



## **INTERNAL AUDIT DIVISION**

### **REPORT 2019/007**

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#### **Audit of the operations in Libya for the Office of the United Nations High Commissioner for Refugees**

**There were critical deficiencies in controls and management oversight arrangements over programme planning, monitoring and reporting, partnership management, as well as procurement and vendor management**

**1 March 2019  
Assignment No. AR2018/131/04**

# Audit of the operations in Libya 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 Libya for the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess whether the UNHCR Mission in Libya 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 2017 to 31 May 2018 and included a review of: (a) programme planning, monitoring and reporting; (b) partnership management; (c) security and staff safety; (d) procurement and vendor management; (e) fair protection process and documentation; (f) non-food item (NFI) distribution and warehouse management; and (g) cash based interventions (CBI).

There was a critical need for the Mission to: (i) satisfy fundamental requirements for programme planning, monitoring and reporting; (ii) take prompt action to mitigate risks associated with the exchange rates in Libya; (iii) strengthen controls over partnership management, including through remote management techniques; and (iv) establish effective controls in procurement and vendor management. In addition, there was a need to strengthen controls over security and staff safety, fair protection process and documentation, NFI distribution and warehouse management, and CBI. Whilst recognising the extremely difficult environment in which the Mission was operating, OIOS was of the opinion that it could have managed associated risks in a more systematic, structured and timely manner to safeguard its resources and ensure cost-effective delivery of services to persons of concern, particularly since some of the control deficiencies were previously reported by OIOS in its 2016 audit.

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

- Implement the mandatory multi-functional team approach, undertake a comprehensive assessment of the needs of persons of concern, and verify programme achievements based on UNHCR's Results Framework (**critical**);
- Put in place an action plan to address risks associated with the difference between official and market exchange rates (**critical**);
- Increase staff awareness of established policies and guidelines in partnership management and strengthen management oversight arrangements over selection and retention of partners, procurement by partners, and financial and performance monitoring of projects, including through remote management techniques (**critical**);
- [REDACTED]
- Ensure that effective controls are in place over procurement and vendor management, including regular supervisory reviews over procurement planning, waivers of competitive bidding and ex-post facto approval cases (**critical**);
- Strengthen controls over the confidentiality of the registration and refugee status determination interview processes, security of documentation at registration centres, and anti-fraud measures over case management;
- Strengthen controls over NFI distribution and warehouse management in respect of needs assessments and monitoring of the delivery of NFIs to beneficiaries; and
- Establish an overall CBI strategy, and strengthen controls over CBI implemented by partners.

UNHCR accepted the recommendations and has already implemented three of them, including one critical recommendation. UNHCR is in the process of implementing the remaining five recommendations based on a comprehensive management action plan.

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

2. The UNHCR Mission in Libya (hereinafter referred to as ‘the Mission’) was established in 1991. In July 2014, all international staff were evacuated from Libya to Tunis after armed conflict broke out in several locations in the country. Until the evacuation status was lifted in February 2018, the operation was managed remotely with limited movement of national staff present in Tripoli and Benghazi, supported by occasional missions by international staff from Tunis. On 29 August 2017, UNHCR declared a Level 2 Emergency for the Libya operation due to the complex operational landscape and growing humanitarian needs.

3. According to UNHCR, the humanitarian engagement in the country is highly politicised. UNHCR does not have a host country agreement in Libya and its presence and mandate are not recognised by the authorities. This translates, *inter alia*, into challenges for UNHCR with the Government of Libya on administrative matters; for example, the issuance of visas for international staff is a lengthy and unpredictable process. In addition, UNHCR’s access to specific locations even in Tripoli is severely curtailed. As armed clashes are regular, international staff require security personnel and armoured vehicles to move in the country. Logistical challenges also affect UNHCR’s capacity to deliver; for example, internet access in Libya is irregular.

4. As of 31 May 2018, there were 52,739 refugees registered with UNHCR in Libya, of whom 44 per cent were from Syria, followed by those from Sudan (17 per cent), Palestine (14 per cent) and Eritrea (12 per cent), with Iraq, Somalia and Ethiopia accounting for the rest. In addition, there were 179,400 Internally Displaced Persons (IDPs) in the country. The Mission gave strategic priority in its 2017 operations plan to the following areas: (i) registration and documentation of urban asylum seekers and refugees; and (ii) provision of non-food items (NFI) and cash assistance to persons of concern.

5. As of 31 May 2018, the Mission, headed by a Chief of Mission at the D-1 level, had 40 posts for international staff and 99 posts for national staff. Two international staff and 84 national staff were based in Tripoli, with the rest in Tunis. In addition, the Mission had 22 affiliate staff located in Tunis. The Mission had total expenditure of \$44.2 million in 2017. Its budget for 2018 amounted to \$40 million, of which \$18.7 million was spent by 31 May 2018. The Mission worked with 13 partners in both 2017 and 2018. The total expenditure of partners was \$12.9 million in 2017 and accounted for 35 per cent of the Mission’s programme-related expenditure during the year.

6. Comments provided by UNHCR are incorporated in italics.

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

7. The objective of the audit was to assess whether the UNHCR Mission in Libya was managing the delivery of services to its persons of concern in a cost-effective manner and in compliance with UNHCR’s policy requirements.

8. The audit was included in the 2018 risk-based internal audit work plan of OIOS because of the risks related to the implementation of UNHCR activities in Libya, in particular the emergency response, due to the complex operational context such as the absence of a host country agreement, high security risks, growing humanitarian needs, and limitations caused by having to manage and monitor the operations through remote mechanisms.

9. OIOS conducted the audit from June to September 2018. The audit covered the period from 1 January 2017 to 31 May 2018. Based on an activity-level risk assessment, the audit covered higher risk areas, which included: (a) programme planning, monitoring and reporting; (b) partnership management; (c) security and staff safety; (d) procurement and vendor management; (e) fair protection process and documentation; (f) non-food item (NFI) distribution and warehouse management; and (g) cash based interventions (CBI).

10. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical reviews of data, including financial data from Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system, and performance data from Focus, the UNHCR results-based management system; (d) review of data extracted from proGres, the UNHCR registration and case management system; (e) sample testing of controls using systematic and random methods; and (f) visits to the UNHCR offices in Tunis and Tripoli, the offices of four partners, a community development centre, two registration centres, and four warehouses.

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

### **III. AUDIT RESULTS**

#### **A. Programme planning, monitoring and reporting**

There was a critical need for the Mission to satisfy fundamental requirements for operations planning and programme monitoring and reporting

12. To identify and assess needs, and thus provide the most vital assistance to persons of concern, the Chief of Mission is required to establish a Multi-Functional Team (MFT) comprising persons from functional areas, such as Protection, Programme, Administration, Finance, Project Control and Supply. The MFT is responsible for ensuring that the Mission's operational goals and objectives are aligned with UNHCR's global strategic priorities, and for monitoring and reporting on the Mission's achievements in implementing its operations plans. The Mission is required to develop its programmes based on reliable data on persons of concern. Achievements need to be assessed and reported on through the UNHCR Results Framework, in order for the Mission to make programme decisions based on evidence, be accountable for results, and deliver and report on results of its protection and solutions activities in an effective and timely manner.

13. OIOS noted that the Mission's goals and objectives were adequately established and prioritised and aligned with UNHCR's global strategic priorities. The Mission also developed a protection strategy as part of its operations plans for 2017 and 2018, as well as standard operating procedures (SOPs) to guide implementation in key protection areas.

14. However, the Mission's MFT excluded the Assistant Representative (Protection), whose omission could not be explained. In addition, although expected to convene regular meetings, the MFT met only once in April 2018 to discuss its future work plan. The lack of adequate monitoring of programme activities

by the MFT contributed, *inter alia*, to the deficiencies in partnership management discussed in Section B of this report.

15. OIOS also observed that:

- The registration information for planning purposes was not fully reliable, as biometric data could not be used in Libya due to restrictions by the Government.
- The Mission did not conduct any participatory needs assessments during the audit period, even though remote tools and mechanisms were available to assist in this regard. The absence of a needs assessment resulted in, for example, unnecessary stock balances of NFIs.
- The Mission's direct implementation activities fully relied on information provided by the Government of Libya. For instance, in 2017, the Mission contributed drugs and medical supplies worth \$1.7 million to the Ministry of Health to meet the medical needs of IDPs. However, this was done without verifying the needs of IDPs. The Mission also did not verify that the supplies were provided as planned to the beneficiaries, as no monitoring activities were conducted during or after distribution.
- The Mission did not verify its achievements, including those of partners implementing UNHCR projects, based on UNHCR's Results Framework. The 2017 key indicator report prepared by the Mission in the Focus system did not include any data on the achievement of the established performance indicators for 2016 and 2017. Inaccurate reporting of achievements was a recurring weakness and was rated as a critical recommendation by OIOS in its previous audit report on UNHCR operations in Libya (Report 2016/031), issued in April 2016. OIOS had closed the recommendation, based on evidence received from the Mission. However, the current audit confirmed that the measures reported as implemented were not sustained.

16. Based on the above observations, OIOS concluded that the Mission was unable to demonstrate that it used its resources effectively and efficiently in providing for the essential needs of persons of concern. The lack of reporting also increased UNHCR's reputational risk because donors had access to key performance indicators via the Global Focus website.

**(1) The UNHCR Mission in Libya should develop and execute an action plan to satisfy the fundamental requirements of operations management, which should include, *inter alia*, implementing the mandatory multi-functional team approach, undertaking a comprehensive assessment of the needs of persons of concern, and verifying the programme achievements based on UNHCR's Results Framework.**

*UNHCR accepted recommendation 1 and stated that the composition of the Mission's MFT was updated in November 2018 and the team had already been involved in several key activities of the operations management cycle, including development of the 2019 operations plan and partner selection/retention. The Mission also drafted a plan and a registry for a needs assessment to be conducted prior to the 2020/2021 planning cycle, and would submit its complete 2018 year-end report by the end of February 2019. Recommendation 1 remains open pending receipt of: (i) evidence of a comprehensive needs assessment conducted, covering both refugees and IDPs; and (ii) a comprehensive and accurate key indicator report, supported by implementation of the monitoring strategy, including through remote monitoring techniques.*

There was a critical need to take action to mitigate risks associated with the difference between official and market exchange rates in Libya

17. The Mission explained to OIOS that one of its major challenges was the difference between the official exchange rate (approximately \$1 to Libyan Dinar (LYD) 1.4) and the market exchange rate (approximately \$1/LYD 7), whereby UNHCR was obliged to use the former. The difference between the two rates may have inflated the Mission's budget and expenditure by five times in some cases, as illustrated further below. Nevertheless, the Mission did not consult the Bureau for the Middle East and North Africa, the Division of Financial and Administrative Management (DFAM), and the Division of Emergency, Security and Supply (DESS) on this issue, as would have been expected. The Mission also did not implement adequate measures to mitigate risks associated with the difference in the exchange rates, as shown in the following examples:

- Due to the liquidity crisis in the Libyan banking system, the Mission paid to one local partner its project instalments in dollars, although the project expenditure was recorded in LYD. This practice was approved by the Implementing Partnership Management Service (IPMS) at UNHCR headquarters, subject to the requirement that it would be closely monitored by the Mission. However, the Mission had not implemented adequate controls in this regard. In the absence of appropriate evidence, OIOS was unable to substantiate that the partner had converted instalments amounting to \$431,215 (up to the first project instalment for 2018) into LYD 603,701 (using the official exchange rate) as stated in the Project Partnership Agreements (PPAs) and not LYD 3,018,505 (the market rate). As a result, there was an unmitigated risk that UNHCR funds were not being converted at the official rate and therefore not being properly accounted for.
- The Mission delegated procurement of eight laptops totaling LYD 65,000 to a local partner. This transaction was accounted for as expenditure of \$47,067 (equivalent to a unit cost per laptop of \$5,883) because the Mission had to use the official exchange rate. However, if the laptops had been procured internationally by the Mission, in OIOS' view the cost would have been significantly cheaper, even after considering the cost of bringing them into the country.
- The Mission requested local vendors to quote bids only in dollars - and paid them \$14.4 million during the audit period - instead of in LYD. Therefore, the Mission did not know whether vendors were using the official rate or the market rate in exchanging dollars and what the actual cost of the procurement was in LYD. This provided vendors significant opportunity to manipulate the cost of goods and services. According to the Mission, vendors had to pay for imported goods in hard currency because of the fluctuating exchange rates. In OIOS' view, the Mission could have directly imported such goods rather than procuring them locally, or at least conducted a market survey to verify the reasonableness of prices offered. In addition, the Mission paid in dollars even for the provision of local services such as security and cleaning.
- For the emergency response in Sabratha, the Mission procured meals, NFIs and health services totaling \$5.1 million. All invoices were denominated in dollars, although the vendors were local. The Mission cited in its submission to the Headquarters Committee on Contracts (HCC) "liquidity and high inflation" as the reasons for making the payments in dollars, but it did not clarify why the invoices had to be denominated only in dollars. The Mission indicated that it used the market exchange rate at that time (\$1/LYD9.5) to calculate unit costs in dollars; however, OIOS could not confirm this statement because the invoices did not indicate any LYD unit costs. Most of the US dollar denominated unit costs for the goods purchased appeared high given the local cost of living and when OIOS compared them to prices for similar items on the international market. The Mission had not requested LYD unit costs from the vendors or conducted a market survey of the items.



18. In OIOS' view, as the Mission was not allowed to use the more favourable market exchange rate, they should have coordinated and communicated with headquarters to seek advice on mitigating the associated risks. The Mission should have also elaborated on these risks in its risk register or the operations plan, including how they should be mitigated. Had the Mission effectively managed these risks, its expenditure may have been considerably reduced.

**(2) The UNHCR Mission in Libya, in coordination with the Bureau for the Middle East and North Africa, the Division of Financial and Administrative Management and the Division of Emergency, Security and Supply, should address risks associated with the difference between official and market exchange rates, in particular in respect of project expenditures by partners, payment of project instalments and procurement of goods and services.**

*UNHCR accepted recommendation 2 and stated that the Mission: (i) would use the Business Operations Strategy (BOS) 2019-2021 prepared by the United Nations Operations Management Team to further improve cooperation between United Nations agencies, in particular for joint tenders and frame agreements, as well as international procurement, to the extent possible and as allowed by the national authorities; (ii) had taken measures to strengthen the supply function so that more adequate capacity was available to make better procurement decisions; and (iii) would give due consideration to the BOS strategy and consider soliciting bids in dollars to avoid inefficiencies related to exchange rate fluctuations. In this regard, UNHCR highlighted that less than two per cent of the procurement by value had been conducted in local currency, and therefore inefficiencies due to fluctuating exchange rates had been mitigated. The Mission envisaged to validate the competitiveness of prices offered by a market survey on a case by case basis, and for any procurements exceeding \$100,000, coordination with the Procurement Service of DESS would be pursued to compare prices quoted locally with those available internationally. Recommendation 2 remains open pending receipt of: (i) evidence of implementation of joint tenders, frame agreements, international procurement, market surveys, and coordination with DESS for any procurements exceeding \$100,000; and (ii) evidence that the Mission has implemented adequate controls over the payment of project instalments, together with evidence of follow-up on the installment payments made in 2017 and 2018 to the local partner.*

## **B. Partnership management**

There was a critical need to strengthen controls over partnership management, including through remote management techniques

19. In order to achieve expected programme and project results through the use of partners, it is essential for the Mission to: (i) select or retain partners through an Implementing Partnership Management Committee (IPMC) and ensure the process is carried out with objectivity, transparency, consistency and timeliness; (ii) sign PPAs before commencement of the project year and transfer instalments in a timely manner; and (iii) monitor the project activities through risk based plans and the MFT approach.

### ***Selection and retention of partners***

20. The Mission worked with 13 partners in 2017 and 2018. The Mission's IPMC held 10 meetings in 2017 to discuss selection and retention of partners. Although the selection of new partners was generally conducted in line with UNHCR procedures, OIOS noted that two partners with whom the Mission had been working since 2011 and 2012 respectively had not been subject to a full competitive selection process, which was required for all partners at least every four years. In addition, for partners that were retained from the prior year, the Mission conducted the necessary desk review of partner performance only for 2 of

the 11 partners that were retained. The IPMC also selected a partner to conduct third party monitoring in June 2017 rather than procuring this service which was the expected modality for the provision of this type of service. The Mission cited urgency as the reason for these procedural shortcomings, but in the opinion of OIOS they could have been avoided through better planning.

### ***Designation of procurement to partners***

21. The Mission designated procurement to 12 partners worth \$4.7 million and \$4.0 million in 2017 and 2018 respectively. OIOS noted the following weaknesses:

- The Mission did not conduct any cost-benefit analysis on the comparative advantage of procuring goods and services through partners as opposed to direct procurement by UNHCR (including internationally), despite the significant difference between official and market exchange rates. It also did not assess the procurement capacity of partners. In addition, the Chief of Mission did not approve, in writing, the procurement designation for any of the partners, as required.
- In 2017 and 2018, the Mission designated procurement exceeding \$100,000 to three partners without them being “pre-qualified”. UNHCR rules required partners, prior to conducting high value procurement on UNHCR’s behalf, to be reviewed by the Procurement Service at headquarters, with the purpose of assessing whether they could use their own procurement procedures or should apply those of UNHCR.

### ***Project agreements***

22. The Mission was delayed in signing the PPAs, and all of them were signed only in January or February of the project year. Project descriptions were also not sufficiently developed; for example, the 2018 PPA Project Description Annex of seven partners did not include a narrative description of the project as required. Through review of the 2017 and 2018 budgets attached to the PPAs, OIOS also noted that the Mission made overpayments of project headquarters support costs for international partners totaling \$83,213 (for four 2017 PPAs and one 2018 PPA). In addition, bank charges of \$27,000 were unnecessarily included for one partner in the 2018 PPA budget.

### ***Project monitoring***

23. In 2017, the Mission undertook on average one to two financial verification visits for each project. However, OIOS noted the following weaknesses:

- For 2017, risk-based monitoring plans had been prepared for only six PPAs. For 2018, no monitoring plans existed.
- Out of 14 financial monitoring visits conducted for the 2017 PPAs, 7 were conducted only by Project Control staff, whereas the rest were conducted only by Programme staff or a combination of Project Control and Programme. Hence, the required MFT approach was not implemented.
- For three of the four partners visited by OIOS, the Mission paid 2017 project instalments before certifying the expenditures reported by the partners, and for two of these partners, the first project financial report was certified only after all instalments had already been made.

- For 2017, two partners did not report on any progress toward the established impact and performance targets. At the 2017 mid-year reporting stage, only one of six partners working with the Mission reported on its progress on project performance.
- The follow-up on recommendations raised in one 2016 project audit report was incomplete, with six recommendations still pending.

### ***Remote management***

24. The Mission had not developed a comprehensive monitoring framework, including through remote management techniques, considering the security and logistical challenges in operating in Libya. Such a mechanism was necessary, and in OIOS opinion expected, to monitor the progress in project implementation and to validate the impact and performance indicators reported by partners.

25. The Mission delegated third party monitoring to a local partner in September 2017. OIOS observed the following limitations in this endeavour: (i) the Mission relied solely on this remote monitoring mechanism, and had no additional methods of verifying the accuracy of results reported by partners; (ii) the PPA with the local partner required it to monitor only five partners; and (iii) the PPA did not require the partner to validate the impact and performance indicators reported by the five partners, as the scope of monitoring was limited mainly to surveys on the degree of satisfaction of project beneficiaries.

26. The Mission in its risk register had included various envisaged treatments to address the risk of its inability to monitor programme performance, such as introducing new oversight tools and regularly reviewing the progress of project implementation and address gaps identified. However, such mechanisms were not put in place in a comprehensive and sustained manner.

27. These control deficiencies were caused by inadequate management oversight over partnership management, the inactiveness of the MFT, and limited awareness of the Mission's staff of UNHCR's partnership management policies and procedures. The weaknesses related to remote management of partners were raised already in the previous OIOS audit in 2016. Although UNHCR had confirmed with evidence that the critical recommendation raised in that audit had been satisfactorily implemented, the current audit noted little progress in this regard. As a result, the Mission was exposed to the risk of failure to achieve its intended project objectives and to obtain best value from projects implemented by partners.

28. OIOS appreciates that the operational context in Libya is extremely difficult, but nonetheless, it is essential that UNHCR implements sufficient mechanisms to provide adequate assurance to stakeholders that the intended programme and project objectives in the country operation have been achieved.

**(3) The UNHCR Mission in Libya should implement an action plan to increase staff awareness of established policies and guidelines in partnership management and strengthen management oversight over selection and retention of partners, procurement by partners, and financial and performance monitoring of projects, including through robust remote management techniques.**

*UNHCR accepted recommendation 3 and stated that a comprehensive workshop on programme management to be facilitated by the UNHCR Global Learning Centre and IPMS would be held at the end of February 2019. Further, in coordination with IPMS, a workshop on Risk Based Monitoring and iGuard (a tool guide designed to assist in better detecting fraud at partners) was being arranged for the beginning of March 2019. The Mission was also taking steps to strengthen management and oversight related to selection and retention of partners, procurement by partners, and financial and performance monitoring of projects. All elements of the recommendation had either already been*

*implemented or in the process of being completed.* Recommendation 3 remains open pending receipt of: (i) evidence of completion of the planned staff training on partnership management; (ii) the 2019 PPAs containing complete project descriptions; (iii) evidence of full recovery of all project headquarters support cost overpayments for 2017 and 2018; (iv) risk-based monitoring plans for all 2019 PPAs; and (v) the finalised performance monitoring strategy, including through remote monitoring techniques, to validate the impact and performance indicators reported by partners.

### **C. Security and staff safety**

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]



## **D. Procurement and vendor management**

### There was a critical need to address recurring weaknesses in procurement and vendor management

33. In order to ensure the integrity of the procurement process and that UNHCR receives value for money for the acquisition of goods and services, it is essential for the Mission to: (i) prepare an annual procurement plan according to identified needs; (ii) establish an effective vendor management system; (iii) initiate timely procurement activities in accordance with the procurement plan; and (iv) ensure adequate oversight over procurement activities through a Local Committee on Contracts (LCC).

34. OIOS reviewed the minutes of all four Vendor Review Committee (VRC) meetings and 20 LCC meetings held from 1 January 2017 to 31 May 2018, and 40 purchase orders worth \$10.6 million, (61 per cent of the total value of procurement). The review noted the following:

#### ***Vendor management***

35. The VRC, during its four meetings, only discussed the registration of seven vendors and the reactivation of two vendors. The VRC did not discuss the performance of existing vendors, which was essential when soliciting offers through requests for quotation.

#### ***Annual procurement planning***

36. The Mission prepared a procurement plan on 15 August 2017 covering August to December 2017 related to funds allocated to respond to the Level 2 emergency declared in August 2017. However, it did not prepare a procurement plan for 2018, resulting in unnecessary procurement and higher warehousing costs.

#### ***Procurement process***

37. The Mission had not concluded frame agreements for travel services or a service contract for cleaning services, as expected. It procured flight tickets amounting to \$128,000 and \$66,000 during 2017 and 2018 from two different travel agencies. No competitive bidding was conducted for the travel services, and the case was not referred to LCC for deliberation despite the high value of the payments.

38. In 14 cases totaling \$6.0 million, the Mission provided potential vendors timeframes of only 2 to 12 days instead of 4 to 8 weeks as required by UNHCR rules, without justification for doing so. As a result, in most of these cases, only two to three bidders responded, reducing competition and resulting in undue benefit to some vendors because the same vendors tended to be used repeatedly. For example, one vendor supplied mattresses, pillows and winter boots through different contracts for a total amount of \$695,950. Two other vendors provided shelter kits and school kits cumulatively for \$683,830 and \$185,447, respectively.

39. OIOS review of procurement undertaken by the Mission for goods and services purchased for the Sabratha emergency response amounting to \$5.1 million noted serious weaknesses. These cases were referred to the LCC and the HCC ex-post facto. OIOS was unable to conclude on the effectiveness and efficiency of the procurement processes due to the absence of documentation to confirm whether competitive and a transparent procurement process had been followed. For example, the Mission informed OIOS that it had no other option but to accept the three vendors selected by the Government for the supply of meals, health care services, and NFIs in Sabratha. However, it could not share with OIOS a copy of the Government's directives. In addition, the Mission indicated in one of its submissions to HCC that: (i) daily distributions were conducted and supervised by UNHCR staff; (ii) UNHCR maintained 24/7 presence; (iii) distribution reports by field staff were available; and (iv) detailed reports from the suppliers on the provision of goods and services with a breakdown of costs had been received. However, no such reports were made available to OIOS. Finally, according to the invoices for meals, the average number of persons having received meals was approximately 4,509 per day, which was significantly lower than 5,429 reported to HCC. For health care services, there was no evidence of the type of individual treatments provided to patients, which is a normal practice.

#### ***Oversight by LCC and HCC***

40. Due to inadequate planning by the Mission, the LCC approved nine waivers of competitive bidding amounting to \$3.3 million and six ex-post facto cases amounting to \$3.0 million during the audit period, and the Mission submitted to the HCC five ex-post facto notifications amounting to \$8.9 million, in addition to the procurement for the Sabratha emergency discussed above. With better planning the high number of exceptions to normal procurement procedures could have been avoided.

41. The LCC also approved procurement cases above its delegated authority. For example, it approved an office rental contract at a total cost of \$123,646, an ex-post facto award of rental contract for the same office for \$602,043, and a contract for the hiring of a security company for the office in Tripoli for a total contract value of \$200,000. Each of these cases should have been submitted to the HCC for review and approval but were not. The renewal of the security contract for 2018 had not yet been initiated, and OIOS noted that it would necessitate another ex-post facto approval which could have been avoided. Finally, out of the 20 LCC minutes reviewed by OIOS, 17 did not present the required key information, such as the total value of the contract and results of financial and technical evaluations.

42. These control deficiencies were caused by lack of management commitment to internal control as only a few improvements had been made since the 2016 audit where OIOS had raised similar weaknesses. The weaknesses recurred, although the Mission had assured OIOS that the necessary actions had been taken, by referring *inter alia* to adequate training provided to national supply staff on procurement and vendor management. As a result, the Mission was exposed to an increased risk of not getting best value for money from its procurement.

43. UNHCR stated that the local context, especially at the time of the Sabratha emergency, was extremely challenging. The number of vendors available was limited, and the growing emergency needs necessitated a quick delivery of items. UNHCR's national staff were the only staff who had access to Sabratha and had to respond to the situation on the ground without international staff support, which was only available remotely. However, and with due regard to the difficult operational environment, given the large number of purchases made without competitive bidding OIOS believes that significant cost savings could have been made with better planning, monitoring and risk management.

<p><b>(5) The UNHCR Mission in Libya, in coordination with the Bureau for the Middle East and North Africa and the Division of Emergency, Security and Supply, should develop and implement an action plan to ensure that effective controls are in place over procurement</b></p>
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**and vendor management, including regular supervisory reviews, in particular over procurement planning, waivers of competitive bidding and ex-post facto approval cases.**

*UNHCR accepted recommendation 5 and stated that the Mission had conducted vendor performance evaluations, prepared an annual procurement plan for 2019, and prepared a list of waivers of competitive bidding and ex-post facto approvals covering the period from June 2018. Based on the action taken and documentation provided by UNHCR, recommendation 5 has been closed.*

## **E. Fair protection process and documentation**

There was a need to strengthen controls over the confidentiality of the registration and refugee status determination interview processes, security of documentation at registration centres and anti-fraud measures over case management

44. As part of efforts to provide persons of concern with access to effective and confidential registration and refugee status determination (RSD) processes, it is essential for the Mission to: (i) develop and implement SOPs ensuring confidentiality and respect to the applicable international standards; and (ii) develop and implement appropriate anti-fraud and corruption controls in refugee case management.

45. As indicated in paragraph 4 of this report, as of the end of May 2018, 52,739 refugees were registered with UNHCR in Libya. During the period from 1 January 2017 to 31 May 2018, the Mission completed RSD for 712 individuals and arranged resettlement for 552 persons. The Mission undertook RSD only for resettlement purposes and it was therefore not linked to the provision of assistance to persons of concern. OIOS visited one community development centre and two registration centres, and noted that further improvements were required in the registration and RSD processes. For instance, the Mission did not capture biometric data as the Government did not allow this. As biometrics were not used, there was an increased risk of inaccurate and duplicate records, as well as fraud risk in case management including resettlement. The Mission estimated that the proGres system contained at least 1,400 duplicate records. In view of the operational context, OIOS did not raise a recommendation on the method of registration, but encouraged the Mission to discuss with UNHCR headquarters on how to address this limitation. In addition, OIOS encouraged the Mission to prioritise this risk for active monitoring in its risk register.

46. OIOS observed that the overall conditions to conduct registration and RSD were less than satisfactory due to the shortage of space. Consequently, the Mission was having to conduct two interviews simultaneously in each room, impacting the confidentiality of the interview process. Also, persons of concern in the waiting area were called by name, rather than by a designated number, undermining their privacy. The filing room door was not secured by an automatic lock or password control, and persons of concern could access the room, resulting in a security risk as refugee records and secured papers used for printing refugee identity cards could be stolen. Also, controls were weak as there was no reconciliation conducted of the secured papers to identify any discrepancies. Access for disabled refugees was also unsatisfactory. Persons of concern were not always provided with relevant and complete information such as materials on their legal rights and responsibilities to follow UNHCR's and the host country's regulations and rules. Additionally, complaint boxes available for persons of concern were opened only six times during the audit period, and actions to deal with the complaints were still under process at the time of the audit.

47. The Mission had adequately developed and promulgated SOPs on anti-fraud and corruption in 2018. However, the Resettlement Fraud Vulnerability Checklist had not been completed and shared with the Division of International Protection at headquarters. In addition, for 2017 and 2018, the Mission did not conduct the required fraud vulnerability assessments.

48. Apart from the absence of a host country agreement, these control deficiencies were caused by inadequate management supervision and poorly designed security controls over registration and RSD processes, as well as delays in preparation of fraud vulnerability assessments. As a result, persons of concern were exposed to confidentiality and protection risks, and the Mission was exposed to increased risks of fraud in its resettlement activities.

**(6) The UNHCR Mission in Libya should take action to strengthen controls over the registration and refugee status determination processes by: (i) ensuring confidentiality of the interview process and the security of documentation in registration centres; (ii) finalizing the Resettlement Fraud Vulnerability Checklist, based on fraud vulnerability assessments, for sharing with the Division of International Protection; and (iii) continuing advocacy efforts with the host government to allow the use of biometric technology in Libya.**

*UNHCR accepted recommendation 6 and stated that the Mission had taken action to be compliant with the confidentiality guidelines (even though registration in Tripoli had been suspended since September 2018 due to the security situation), finalised the Resettlement Fraud Vulnerability Checklist, and taken advocacy efforts with the Government on the use of biometric technology. Based on the action taken and documentation provided by UNHCR, recommendation 6 has been closed.*

## **F. NFI distribution and warehouse management**

There was a need to strengthen controls over NFI distribution and warehouse management, in particular in respect of needs assessments and monitoring of the delivery of NFIs to beneficiaries

49. In order to ensure delivery of NFIs in a timely manner to the intended beneficiaries of concern, it is important for the Mission to: (i) establish beneficiary targeting criteria; (ii) develop and deliver a distribution plan that is communicated to recipients; (iii) conduct post distribution monitoring and reconciliations to ensure items reach the intended beneficiaries; and (iv) effectively manage warehouses with suitable record keeping and physical controls.

50. The Mission's expenditure for 2017 and budget for 2018 related to NFI distributions amounted to \$11.8 million and \$2.7 million respectively. As of early July, the Mission had \$7 million in stock of NFIs. For 2017 and 2018, it delegated the management of its warehouse operations to an international partner, whose PPA expenditure in 2017 and budget for 2018 amounted to \$313,277 and \$349,663 respectively.

### ***NFI distribution***

51. The Mission had not based its NFI distribution plans on a needs assessment, as mentioned in paragraph 15 of this report, resulting in significant excess stock balances, including 10,000 shelter kits amounting to \$2.9 million that were not needed for the current programme. Two thousand cement bags, which were a part of the shelter kits, were received in February 2018, with an expiry date of between three to six months only. These cement bags were also not stored in a cool environment, increasing the risk of deterioration because of the extreme summer heat.

52. The Mission finalised SOPs for NFI distribution only in April 2018, and prior to this, there were a number of unofficial drafts. OIOS interviews with partners involved in NFI distribution found that they were not aware that the previous informal versions had been superseded. This impacted the effectiveness of the NFI distribution process as the following was observed. The partners: (a) did not obtain signatures



from beneficiaries at the time of distribution, and did not verify the distribution lists to confirm the number and volume of items delivered to beneficiaries; (b) did not prepare distribution reports and post-distribution monitoring reports; (c) did not submit stock reports to reconcile stock available with stock distributed to beneficiaries; and (d) did not indicate their available stock balance in requisition forms for new distributions. Additionally, the Mission did not conduct spot checks, physical counts or comparisons of goods dispatched from the warehouse with partners' stock and distribution records. In the community development centre, UNHCR staff, who were in charge of interviews for registration, distributed NFIs to persons of concern; however, the Mission could not provide any records related to these direct distributions.

### ***Warehouse management***

53. The Mission had one warehouse, which was registered in MSRP and dispersed in four different locations in Tripoli. It did not conclude a service level agreement with the partner in charge of warehouse management for ensuring effective warehouse management. As a result, way bills, goods received notes and goods dispatched notes did not conform to UNHCR standard formats and were kept without sequential numbering. Historical records were not maintained in MSRP. The Mission updated MSRP only on the basis of copies of the primary shipping documents received from the warehouse.

54. The Mission had not implemented adequate security measures in the warehouses, and OIOS observed during its visits that: (a) there was no fire emergency plan for the four locations; (b) two locations had only two small fire extinguishers which did not have expiry and last refilling dates; (c) there were no no-smoking and emergency exit signs, and only one location had an emergency exit; (d) there was no perimeter wall in two locations, in one location the perimeter wall was too low to be effective, and none of the locations had any barbed wire in place; and (e) outer areas did not have flash/sensory lights and there was only one CCTV camera at each location, which was inadequate to cover the whole area

55. Inventory was not maintained in an orderly manner, with the following observed: stacking of items did not satisfy the required one-meter gap between stacks, walls and columns; items received under the same purchase order were stored in different places, and this was not recorded on bin cards; a number of baby diapers were stacked without any cartons; all locations did not have loading and unloading areas; and the ceiling of one location had holes through which sunlight and rain could pass.

56. The Mission's stock management procedures also needed to improve, as it had not determined optimal stock levels and re-order points, and did not have a process for identifying slow moving items and thus some inventory was older than four years. Also, although the SOPs on NFI distribution required the Mission to maintain contingency stock levels at 10 per cent, warehouse staff were unable to identify inventory items reserved as contingency stock. Moreover, because of insufficient planning, the warehouse faced shortage of space, resulting in 45,000 plastic sheets, 35 generators, and timber and wooden logs having to be stored in the open, exposing them to poor weather conditions and the risk of theft. The Mission was also awaiting the delivery of 8,000 shelter kits, 50,000 mattresses, and medical supplies, which required additional space.

57. Although the Mission faced constraints in remotely managing project activities, the previous 2016 OIOS audit reported that the Mission had received complaints from local communities and other sources that NFIs had not been delivered to the intended beneficiaries. OIOS therefore recommended that the Mission identify all key risks related to monitoring of NFI distributions, analyse and evaluate these risks, and develop and implement a plan to respond to them. While the Mission confirmed that the risks related to remote monitoring of NFI had been analysed and mitigating treatments designed, OIOS concluded that these were not fully effective, as the Mission's weaknesses related to NFI distribution had persisted. As a result, the Mission continued to be exposed to the risk of NFIs not reaching intended beneficiaries and losses through theft.

**(7) The UNHCR Mission in Libya should: (i) conduct a needs assessment to accurately plan for procurement of non-food items (NFIs); (ii) develop annual and quarterly NFI distribution plans; (iii) strengthen monitoring of the delivery of NFIs to beneficiaries through regular reconciliations and post-distribution monitoring; and (iv) implement an action plan to strengthen controls over the storage of inventory, warehouse layout, contingency stocks, security risks in the warehouse, and warehouse documentation.**

*UNHCR accepted recommendation 7 and stated that the Mission had conducted site specific sectoral/NFI needs assessments, prepared winterization distribution plans, undertaken post distribution monitoring, shared the relevant SOP to be followed with the partner managing UNHCR's warehouses in Libya, conducted an inventory reconciliation, and defined the level of contingency stocks. Recommendation 7 remains open pending receipt of: (i) documentary evidence of comprehensive needs assessments conducted based on a participatory approach; (ii) annual and quarterly NFI distribution plans; (iii) evidence of regular reconciliation of stock reports, way bills and distribution reports with lists of beneficiaries containing their signatures; and (iv) a sample of post-distribution monitoring reports from each partner distributing NFIs on UNHCR's behalf.*

## **G. Cash based interventions**

### There was a need to strengthen controls over CBI implemented by partners

58. In order to ensure effective programming and delivery of CBI through partners, it is essential for the Mission to adequately plan and design the CBI programme, including by: (i) undertaking a risk assessment and assessing the feasibility of such a programme; (ii) assessing the capacity and competency of the partners involved in the delivery of CBI; (iii) ensuring that partners establish effective procedures, criteria and financial controls for CBI; and (iv) conducting post distribution monitoring.

59. The Mission's CBI expenditure for 2017 and budget for 2018 amounted to \$1.2 million and \$3.1 million respectively. It implemented CBI through two partners in 2017. Several market assessments were conducted by non-governmental organizations, and post distribution monitoring was conducted by the two partners and a third party. However, OIOS noted areas that needed to improve. For instance, a comparative advantage assessment of direct implementation by UNHCR versus implementation by partners was not conducted, although direct implementation is the preferred way of delivering CBI as per UNHCR Policy on Cash-Based Interventions. At the time of the audit in June 2018, the Mission had yet to develop an overall CBI strategy supported by such an assessment. Additionally: (a) when selecting two additional partners for implementing CBI projects in 2018, the IPMC did not discuss the proposed partners' competence in managing CBI-related risks, and the quality of their financial controls in managing CBI, in particular in their local offices; (b) project descriptions in the PPAs did not describe the partners' responsibilities in conducting CBI; and (c) one of the two partners did not include beneficiary selection criteria in its SOP and the other partner did not mention post distribution monitoring in its CBI procedures.

60. These shortcomings were primarily caused by inadequate management oversight over CBI projects, increasing the risk of project objectives not being achieved and CBI resources not being well-spent.

**(8) The UNHCR Mission in Libya should strengthen controls over cash-based interventions (CBI) by: (i) establishing an overall CBI strategy supported by an analysis of the comparative advantage of implementing through partners as opposed to through direct implementation; (ii) assessing the capacity and competence of CBI partners selected for 2019 projects; (iii) clearly describing partner responsibilities for conducting CBI in the**

**Project Partnership Agreements; and (iv) ensuring that partners establish adequate procedures, criteria and financial controls over CBI.**

*UNHCR accepted recommendation 8 and stated that the Mission had developed a CBI strategy, assessed the capacity and competence of CBI partners, described partner responsibilities in the PPAs, and ensured the establishment by partners of adequate procedures, criteria and financial controls. Based on the action taken and documentation provided by UNHCR, recommendation 8 has been closed.*

#### **IV. ACKNOWLEDGEMENT**

61. 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 Libya 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 Mission in Libya should develop and execute an action plan to satisfy the fundamental requirements of operations management, which should include, <i>inter alia</i> , implementing the mandatory multi-functional team approach, undertaking a comprehensive assessment of the needs of persons of concern, and verifying the programme achievements based on UNHCR's Results Framework.	Critical	O	Submission to OIOS of: (i) evidence of a comprehensive needs assessment conducted, covering both refugees and IDPs; and (ii) a comprehensive and accurate key indicator report, supported by implementation of the monitoring strategy, including through remote monitoring techniques.	30 April 2019
2	The UNHCR Mission in Libya, in coordination with the Bureau for the Middle East and North Africa, the Division of Financial and Administrative Management and the Division of Emergency, Security and Supply, should address risks associated with the difference between official and market exchange rates, in particular in respect of project expenditures by partners, payment of project instalments and procurement of goods and services.	Critical	O	Submission to OIOS of: (i) evidence of implementation of joint tenders, frame agreements, international procurement and market surveys, and coordination with DESS for any procurements exceeding \$100,000; and (ii) evidence that the Mission has implemented adequate controls over the payment of project instalments, together with evidence of follow-up on the installment payments made in 2017 and 2018 to the local partner.	30 April 2019
3	The UNHCR Mission in Libya should implement an action plan to increase staff awareness of established policies and guidelines in partnership management and strengthen management oversight over selection and retention of partners, procurement by partners, and financial and performance monitoring of projects, including through robust remote management techniques.	Critical	O	Submission of: (i) evidence of completion of the planned staff training on partnership management; (ii) the 2019 PPAs containing complete project descriptions; (iii) evidence of full recovery of all project headquarters support cost overpayments for 2017 and 2018; (iv) risk-based monitoring plans for all 2019 PPAs; and (v) the finalised performance monitoring strategy,	30 June 2019

<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 Libya 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>
				including through remote monitoring techniques, to validate the impact and performance indicators reported by partners.	
5	The UNHCR Mission in Libya, in coordination with the Bureau for the Middle East and North Africa and the Division of Emergency, Security and Supply, should develop and implement an action plan to ensure that effective controls are in place over procurement and vendor management, including regular supervisory reviews, in particular over procurement planning, waivers of competitive bidding and ex-post facto approval cases.	Critical	C	Action completed.	Implemented
6	The UNHCR Mission in Libya should take action to strengthen controls over the registration and refugee status determination processes by: (i) ensuring confidentiality of the interview process and the security of documentation in registration centres; (ii) finalizing the Resettlement Fraud Vulnerability Checklist, based on fraud vulnerability assessments, for sharing with the Division of International Protection; and (iii) continuing advocacy efforts with the host government to allow the use of biometric technology in Libya.	Important	C	Action completed.	Implemented

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the operations in Libya 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>
7	The UNHCR Mission in Libya should: (i) conduct a needs assessment to accurately plan for procurement of non-food items (NFIs); (ii) develop annual and quarterly NFI distribution plans; (iii) strengthen monitoring of the delivery of NFIs to beneficiaries through regular reconciliations and post-distribution monitoring; and (iv) implement an action plan to strengthen controls over the storage of inventory, warehouse layout, contingency stocks, security risks in the warehouse, and warehouse documentation.	Important	O	Submission to OIOS of: (i) documentary evidence of comprehensive site specific sectoral/NFI needs assessments conducted based on a participatory approach; (ii) annual and quarterly NFI distribution plans; (iii) evidence of regular reconciliation of stock reports, way bills and distribution reports with lists of beneficiaries containing their signatures; and (iv) a sample of post-distribution monitoring reports from each partner distributing NFIs on UNHCR's behalf.	31 March 2019
8	The UNHCR Mission in Libya should strengthen controls over cash-based interventions (CBI) by: (i) establishing an overall CBI strategy supported by an analysis of the comparative advantage of implementing through partners as opposed to through direct implementation; (ii) assessing the capacity and competence of CBI partners selected for 2019 projects; (iii) clearly describing partner responsibilities for conducting CBI in the Project Partnership Agreements; and (iv) ensuring that partners establish adequate procedures, criteria and financial controls over CBI.	Important	C	Action completed.	Implemented

# **APPENDIX I**

## **Management Response**

## Management Response

## Audit of the operations in Libya 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 Mission in Libya should develop and execute an action plan to satisfy the fundamental requirements of operations management, which should include <i>inter alia</i> implementing the mandatory multi-functional team approach, undertaking a comprehensive assessment of the needs of persons of concern, and verifying the programme achievements based on UNHCR's Results Framework.	Critical	Yes	Senior Programme Officer	(i) Implemented (ii) Implemented (iii) In progress to be completed by 30 April 2019	<p>(i) The multifunctional team, whose composition was updated in November 2018, has been involved in several key activities of the operations management cycle to date, including development of the 2019 operations plan, and partner selection/retention. Documentary evidence has been shared with the auditors.</p> <p>The Operation prepared the monitoring plan for reviewing partners' final 2018 financial and performance reports. The 2018 partner reports are due by 15 February 2019 when the review will take place. For 2019 projects, risk-based monitoring plans are being prepared for each PPA. Evidence of this MFT monitoring planning has been shared with the auditors.</p> <p>(ii) The mission has drafted an assessment plan and an assessment registry. A needs assessment is to be conducted prior to the 2020/2021 planning cycle, so that the 2020 plan is evidence based and best addresses the needs of all populations. The assessment plan will help the mission</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.



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

						<p>implement the mandatory AGD approach and have proper documentation, and will help the mission implement other sectoral or required assessments before resources are allocated for activities. The assessment registry will help the mission track all assessments done by UNHCR and its partners and also track coordinated assessments from the clusters that feed into UNHCR programming. A number of assessments that were done in 2018, 2017 and 2016 have also been added to the current registry.</p> <p>The following documents including the draft assessment plan, assessment registry, and assessment reports and supporting documents have been shared with the auditors, as well as an assessment registry from a partner.</p> <ul style="list-style-type: none"> <li>- Assessment registry (two different templates)</li> <li>- Methodology for participatory assessment</li> <li>- Needs assessment initial plan</li> <li>- UNHCR Libya 2018 participatory assessment report and supporting documents</li> <li>- Assessments by partners</li> </ul> <p>(iii) The Mission will submit its 2018 year-end report by the global deadline of end February. This will include reports on all impact and performance indicators. Evidence will be shared with auditors upon completion of the year-end report. The Mission is working through its</p>
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						multifunctional team to collect and verify the indicator data, including through the monitoring of partners' final 2018 reports as mentioned above.
2	The UNHCR Mission in Libya, in coordination with the Bureau for the Middle East and North Africa, the Division of Financial and Administrative Management and the Division of Emergency, Security and Supply, should address risks associated with the difference between official and market exchange rates, in particular in respect of project expenditures by partners, payment of project instalments and procurement of goods and services.	Critical	Yes	ACOM Admin in coordination with a multi-functional team	(i) Implemented (ii) 30 April 2019 (iii) Superseded by 2019-2021 UN BOS Strategy	(i) The operation, MENA Bureau and functional Divisions initiated concrete steps to strengthen the procurement procedures to ensure that effective competition is sought and best value for money is obtained. UNHCR has shared with OIOS the paper describing the actions to be taken for this purpose. It should be noted however that less than 2 % of the procurement by value was done in local currency during the audited period, hence UNHCR assessed that the risk of exposure to inefficiencies in procurement due to fluctuating local currency exchange rates was mitigated.  Furthermore, in mid-2018, under the umbrella of the United Nations Country Team (UNCT), the United Nations Operations Management Team (OMT), formed the Business Operations Strategy (BOS) 2019-2021 Working Group. The group is comprised of the UN Procurement Working Group, the UN Finance Working Group, UN Fleet Management and the HR Working Group. The comprehensive team, jointly with the UN expert on BOS planning, conducted research on best practices on the ground to address the challenges of exchange rates as well as the liquidity crisis. UNHCR will also take into account the findings and the recommendations included in the report issued by BOS when making decisions on procurement for the Libya operation.

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					<p>UNHCR Libya will use the BOS to further improve cooperation between UN agencies, in particular for joint tenders and frame agreements, as well as international procurement, to the extent possible and as allowed by the national authorities, given severe restrictions on the importation of goods. This should mitigate further the risk of vendor collusion and budgetary losses due to vendor exchange rate manipulation.</p> <p>UNHCR has also taken measures to strengthen the supply function so that more adequate capacity is available to make better procurement decisions. UNHCR Libya relocated its Procurement Unit in December 2018 to Tunis and strengthened its capacity by deploying two experienced Procurement and Supply Officers on mission. This was followed by the creation of a P2 position effective 1 February 2019 and the operation is currently finalizing a proposal for the creation of a P4 position effective 1 March 2019.</p> <p>(ii) In 2017-2018, the operation procured more than 90% of its goods and services in USD. Only 2% of procurement by value was done in LYD during the same period. DESS expert supply staff have been on mission to the Libya operation to develop a work plan for BOS strategy implementation on the ground, and to review the modalities for the management of international procurement which has been hampered by severe restrictions imposed by the national authorities on importation of goods into Libya.</p> <p>In that respect, the Operation will work through the MFT approach to ensure that the delegation of procurement to partners and relevant payments are</p>
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Audit of the operations in Libya for the Office of the United Nations High Commissioner for Refugees

						<p>done in compliance with the recommendations of the 2019-2021 BOS.</p> <p>(iii) UNHCR will pay particular attention when formulating tender documents so that the best options in terms of contractual currency and exchange rates are considered. The recommendation has been superseded by the comprehensive research findings of the Business Operations Strategy (BOS) 2019-2021 which noted that payments in local currency (LYD) could represent a substantial financial loss for the UN System, as vendors provide higher quotes in LYD. Hence UNHCR, being an integral part of the UN country team, will give due consideration to the UN BOS strategy and consider soliciting bids in US dollars, to avoid inefficiencies related to exchange rate fluctuations, whenever feasible, depending on the goods and services solicited and also considering the importation duties to pay, as well as the time needed to clear the goods through customs.</p>
3	The UNHCR Mission in Libya should implement an action plan to increase staff awareness of established policies and guidelines in partnership management and strengthen management oversight over selection and retention of partners, procurement by partners, and financial and performance monitoring of projects, including through robust remote management techniques.	Critical	Yes	Senior Programme Officer	(i) In progress to be completed by 30 June 2019 (ii)– (xi) Implemented	<p><b>Staff capacity:</b> Based on identified training needs and in order to enhance the capacity of staff across the Libya operation, a comprehensive workshop on programme management, which covers essential topics including planning, budgeting, implementing with partners, risk-based and remote monitoring, and a thorough review of UNHCR's corporate software, will be held at the end of February, targeting 35 key staff from all functions. The agenda and list of participants has been shared with the auditors. This training will be facilitated by the Global Learning Centre (GLC) and IPMS in close coordination with the Mission and MENA Bureau.</p>

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					<p>Further, in coordination with IPMS, a two day workshop on Risk Based Monitoring and iGuard has been arranged for the beginning of March for MFT members. This workshop will be facilitated by an audit firm resource person who has conducted similar workshops successfully for UNHCR. The main objectives of this workshop are:</p> <ul style="list-style-type: none"> <li>a) to support the UNHCR Libya Office in Tunis in their preparation of the project-based monitoring documentation. The idea is to have a set of documents for each project, and then a single combined set of documents at the country level to enable risk-based monitoring of projects; and</li> <li>b) introduce the use of iGuard with the aim of enhancing fraud risk detection and reduction of fraud risks related to projects implemented through partnerships.</li> </ul> <p>The Mission is taking steps to strengthen management and oversight related to selection and retention of partners, procurement by partners, and financial and performance monitoring of projects. In 2019, all PPAs have the required annexes prior to signature.</p> <p><b>Partner selection/retention and procurement by partners:</b>          The IPMC met to review partner selection and retention for the 2019 project year, as per the normal partner selection/retention process. Their deliberations included the two partners with whom the mission has been working since 2011 and 2012. The IPMC minutes and supporting documents have been shared with the auditors.</p>
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					<p>The IPMC deliberated delegation of procurement to partners in 2019 through a cost benefit analysis and assessment of procurement capacity, as per the guidelines on designating procurement to partners. The corresponding minutes and supporting documents have been shared with the auditors.</p> <p>During its deliberation on delegation of procurement to partners, the IPMC recommended not including procurement over USD 100,000 to a partner until an assessment of procurement capacity is conducted. The partner is currently in the process of applying for prequalification for procurement, with guidance from the Mission on the required documentation. Evidence has been shared with the auditors.</p> <p><b>Project Headquarters Support Costs (PHSC):</b> Based on the extensive consultations that the operation had with IPMS, the overpayment to partners is not as substantial as originally assessed. The correct PHSC calculations, also checked against OIOS’s own calculation, are as follows:</p> <p>PHSC in 2017: There are over payments to 3 partners amounting to \$11,197 altogether.</p> <p>The operation will take immediate action to recover the above over paid amounts.</p> <p>PHSC in 2018: The summary is as follows: o Under budgeting amounting to \$357; o Over budgeting related to 3 partners and amounting to \$7,192 altogether.</p> <p>According to the standard procedures in place, the PHSC calculations are adjusted at the end of the projects, since it is at that moment that UNHCR has</p>
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						<p>evidence of the final actual expenses incurred. The above discrepancies will be adjusted during the final PFR verifications and uploaded in the system based on actual expenditure.</p> <p><b>Release of instalments:</b> It is normal practice in the operation to verify every financial report prior to releasing the next instalment, in line with UNHCR policy on this matter. However, there are some exceptional cases which necessitate release of instalments prior to verification of a previous financial report and due to urgent needs to sustain cash flow so that vital services to persons of concern are not negatively impacted. For example, in cases where the project budget is revised to be substantially higher than the initial or previous budget, already-released instalments may need to be augmented in order for the partner to be able to achieve its objectives as per the revised work plan. In such cases, the subsequent instalment of the revised PPA will not be released until the financial report for the augmented instalment has been verified. Evidence of verification of financial reports prior to release of the next instalment has been shared with the auditors.</p> <p><b>Risk-based and remote monitoring:</b> Based on the assessed risks of partners and 2017 project audit reports including Internal Control Questionnaires (ICQs), the operation has already completed risk-based monitoring plans for the PPAs that have been signed with the participation of the MFT. This exercise will be replicated and risk-based monitoring plans will be done for all 2019 PPAs.</p>
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Management Response

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

					<p>The planned workshop on risk-based management and development of monitoring plans, to be facilitated by an audit firm in close coordination with IPMS in March, will further enhance the quality of the plans and the risk-based monitoring process in the operation. In order to enhance monitoring, the operation has also completed a comprehensive monitoring plan for its direct implementation activities with the participation of the MFT, with inputs received from different units and the MFT. Evidence of the above actions has been shared with the auditors.</p> <p>The operation has developed a draft monitoring strategy, including possible remote monitoring techniques, for performance and financial monitoring (including procurement by partners) to implement clear and harmonized monitoring procedures with a clear division of responsibilities and accountabilities. The draft strategy has been shared with the auditors.</p> <p>This strategy should be read in conjunction with the UNHCR Programme Manual (Chapter 4) Project Partnership Agreement provisions and annexes, as well as other strategies that are specific to the Libya Operation. This draft strategy will be further developed in consultation with the MFT and relevant HQ technical units and is expected to be finalized by mid-February 2019.</p> <p><b>Follow up on external audit recommendations:</b> Evidence of completion of the follow up on the pending recommendations raised in the 2016 project audit pertaining to the partner in question has been shared with the auditors.</p>
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Audit of the operations in Libya for the Office of the United Nations High Commissioner for Refugees

	<p>[REDACTED]</p>	<p>[REDACTED]</p>	<p>[REDACTED]</p>	<p>[REDACTED]</p>	<p>[REDACTED]</p>	<p>[REDACTED]</p>
<p>5</p>	<p>The UNHCR Mission in Libya, in coordination with the Bureau for the Middle East and North Africa and the Division of Emergency, Security and Supply, should develop and implement an action plan to ensure that effective controls are in place over procurement and vendor management, including regular supervisory reviews, in particular over procurement planning, waivers of competitive bidding and ex-post facto approval cases.</p>	<p>Critical</p>	<p>Yes</p>	<p>Supply Officer</p>	<p>Fully Implemented</p>	<p>UNHCR would like to clarify that vendor performance evaluations are now regulated more clearly in the Operational Guidance Note (OGN) on Vendor and Contract Management which became effective on 6 June 2018 (pages 18 to 23). Based on this (page 20) “the frequency of the Vendor performance evaluation shall be decided ad hoc by the Contract Manager depending on the duration of the contract, the nature of the requirement and the risk involved”. In addition, the OGN requires that at “Every year, by the end of the first quarter of the following year, the Vendor Performance Annual Rating should be reviewed and formally re-evaluated to assess if it has changed”. Sample vendor performance evaluations conducted by the contract manager, including minutes on the vendor performance annual review have been shared with auditors.</p>

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						<p>The mission in Libya has established a comprehensive procurement plan for 2019 with inputs from all requesting units. This plan has been shared with auditors. It will be updated on a quarterly basis.</p> <p>UNHCR has established a list of procurement activities which were either conducted on the basis of a waiver of competitive bidding or which require ex-post facto notification to the relevant procurement authority. These procurement cases have been either submitted to the relevant procurement authority (LCC, RCC, and Chief of Mission) or the submission is being prepared. The list has been shared with the auditors.</p>
6	<p>The UNHCR Mission in Libya should take action to strengthen controls over the registration and refugee status determination processes by: (i) ensuring confidentiality of the interview process and the security of documentation in registration centers; (ii) finalizing the Resettlement Fraud Vulnerability Checklist, based on fraud vulnerability assessments, for sharing with the Division of International Protection; and (iii) continuing advocacy efforts with the host government to allow the use of biometric technology in Libya.</p>	Important	Yes	Senior Protection Officer	<p>(i) Implemented (ii) Implemented (iii) Implemented</p>	<p>(i) Although the Mission has taken steps to be compliant with confidentiality guidelines, registration in Tripoli has been suspended since September 2018 due to the security situation. Registration will resume when security measures are enhanced in the current building, or a more secure building is found which complies with confidentiality guidelines. Further details and explanation have been provided to the auditors. SOPs for complaint and feedback have been updated and will be duly implemented once registration resumes. Evidence of review of complaints has been shared with the auditors.</p>

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						<p>(ii) Evidence provided and accepted by OIOS. Recommendation closed.</p> <p>(iii) The Mission provided evidence of advocacy efforts taken with the host government on the use of biometric technology.</p>
7	<p>The UNHCR Mission in Libya should: (i) conduct a needs assessment to accurately plan for procurement of non-food items (NFIs); (ii) develop annual and quarterly NFI distribution plans; (iii) strengthen monitoring of the delivery of NFIs to beneficiaries through regular reconciliations and post-distribution monitoring; and (iv) implement an action plan to strengthen controls over the storage of inventory, warehouse lay out, contingency stocks, security risks in the warehouse, and warehouse documentation.</p>	Important	Yes	<p>Field Coordinator</p> <p>Supply Officer</p>	31 March 2019	<p>i) Site specific sectoral/NFI needs assessments have been conducted and documentary evidence has been provided to the auditors. Documentation on needs assessments, both previous and planned, have been shared in response to recommendation 1.</p> <p>ii) Documentary evidence of the winterization distribution plans has been shared with the auditors.</p> <p>iii) Sample post distribution monitoring reports have been shared with the auditors.</p> <p>iv) The Mission has shared the relevant SOP to be followed with the partner managing UNHCR’s warehouses in Libya. This helps to ensure that the partner is now applying the appropriate procedures and the correct formats for way bills, goods received notes and stock cards. Evidence of communication with the partner, including the SOP on warehouse management and examples of way bills, Goods Received Notes and stock cards conforming to UNHCR’s SOP have been shared with the auditors.</p> <p>Evidence of physical verification of inventories and inventory reconciliation have been shared with auditors.</p> <p>In addition, the Mission has defined the level of contingency stocks and is in the process of</p>

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						segregating and labeling this stock physically in the warehouse and reflecting the same in MSRP records.
8	The UNHCR Mission in Libya should strengthen controls over cash-based interventions (CBI) by: (i) establishing an overall CBI strategy supported by an analysis of the comparative advantage of implementing through partners as opposed to through direct implementation; (ii) assessing the capacity and competence of CBI partners selected for 2019 projects; (iii) clearly describing partner responsibilities for conducting CBI in the Project Partnership Agreements; and (iv) ensuring that partners establish adequate procedures, criteria and financial controls over CBI.	Important	Yes	Senior CBI Officer	Fully Implemented	<p>i) A draft CBI strategy has been developed for rollout of cash assistance under direct implementation, supported by an analysis of the comparative advantage of implementing through partners as opposed to through direct implementation. The strategy outlines the operation's objective of moving toward a direct implementation CBI programme when conditions allow. As per the strategy, UNHCR is working on building its infrastructure toward a direct CBI programme, however, for the time being, while there is a comparative advantage for partners, CBI will continue to be implemented by partners in 2019.</p> <p>ii) Evidence has been shared with the auditors, which includes MFT review of CBI partners, IPMC selection/retention minutes, and capacity assessment of CBI partners.</p> <p>iii) The Mission is ensuring that Project Partnership Agreements for 2019 describe partners' responsibilities for conducting CBI. Evidence has been shared with auditors.</p> <p>iv) All three partners have SOPs for CBI in place, developed in close consultation with the Mission. Documentary evidence has been shared with the auditors.</p>