in the UNHCR Manual on Supply Management (Chapter 8), with the aim of ensuring economical and efficient procurement and mitigation of associated risks including fraud risks.

12. The Representation undertook purchases totaling \$1.4 million in the audit period. OIOS reviewed the minutes of all Local Committee on Contracts (LCC) meetings held between January 2016 and July 2017, and tested in detail 17 procurement cases that followed the invitation to bid process and 15 purchase orders, totalling \$307,549. Several shortcomings were noted as explained in the following paragraphs.

13. *Vendor management* - The Representation's Vendor Review Committee (VRC) was established on 26 August 2015, but met only once (i.e. 27 July 2017) in the period under review. OIOS identified the following shortcomings related to vendor management:

- The vendor database, which contained 474 vendors, had not been cleaned up, as evidenced by seven vendors with two vendor numbers. Whilst the audit was in progress, the seven duplicate vendors were inactivated.
- There was no evidence that new vendors were vetted prior to being added to the database or that exiting vendors' performance had been reviewed.
- Vendor files containing the required registration forms, company registration certificates and financial reports were not maintained.

14. *Procurement planning* - The Representation did not prepare a procurement plan for 2016. Although a procurement plan for 2017 was in place, it was not comprehensive since it did not cover all envisaged procurements. The initial 2017 plan shared with OIOS only contained planned procurement worth \$73,779. This was updated during the audit to include the purchase of fuel which brought the total value to \$261,106. This however still fell short of the total amount of purchase orders raised by the Representation from 1 January 2017 to 30 September 2017 that amounted to \$715,721.

15. *Oversight by the LCC* - A review of the role played by LCC indicated the following deficiencies:

- The Representation selected a vendor to provide cleaning services for the Field Office in Betou

amounting to \$42,335. This vendor was selected without LCC review and approval and with no evidence of negotiations.

- The LCC awarded another vendor a two-year cleaning service contract for the Brazzaville Country Office amounting to \$21,168 as opposed to a one-year contract which had been originally recommended by the Supply Unit. No justification was provided for the decision.
- In the case of a contract for office furniture, the LCC awarded a larger contract than had been requested by the Supply Unit. The LCC increased its contract value from \$9,969 to \$22,640, only because the latter was the amount reflected in the Representation's administrative budget. The LCC minutes did not document the justifications for these decisions.
- The justifications for waiving competitive bidding for the lease of an office building amounting to \$126,235 and the contract for local telephone communication amounting to \$33,639 were not properly documented.
- The LCC minutes lacked key contract information; for example, they did not indicate the contract period and overall contract value for office equipment amounting to \$65,378 and notary public services estimated at \$150,000. In addition, the LCC minutes only indicated a one-year contract value for the maintenance of the office generator, although the Representation had intended to conclude a two-year contract amounting to \$19,394.

16. *Tendering process* - OIOS review noted the following control deficiencies with regard to the tendering process:

- In all 17 cases reviewed, the bidding period provided to vendors was between 7 to 16 days as opposed to the four-week minimum period required by the UNHCR Supply Management Manual. In 8 of the 17 cases, between four to seven vendors were invited to bid as opposed to the required minimum of eight vendors. No explanations were available on file to justify the Representation's inability to ensure wider competition. In the absence of a fully functional VRC, OIOS could also not establish how the vendors that were invited to bid had been selected.
- The Representation did not comply with the bid receipt and opening requirements. The five staff members who received bids had not been formally designated by the Representative as required.
- None of procurement files reviewed contained any technical evaluations which were mandatory for procurement worth \$10,000 and above in 2016 and \$40,000 and above in 2017. As a result, the two-envelope bidding process where technical bids need to be evaluated before financial bids are opened was not followed in procurement cases reviewed totalling \$220,477.
- Although the Representation explained that it had established a technical evaluation committee, no memorandum was available as evidence of its composition.

17. *Contract negotiation and management* - OIOS review of the process identified the following deficiencies:

- Negotiations with vendors did not follow the stipulated procedures whereby at least two staff designated by the LCC should negotiate the contract, and proper records of the negotiations should be kept. Only one person negotiated the lease of an office building valued at \$126,235 and there was no record of the negotiations. In another case, at least three staff members negotiated with three vendors but the resultant report had a signature of only one person. While the negotiations had taken place on 26 February 2016, the report listed different dates (3 March 2016 for two items, and 3 March 2017 for the third item).
- There was no contract on file for local telecommunication services amounting to \$33,639.

18. OIOS had in its previous audit, conducted in 2012 (Audit Report 2013/088), raised two important recommendations on the need to adhere to UNHCR's procurement rules and procedures. The

Representation had confirmed that these recommendations had been satisfactorily addressed and based on the information received, OIOS closed the recommendations. However, the current audit observed that the Representation had not taken appropriate action to improve its procurement procedures. These continual control weaknesses exposed the Representation to persistent operational, financial and reputational risks, which were caused by inadequate management oversight and training of LCC members and supply unit staff. The shortcomings also demonstrated that the Regional Representation in Kinshasa and the Bureau for Africa had not sufficiently monitored the Representation's compliance with UNHCR's procurement rules and procedures.

**(1) The UNHCR Representation in the Republic of the Congo, in collaboration with the Regional Representation in the Democratic Republic of the Congo and the Regional Bureau for Africa, should ensure that its supply staff and members of the Local Committee on Contracts are sufficiently trained and effective controls over procurement and vendor management, including regular supervisory reviews, are in place.**

*UNHCR accepted recommendation 1 and stated that both supply staff and LCC members had been trained, and the Representation had taken various corrective measures such as the preparation of the 2018 procurement plan, formal designation of a person to receive bids, preparation of technical evaluation reports, and the usage of checklists and their supervisory review by the Regional Representation. Recommendation 1 remains open pending receipt of a sample of VRC minutes discussing the selection of new vendors and evaluation of the performance of existing vendors.*

## **B. Planning and resource allocation**

There was a need to adequately explain any significant misalignments between resource allocation and population data and provide accurate and reliable population data in the operations plans

19. To manage the risk of failure in providing the most vital assistance to persons of concern and decreasing their vulnerability, it is essential that: (i) the needs of the persons of concern are comprehensively assessed; (ii) goals and objectives of the country operation are prioritized and established, aligned with UNHCR's global strategic priorities and informed by timely and reliable data on the population of concern; (iii) protection and operational strategies are defined; and (iv) the required outputs and activities are defined, budgets are allocated, and deliverables are established. These requirements are also stipulated in UNHCR's Programme Manual, with the aim to provide consistency in operations planning at the country level and to mitigate the associated risks.

20. The Representation prepared operations plans for 2016 and 2017 that were aligned with the needs of the population of concern and the global strategic priorities. The needs assessment exercise during both years followed a participatory approach. The Representation also developed a protection strategy as part of the operations plans, as well as standard operating procedures for all key protection areas including refugee status determination, child protection, reception conditions for refugees and asylum seekers in Brazzaville, resettlement, and sexual and gender-based violence.

21. However, OIOS identified what appeared to be a significant misalignment between resource allocation and population data, for which no explanation was provided by the Representation in its country operations plans for 2016 and 2017. In respect of the 2016 and 2017 budget for refugees (other than the caseload for refugees from CAR the budget for which was directly managed by headquarters), allocations for Rwandan refugees represented 14 and 20 per cent respectively of the total budget, yet this group was only approximately 5.5 per cent of the total population. The Representation explained that this was caused by extra-budgetary allocations made in response to a cessation clause with regard to Rwandan refugees,

when it had to find durable solutions (i.e., either voluntary repatriation or local integration) before the entry into force of the cessation clause on 1 January 2018. When these provisions were factored into the budget, the Representation's budget allocation among the different population planning groups (PPG) was found reasonable. Whilst appreciating this explanation, OIOS was concerned that failure to document it clearly and convincingly in the operations plan could result in misinterpretation of information by stakeholders including donors.

22. OIOS also noted that a reclassification of refugees resulted in incorrect information being presented about the PPGs in the 2016 operations plan. The Representation had established a PPG for Rwandan refugees in 2016 and reported in its operations plan that this PPG would include not only Rwandan refugees in rural areas (i.e., 1,991 persons at the end of 2015) but also Rwandan refugees in urban areas (i.e. 7,675 persons as of the end of 2015). In practice, however, the Representation could not separate the Rwandese population of concern in urban areas from other urban refugees and therefore treated them under "Refugees and asylum seekers in urban areas". This important change was also not explained at the mid-year review stage of the 2016 operations plan. As a result, there was an increased risk that UNHCR was sharing inaccurate information with stakeholders.

**(2) The UNHCR Representation in the Republic of the Congo should put in place review procedures to ensure that its operations plans contain accurate and reliable population data and demonstrate adequate alignment between resources allocated and population data.**

*UNHCR accepted recommendation 2 and stated that the 2018 operating level budget included a comparison of resource allocation to population planning figures. Based on the action taken and documentation provided by UNHCR, recommendation 2 has been closed.*

### **C. Partnership management**

There was a need to strengthen controls over selection and monitoring of partners

23. In order to achieve the expected project results through the use of partners, it is essential to: (i) select or retain partners through a transparent and objective process; (ii) sign well developed project partnership agreements (PPAs) with partners and transfer instalments to partners in a timely manner; (iii) monitor project activities and expenditures through a risk-based and multi-functional approach; and (iv) arrange for building capacity of partners when necessary. These requirements as stipulated in the UNHCR Enhanced Framework for Implementing with Partners and various supporting policies and administrative instructions, with the aim of ensuring accountability over UNHCR resources entrusted to partners, and managing associated risks including fraud risks.

24. The Representation concluded PPAs for 2016 and 2017 in a timely manner. In addition, the calculation of Project Headquarters Support Costs for PPAs with international partners for 2016 and 2017 was accurate.

25. An Implementing Partnership Management Committee (IPMC) was established in 2013 and updated in September 2016 and May 2017 to manage and oversee partner selection and retention processes. However, no IPMC meetings were held in the audit period. Two partners that had been selected at an IPMC meeting held on 7-8 November 2014 were retained for two additional years without the required subsequent IPMC review and approval. Also, contrary to UNHCR requirements, the Representation's Programme Unit did not undertake desk reviews of partners retained before entering into the second year PPAs. Although governmental partners were not exempted from the retention procedures, one government partner had not



been subjected to the required procedures.

26. Regarding procurement undertaken by partners on behalf of UNHCR, OIOS noted the following:

- The Representation entrusted procurement to six partners in 2016 worth \$1,477,451 and seven partners worth \$683,023 in 2017 without conducting a cost-benefit analysis to determine whether procurement through partners was more advantageous to UNHCR than direct implementation.
- IPMC did not assess the capacity of these partners to undertake procurement on UNHCR's behalf, and the formal approval of the Representative for designating procurement was not obtained for any of the PPAs. In addition, in 2016 and 2017, the Representation delegated procurement exceeding \$100,000 to two partners that had not been pre-qualified to undertake procurement of that value.
- OIOS visit to one partner that undertook construction works worth \$381,974 in 2016 indicated that the bidding notice was posted on a notice board and ran for only 13 days as opposed to four weeks required by the partner's own procurement guidelines. In consequence, this partner received only one bid and the sole bidder was awarded a contract amounting to \$24,521. No compensating controls were put in place to ensure that other potential bidders were made aware of the bid.

27. In respect of monitoring of PPAs, the Representation through desk reviews checked financial reports submitted by partners and undertook one to two verification visits to each project. In addition, recommendations raised in prior project audit reports (2015 and 2016) were followed up on. However, OIOS noted that:

- Risk-based monitoring plans for 2017 were prepared late, i.e. in July 2017, except for one partner whose PPA was signed in September 2017. No performance monitoring of projects implemented by two partners, including one governmental partner, had been conducted by the time of the audit.
- Risk-based monitoring plans had not been prepared for 2016. In addition, the Representation's performance monitoring was not timely, with four of the five visits having only been undertaken in April 2017.

28. One governmental partner had an outstanding unspent balance with the Representation amounting to \$44,270, dating back to 2011. The Representation was unable to deduct the unspent balance from future instalments because the partner's budget mostly comprised of personnel and office rental costs (e.g., 96 per cent and 91 per cent of the 2016 and 2017 budget respectively). The Representation had sent letters on an annual basis to the partner seeking reimbursement, to which the latter's response had consistently indicated its inability to pay back due to severe budgetary constraints. However, the Representation had also not escalated this matter to the Implementing Partnership Management Service, Accounts and Financial Service, or Legal Affairs Service at headquarters for advice and assistance.

29. These control deficiencies were caused by inadequate management oversight over partnership management, as well as limited awareness of the Representation's staff of changes in UNHCR's policies and procedures related to partnership management. As a result, the Representation was exposed to the risk of failure to achieve its intended project objectives and to obtain best value from projects implemented by partners.

**(3) The UNHCR Representation in the Republic of the Congo should: (i) implement an action plan to increase staff awareness of established policies and guidelines and strengthen its management oversight over selection and retention of partners, procurement by partners, and performance monitoring; and (ii) in consultation with the Bureau for Africa, the Legal Affairs Service and the Division of Financial and Administrative Management, resolve long-standing open items related to a governmental partner.**

*UNHCR accepted recommendation 3 and stated that a new partner selection process had been undertaken for all projects, including the authorization of exemption for a governmental institution, and the Representation had conducted a cost-benefit analysis to justify the use of partners and assessed every partner's procurement capacity. Procurement designated to partners without pre-qualification status did not exceed \$100,000. Recommendation 3 remains open pending receipt of: (i) evidence of completion of staff training on partnership management; (ii) risk-based monitoring plans for all 2018 projects; and (iii) evidence of full recovery or write-off of the partner receivables amounting to \$44,270.*

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

There was a need to strengthen controls over CBI implemented by partners to ensure that project objectives are achieved and resources are adequately safeguarded

30. To ensure effective programming and delivery of CBI implemented by partners, the UNHCR guidelines and administrative instruction for CBI require the Representation to: (i) conduct appropriate assessments to select the suitable implementation modality for CBI; (ii) ensure that selected partners have proven capacity in delivering CBI; (iii) ensure that partners release payments to persons of concern only when the project description and the project budget in the project agreement so provide; (iv) ensure that partners establish procedures, criteria and financial controls for CBI in accordance with UNHCR guidelines and instructions; and (v) reconcile the amounts transferred to partners and the records presented by partners as evidence of funds distributed.

31. The Representation's CBI expenditure for 2016 and budget for 2017 amounted to \$460,906 and \$424,915 respectively. The Representation implemented CBI almost exclusively through its four partners. Direct implementation of CBI was limited to the payment to refugees for transportation when they were invited by the Representation to meetings, with \$6,497 expensed in 2016 and \$28,466 budgeted for such expenditure in 2017. OIOS review of the CBI activities showed the following shortcomings:

- The Representation's assessment to select the suitable implementation modality was still in progress. The Representation had not yet determined whether implementation by partners had any comparative advantage over direct implementation. According to the Representation, it was in transition to satisfy the requirements introduced by UNHCR guidelines and instructions;
- Partners for CBI projects had been selected in 2014 and 2015. However, the IPMC minutes did not state whether the selected partners had the requisite capacity and competence to deliver the projects;
- While the budgets in the signed PPAs made provisions for CBI activities, the project descriptions in the same documents did not describe what the partners' responsibilities would be in conducting CBI;
- The Representation had prepared standard operating procedures for CBI. However, the four partners did not, in consultation with the Representation, develop their own CBI procedures, selection criteria and financial controls as required. Therefore, key controls such as tracking, recording and reporting of transactions, provision of distribution statistics, and monitoring during and after distributions were not developed; and
- The Representation did not reconcile the amounts transferred by the Representation to partners against the records presented by partners as evidence of funds distributed.

32. These shortcomings were primarily caused by inadequate monitoring of CBI projects by the Representation's multi-functional team. This raised the risk that implementation arrangements and related controls might be inadequate to ensure that project objectives are achieved and CBI resources are adequately safeguarded.

**(4) The UNHCR Representation in the Republic of the Congo should strengthen controls over cash-based interventions (CBI) by: (i) completing its assessment to select the suitable implementation modality; (ii) assessing partners' capacity and competence in delivering CBI; (iii) describing partner responsibilities in conducting CBI in the project descriptions of Project Partnership Agreements; (iv) ensuring that partners establish adequate procedures, criteria and financial controls over CBI; and (v) reconciling the amounts transferred to partners with the records of cash distributed by partners.**

*UNHCR accepted recommendation 4 and stated that a number of corrective measures, in line with the Administrative Instruction on the Financial Procedures for CBI, were already under way. Recommendation 4 remains open pending receipt of: (i) evidence defining CBI implementation modalities; (ii) procedures, criteria, and financial controls established by partners for CBI in consultation with the Representation; and (iii) reconciliation of the amounts transferred to partners against the records presented by partners as evidence of funds distributed.*

## **E. Enterprise risk management**

### There was a need to strengthen procedures related to risk identification, evaluation and treatment

33. In order to effectively manage risks to its operational objectives, UNHCR's ERM Framework requires the Representation to: (i) understand its operational context; (ii) identify its key risks; (iii) analyze and evaluate these risks; (iv) develop and implement a plan to treat these risks; (v) monitor and report on its risk management processes; and (vi) ensure that these processes are communicated and that relevant key staff are effectively trained and consulted.

34. The Representation's operations plans for 2016 and 2017, in particular the sections on the operational context, provided sufficient information on the operational context as a basis for risk identification. In addition, a risk management focal point had been designated and trained. Finally, risk management processes were widely communicated among staff members. Nevertheless, OIOS observed the following remaining gaps in ERM:

- The Representation's risk identification processes were not comprehensive as evidenced by risks mentioned in its 2016 operations plan that were not listed in the risk register.
- The Representation's risk treatments for priority risks did not consider the minimum requirements applicable to mitigating such risks. For example:
  - a) The Representation's mitigation action for the risk of "massive influx of refugees from the sub-region" was to develop contingency plans for the Democratic Republic of the Congo. However, the Representation only prepared Minimum Preparedness Actions after the declaration of Emergency Level 1, although UNHCR Policy on Emergency Preparedness and Response required all country operations to have Minimum Preparedness Actions in place proactively;
  - b) With regard to the risk of "exposition of assets and staff members to insufficient security and safety measures", the Representation was supposed to develop a plan to improve Minimum Operating Security Standards compliance for the offices in Brazzaville and Betou. However, as of December 2016, only 31 out of 49 staff (63 per cent) had a valid Basic Security in the Field certificate and only 26 of the 49 staff (53 per cent) had a valid Advanced Security in the Field certificate. This control deficiency was rectified subsequent to the audit fieldwork.

35. The main reason for the deficiencies mentioned above was that despite the training and capacity-

building activities provided, key personnel in the Representation were still not sufficiently familiar with the requirements of the UNHCR ERM Framework. As a result, all potential risks were not identified, and necessary measures had not been put in place to mitigate priority risks.

**(5) The UNHCR Representation in the Republic of the Congo should: (i) ensure adequate alignment between its risk register and its operations plans; and (ii) conduct a robust risk prioritization exercise and ensure adequate risk treatments are designed for the identified priority risks.**

*UNHCR accepted recommendation 5 and stated that in November 2017, the Representation had undertaken a review of its risk register and a number of risks had been updated. Priority risks had been discussed among the staff, and five priority risks were identified. Mitigation measures were also updated. The mandatory ERM review was completed and aligned to the detailed country operations planning exercise. Based on the action taken and documentation provided by UNHCR, recommendation 5 has been closed.*

#### **IV. ACKNOWLEDGEMENT**

36. 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.

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## STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	The UNHCR Representation in the Republic of the Congo, in collaboration with the Regional Representation in the Democratic Republic of the Congo and the Regional Bureau for Africa, should ensure that its supply staff and members of the Local Committee on Contracts are sufficiently trained and effective controls over procurement and vendor management, including regular supervisory reviews, are in place.	Critical	O	Submission of a sample of VRC minutes discussing the selection of new vendors and evaluation of the performance of existing vendor.	30 April 2018
2	The UNHCR Representation in the Republic of the Congo should put in place review procedures to ensure that its operations plans contain accurate and reliable population data and demonstrate adequate alignment between resources allocated and population data.	Important	C	Action completed.	Implemented
3	The UNHCR Representation in the Republic of the Congo should: (i) implement an action plan to increase staff awareness of established policies and guidelines and strengthen its management oversight over selection and retention of partners, procurement by partners, and performance monitoring; and (ii) in consultation with the Bureau for Africa, the Legal Affairs Service and the Division of Financial and Administrative Management, resolve long-standing open items related to a governmental partner.	Important	O	Submission of: (i) evidence of completion of staff training on partnership management; (ii) risk-based monitoring plans for all projects; and (iii) evidence of full recovery or write-off of the partner receivables amounting to \$44,270.	30 June 2018
4	The UNHCR Representation in the Republic of the Congo should strengthen controls over cash-based	Important	O	Submission of: (i) evidence defining CBI implementation modalities; (ii) procedures,	31 August 2018

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

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

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

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

## STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
	interventions (CBI) by: (i) completing its assessment to select the suitable implementation modality; (ii) assessing partners' capacity and competence in delivering CBI; (iii) describing partner responsibilities in conducting CBI in the project descriptions of Project Partnership Agreements; (iv) ensuring that partners establish adequate procedures, criteria and financial controls over CBI; and (v) reconciling the amounts transferred to partners with the records of cash distributed by partners.			criteria, and financial controls established by partners for CBI in consultation with the Representation; and (iii) reconciliation of the amounts transferred to partners against the records presented by partners as evidence of funds distributed.	
5	The UNHCR Representation in the Republic of the Congo should: (i) ensure adequate alignment between its risk register and its operations plans; and (ii) conduct a robust risk prioritization exercise and ensure adequate risk treatments are designed for the identified priority risks.	Important	C	Action completed.	Implemented

# **APPENDIX I**

## **Management Response**

## Management Response

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

Rec. no.	Recommendation	Critical/ <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Representation in the Republic of the Congo, in collaboration with the Regional Representation in the Democratic Republic of the Congo and the Regional Bureau for Africa, should ensure that its supply staff and members of the Local Committee on Contracts are sufficiently trained and effective controls over procurement and vendor management, including regular supervisory reviews, are in place.	Critical	Yes	Associate Supply Officer	April 2018	<p>In January 2018, the Supply staff (28 staff) involved in procurement participated in a training workshop on procurement rules and procedures in Kinshasa. This training was to reinforce their capacity to manage procurement activities.</p> <p>The VRC worked on the evaluation criteria that would be used to evaluate and register suppliers in the database. Next VRC meeting is scheduled in February 2018 to discuss supplier performance and make decisions on new vendors.</p> <p>Technical evaluations are now in place. Supply staff work with the requesting unit in ensuring the Technical Evaluation Committee and its reports are done according to the procurement rules.</p> <p>Regarding local telecommunication services without a contract, corrective action has been taken. For example, a post-facto notification was made to the RCC notifying them of the situation. A waiver of competitive bidding was also requested (and granted) to allow the operation to continue working with the present supplier until the tendering process was completed. As soon as the process is completed and a frame agreement signed, this will be shared. Expected completion date is March 2018.</p>

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

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



## Management Response

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

2	The UNHCR Representation in the Republic of the Congo should put in place review procedures to ensure that its operations plans contain accurate and reliable population data and demonstrate adequate alignment between resources allocated and population data.	Important	Yes	Program Officer	31 Jan. 2018 Closed	Based on 2018 OL an analysis is conducted which provides information on resource allocation as compared to population planning figures.
3	The UNHCR Representation in the Republic of the Congo should: (i) implement an action plan to increase staff awareness of established policies and guidelines and strengthen its management oversight over selection and retention of partners, procurement by partners, and performance monitoring; and (ii) in consultation with the Bureau for Africa, the Legal Affairs Service and the Division of Financial and Administrative Management, resolve long-standing open items related to a governmental partner.	Important	Yes	Program Officer	30 June 2018	<p>A training session is scheduled in May 2018 on partnership management for Programme staff and members of the IPMC.</p> <p>In January 2018, on the request of the Program Officer, the IPMC met to deliberate a waiver request to exempt the Government from the selection of partner's procedures. The waiver recommendation was approved by the IPMC and endorsed by the Representative.</p> <p>Prior to the signing of 2018 PPAs, cost-benefit analyses were conducted to make decisions on the designation of procurement to partners.</p> <p>The table provided to OIOS shows procurement delegated to partners.</p> <p>PPA risk-based monitoring plans (including Risk assessment and Project Performance Monitoring Plan) are being developed with the partners and should be completed by 15 February 2018.</p> <p>As for the open items in relation to the Government counterpart, the Operation has now submitted the case to the Bureau for Africa for endorsement to DFAM.</p>

Management Response

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

4	<p>The UNHCR Representation in the Republic of the Congo should strengthen controls over cash-based interventions (CBI) by: (i) completing its assessment to select the suitable implementation modality; (ii) assessing partners' capacity and competence in delivering CBI; (iii) describing partner responsibilities in conducting CBI in the project descriptions of Project Partnership Agreements; (iv) ensuring that partners establish adequate procedures, criteria and financial controls over CBI; and (v) reconciling the amounts transferred to partners with the records of cash distributed by partners.</p>	Important	Yes	Program Officer	30 Aug. 2018	<p>In coordination with the Regional CBI Officer and the CBI Service in HQ, the Operation has received support as a focus country for CBI institutionalization, in order to build UNHCR and Implementing Partners capacity and strengthen UNHCR CBI programming. This includes enhancing and formalizing CBI feasibility studies (including assessing and defining most suitable cash modalities and delivery mechanisms), implementation (through revised and formal financial procedures and controls, in line with AI on the Financial Procedures for Cash-Based Interventions) and monitoring.</p> <p>A Cash Task Team has been set up, composed of members of the Operation's multifunctional teams and senior staff from relevant sections, and is meeting on a regular basis to address strategic and organizational issues with regard to Operation CBI programming.</p> <p>As part of CBI SOPs development, internal UNHCR and Implementing Partners Financial procedures and controls for CBIs are being refined and strengthened, in accordance with Administrative Instructions on the Financial Procedures for Cash-Based Interventions.</p> <p>A Request for Proposals for the identification and contracting of Financial service providers is currently under preparation with support from HQ Cash Core Team and the Kinshasa Regional Office. As soon as the financial service provider is selected, a separate bank account will be opened to facilitate reconciliation of amounts. The whole process should be completed by August 2018.</p>
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Management Response

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

5	The UNHCR Representation in the Republic of the Congo should: (i) ensure adequate alignment between its risk register and its operations plans; and (ii) conduct a robust risk prioritization exercise and ensure adequate risk treatments are designed for the identified priority risks.	Important	Yes	Program Officer	31 December 2017 Closed	<p>In November 2017, the Operation has undertaken a review of its Risk Register and a number of risks have been updated. Priority risks have been discussed among the staff, and five priority risks have been identified. Mitigation measures have also been updated. The mandatory ERM review has been completed and aligned to the detailed country operations planning exercise.</p> <p>Actions to implement this recommendation including additional initiatives to improve the ERM have been put in place. The office therefore request closure of this recommendation.</p>
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