



INTERNAL AUDIT DIVISION

REPORT 2018/081

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

Critical deficiencies existed in controls and management oversight arrangements over fair protection processes and documentation, emergency preparedness and distribution of core relief items, procurement and vendor management, and cash based interventions which, if not addressed, could adversely impact the achievement of the Representation's objectives

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Audit of the operations in Zambia 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 Zambia for the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess whether the Representation in Zambia was managing the delivery of services to persons of concern in a cost-effective manner and in compliance with UNHCR's policy requirements. The audit covered the period from 1 January 2016 to 31 December 2017 and included a review of: (i) programme planning, resource allocation, monitoring and reporting; (ii) partnership management; (iii) procurement and vendor management; (iv) emergency preparedness and distribution of core relief items (CRIs); (v) fair protection processes and documentation; and (vi) cash-based interventions (CBI).

There was a critical need for the Representation to address control deficiencies in fair protection processes and documentation, emergency preparedness and distribution of CRIs, procurement and vendor management, and cash based interventions which, if unaddressed, could adversely impact the achievement of its objectives. In addition, there was a need to strengthen controls and management oversight arrangements over partnership management and programme planning, resource allocation, monitoring and reporting. Overall, OIOS was of the opinion that the Representation needed to reinforce accountability and strengthen the control environment within the office. The Representation's risk management mechanisms were also insufficient to respond to the risks it was facing.

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

- Strengthen conditions at reception centres and facilitate status determination and local integration processes to enhance the protection of persons of concern **(critical)**;
- Prepare a comprehensive emergency preparedness plan and strengthen controls and accountability mechanisms for the management of CRIs during emergency **(critical)**;
- Undertake a comprehensive review of the procurement function and processes and prepare a time bound action plan for addressing the systemic and pervasive issues raised in this audit, including in terms of vendor vetting and registration, annual procurement planning, and approval of contracts **(critical)**;
- Develop, implement and monitor a local CBI strategy, informed by a documented needs assessment, as well as related standard operating procedures that ensure compliance with the UNHCR administrative instructions for CBI and accountability for the use of the resources **(critical)**;
- Review the processes, including management oversight arrangements, for the selection and management of partners; and
- Review the organization structure, staffing and allocation of roles and responsibilities to reinforce accountability for programme performance management, develop relevant strategies and establish a monitoring and reporting system for measuring performance.

The Representation accepted the recommendations and is in the process of implementing them.

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I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the operations in Zambia for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. UNHCR commenced operations in Zambia in 1968 to provide refugees and other persons of concern (POCs) with international protection and humanitarian assistance. Although the Government of Zambia signed the 1951 Refugee Convention and its 1967 Protocol which defines who a refugee is, the rights of refugees, and the legal obligations of the state, it made four reservations related to employment, education, freedom of movement and travel documents of refugees. These reservations implied that refugees could not access formal employment or live outside settlements unless permitted to do so. Despite the Government's commitment to align its national legislation to the 1951 Refugee Convention in December 2011, its refugee bill enacted in April 2017 upheld the encampment policy.
3. Zambia is on a crossroad between eastern and southern Africa and is therefore a transit (to South Africa) as well as a destination country. Zambia's protracted refugee situation is further complicated by an ongoing emergency. In September 2017, UNHCR activated an internal Level 1 emergency due to a large influx of refugees to the country from the Democratic Republic of the Congo (DRC). At the time of the audit, UNHCR remained concerned that the continued insecurity in DRC could result in further displacements. The number of POCs rose from 55,356 in September 2017 to 72,151 in February 2018. This number comprised 44,283 refugees, 5,264 asylum seekers and 22,604 former refugees from Angola and Rwanda.
4. The UNHCR Representation in Zambia ("the Representation") was headed by a Representative at the P-5 level. The number of staff at the start of 2017 was 81 (including 24 affiliated staff) and this increased to 88 (including 26 affiliated staff) by the end of the year. The Representation maintained a Branch Office in Lusaka and two Field Offices in Solwezi and Kaoma. The Representation had a total expenditure of \$17.5 million in 2016 and \$11.9 million in 2017. The low level of funding to the Representation in light of the ongoing emergency affected its ability to respond effectively.
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 Representation in Zambia was managing the delivery of services to POCs in the country in a cost-effective manner and in compliance with UNHCR's policy requirements.
7. This audit was included in the 2018 risk-based work plan of OIOS due to risks related to the high influx of POCs from DRC and the declaration of Level 1 emergency in September 2017.
8. OIOS conducted this audit from February to April 2018. The audit covered the period from 1 January 2016 to 31 December 2017. Based on an activity-level risk assessment, the audit covered high and medium risk areas, which included: (i) programme planning, resource allocation, monitoring and reporting; (ii) partnership management; (iii) procurement and vendor management; (iv) emergency preparedness and distribution of core relief items (CRI); (v) fair protection processes and documentation; and (vi) cash based

interventions (CBI). Assessments of the control environment and enterprise risk management (ERM) were integrated in the six areas listed above.

9. The audit methodology included: (a) interviews with 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, performance data from Focus, the UNHCR results-based management system, and proGres, the UNHCR registration and case management system; (d) sample testing of controls; and (e) visits to the Representation's Branch Office in Lusaka and Field Office in Solwezi, the Kenani Transit Centre in Nchelenge, and the offices of six partners.

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

III. AUDIT RESULTS

A. Fair protection processes and documentation

There was a critical need to strengthen conditions at reception centres and facilitate status determination and local integration processes to enhance the protection of POCs

11. In order to assist the 72,151 POCs in Zambia, the UNHCR Protection Manual requires the Representation to: (i) maintain appropriate reception conditions for the displaced POCs in the immediate period following their arrival; (ii) undertake profiling and registration of POCs, and mandate refugee status determination (RSD), with due respect to the fundamental principles of confidentiality and the safety and dignity of the refugees, by sufficiently trained staff through appropriate standard operating procedures (SOPs) developed for these purposes, and periodical monitoring of the activities; and (iii) ensure data integrity and storage, establish anti-fraud controls, and ensure appropriate physical security of records.

(a) Accounting for funds provided for under the local integration programme

12. There was limited progress in the Representation's local integration programme that had started in 2014. This programme was aimed at supporting former Angolan and Rwandan refugees to obtain residence permits. At the time of the audit, only 1,429 former Angolan refugees had received residence permits against the target of 8,937, and only 59 permits had been issued to eligible former Rwandan refugees against the target of 4,393. Also, refugees required alien cards to apply for residence permits, but only 5,329 such cards had been issued against the target of 11,364 individuals. Delays in issuance of permits had cost implications since the former refugees had to renew their alien cards annually. The local integration programme also included 6,804 self-settled former Angolan and Rwandan refugees. However, they had to self-finance the process since no funds were allocated for their residence permits and alien cards. These costs may be prohibitive to some former refugees.

13. In 2013, the Representation paid the Zambian Commissioner of Refugees (COR), under the Ministry of Home Affairs, \$600,000 for 4,000 initial residence permits to be issued to former Angolan refugees. However, the records available at the Representation indicated that only 1,122 of these 4,000 permits had been issued. In its previous audit of UNHCR operations in Zambia (Report 2016/025), OIOS had recommended that the Representation should reconcile and fully account for the funds paid to COR. However, although the Representation had confirmed to OIOS in the above-mentioned audit report in March 2016 that it would monitor the payments, the recommendation remained outstanding at the time of this audit, i.e. two years later.

14. The Representation made another payment of \$447,000 in December 2016 to the Zambian Department of Immigration (also under the Ministry of Home Affairs) for issuance of Rwandan resident permits. This was done without establishing full accountability for the \$600,000 disbursed in 2013. The Representation did not have any documentation from the Department of Immigration evidencing receipt of funds, nor the presidential executive decision against which this payment was premised. Furthermore, the permits would be issued for three years and have cost implications at the time of each renewal. This payment was also made without reaching an agreement on the permit price, which resulted in an unresolved dispute where the Representation expected 2,404 permits at a price of ZMK 1,875 (\$191) per permit and the Immigration Department offered to issue 1,502 at a price of ZMK 3,000 (\$306) per permit. The Representation disbursed the funds against a purchase order which was due to expire in June 2018. Failure to spend the money before this date raised the risk that these funds would be lost and have to be retrieved from the Government and refunded to UNHCR.

15. In December 2016, the Representation also raised a separate purchase order for \$49,369 to the National Registration Passport and Citizenship Office (under the Ministry of Home Affairs) for the issuance of alien cards to Rwandan refugees. At the time of the audit, an estimated 1,852 alien cards had not been issued against the funds disbursed. In addition, contrary to the signed agreement, the Government was providing blanket receipts as opposed to individual receipts as evidence of cards issued. OIOS also identified another \$1,400 payment made by the Representation to the Government of Rwanda for 14 Rwandan passports in May 2016, none of which had been issued at the time of the audit.

(b) Conditions for asylum seekers and refugees

16. Reception conditions: Refugees that arrived during the emergency that started in August 2017 were first taken to the Kenani Transit Centre. OIOS did not find evidence that SOPs were shared with partners to guide them on the standards that needed to be met at this centre. The Representation also did not have documentation on the conditions that were prevalent at the Kenani Transit Centre during the emergency. The Representation's performance indicator reports for 2016 and 2017 did not show any performance targets or results achieved. For example, the reports did not include information on the number of POCs who had received food, the length of time that the refugees stayed at Kenani Transit Centre before being moved to camps, or the number of POCs who had received the 12,521 CRIs reported as distributed.

17. In the absence of other documentation, OIOS relied on interagency meeting minutes to assess the appropriateness of the reception conditions. These minutes reported that refugees had adequate access to water. However, they also noted grossly overcrowded reception centres, instances of food shortages, and inadequate number of latrines. These issues reflected inadequacies in emergency preparedness as shown also later in this report. According to the Representation, these issues arose because the Kenani Transit Centre was set up during the influx in a remote location and because of inadequate funding allocated to support preparedness.

18. Registration, RSD and data integrity: The Representation reported and OIOS confirmed during its visit to the Kenani Transit Centre that there was no backlog with the registration of refugees. On the other hand, the proGres version 4 database showed that the RSD process had a backlog of 5,190 refugees. This backlog was attributed to delays caused by migration from proGres version 3 to version 4 and the reluctance by the National Eligibility Committee to meet after the payment of staff allowances to the Committee members by UNHCR was discontinued. According to the Representation's risk register, unresolved backlogs risked creating a conducive environment for RSD fraud. The Representation listed the need to have up-to-date SOPs to mitigate RSD fraud but these had not been developed. The SOPs for ProGres version 3 were also outdated and those for version 4 were still in draft.

19. The Government of Zambia was not issuing machine readable travel documents to refugees as required by UNHCR and International Civil Aviation Authority guidelines. No provision was made in the Government's budget in this regard, and provisions made in the Representation's 2016 budget were inadequate to purchase the relevant equipment. In consequence, the Representation continued to request UNHCR headquarters to provide United Nations Convention Travel Documents for refugees in Zambia. These documents were however also not machine readable. This increased the risk of document fraud. In addition, these travel documents were not accepted by all states exposing refugees to detention, exploitation, abuse, violence and human trafficking risks.

20. The root causes of the issues above related to: (a) gaps in management oversight as evidenced by the lack of a protection strategy to ensure proper prioritization of protection risks; and (b) lack of up-to-date SOPs for areas such as reception centres, registration, and RSD data management to guide staff and partners in ensuring effective delivery of services to POCs and proper accountability of funds.

(1) The UNHCR Representation in Zambia should: (i) reconcile funds disbursed to the Governments of Zambia and Rwanda with deliverables received; (ii) develop an accelerated plan for delivery of permits and passports and/or initiate repayment of funds for all outstanding balances; and (iii) prioritize the development of a protection strategy backed by up-to-date standard operating procedures to provide requisite support to persons of concern.

UNHCR accepted recommendation 1 and noted that the Representation was reconciling the funds disbursed to the Commissioner of Refugees for residence permits and had initiated measures to facilitate the delivery of outstanding permits and passports. The protection strategy and relevant SOPs had been drafted but were not finalized. Recommendation 1 remains open pending receipt of evidence of: (i) reconciliation of funds given to the Governments of Zambia and Rwanda; (ii) an agreed upon plan for accelerating the issuance of outstanding permits and passports and/or refund of outstanding fund balances; and (iii) an approved protection strategy backed by updated SOPs.

B. Emergency preparedness and distribution of core relief items

There was a critical need for the Representation to institute a comprehensive emergency preparedness plan, including for distribution of core relief items, to respond effectively during an emergency

21. In order respond to the influx of refugees from DRC in a planned and sustained manner, the UNHCR Emergency Handbook requires the Representation to: (i) develop a contingency plan as a part of its emergency preparedness and response; and (ii) complete minimum and advanced emergency preparedness actions; and (iii) maintain consistent contingency stock of CRIs for distribution to POCs. To ensure delivery of CRIs in a timely manner to the intended beneficiaries of concern, the Representation should: (a) effectively manage warehouses with suitable record keeping and physical controls; (b) establish beneficiary targeting criteria; (c) develop and deliver a distribution plan that is suitably communicated to recipients; and (d) conduct post distribution monitoring and reconciliations to ensure items reached the indented beneficiaries.

(a) Contingency planning and emergency preparedness actions

22. The Representation did not have a comprehensive contingency plan, which impacted its ability to respond to the refugee influx in a timely and effective manner although the possibility of a high refugee influx was included as one of the five risks in its risk register, and the need to develop a contingency plan was one of the intended risk treatment actions. The Representation shared two contingency plans with

OIOS; one was prepared in 2015, which was out of date, and the second one was still in draft although it was initially developed in August 2017. The potential scenarios in the second plan were ineffective with new arrivals anticipated to come into the Copperbelt Province or further west in the north-western province, whilst the actual influx came from Luapula province in the north of Zambia, one of the poorest provinces in Zambia. This had implications on the extent of mobilization that the Representation had to do at the inception of the influx.

23. The Representation also did not prepare the mandatory emergency preparedness actions which would have supported the development of a comprehensive contingency plan. Thus, while the draft contingency plan anticipated possible risks that would impede its implementation, it did not articulate practical arrangements on how these would be addressed once a response was underway. For example, a joint UNHCR/COR border mission identified shortages of shelters, sanitation facilities and medicines as well as a limited understanding by partners on the ground of basic refugee protection principles and procedures in the northern province. However, the mission report did not articulate how these challenges would be overcome, and they became the very challenges the Representation grappled with once the influx happened. The Representation attributed inadequate funding to its failure to respond effectively to known challenges.

24. Although an interagency coordination and contingency planning group was established as early as in July 2016, the draft contingency plan did not make practical arrangements on how the Representation would, as the refugee multi-sector leader, lead, facilitate and coordinate the response. The plan only listed the agencies expected to respond in various areas, but no arrangements were agreed or formalized regarding the strategies that would be employed during a response. Thus, the interagency minutes subsequently reported that the first response had not been timely and had created challenges in providing services to POCs in areas like water and sanitation, food distribution and shelter at the onset of the influx.

25. The Representation also lacked a business continuity plan, which was expected in the circumstances, as the emergency response took precedence over the operation's normal activities. It faced challenges in responding to the emergency while maintaining its critical day to day operations. Although the Regional Representation for Southern Africa (ROSA) and headquarters deployed staff at the start of the emergency, these deployees left Zambia after only a few months, after which the Representation resorted back to using its own resources. Most of the local staff had not received any emergency related training. Inadequate staffing resources and its impact on the operations was cited by the Representation as the primary reason for the weak control environment noted by OIOS in areas such as warehouse management, vendor management, CBI and partnership management.

(b) Management of CRIs and warehouses

26. The Representation reported having distributed CRIs valued at \$1.3 million through its partners in Lusaka, Nchengele, Solwezi and Mayukwayukwa. However, the Representation did not have an up-to-date distribution plan, beneficiary targeting criteria or SOPs for CRIs at the inception of the emergency to ensure that the items reached the most vulnerable refugees. Prior to the receipt of CRIs from Kenya, there were serious shortages because no arrangements had been made for the supply of CRIs locally in the interim period. At the time of receipt of CRIs worth \$567,544 from Kenya, the Representation had not made storage arrangements in Nchelenge. A warehouse was subsequently set up in Solwezi but it was not recorded in MSRP until after the audit field work. The warehouse staff were also inexperienced and therefore, proper records were not maintained resulting in the Representation not accounting for CRIs worth \$78,490. These CRIs were subsequently written off in MSRP to reconcile records to physical stock.

27. The Representation expensed CRIs upon receipt implying that they had been distributed; yet some were still held in storage. For example, at the time of the audit, MSRP showed that no stock was held in the newly established Solwezi warehouse although OIOS observed the existence of several items like

blankets, mats, mosquito nets and jerry cans during its visit to the warehouse. Although the Representation decided to close the Solwezi warehouse in 2015, this warehouse was never closed. This explains why the system reflected a zero balance yet the warehouse held stock. The Representation explained that it decided to reinstate the warehouse in 2017 following the new refugee arrivals in Meheba settlement but, at the time of the audit, MSRP had not been adjusted to reflect the actual stock held in the warehouse.

28. As was the case during the previous OIOS audit, the Representation was still unable to provide documentation to support the distribution of CRIs by its partners. Although the relevant recommendation in the 2016 audit report was closed based on documentation provided and assurances given by UNHCR, the control weaknesses remained pervasive. The Representation also did not have any monitoring or post distribution reports, and had to revert to its partners to collect this information when requested by OIOS. The distribution lists shared with OIOS after the audit mission to Zambia did not contain signatures to evidence receipt of items by the beneficiaries. Therefore, the Representation had limited assurance that the \$1.3 million worth of CRIs had reached the intended recipients.

29. The absence of a comprehensive emergency preparedness plan affected the Representation's ability to respond quickly and appropriately to the emergencies in a planned and sustained manner and thereby impacted its ability to deliver services to people of concern. The resultant challenges in responding to the emergency were evident in partner progress reports as well as inter-agency minutes. There was also inadequate management oversight over CRIs as evidenced by lack of up-to-date SOPs and inadequate monitoring of related partner activities.

(2) The UNHCR Representation in Zambia should prepare a comprehensive emergency preparedness plan and strengthen its controls and accountability mechanisms for the management of core relief items during emergency.

UNHCR accepted recommendation 2 and stated that the Representation was finalizing the country level emergency preparedness plan. Several steps had been instituted to strengthen the management of CRIs. Recommendation 2 remains open pending receipt of evidence of: (i) the finalized emergency preparedness plan including a plan for acquiring CRIs during an emergency; (ii) a reconciliation of CRIs distributed in Nchengele during the emergency; (iii) a CRI distribution protocol; and (iv) SOPs to support effective warehouse management including proper record keeping of inventories.

C. Procurement and vendor management

There was a critical need for the Representation to comply with the procurement rules to obtain best value on its purchases and to safeguard the integrity of the procurement process

30. The Representation raised 152 purchase orders totaling \$3.7 million in the period under audit. In order to ensure the integrity of the procurement process and that value for money is received from the purchase of goods and services, the UNHCR Manual on Supply Management requires that the Representation: (i) prepares an annual procurement plan according to identified needs; (ii) initiates timely procurement activities in accordance with the procurement plan to facilitate transparent and competitive procurement; and (iii) ensures adequate oversight over the procurement activities. The Representation is also required to establish and maintain a Vendor Review Committee (VRC) to ensure efficient and effective vetting and selection of vendors for inclusion in the Representation's vendor database.

(a) Annual procurement planning and vendor management

31. The Representation's 2016 and 2017 procurement plans only covered \$708,619 (out of \$2,376,877) and \$905,799 (out of \$1,273,673) worth of actual purchases. The Representation attributed this to changes to priorities during the year, which were not updated in the procurement plans. However, due to poorly planned procurement, purchases were made in an ad hoc manner resulting in frequent requests for waivers from competitive bidding. The Representation's procurement was inefficient, losing out on volume discounts, which could have been obtained. For instance, the Representation purchased two buses only one month apart (each for \$114,224), fuel five times in two years (valued at \$114,976), and generators three times in one year. Without procurement plans, the Representation had no basis against which to monitor its procurements. Also, contrary to the UNHCR Procurement Manual, requirements were not well thought through resulting in scope changes during bid evaluations.

32. VRC meetings that should have been held monthly were only held six times in the two-year audit period. This had an impact on the VRC's effectiveness in supporting the solicitation process, as follows:

- The VRC selected only four new vendors in 2016 although the Representation frequently attributed its failure to undertake competitive bidding to the lack of vendors. The 2017 vendor selection process was waived on the understanding that a post-facto review of new vendors would be undertaken at the end of the year. The VRC did not have the authority to waive this process, and did not undertake the post-facto review as planned.
- The VRC evaluated the performance of only 49 vendors in 2016 and none in 2017, which raised the risk that poorly performing vendors may be contracted in the future. OIOS noted that two contractors that failed to complete construction activities in a timely manner and/or to the required quality in 2016 had not been blacklisted in the vendor database at the time of the audit.
- Despite the VRC having reviewed the vendor database, there were still 39 vendors in the 1,018-member database with more than one identification number. The number of commercial suppliers was also excessive (697) considering the office's size and its procurement needs. Despite this large number of vendors in the database, the Representation's justification for not following procurement guidelines was the lack of sufficient number of vendors. Thus, it awarded contracts to a small number of vendors. For example, three contractors provided 78 per cent of the total 2016-2017 construction budget (\$772,701), one supplier accounted for 94 per cent of the generator purchases (\$86,206), and another accounted for all of the fuel purchases (\$114,976).

(b) Procurement process

33. Non-compliance with prescribed procurement methods: OIOS reviewed 28 purchase orders and 48 non-purchase order related transactions totaling \$2,836,146 and \$350,744 respectively, all of which were eligible for some form of competition. The Representation did not undertake competitive bidding and sought waivers to competition for the procurement of a bus (\$114,224), fuel (\$114,976), cleaning services (\$72,592), adherence study to monitor if HIV patients were taking their medication as prescribed (\$98,000), and generators (\$67,098). This was attributed to operational exigency or limited number of known vendors. OIOS contends that the invitation to bid (ITB) method, as normally required, would have helped identify other suppliers in these cases. For each sole source procurement action, there was no evidence that due diligence was undertaken prior to awarding the contracts to ensure that the sole bid represented best value.

34. The Representation also procured goods and services above the \$4,000 threshold without raising a purchase order. OIOS identified 48 purchases (worth \$350,744) that exceeded the \$4,000 threshold but for which no purchase orders were raised. They related to flight tickets, office rent, internet, security services, fuel, advertisement, hotel for a workshop, generators and transport services. The Administration Unit also undertook some procurement above the \$4,000 threshold, yet it did not have formal delegated authority to

do so. For example, it installed a swimming pool at the office at a cost of \$2,515 which in the opinion of OIOS demonstrated poor decision-making. It also procured \$6,135 worth of materials to renovate the office boardroom for which no accountability was on file.

35. In 2016, the Representation primarily used the request for quotation (RFQ) method as opposed to the prescribed ITB method for goods above the \$10,000 threshold. This included the procurement of internet services (\$74,571), drilling boreholes (\$55,762), consultancy (\$50,643), sanitary napkins (\$49,659), a tractor (\$29,011), tires (\$20,606), construction (\$16,109) and a generator (\$14,179). The justifications for not using ITB were exigency and vendor non-responsiveness. In consequence, the Representation received a limited number of bids, i.e. three to five as opposed to the required minimum of eight. In the absence of a fully functional VRC, as discussed above, OIOS could also not establish the basis on which potential bidders were selected. Furthermore, the Representation approached potential bidders individually, thereby raising the risk of bid manipulation. In most cases, the few bidders were often disqualified during bid evaluations because of a lack of capacity to deliver; however, this raised concern about the effectiveness of the process employed in identifying potential bidders.

36. Weaknesses in bid evaluations: OIOS review of bid evaluations identified the following issues:

- The Representation's evaluation teams introduced new technical criteria and/or interpreted set criteria differently at the technical evaluation stage. For example, the Headquarters Committee on Contracts (HCC) requested the Representation to re-evaluate bidders for a construction contract because the Representation had disqualified vendors based on criteria that were not listed in the terms of reference. The Representation obliged but still disqualified the two lowest bidders due to "integrity checks", and selected the same bidder as before the submission to the HCC for a contract worth \$281,065.
- Vendors were disqualified based on evaluators' preference of specific brands for tires, a tractor and generators. In these cases, no consideration was given to other cheaper brands whose performance was substantially equivalent to the selected brand names.
- The Representation purchased a bus locally primarily because of urgency and the much shorter delivery timelines from what was being offered from the Global Freight Agreement (which was cheaper but would take longer to arrive). OIOS however noted that these vehicles were received much later than anticipated thereby bringing into question the accuracy of the information used for making purchase decisions.

37. Non-conclusion of contracts and weak contract management: The Representation did not enter into frame agreements with vendors for frequently procured goods and services, e.g. fuel (worth \$336,786), air tickets (\$180,007), cleaning services (\$72,592), and security services (\$157,146). In consequence, the Representation, in the interest of time, sought waivers to competitive bidding whenever it wanted to procure these goods and services based on exigency.

38. OIOS saw limited and in some cases no evidence of systematic monitoring of construction projects in 2016 and 2017. This implied that payments were made without verifying completion of milestones as stipulated in the contract, and defects in construction projects could not be identified and rectified in a timely manner. The only evidence of site supervision was hand written notes by the site engineer on two contractors' letter head and one final site inspection report. The multifunctional monitoring team made only generic remarks on construction works, e.g. "not started", "ongoing", "completed", etc. There was also no evidence of the Government's involvement in construction monitoring, as was intended.

39. Contracts for two constructions for a road and buildings worth \$185,324 and \$66,341 respectively scheduled for completion by December 2016 had not been completed. Contrary to the terms in the contract, the Representation had paid 93 per cent for the road that stood at 27 per cent completion. OIOS also noted

that this contract was sent to the HCC only one year after the purchase order was raised and after the contractor had defaulted. For the buildings, the Representation terminated the contract with a balance of \$13,442 due to incomplete and poor quality of work. On this contract the Representation had paid 78 per cent of the contract value when the work completed stood at 60 per cent. At the time of the audit, no decision had been reached on how the work would be completed or how to recover the funds.

(c) Oversight of procurement processes

40. OIOS questioned the effectiveness of the oversight exercised by the Representation's Local Committee on Contracts (LCC) due to the large number of waivers to competition and non-compliant procurement cases that were approved unchallenged. While the Procurement Manual makes provisions for noncompetitive purchases in "exceptional cases", the high percentage of exceptions reflects that this was a norm in this operation. Issues that may have contributed to the ineffectiveness of the LCC included conflicted members not recusing themselves from LCC meetings and inadequate follow-up of outstanding matters from previous meetings.

41. OIOS identified the following issues regarding the approval of awards:

- Contrary to the requirement of the Procurement Manual, LCC did not always refer cases that exceeded its threshold to the Regional Committee on Contracts (RCC) or HCC. OIOS identified five requests for waiver of competitive bidding above the threshold of \$50,000 that were not referred to the RCC, and one construction contract valued at \$97,624 that was not submitted to the LCC for award. In another instance, the submission to the LCC for approval was for a one-year office lease contract worth \$126,408 yet the actual contract was being renewed for 58 months (worth \$610,972) and therefore qualified for HCC review.
- An inflated exchange rate was used (i.e. 12.3 instead of 9.8) in September 2016 to translate contract prices from Zambia Kwacha to US\$, which resulted in the LCC approving lower contract amounts than the commitments in the relevant purchase orders. For example, the LCC approved an award for \$147,752 (instead of \$185,324) for a road construction and an award of \$47,127 (instead of \$55,762) for a borehole. Because the resulting amounts were lower than thresholds, these awards were not referred to the RCC or HCC for approval. The Representation could not explain the reasons for the use of the inflated exchange rate.

42. OIOS also noted that although a recommendation on procurement and vendor management in its previous audit from 2016 had been closed based on documentary evidence that the issues had been resolved, the current audit could not confirm any sustainable improvement in controls. On the contrary, weaknesses in vendor vetting and registration, annual procurement planning, and approval of contracts had become even more pervasive. These weaknesses were compounded by the fact that only one general service staff member with limited relevant qualifications was responsible for the function. There was also inadequate segregation of duties among staff involved in the procurement process, including conflict of interest situations by members of the LCC. Due to the delegation of procurement activities to a junior staff member, the Representative should have: (a) ensured increased management supervision by senior officials in the Representation; and (b) sought support and monitoring from the Regional Representation for Southern Africa. There also should have been increased oversight by the Regional Bureau for Africa. OIOS noted that a staff member at the P-3 level with requisite procurement experience was recruited after the OIOS field mission to Zambia to work in one of the field offices, while at the same time the Branch Office in Lusaka remained greatly constrained since it handled most of the procurements.

(3) The UNHCR Representation in Zambia, in collaboration with the Regional Representation for Southern Africa and the Regional Bureau for Africa, should undertake a comprehensive review of its procurement function and processes and prepare a time bound action plan for addressing the systemic and pervasive issues raised in this audit.

UNHCR accepted recommendation 3 and stated that the Representation had updated the procurement plan, escalated the cases of poorly performing contractors to headquarters, processed waivers from competition for fuel, security, cleaning, and travel services, inducted a new Supply Officer, and established an Oversight Committee. Recommendation 3 remains open pending receipt of evidence of: (i) clarification of roles and responsibilities in procurement; (ii) strengthened oversight by senior officials of the Representation, LCC, VRC, and Regional Representation for Southern Africa; (iii) preparation of comprehensive procurement plans; (iv) recovery of overpayments made to the two blacklisted contractors that defaulted on contracts; and (v) conclusion of service contracts and frame agreements with all existing vendors.

D. Cash based interventions

There was a critical need to strengthen internal controls and management oversight arrangements over CBI to ensure that project objectives are achieved and related resources are adequately safeguarded

43. The Representation spent \$918,962 and \$618,846 on CBI in 2016 and 2017 respectively. In order to ensure effective programming and delivery of CBI implemented by partners, UNHCR's administrative instructions for CBI require the Representation to: (i) ensure that selected partners have proven capacity and competency in delivering CBI; (ii) ensure that partners release payments to POCs only when the project description and the project budget in the project agreement so provide; and (iii) ensure that partners establish procedures, criteria and financial controls for CBI in accordance with UNHCR guidelines and instructions. In the case of direct implementation, the Representation is required to: (i) prepare SOPs governing financial procedures and controls for payments to beneficiaries to be cleared by headquarters, and (ii) use a separate and dedicated bank account for CBI purposes, distinct from the existing UNHCR operational bank account.

44. The Representation paid refugees a lump sum for basic needs, housing, food, clothing, medical needs, travel, education, business seed funds, payment for permits, etc. However, the pre-assessment it had undertaken in 2013 did not identify the most effective method of using CBI in the different programmes. This would have helped the Representation identify the areas that were best suited for CBI and the best delivery modalities to use. The Representation had also not set targets in the performance framework for CBI and therefore, there was no basis for assessing its performance in implementing CBI. All payments related to income generating and livelihoods activities were classified in MSRP under CBI and not the relevant substantive programmes; yet CBI was just a modality for delivering programmes. For example, cash provided for education was classified under CBI and not education, as expected. This created a challenge when reporting on actual spending under different programmes.

Selection and management of partners for CBI projects

45. The Representation did not undertake the required due diligence of the four partners implementing CBI projects prior to their selection. Therefore, it could not confirm whether the partners had proven capacity and competency in delivering CBI or that their internal controls were adequate to safeguard UNHCR resources. OIOS also noted that the Representation decided in 2017 to directly implement the Albert Einstein German Academic Refugee Initiative (DAFI) scholarship programme. The Representation executed the programme through the CBI modality, but it did not have prior experience in delivering CBI.

This contributed to the challenges noted later in this report once implementation of the scholarship programme was underway.

46. The Representation also did not fully comply with the requirement that partners release payments to POCs only when the project description and the project budget is provided. While budgets in the signed Project Performance Agreements (PPAs) made provisions for CBI activities, the project descriptions in the same documents did not describe what the partners' responsibilities were in implementing CBI.

Management and control over CBI

47. A review of the project control reports showed that the Government partner consistently made cash payments later than their due date. The Representation also delayed effecting payments to students under the DAFI scholarship programme. This created difficulty especially for refugees who solely depended on CBI for their livelihoods, e.g. the elderly and students who were sometimes unable to attend school.

48. The DAFI scholarship project had expenditures for 2016 and 2017 amounting to \$35,274 and \$134,596 respectively. Contrary to the requirements, the Representation did not operate a dedicated bank account (distinct from the existing UNHCR operational bank account) for the scholarship programme. The Representation also did not have an approved SOP to guide on the delivery of CBI prior to implementing the programme, as required by UNHCR procedures. OIOS also noted that the SOP did not contain appropriate financial controls and procedures over CBI. In consequence, payments to students were made without reference to an established budget and criteria for payment of student entitlements.

49. The Representation had not conducted any reconciliations of the amounts transferred to the partners with evidence of CBI funds distributed to beneficiaries. Regarding the scholarship programme, the Representation did not conduct any reconciliation between student entitlements and actual payments. At OIOS' request, the preliminary results of the reconciliation prepared showed that payments were made to 63 students yet there were only 49 and 43 eligible students for the scholarships in 2016 and 2017 respectively. The reconciliation showed unresolved over and under-payments amounting to \$31,380.

50. The Representation had developed a specific SOP for CBI to be implemented by partners on its behalf, which was meant to set out in precise terms how CBI would be implemented. However, the four partners implementing CBI did not develop their own CBI procedures, selection criteria and financial controls in consultation with the Representation and as required by UNHCR procedures. Partners were expected to prepare detailed SOPs that addressed the unique circumstances under which they would implement CBI. In the case of urban refugees, the Representation did not undertake monitoring during and after distributions. At one refugee settlement, OIOS noted that bank reconciliations were only prepared in anticipation of the verification visits.

51. One of five risks listed in the Representation's risk register related to the failure to include eligible POCs in the CBI programme. The joint monitoring reports prepared by the multifunctional teams reported a disagreement between two government ministries on the eligibility criteria. No information was available on whether this matter was resolved. The proposed actions to mitigate the risk had not been implemented, i.e.: (i) instituting a complaint and feedback mechanism; (ii) conducting post distribution monitoring; and (iii) UNHCR staff monitoring the distribution process. An urban subsistence allowance study undertaken in 2016 recommended that allowances be increased for urban refugees but the Representation was unable to implement the proposed increases due to limited available funding.

52. The main cause of the issues cited above was, in the opinion of OIOS, the weak management oversight and control environment as evidenced by the Representation's non-compliance with key controls laid out in the administrative instructions for CBI and for which no one was held accountable. These weaknesses

exposed the Representation to the critical risk that CBI programming objectives may not be achieved and CBI resources amounting to over \$1.5 million may not have been adequately safeguarded.

(4) The UNHCR Representation in Zambia should strengthen its management oversight over Cash Based Interventions (CBI) by developing, implementing and monitoring a local CBI strategy, informed by a documented needs assessment, as well as related standard operating procedures that ensure compliance with the UNHCR administrative instructions for CBI and accountability for the use of the resources.

UNHCR accepted recommendation 4 and stated that the Representation now had a documented needs assessment and SOPs to ensure compliance with the UNHCR administrative instructions for CBIs and accountability. The Representation had also instituted a digital wallet for payments and this was expected to address the issues identified in the report. A reconciliation of the DAFI programme payments was under preparation. Recommendation 4 remains open pending receipt of: (i) a revised CBI strategy reflecting latest developments in the Representation's CBI programme (digital wallet) backed by updated SOPs; (ii) evidence of opening of a separate DAFI bank account and reconciliation of DAFI entitlements to actual payments, as well as evidence of recovery of overpayments and reimbursement of underpayments; and (iii) evidence of the review of partners' capacity and competence in delivering CBI and updated project agreements reflecting partners' roles and responsibilities in the CBI programme.

E. Partnership management

There was a need to strengthen management and oversight of partnerships to better support programme implementation, and ensure partner accountability for project results

53. Implementation through 17 partners accounted for 67 per cent of the Representation's total budget in the period under audit. In order to achieve expected project results through the use of partners, the Representation is required to: (i) select or retain partners through a process with adequate authorization, objectivity, transparency, consistency and timeliness; (ii) sign well developed project agreements with partners and transfer instalments in a timely manner; (iii) monitor the project activities and expenditures through a risk based and multi-functional approach; and (iv) arrange for building capacity of implementing partners as and when necessary.

Partner selection and retention, and contracting with partners

54. The Representation's Implementing Partnership Management Committees (IPMC) managed the partner selection and retention processes. However, the Committee did not undertake proper due diligence prior to contracting partners. For example, it sought a waiver in 2016 to work with one partner during the emergency on the basis that the partner had a large network of volunteers. This decision was made without assessing the capacity of the partner to effectively support programme activities or its internal control system to safeguard programme resources. In 2017, the IPMC undertook a technical evaluation of this partner's ability to deliver. However, the comprehensiveness of this evaluation was questionable because once implementation was underway, the Representation identified significant weaknesses in this partner's capacity to deliver and internal controls which adversely affected programme implementation. The scope of work for this partner was subsequently reduced from November 2017.

55. IPMC's decision-making was not always effective. Its selection of a partner for which significant issues had been raised by Project Control regarding their weak financial, procurement and supply management capacity. The IPMC appointed the partner without instituting actions to address known

weaknesses. The IPMC only recommended that the partner develop its financial capacity and that the Representation would assess the partner's performance at the end of that year. OIOS did not see evidence of the Representation following up on this recommendation.

56. Some partners had relatively high staff costs against the overall project budget, indicating that the IPMC's budget review process was not sufficient in ensuring that most funding went towards supporting refugees. For instance, partners' staff costs in 2016 averaged 23 per cent of the overall project budgets,¹ and there were five partners that had staff costs ranging from 33-45 per cent; three of whom were Government departments, with 72 per cent of one partner's staff costs going towards the engagement of international personnel. It would be unlikely that Government departments would be able to sustain the level of salaries paid if the Representation was not funding them. This risk was illustrated by the case of the National Eligibility Committee refusing to meet because UNHCR discontinued paying their allowances, as discussed earlier in this report.

57. Designation of procurement to partners: The Representation designated procurement exceeding \$100,000 to four partners in 2016 and 2017, with a cumulative value of \$1.3 million and \$0.8 million respectively. The Representation did not perform the required cost-benefit analyses to determine whether it was more advantageous for it to undertake the procurement itself or to do so through partners. The Representation was value added tax exempt and this would have automatically reduced cost prices by 16 per cent, but this was not considered. Two of the partners, to whom the Representation entrusted procurement worth \$347,367 and \$142,697 respectively, were not pre-qualified to undertake procurement of that high value on UNHCR's behalf. OIOS visit to one of these partners identified that most of the procurement it had undertaken did not follow competitive procedures.

Partner monitoring

58. The Representation deployed a multifunctional team to monitor programme implementation through partners. However, this team did not systematically complete the required monitoring template and the effectiveness of this activity could therefore not be assessed. It was also evident that there was very little management oversight over performance monitoring. In addition, as was the case during the OIOS 2016 audit, the Representation's performance monitoring was not linked to financial monitoring. OIOS visited five partners and identified control weaknesses previously raised in the Representation's verification reports, e.g. non-compliance with procurement procedures and undocumented CRI storage and distribution. One of the partners visited had shredded all their documents which was contrary to UNHCR rules and the Government of Zambia law that requires that documentation be maintained for at least six years.

59. Partners' project performance indicators were not aligned to the Representation's overall indicators and targets and it was therefore impossible to see how the implementation by different partners contributed to the Representation's overall programme performance. For one partner, no performance targets had been set up in the project description of the PPA. Thus, the Representation did not have a basis against which to assess this partner's performance. Another partner visited by OIOS stated that it was unable to collect any performance data and report against the indicators stated in the PPA.

60. The root causes of the issues cited above were due to the weak control environment created, inter alia, by ineffective execution of roles in the Representation: the IPMC was not undertaking the necessary due diligence during the selection of partners; the Programme Unit had not established effective controls for managing partnerships; the multifunctional team was not monitoring partnerships in a manner to identify and mitigate key risks to project implementation in a timely manner; and senior management of the Representation was not providing sufficient oversight over partnership management as a whole.

¹ Data for 2017 was not provided and the data provided did not differentiate between programme and administration staff costs.

(5) The UNHCR Representation in Zambia, in collaboration with the Regional Representation for Southern Africa and the Regional Bureau for Africa, should review its processes, including management oversight arrangements, for the selection and management of partners and prepare a time bound action plan reflecting how the issues raised in this audit will be addressed in an effective and sustainable manner.

UNHCR accepted recommendation 5 and stated that the Representation had trained its partners and mainstreamed all sectoral activities under the partnership agreement with the main government counterpart so as to reduce operational costs, and was planning to undertake joint financial and performance monitoring visits. The IPMC effectiveness would be reinforced through reviews by the Oversight Committee. Recommendation 5 remains open pending receipt of: (i) the results of a comprehensive review of the Representation's processes, including management oversight arrangements, for the selection and management of partners; (ii) evidence of joint performance and financial monitoring visits conducted on the basis of a risk-based monitoring plan; and (iii) evidence of alignment of partner indicators and targets with those of the Representation and evidence of verification of partner results reported against set targets.

F. Programme planning, resource allocation, monitoring and reporting

There was a need to develop strategies to support the achievement of objectives and establish a monitoring and reporting system for measuring the Representation's programme performance

61. The Representation, to manage the risk of failure to provide the most vital assistance to POCs, it is essential that: (i) the needs are comprehensively assessed; (ii) goals and objectives 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) required outputs and activities, allocated budgets and established deliverables are defined. To ensure that programme performance is optimized, it is essential that performance and impact are assessed through Focus, and regular field missions and conversations with diverse groups of POCs are conducted.

Information for country operations planning

62. Needs assessment: The Representation undertook a needs assessment in 2016 and 2017 to inform its planning processes. The needs assessment report listed several areas of concern but lacked a detailed analysis of these areas to support the prioritisation of key areas during the Representation's planning process given the resource constraints. This report also listed strategies already in place to address the needs identified but did not assess whether they had been effective in addressing needs. This would have assisted the Representation in determining if anything needed to be done differently. The report was not completed with information on how the report findings would affect, if at all, the Representation's strategies and objectives in its operations plans.

63. Reliable data on POCs: There were inconsistencies in the number of asylum seekers, refugees and former refugees reported in different documents. This was because prior to 2017, the Representation had last undertaken a verification exercise in 2010. This impacted the Representation's strategic and operational planning since these numbers determined the required protection and assistance needed for POCs and were the basis for funding requests to donors. For example, the lack of concrete population projections affected the Representation's ability to set clear targets in its performance indicator reports.

64. The Representation conducted an exercise to verify POCs between 14 August and 25 November 2017. It concluded that only about 85 per cent, i.e. 42,043 out of its estimated 50,000 asylum seekers, refugees and others of concern, were still in the country. A high-level analysis of the numbers reported showed that the biggest discrepancy was in the number of former refugees and asylum seekers from DRC. However, at the time of the audit (almost six months after the verification exercise), the Representation had not instituted a grace period during which absentees would need to confirm their presence in the country so as to be reactivated.

Development of protection and operational strategies

65. The Representation prepared two annual operations plans that articulated its objectives in the period under audit. However, these plans were not backed by strategies defining how the objectives would be achieved in the areas of protection, livelihoods and durable solutions. These strategies should have been in place to support the achievement of the 2017 Operations Plan objectives. This is especially important considering the impact that restrictions of the country's encampment policy on movement and work have on refugee protection and durable solutions. For example, refugees were unable to apply what they learnt in livelihoods training because they were not allowed to work and this contributed to their high dependency on assistance from UNHCR. A strategy was needed for durable solutions, e.g. for refugees from DRC who cannot be locally integrated or repatriated and face challenges with resettlement considering the reducing quotas from recipient countries.

66. The Representation had also not prepared operational strategies or plans for supporting implementation of its core strategies. For example, human resources management was listed as one of the five risks in the risk register but the Representation had not developed a strategy addressing its structural and staffing needs. The lack of strategies and their linkage to required resources implied that the Representation may not achieve its priority objectives in the country thereby raising a reputational risk for the organization as a whole.

Performance monitoring

67. One key element of the UNHCR operations management cycle is monitoring. OIOS review of the Representation's performance indicator reports for the period under audit showed that the performance framework was not comprehensively completed. Indicators had no baselines and/or targets, e.g. for "number of households receiving CRIs", "cash grants provided", and "population with sufficient basic and domestic items". The performance indicator reports also did not contain the results against some indicators, e.g. "food security improved" and "population has sufficient basic and domestic items". OIOS also noted that there were inaccuracies in the performance indicator reports, e.g. results related to services to persons with specific needs undertaken in 2017 were reported in 2016. The report also noted that there were no cases of sexual and gender-based violence, yet other documents like the inter-agency minutes stated otherwise.

68. The consequence of the weaknesses in the programme performance planning, monitoring and reporting processes was that the Representation did not have timely, accurate and relevant performance data to inform its decision making and that of other stakeholders including donors. OIOS attributed the weaknesses to inadequate staff numbers and skills in some functions, a structure that reinforced working in silos, and a generally weak management oversight framework for planning, monitoring and reporting. OIOS also noted that the issues raised above had not been identified by the Regional Representation or the Regional Bureau. While a review of staff meeting minutes that started in late 2017 showed management's initiative to address some of the issues discussed above, i.e. there was recognition by management that the problems in the control environment existed, there was limited progress in implementing the agreed upon actions at the time of the audit.

(6) The UNHCR Representation in Zambia, in collaboration with the Regional Representation for Southern Africa and the Regional Bureau for Africa, should review its structure, staffing and allocation of roles and responsibilities to reinforce accountability for performance management, and develop relevant strategies and establish a monitoring and reporting system for measuring performance.

UNHCR accepted recommendation 6 and noted that measures to address the issues raised were underway including a review of the Representation's organization structure. Recommendation 6 remains open pending receipt of evidence that: (i) protection strategies have been developed and rolled out; (ii) the proposed organization structure is underpinned by clear allocation of roles and responsibilities that reinforce accountability for programme performance management; and (iii) the Representation's monitoring system collects and reports accurate information for measuring performance.

IV. ACKNOWLEDGEMENT

69. 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 Zambia for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	The UNHCR Representation in Zambia should: (i) reconcile funds disbursed to the Governments of Zambia and Rwanda with deliverables received; (ii) develop an accelerated plan for delivery of permits and passports and/or initiate repayment of funds for all outstanding balances; and (ii) prioritize the development of a protection strategy backed by up-to-date standard operating procedures to provide requisite support to persons of concern.	Critical	O	Submission to OIOS of evidence of: (i) reconciliation of funds given to the Governments of Zambia and Rwanda; (ii) an agreed upon plan for accelerating the issuance of outstanding permits and passports and/or refund of outstanding fund balances; and (iii) an approved protection strategy backed by updated SOPs.	31 March 2019
2	The UNHCR Representation in Zambia should prepare a comprehensive emergency preparedness plan and strengthen its controls and accountability mechanisms for the management of core relief items during emergency.	Critical	O	Submission to OIOS of evidence of: (i) the finalized emergency preparedness plan including a plan for acquiring core relief items during an emergency; (ii) a reconciliation of CRIs distributed in Nchengele during the emergency; (iii) a CRI distribution protocol; and (iv) SOPs for effective warehouse management, including proper record keeping of inventories.	31 March 2019
3	The UNHCR Representation in Zambia, in collaboration with the Regional Representation for Southern Africa and the Regional Bureau for Africa, should undertake a comprehensive review of its procurement function and processes and prepare a time bound action plan for addressing the systemic and pervasive issues raised in this audit.	Critical	O	Submission to OIOS of evidence of: (i) clarification of roles and responsibilities in procurement; (ii) strengthened oversight by senior officials of the Representation, LCC, VRC, and Regional Representation for Southern Africa; (iii) preparation of comprehensive procurement plans; (iv) blacklisting of two contractors that defaulted on contracts and recovery of overpayments made; and (v) conclusion of service contracts and frame agreements with all existing vendors.	31 March 2019

² 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.

³ 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.

⁴ C = closed, O = open

⁵ Date provided by UNHCR in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
4	The UNHCR Representation in Zambia should strengthen its management oversight over Cash Based Interventions (CBI) by developing, implementing and monitoring a local CBI strategy, informed by a documented needs assessment, as well as related standard operating procedures that ensure compliance with the UNHCR administrative instructions for CBI and accountability for the use of the resources.	Critical	O	Submission to OIOS of evidence of: (i) a revised CBI strategy reflecting latest developments in the Representation's CBI programme (digital wallet) backed by updated SOPs; (ii) evidence of opening of a separate DAFI bank account and reconciliation of DAFI entitlements to actual payments, as well as evidence of recovery of overpayments and reimbursement of underpayments; and (iii) evidence of the review of partners' capacity and competence in delivering CBI and updated project agreements reflecting partners' roles and responsibilities in the CBI programme.	31 March 2019
5	The UNHCR Representation in Zambia, in collaboration with the Regional Representation for Southern Africa and the Regional Bureau for Africa, should review its processes, including management oversight arrangements, for the selection and management of partners and prepare a time bound action plan reflecting how the issues raised in this audit will be addressed in an effective and sustainable manner.	Important	O	Submission to OIOS of evidence of: (i) the results of a comprehensive review of the Representation's processes, including management oversight arrangements, for the selection and management of partners; (ii) evidence of joint performance and financial monitoring visits conducted on the basis of a risk-based monitoring plan; and (iii) evidence of alignment of partner indicators and targets with those of the Representation and evidence of verification of partner results reported against set targets.	31 March 2019
6	The UNHCR Representation in Zambia, in collaboration with the Regional Representation for Southern Africa and the Regional Bureau for Africa, should review its structure, staffing and allocation of roles and responsibilities to reinforce accountability for performance management, and develop relevant strategies and establish a monitoring and reporting system for measuring performance.	Important	O	Submission to OIOS of evidence that: (i) protection strategies have been developed and rolled out; (ii) the proposed organization structure is underpinned by clear allocation of roles and responsibilities that reinforce accountability for programme performance management; and (iii) the Representation's monitoring system collects and reports accurate information for measuring performance.	31 March 2019

APPENDIX I

Management Response

Management Response

Audit of the Operations of Zambia 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 Zambia should:	Critical				
	(i)reconcile funds disbursed to the Governments of Zambia and Rwanda with deliverables received;		Yes	Senior Protection Officer	31 March 2019	(i) The reconciliation has commenced with the initial table showing instalments made from 2013 to 2017, funds effectively paid, funds effectively accounted for, balances not accounted for, permits effectively received and distributed to persons of concern (POCs) as well as the balances to be issued and received.
	(ii)develop an accelerated plan for delivery of permits and passports and/or initiate repayment of funds for all outstanding balances; and		Yes	Senior Protection Officer	31 March 2019	<p>The Representation has communicated with the Rwandan High Commission regarding the issuance of 14 passports.</p> <p>A meeting was scheduled to take place in August with the Rwandan High Commission but the Consular officer concerned was out of the country.</p> <p>The fee for the residence permits is a processing fee and as such non-refundable, whether a permit is issued or not.</p> <p>The Representation is following up with the Government to continue issuing permits/alien cards and, further down the line, residence permits. The Representation is also following up with the Angolan consulates near the settlements to accelerate the issuance of national passports. National passports are required for the issuance of Zambian residence permits to Angolans.</p>

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.

Management Response

Audit of the Operations of Zambia 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
	(iii) Prioritize the development of a protection strategy backed by up-to-date standard operating procedures to provide requisite support to persons of concern.		Yes	Senior Protection Officer	31 March 2019	An advanced draft Protection strategy is being finalized together with Standard Operating Procedures (SOPs) for the issuance of Residence permits; (government) Refugee Status Determination (RSD) procedures; and entry of registration data into ProGres version 4.
2	The UNHCR Representation in Zambia should	Critical				
	(i) Prepare a comprehensive emergency preparedness plan incorporating contingency and business continuity plans and strengthen its controls; and		Yes	Senior Protection Officer	31 March 2019	(i) An emergency preparedness plan was developed and updated for North Western and Copper belt Province (Solwezi) and another one for Luapula Province (Nchelenge) The Zambia Preparedness Action Plan was updated in early August. The Zambia chapter of the Regional Contingency Plan for the DRC refugee situation has been finalized.
	(ii) Accountability mechanisms for the management of core relief items during emergency.		Yes	Supply Officer	31 March 2019	(ii) A draft business continuity plan (BCP) has been consolidated for the UNHCR Solwezi Office and an advance draft of the country-wide BCP is being finalized. In collaboration with Regional Office in South Africa (ROSA), the Operation will prepare a BCP in the event of an influx which will include a plan for the deployment of existing staff, however without compromising the capacity of any of the field operations.

Management Response

Audit of the Operations of Zambia 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>As UNHCR maintains global stockpiles for core relief items (CRIs) which can be requested by country operations to respond to emergencies, individual country level budgeting for CRI stockpiling as part of emergency preparedness is therefore no longer encouraged. However, in an event of an emergency, the Regional Office and HQ are able to swiftly transfer CRIs to Zambia within a time of 2 weeks based on previous experience. The Operation has developed a module of CRIs for an emergency of up to 10,000 people.</p> <p>There is a protocol for CRI distribution which is in use for the refugee populations in Mantapala and Meheba for general distribution.</p> <p>SOPs on warehouse management exist and are being implemented. They are being revised to improve post distribution monitoring.</p> <p>A Supply Officer has joined the Operation since March 2018. Reconciliation of CRIs has been initiated and monthly stock reports are generated for all three warehouses.</p>
3	The UNHCR Representation in Zambia, in collaboration with the Regional Representation for Southern Africa and the Regional Bureau for Africa, should	Critical				
	(i) Undertake a comprehensive review of		Yes	Supply Officer	31 March 2019	The Senior Regional Officer in UNHCR Pretoria in coordination with the Compliance Unit of Division of

Management Response

Audit of the Operations of Zambia 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
	its procurement function and processes; and					<p>Emergency, Security and Supply (DESS) in Budapest and the Bureau, is organizing a support mission to Zambia to oversee the comprehensive review of the procurement function and processes. The results of this in-depth review will further inform and support the several initiatives and actions that have been commenced as follow:</p> <p>A clear division of roles and responsibilities among the Supply Unit staff in Zambia has been prepared.</p> <p>A P3 Supply Officer has been recruited and is working with three national Supply staff (each based in Nchelenge, Lusaka, and Solwezi). Two of them have undergone training on, among others, Emergency Preparedness (Supply) in Nairobi, Kenya from 4 to 9 June 2018, and Regional Capacity Building from 21 May to 1 June 2018 in Pretoria, South Africa.</p> <p>The position of Supply Associate GL6 has been advertised internally and externally in order to select a competent supply staff for Lusaka.</p>
	(ii) Prepare a time bound action plan for addressing the systemic and pervasive issues raised in this audit.		Yes	Supply Officer	31 March 2019	<p>A time-bound action plan that covers how the following several areas raised by the auditors will be addressed is being drafted. Key action points that have been executed so far, and included in this plan, are as follow:</p> <p>The Representation has put in place a system that strengthens oversight by senior staff in the Representation and from ROSA.</p>

Management Response

Audit of the Operations of Zambia 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>From 1 January to 30 June 2018, 68 purchase orders/requisitions for procurement (office equipment, fuel, lease agreement, cleaning and security service, electricity, water, etc.) have been created at country level after proper advertisement of Request for Quotations (RFQ), Request for Proposals (RFP) and Invitation to Bid (ITB) were completed.</p> <p>A call for expression of interest was disseminated in order to create a roster of suppliers at country level</p> <p>Notifications to the Local Contracts Committee (LCC) were made for the 2017 lease agreements and fuel procurement that exceeded the threshold. New purchases are now closely monitored for appropriate submission to the relevant committees. The existing lease agreements were cleared by the Legal Affairs Service.</p> <p>A calendar for the monthly meetings of the Vendor Review Committee has been established. Four meetings have been held so far.</p> <p>The Vendor Ethics Committee in HQ will be consulted for the appropriate action in connection with the suppliers that did not comply with the agreed contracts in 2016 and 2017.</p> <p>The 2019 procurement plan has been submitted to HQ.</p>
4	The UNHCR Representation in Zambia should strengthen its management oversight over	Critical	Yes	CBI Officer	31 March 2019	A CBI strategy has been revised / finalized, including the CBI SOPs developed as per guidelines from ERM. These were cleared by HQ on 17/08/2018.

Management Response

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	Cash Based Interventions (CBI) by developing, implementing and monitoring a local CBI strategy, informed by a documented needs assessment, as well as related standard operating procedures that ensure compliance with the UNHCR administrative instructions for CBI and accountability for the use of the resources.					<p>On the separate bank account, the UNHCR/AI/2017/15 Administrative Instruction on the Financial Procedures for Cash-Based Interventions requires a dedicated/separate account for CBI, not for each programme. Considering the Representation has a CBI dedicated account now, this should meet the requirements for all programmes, i.e. Education (including. DAFI) and all other CBI programmes.</p> <p>The DAFI Programme will be handed over to a partner for implementation while UNHCR will continue to ensure oversight.</p> <p>All over-payments and under-payments under the DAFI programme will be recovered and properly documented. For students who might not be traceable (i.e. those who have graduated or have been resettled), the Operation will submit a write-off request. Overpayments to students that are still eligible, will be deducted to the next quarterly payment.</p> <p>The Representation is systematically reviewing the capacity and competence of its partners' assigned for delivering CBI.</p> <p>There has been consistent Multi-Functional Team (MFT) monitoring of partners implementing CBI. This is adequately reflected in PPAs.</p>
5	The UNHCR Representation in Zambia, in collaboration with the Regional Representation	Important				

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	for Southern Africa and the Regional Bureau for Africa, should					
	(i)review its processes, including management oversight arrangements, for the selection and management of partners; and		Yes	Senior Programme Officer	31 March 2019	The Oversight Committee was established on 21 March 2018 to oversee IPMC and other committee proceedings as well as MFT tasks. The Oversight Committee meets at least every two months to review IPMC proceedings as well as other key issues. There have been four meetings held so far. The Oversight Committee has commenced its review and close oversight on the selection and retention of partners.
	(ii)Prepare a time bound action plan reflecting how the issues raised in this audit will be addressed in an effective and sustainable manner.					A time bound plan is being finalized by the Country Office, to address the gaps identified by the audit. Key action points that have been initiated include: Three Programme staff and the Senior Project Control Associate attended programming training in Pretoria from 21 st May to 1 st June 2018. Four other Programme staff attended similar training in 2017. Performance monitoring of partner projects is taking place as outlined in project monitoring and control plan. Partners' performance monitoring and finance verification have been undertaken in Lusaka, Meheba, Solwezi & Luapula in July 2018 in accordance with the Annual Plan.

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						Partners' indicators and targets have been aligned to those of the Representation which ensures that their results are reported against set targets. The Representation has in 2018 mainstreamed all sectoral activities (i.e water, education, health and agriculture) with the Government partner, which has resulted in a reduction of staffing. In addition, all incentives to government employees have been suspended. Only project allowance and salaries to very few critical staff have been maintained.
6	The UNHCR Representation in Zambia, in collaboration with the Regional Representation for Southern Africa and the Regional Bureau for Africa, should	Important				
	(i) Review its structure, staffing and allocation of roles and responsibilities to reinforce accountability for performance management, and		Yes	Administration Officer	31 March 2019	The Representation has reviewed its structure and ensured a segregation of duties, with clear reporting guidelines. The organigram has been updated accordingly.
	(ii) Develop relevant strategies and establish a monitoring and reporting system for measuring performance.		Yes	Senior Programme Officer	31 March 2019	The Representation has strengthened oversight through the establishment of the Oversight Committee. A management dashboard has been rolled out. This dashboard includes all operational areas such as HR, Finance, Project Control, Programme and others. Regular updates are reflected in the dashboard indicating the status

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						of each objective and priority area, including constraint and challenges encountered, for management's information and action.