



INTERNAL AUDIT DIVISION

REPORT 2019/042

Audit of the arrangements for cash-based interventions in the Syrian emergency at the Office of the United Nations High Commissioner for Refugees

There was a need to ensure that operations benefit from commercial expertise during contract negotiations for cash-based intervention services, and develop guidance on exit strategies and comprehensive post-distribution monitoring of cash assistance programmes

14 June 2019
Assignment No. AR2018/131/01

Audit of the arrangements for cash-based interventions in the Syrian emergency at the Office of the United Nations High Commissioner for Refugees

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the arrangements for cash-based interventions (CBI) in the Syrian emergency at the Office of the United Nations High Commissioner for Refugees (UNHCR). The audit covered the period from 1 January 2016 to 30 June 2018. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the provision of CBI in the Syrian emergency, which included: (a) programme design and planning; (b) beneficiary selection and targeting; (c) financial and operational controls; (d) procurement and contract management; (e) post-distribution monitoring and impact assessment; (f) exit strategies and graduation of recipients; (g) inter-agency and partner coordination and operational data management; and (h) regional coordination and support.

The CBI programme design and planning arrangements in the Syrian emergency were adequate, suitable beneficiary selection and targeting criteria were implemented, financial and operational controls were effective in all operations except for Iraq, and inter-agency, partner coordination and regional support arrangements were working as intended. However, there was a need to ensure that operations benefit from commercial expertise during contract negotiation for CBI services and develop guidance on exit strategies and comprehensive post-distribution monitoring of CBI programmes.

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

- Develop, at the UNHCR Representation in Iraq, an adequate audit trail of each CBI payment cycle covering beneficiary list generation and approval, payment process, beneficiary notification, collection process, and reconciliation;
- Ensure that operations benefit from relevant commercial expertise and advice when negotiating and managing contracts with vendors for CBI services;
- Develop guidance on conducting a comprehensive post-distribution monitoring and impact assessment approach that tracks outputs and outcomes against clearly defined indicators related to the intended achievements of multi-purpose and other cash assistance programmes, and that is informed by the scale and risks of CBI;
- Document, at the UNHCR Representation in Egypt, lessons learned from different cash assistance programmes to inform future programmatic design; and
- Develop guidance on exit strategies for CBI, with clearly defined pathways out of cash assistance programmes for individuals, as well as requirements for operations to establish challenging but achievable targets for each of these pathways with due consideration to the potential impact of a sudden withdrawal of cash assistance.

UNHCR accepted the recommendations, took suitable action to implement one recommendation and initiated action to implement the remaining four recommendations.

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Audit of the arrangements for cash-based interventions in the Syrian emergency at 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 arrangements for cash-based interventions (CBI) in the Syrian emergency at the Office of the United Nations High Commissioner for Refugees (UNHCR).

2. CBI refers to the provision of cash or vouchers to individuals or households to increase their purchasing power. They allow refugees and other people of concern to live with greater dignity by preserving their ability to spend money and make decisions regarding their priority needs. The effective use and expansion of CBI is an institutional priority for UNHCR. UNHCR's Strategic Directions for 2017-2021 state that UNHCR will place increased emphasis on cash-based forms of assistance to promote and support the inclusion of displaced people and benefit local communities and economies. The UNHCR Policy on CBI promulgated in 2016 committed UNHCR to scale up the use of CBI and, by 2020, double the amount of funds programmed for CBI. The policy was accompanied by a five-year implementation strategy for institutionalising CBI in UNHCR by 2020.

3. The Syria crisis resulted in the declaration of a system-wide Level 3 emergency in January 2013 which remained in place as at the time of this audit. The majority of persons displaced across borders as a result of the Syrian conflict are hosted in five countries: Egypt, Iraq, Jordan, Turkey and Lebanon. These five countries are covered by Regional Refugee and Resilience Plans (3RPs) which coordinate the actions of governments, the United Nations and non-governmental organisations (NGOs) in response to the emergency. As at December 2018, the five countries hosted 5.6 million Syrian refugees and asylum seekers.

4. From January 2016 to June 2018, the five countries had overall CBI expenditure for Syrian persons of concern of \$638 million. The most significant portion of this was spent on the provision of sufficient basic and domestic items (\$613 million, or 96 per cent of the total), followed by the provision of optimal access to education (\$9 million, 1.4 per cent of the total). The five countries directly incurred 92 per cent (\$593 million) of the overall CBI expenditure.

5. The UNHCR Bureau for Middle East and North Africa, through the 3RPs, facilitated the coordination of CBI programmes across the five countries. The Bureau had a Regional CBI Unit in the Office of the Director in Amman, Jordan. The Regional CBI Unit comprised six staff members, headed by a Senior Regional CBI Coordinator at the P-5 level reporting to the Deputy Director based in Amman. The Unit was responsible for: (a) leveraging biometric registration in the region into assistance and service delivery; (b) building regional standards to ensure consistency in regional approaches; (c) interfacing CBI systems with protection, operations, registration, information management and procurement; and (d) informing UNHCR's CBI global expansion in terms of best practices and standard setting.

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 arrangements for CBI delivered by UNHCR in response to the Syrian emergency were effectively planned, coordinated, delivered and monitored.

8. This audit was included in the 2018 risk-based work plan of OIOS due to the significant increase in the use of cash assistance in the Syrian emergency as a protection and assistance response to persons of concern, the high amounts involved, and the risk that arrangements to sustain the institutionalisation of CBI may be inadequate or ineffective.

9. OIOS conducted this audit from April to December 2018. The audit covered the period from 1 January 2016 to 30 June 2018. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the provision of CBI in the Syrian emergency, which included: (a) programme design and planning; (b) beneficiary selection and targeting; (c) financial and operational controls; (d) procurement and contract management; (e) post-distribution monitoring and impact assessment; (f) exit strategies and graduation of recipients; (g) inter-agency and partner coordination and operational data management; and (h) regional coordination and support.

10. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data, including financial data from Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system; (d) review of data extracted from proGres, the UNHCR registration and case management system, and other operational data management tools used in the region; (e) sample testing of controls; and (f) visits to UNHCR country operations in Jordan, Lebanon and Turkey and remote testing of processes and transactions for CBI in the operations in Egypt and Iraq.

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

III. AUDIT RESULTS

A. Programme design and planning

Programme design and planning arrangements were adequate

12. In order to effectively plan for CBI, it is essential to adequately understand the operational environment, consider various CBI delivery options in a robust and structured manner, and select the most appropriate one whilst identifying and mitigating associated key risks. Further, UNHCR operations need to ensure that they have the required resources and skills to implement their chosen approach.

13. The overall approach to CBI in the five operations reviewed was stated in various documents, such as Standard Operating Procedures (SOPs), the Country Operations Plans and the 3RPs. Of the five operations reviewed, four (Egypt, Iraq, Jordan and Lebanon) stated their CBI modalities in their 3RPs and SOPs for CBI. The Turkey Representation detailed its CBI approach in a strategy document written in December 2017 that specified multiple goals for which cash would be used as a modality.

14. The Jordan and Lebanon operations directly implemented all forms of CBI. The Lebanon Representation delivered CBI through the Lebanon One Unified Inter-Organisational System for E-cards (LOUISE). LOUISE was a platform and a cash system for Syrian refugees and vulnerable Lebanese, whose objective was to simplify humanitarian strategies, systems and activities. It was a joint platform between UNHCR, the United Nations Children's Fund (UNICEF), the World Food Programme (WFP), and a number of NGOs. In Jordan, the Representation delivered CBI through the use of a Common Cash Facility (CCF) platform with other 25 humanitarian partners that allowed the Financial Service Provider

(FSP) to authenticate refugee beneficiaries by linking its network of iris-enabled Automatic Teller Machines (ATMs) directly to the Representation's biometric registration database.

15. Operations in Egypt and Iraq implemented CBI directly and through partners. The Representation in Egypt directly implemented multi-purpose cash assistance (MPCA) and seasonal winter cash assistance programmes through a FSP network of 3,000 branches, whereas education and livelihoods cash assistance programmes were implemented through partners. The Iraq Representation directly implemented cash assistance through the use of mobile money wallets and used bank checks for partners. In Turkey, the modality for delivering CBI was through an FSP which supplied prepaid cards to beneficiaries. OIOS considered that the modality chosen to deliver CBI in all operations reviewed was logical and justified given the operational context, economic environment, and the views of donors.

16. All operations reviewed regularly conducted market analyses to calculate and validate the Minimum Expenditure Basket to cover their different cash assistance programmes. The SOPs for each operation reviewed contained protection and financial risks. OIOS assessed that key risks were captured and mitigation measures were logical. For example, in Lebanon, the Representation conducted detailed protection and financial risk assessments of its CBI programme and regularly reviewed its risk management strategy for the MPCA programme.

17. The duties and responsibilities of the respective CBI units in all operations reviewed were clearly defined. The CBI units in Egypt, Jordan, Lebanon and Turkey reported to either the Assistant or Deputy Representative for Operations. The CBI Unit in the Kurdish Region of Iraq reported to the UNHCR Operations Manager in the region. All CBI units had sought additional expertise as needed. For example, those in Lebanon and Jordan engaged a consultant econometrician. In addition, the CBI units collaborated closely with other units as required, notably programme, protection, information and communications technology, supply, and inter-agency coordination. Given the above, OIOS concluded that the CBI programme design and planning arrangements were adequate in the Syrian emergency.

B. Beneficiary selection and targeting

All operations reviewed had suitable targeting and vulnerability criteria based on needs assessment

18. In order to effectively target resources and ensure consistent and fair treatment of potential beneficiaries, clear criteria, based on a robust needs assessment, need to be established to determine both the beneficiaries to be selected, and the value, frequency and format of cash payments.

19. All five operations reviewed had developed clearly defined eligibility criteria for their cash assistance programmes. The largest cash assistance programme was the MPCA, which was an unconditional cash transfer to meet survival or basic needs. In Lebanon, the MPCA programme targeted monthly 33,000 of the most vulnerable Syrian households. The vulnerability was determined based on a desk formula that allocated a vulnerability score to each Syrian household based on registration data. The MPCA programme in Jordan monthly selected 30,000 of the most vulnerable Syrian households. Eligibility for the MPCA programme was determined based on an algorithmic scoring logic that measured predicted expenditure and allocated a vulnerability score to each Syrian household based on registration and home visit data. The Jordan and Lebanon operations took various measures to mitigate risks related to the application of their MPCA programme selection methods, particularly the risk of excluding or selecting a family that did not meet the set eligibility criteria. For example, in Lebanon, the Representation continually assessed and recalibrated the desk formula, whilst in Jordan, the Representation regularly conducted home visits, coordinated with NGOs delivering cash assistance, and had a strong referral and appeal mechanism to a Cash Review Committee managed by a partner implementing CBI.

20. In Egypt, the MPCA programme set a target of 11,000 payments on a monthly basis with an average amount of \$70 per household. Eligibility for the MPCA programme was determined through an annual census conducted to collect comprehensive data for both targeting and prioritisation of Syrian refugees. The Iraq operation determined eligibility for its MPCA programme through the use of a protection monitoring tool, which assessed households based on vulnerability, and made payments generally only once to each household; however, in some circumstances, additional payments could be made up to the maximum of three times per household. The Turkey Representation did not implement MPCA programmes.

21. In Lebanon, the targeting for winter cash assistance was based on the same desk formula as for the MPCA programme. In Turkey, the Representation had developed a Winter Severity Index to select locations that were most in need of winter assistance and conducted vulnerability assessments to select beneficiaries in these locations. The Egypt and Iraq operations' winter cash assistance programmes targeted all Syrian refugees registered with UNHCR who could not meet their basic needs and vulnerable cases. For emergency and protection cash assistance programmes, all operations had broader selection criteria. Case management and referral processes drove beneficiary selection for these programmes. OIOS acknowledges that greater flexibility was needed in these programmes. OIOS verified the manual selection of 594 beneficiaries in Egypt, Iraq and Turkey who received multipurpose, education, and winter cash assistance and found that they met the applicable selection criteria. Furthermore, OIOS confirmed that the desk formula used to select 66,000 beneficiaries in Jordan and Lebanon was applied automatically as intended.

22. OIOS noted that all operations had defined the transfer value basis for their respective cash assistance programmes. For instance, the Jordan and Lebanon Representations calculated the transfer value for their MPCA programmes based on an inter-agency calculation that determined the monthly Minimum Expenditure Basket and Survival Expenditure Basket. Both operations then selected a monthly transfer value to close the gap between the Survival Expenditure Basket taking into account cash for food already provided by WFP and average levels of income. OIOS, therefore, concluded that all operations reviewed had suitable targeting and vulnerability criteria based on needs assessment.

C. Financial and operational controls

Financial and operational controls were effective in all operations except for Iraq

23. In order to ensure that CBI is delivered as intended, effective controls must be in place to give assurance that the correct people are receiving the correct payments at the correct time. This requires controls over payment processing, reconciliation controls, and anti-fraud and corruption controls. This is also a requirement of the UNHCR Policy and Administrative Instruction on CBI and associated guidance.

24. OIOS reviewed a sample of payments worth a total of \$137.3 million made between January 2017 and June 2018. The sample included payments made under MPCA, winter cash assistance, protection, emergency, health and educational programmes. Payment values and selection criteria corresponded to relevant SOPs. The Jordan and Lebanon operations used a tailored information technology system called Project X developed by the Information and Communications Technology Unit in Lebanon. An independent firm audited Project X in 2016 and all issues identified in that audit were resolved by UNHCR.

25. Operations in Egypt, Iraq and Turkey had a defined manual workflow process for CBI payments covering beneficiary list generation and approval, payment process, beneficiary notification, collection

process, and reconciliation. In Egypt and Turkey, there was a clear audit trail of each step in the process with signed and dated memos on file from each responsible unit. However, in Iraq, there was a lack of an adequate audit trail of each step in the process. As a consequence, it was not possible to calculate the timeliness of payments or identify bottlenecks in the process.

26. In all operations reviewed, OIOS noted that fees levied by FSPs were accurately calculated and operations had instituted a mechanism to verify such fees. For example, the Lebanon and Jordan operations reconciled bank reports and checked the calculation of banking fees each month by analysing all transactional data processed through their respective common cash systems. Operations in Egypt, Iraq and Turkey had conducted manual reconciliations that OIOS verified as being correctly applied.

27. All operations had established feedback mechanisms. For instance, the Egypt and Lebanon operations regularly reviewed complaints submitted, and promulgated anti-fraud messaging to persons of concern. Furthermore, the CBI delivery platform used by the Lebanon and Jordan operations had in-built anti-fraud controls. For example, in Lebanon, when collecting cards from distribution points, the Representation used an automated photo matching software to confirm that the person collecting the card was the same person registered in proGres. In Jordan, no fraud related cases had been reported since the Representation started using iris-enabled ATMs to authenticate CBI beneficiaries.

28. OIOS noted that all CBI beneficiaries were registered with UNHCR and had gone through standard verification exercises. OIOS, therefore, concluded that all operations reviewed, except for Iraq, had adequate financial, operational and anti-fraud controls.

(1) The UNHCR Representation in Iraq should develop an adequate audit trail of each cash-based intervention payment cycle covering beneficiary list generation and approval, payment process, beneficiary notification, collection process, and reconciliation.

UNHCR accepted recommendation 1 and stated that the Representation in Iraq had comprehensively updated the SOPs for CBI with details of roles and responsibilities including audit trails, controls and systems for any given CBI payment cycle. Based on the documentary evidence provided and action taken by UNHCR, recommendation 1 has been closed.

D. Procurement and contract management

There was a need to ensure that operations benefit from commercial expertise during contract negotiations

29. In order to ensure the integrity of the procurement process and that UNHCR receives value for money for the acquisition of key services to support its cash-based interventions, it is essential to: (a) adequately identify procurement needs; (b) conduct timely, transparent, competitive procurement for these services; (c) ensure adequate oversight over the procurement activities by the relevant Committee on Contracts; and (d) negotiate and manage effective contracts with suitable service level agreements (SLAs) which minimise the risk of non-performance by the vendor.

30. OIOS review of the procurement for FSPs, data collection and post-distribution monitoring services for CBI in all five operations reviewed indicated that: relevant committees at both country and headquarters level provided adequate oversight on procurement processes; inputs were sought from the Treasury, Legal Affairs Service, and the Regional CBI Unit in the MENA Bureau as required; and procurement processes were conducted in a competitive and transparent manner in accordance with UNHCR procurement rules and regulations. In Jordan, for the provision of iris-enabled ATM services, the Representation opted to request for a waiver from competitive bidding after failing to attract responses

from 35 financial institutions in and around the country. However, the procurement of survey, data collection and enumeration services were conducted in a competitive and transparent manner. Furthermore, operations entered into specific frame agreements with vendors as recommended by the Headquarters Committee on Contracts in situations where operations jointly procured CBI services with other United Nations agencies. For example, the Lebanon and Jordan Representations entered into specific participating agreements with FSPs adapted to UNHCR requirements.

31. All operations reviewed actively managed contracts with FSPs and other vendors and took action to resolve issues as they emerged. Nonetheless, OIOS identified the following weaknesses in contract negotiation and management:

- In the five operations reviewed, only three (Egypt, Iraq and Lebanon) had established SLAs with FSPs. However, these SLAs lacked financial consequences in terms of timeliness and quality of services provided and non-performance of agreed deliverables.
- In Lebanon, the inter-agency Master Banking Agreement fee structure agreed with the FSP meant that assistance provided by other agencies to the same beneficiaries resulted in both UNHCR and the other agencies paying higher rates for ATM upload fees. In the three months reviewed by OIOS in detail, total ATM upload fees paid by UNHCR were on average \$40,000 higher than if only UNHCR had been uploading payments under the same terms. Whilst it is possible that if UNHCR had acted alone, it might not have been able to negotiate these specific rates with an FSP; however, increased economies of scale arising from higher levels of total CBI across all agencies should generally result in lower percentage charges.
- In Lebanon, the banking services agreement for LOUISE with the FSP stipulated United States dollars as the denomination for transfers. However, 75 per cent of withdrawals were in Lebanese pounds and the exchange rate applied by the FSP was not advantageous to refugees. This allowed the FSP to make gains as a result of insufficient provisions around exchange rate used in the Master Banking Agreement. Analysis conducted by the Representation indicated that the FSP was able to generate additional income of \$1,051,605 since the inception of the agreement in late 2016.
- In Jordan, the Representation partnered with a private company to conduct home visits to identify intended beneficiaries who met the vulnerability criteria. It paid for all costs of engaging the company and incurred \$1.5 million over two years for collecting this information. Whilst other organisations funded their own eligibility processes, some of them under the common assessment pool of the Vulnerability Assessment Framework (VAF), the cost sharing could have been documented in more detail among CCF participants.

32. The Representation in Lebanon was aware of the above-mentioned country specific weaknesses before the audit. Along with WFP and UNICEF it wrote a letter to the FSP in June 2018 highlighting the issue with the ATM fees, historical transactional data, reconciliation data and reporting.

33. As a result of these weaknesses, operations were not achieving good value for money from contracts and lacked mechanisms to incentivise FSPs and other vendors to comply with all contract requirements. The weaknesses resulted because at the time of contract negotiations suitable commercial expertise was not leveraged by operations to ensure that contracts signed with vendors would serve the best interests of UNHCR and that there are financial consequences related to the performance of vendors to protect against poor service delivery and overcharging.

(2) The UNHCR Middle East and North Africa Bureau, in consultation with the Division of Financial and Administrative Management and Legal Affairs Service, should ensure that operations benefit from relevant commercial expertise and advice when negotiating and managing contracts with vendors for cash-based intervention services.

UNHCR accepted recommendation 2 and stated that the MENA Bureau had initiated consultations with relevant entities at headquarters to develop a response to the recommendation that would touch upon the procurement planning, sourcing expertise, methodology and benchmarking that should be employed in the process. The MENA Bureau would develop a summary and a proposed action plan for implementation as a result of this consultation. Recommendation 2 remains open pending receipt of: (a) evidence of actions taken to ensure that operations benefit from relevant commercial expertise and advice when negotiating with vendors for CBI services; and (b) a sample of SLAs/contracts signed with vendors with financial consequences for poor service delivery.

E. Post-distribution monitoring and impact assessment

There was a need to provide guidance on conducting comprehensive post-distribution monitoring of cash assistance programmes

34. In order to verify that CBI is implemented as intended and assess the impact of CBI programmes, it is essential to collect accurate, reliable and timely post-distribution information. This information needs to be reviewed, analysed and evaluated to detect errors and identify lessons learnt, which can be incorporated in the next iteration of interventions.

35. For MPCA programmes, operations in Lebanon and Jordan alternated between quarterly post-distribution monitoring and outcome monitoring reports. These reports were based on face-to-face interviews with a statistically significant sample of recently included MPCA beneficiaries who had received at least two payments. OIOS assessed that the interview questions were relevant to programme delivery and objectives and provided these operations with useful information to inform future programme design. For instance, in 2017, the Jordan operation reviewed the design of its CBI programme and revised its selection criteria due to the effects of the protracted nature of the Syrian crisis, combined with the lack of resettlement opportunities, and the closure of Jordan's border with Syria. Operations in Egypt and Iraq conducted post-distributing monitoring on their MPCA programmes through third party service providers using a standard questionnaire developed by the operations on the cash collection process, the impact of cash assistance, and issues faced by beneficiaries. All five operations reviewed had conducted post-distribution monitoring on their winter cash assistance programmes.

36. Operations in Jordan, Lebanon and Turkey did not conduct post-distribution monitoring on other CBI programmes, such as health, protection and emergency cash assistance programmes, in order to inform transfer values and duration of assistance. Also, the Representation in Egypt had not adequately documented lessons learned from its CBI programme to inform its future design. OIOS further noted that specific goals of cash assistance programmes, including protection goals, were not clearly articulated and monitored so that there would be evidence as to whether they were met or not. In addition, consolidated post-distribution monitoring reports of all cash assistance programmes were not available for any of the operations reviewed. OIOS considered that a holistic post-distribution monitoring approach to these programmes was needed to assess their impact on persons of concern.

37. The lack of consolidated post-distribution monitoring was due to inadequate regional guidance on conducting such exercises. As a consequence, the operations involved in the Syrian emergency were exposed to the risk of inability to assess whether the interventions were having the desired impact.

(3) The UNHCR Middle East and North Africa Bureau should develop guidance on conducting a comprehensive post-distribution monitoring and impact assessment approach that tracks outputs and outcomes against clearly defined indicators related to the intended achievements of multi-purpose and other cash assistance programmes, and that is informed by the scale and risks of cash-based interventions.

UNHCR accepted recommendation 3 and stated that the MENA Bureau had taken up the drafting of this guidance in the regional multi-functional team. A final version of the guidance would be presented and published by August 2019 after internal validation and feedback from relevant headquarters entities and operations. Recommendation 3 remains open pending receipt of detailed guidance on conducting comprehensive post-distribution monitoring of CBI to confirm whether objectives of CBI programmes in the Syrian emergency were met.

(4) The UNHCR Representation in Egypt should adequately document the lessons learned from its cash assistance programmes to inform future programmatic design.

UNHCR accepted recommendation 4 and stated that a draft report on lessons learned had been developed. Recommendation 4 remains open pending receipt of the final report on the lessons learned exercise conducted on the CBI programmes implemented by the Egypt operation.

F. Exit strategies

There was a need for a structured framework for developing exit strategies

38. In order to facilitate identification and delivery of sustainable solutions, CBI programmes should have well-articulated exit strategies based on measurable criteria, as well as pathways to allow individual beneficiaries the possibility of becoming self-reliant over time.

39. The SOPs for CBI in four of the five operations reviewed (Egypt, Jordan, Lebanon and Turkey) contained only high-level information on CBI exit strategies. The Jordan operation had developed a standalone draft exit strategy. However, despite the draft strategy containing a chapter on communication with persons of concern, initiatives to manage beneficiaries' anxieties upon exiting from cash assistance were not stated. In Lebanon, for its MPCA programme, the Representation ran a desk formula each year to select 33,000 of the most vulnerable households based on regional allocations for cash assistance. Households included in the current list but not the following list had therefore exited from the MPCA programme. However, the Representation had not conducted a follow-up analysis of households that had exited the programme to assess whether their situation had improved or remained the same. OIOS was aware that for many of the CBI beneficiaries, there was limited scope for exiting from cash assistance or limited durable solutions. Nonetheless, OIOS was of the opinion that there was a need for well-defined strategies towards self-reliance to avoid abrupt termination of cash assistance when resources run out.

40. The issues cited above occurred because there was lack of clear guidance on the minimum aspects of an exit strategy and on how such a strategy should be developed. OIOS was of the opinion that, as a minimum, operations should list the possible pathways out of cash assistance for individual beneficiaries (such as resettlement or another durable solution, graduation through livelihoods interventions taking them out of vulnerability, or inclusion in existing national social protection

frameworks). Operations should also identify what conditions would need to be met for each of these pathways and develop indicative targets of how many beneficiaries could be expected to exit the programme through each pathway each year. In the absence of such exit strategies, there was an increased risk that UNHCR operations in the Syrian emergency would contribute to a culture of dependence amongst recipients, and that should UNHCR assistance programmes stop, beneficiaries and communities would lack the resilience required to cope.

(5) The UNHCR Middle East and North Africa Bureau should develop guidance on exit strategies for cash-based interventions, with clearly defined pathways out of cash assistance programmes for individuals, as well as requirements for operations to establish challenging but achievable targets for each of these pathways with due consideration to the potential impact of a sudden withdrawal of cash assistance.

UNHCR accepted recommendation 5 and stated that the MENA Bureau had started internal consultations on graduation and national social safety nets as the key components feeding into the exit strategy guidance. Once approved, the guidance would be disseminated internally and introduced through dedicated webinars. Recommendation 5 remains open pending receipt of detailed guidance on CBI exit strategies showing: (a) list of pathways out of cash assistance; (b) conditions to be met for each pathway programme; and (c) benchmarks and indicators for the selected pathway programme.

G. Inter-agency and partner coordination and operational data management

Inter-agency and partner coordination and operational data management arrangements were adequate

41. In order to ensure effective delivery of cash assistance to persons of concern, UNHCR needs to coordinate with other agencies, partners and government departments in a streamlined, agreed upon manner, supported by timely sharing of reliable operational data. Coordination in planning and delivery is important to avoid duplication of efforts or gaps in interventions. These broad requirements are also promulgated in the Refugee Coordination Model and are implicit in the 3RP framework.

42. Inter-agency and partner coordination for cash assistance was conducted through the 3RPs. The MENA Bureau, in collaboration with its partners, developed the 3RP framework to act as a vehicle that would enhance regional coordination, planning process and accountability mechanisms when addressing humanitarian and resilience needs of Syrian refugees and host communities in these countries. The 3RP was a nationally-led regional framework and all country plans were developed, coordinated and implemented with the full involvement of the respective governments. UNHCR regularly chaired cash working groups and either led or co-led inter-agency sector responses. All operations reviewed had established terms of reference for cash working groups to avoid duplication and gaps in responses. OIOS review of the working groups' meeting minutes indicated that these groups met regularly and shared critical information to ensure collaboration and harmonised CBI response. In Egypt and Turkey, both UNHCR and UNICEF implemented educational cash assistance programmes, but to minimise duplication they targeted different age groups of recipients. For instance, in Egypt, UNICEF provided support for children in kindergarten, whilst UNHCR provided education grants for students from grade 1 to grade 12.

43. In Lebanon, the Representation conducted assessments and targeting in a coordinated manner with other United Nations agencies. WFP used the UNHCR case number as its unique identifier for beneficiary households. Although UNICEF did not use the same unique identifier they checked for duplicates by matching their proposed beneficiary lists against UNHCR data using a simple algorithm considering the name, date of birth and other data fields. In Egypt, the Representation collaborated with

WFP through the monthly sharing of the beneficiary list to facilitate the distribution of monthly food vouchers. The Jordan Representation used a variety of platforms including Sector Working Groups, the CCF Steering Committee, and the Refugee Assistance Information System data platform to coordinate its CBI activities with other agencies. OIOS discussed with the UNICEF and WFP Representations in Egypt, Turkey and Lebanon, all of whom expressed the opinion that inter-agency coordination over cash assistance was effective. In Iraq, the UNHCR Representation was the sole agency providing significant cash assistance to Syrian refugees, as the other cash actors almost entirely assisted only internally displaced people.

44. All five operations reviewed had implemented the Refugee Assistance Information System to facilitate the coordination and monitoring of CBI partners' activities and expenditures. They all had also established suitable data sharing agreements with third parties for the use of personal data of persons of concern. For example, in Egypt, the Representation had a Memorandum of Understanding with WFP on the sharing of the beneficiary list for the monthly distribution of food vouchers and a data protection agreement with the post-distribution monitoring service provider.

45. Based on the above, OIOS assessed that inter-agency and partner coordination and operational data management arrangements were adequate.

H. Regional coordination and support

Regional coordination and support arrangements were adequate

46. In order to facilitate effective coordination of CBI across the region it is essential that: (a) the respective roles of the Regional CBI Unit in Amman and the technical units in the operations and headquarters are well understood and defined; (b) the Regional CBI Unit is kept informed of activities and developments in the operations; (c) best practices are identified and shared; (d) missions and support activities conducted by the Regional CBI Unit are well-planned and have concrete outcomes; and (e) regional tools and solutions are developed, together with clear accountabilities and authorities.

47. The Global Cash Operation Project Office based in Geneva within the UNHCR Division of Programme Support and Management provided overall coordination, guidance and technical support for institutionalising CBI in UNHCR. The Regional CBI Unit was responsible for leveraging good practices to strengthen CBI systems in all operations in the Syrian emergency and helping UNHCR establish a strong and strategic position in the region. The Regional CBI Unit also served as the link between the MENA Bureau and the Global Cash Operation Project Office on all issues about CBI programmes in the region.

48. The Regional CBI Unit provided guidance and technical support to all five operations based on needs. For example, in 2018, the Regional CBI Unit undertook a mission to support the operation in Egypt in the implementation of the iris-enabled cash delivery and also conducted a support mission to Iraq to participate in a workshop and facilitate with WFP on joint vulnerability assessment for Syrian refugees. All operations reviewed regularly informed the Regional CBI Unit about their CBI activities and sought advice and support from the Unit on areas such as procurement of FSPs, review and validation of beneficiary selection and targeting criteria, and donor proposals. The Regional CBI Unit also facilitated knowledge sharing and dissemination of best practices in the region. At the time of the audit, it was in the process of finalising regional guidance based on good practices and regional coherence and excellence in the delivery of CBI. OIOS concluded that regional coordination and support arrangements were adequate.

IV. ACKNOWLEDGEMENT

49. 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 arrangements for cash-based interventions in the Syrian emergency
at the Office of the United Nations High Commissioner for Refugees**

Rec. no.	Recommendation	Critical/ Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNHCR Representation in Iraq should develop an adequate audit trail of each cash-based intervention payment cycle covering beneficiary list generation and approval, payment process, beneficiary notification, collection process, and reconciliation.	Important	C	Action completed	Implemented
2	The UNHCR Middle East and North Africa Bureau, in consultation with the Division of Financial and Administrative Management and Legal Affairs Service, should ensure that operations benefit from relevant commercial expertise and advice when negotiating and managing contracts with vendors for cash-based intervention services.	Important	O	Submission to OIOS of: (a) evidence of actions taken to ensure that operations benefit from relevant commercial expertise and advice when negotiating with vendors for CBI services; and (b) a sample of SLAs/contracts signed with vendors with financial consequences for poor service delivery.	30 September 2019
3	The UNHCR Middle East and North Africa Bureau should develop guidance on conducting a comprehensive post-distribution monitoring and impact assessment approach that tracks outputs and outcomes against clearly defined indicators related to the intended achievements of multi-purpose and other cash assistance programmes, and that is informed by the scale and risks of cash-based interventions.	Important	O	Submission to OIOS of detailed guidance on conducting comprehensive post-distribution monitoring of CBI to confirm whether objectives of CBI programmes in the Syrian emergency were met.	30 September 2019
4	The UNHCR Representation in Egypt should adequately document lesson learned from its different cash assistance programmes to inform	Important	O	Submission to OIOS of the final report on the lessons learned exercise conducted on the CBI programmes implemented by the Egypt	30 June 2019

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

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

³ C = closed, O = open

⁴ Date provided by UNHCR in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

**Audit of the arrangements for cash-based interventions in the Syrian emergency
at the Office of the United Nations High Commissioner for Refugees**

Rec. no.	Recommendation	Critical/ Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	future programmatic design.			operation.	
5	The UNHCR Middle East and North Africa Bureau should develop guidance on exit strategies for cash-based interventions, with clearly defined pathways out of cash assistance programmes for individuals, as well as requirements for operations to establish challenging but achievable targets for each of these pathways with due consideration to the potential impact of a sudden withdrawal of cash assistance.	Important	O	Submission to OIOS of detailed guidance on CBI exit strategies showing: (a) list of pathways out of cash assistance; (b) conditions to be met for each pathway programme; and (c) benchmarks and indicators for the selected pathway programme.	30 September 2019

APPENDIX I

Management Response

Management Response

**Audit of the arrangements for cash-based interventions in the Syrian emergency
at 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 Iraq should develop an adequate audit trail of each cash-based intervention payment cycle covering beneficiary list generation and approval, payment process, beneficiary notification, collection process, and reconciliation.	Important	Yes	CBI Officer (BO Baghdad)	Completed - 31 May 2019	<p>(a) The Representation comprehensively updated the SOPs for CBI and submitted an updated version to HQ in January 2019, which were cleared and subsequently signed by the Representative on 1 February 2019.</p> <p>(b) The Representation has detailed the roles and responsibilities in Section 6 of the CBI SOPs, including auditable trails, controls and systems for any given CBI payment cycle, which includes determination of eligibility, creation of beneficiary lists, payment creation and approval, cash disbursement and reconciliation.</p> <p>(c) Documentary evidence of this has been provided to the auditors.</p>
2	The UNHCR Middle East and North Africa Bureau, in consultation with the Division of Financial and Administrative Management and Legal Affairs Service, should ensure that operations benefit from relevant commercial expertise and advice when negotiating and managing contracts with vendors for cash-based intervention services.	Important	Yes	Senior Regional CBI Coordinator	30 September 2019	<p>(a) MENA Bureau has initiated consultations with LAS, DFAM, but also Global Cash Operations (GCO) and the CBI Procurement Unit in order to fully capture the scope of this recommendation.</p> <p>(b) The response to the recommendation will contain a set of components, which will touch upon the procurement planning, sourcing expertise (internally or externally) as well as the methodology and benchmarking that should be employed in the process.</p> <p>(c) The MENA Bureau will develop a summary and a proposed action plan for implementation as a result of this consultation.</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 arrangements for cash-based interventions in the Syrian emergency
at 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
3	The UNHCR Middle East and North Africa Bureau should develop guidance on conducting a comprehensive post-distribution monitoring and impact assessment approach that tracks outputs and outcomes against clearly defined indicators related to the intended achievements of multi-purpose and other cash assistance programmes, and that is informed by the scale and risks of cash-based interventions.	Important	Yes	Senior Regional CBI Coordinator	30 September 2019	<p>(a) The MENA Bureau has taken up the drafting of this guidance in the regional multi-functional team. A draft version of said guidance had been developed by May 2019.</p> <p>(b) After internal validation, the MENA Bureau will seek feedback and input on the draft guidance from operations and from relevant HQ units/divisions.</p> <p>(c) A final version of the guidance will be presented and published by August 2019.</p>
4	The UNHCR Representation in Egypt should adequately document lesson learned from its different cash assistance programmes to inform future programmatic design.	Important	Yes	CBI Officer (BO Cairo)	30 June 2019	<p>(a) A draft report was developed by 22 May 2019 for review by the multi-functional team.</p> <p>(b) The Representation conducted a multi-functional lessons learnt workshop on 02 June 2019. The workshop drew on findings from PDM reports from the period between late 2017 and the end of 2018. It also included feedback from consultations with refugees on CBI, which were carried out during late 2018 and in 2019 as part of the Participatory Assessment.</p> <p>(c) The Representation will consolidate feedback to the draft and finalise a report latest by 30 June 2019.</p>

Management Response

Audit of the arrangements for cash-based interventions in the Syrian emergency at 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
5	The UNHCR Middle East and North Africa Bureau should develop guidance on exit strategies for cash-based interventions, with clearly defined pathways out of cash assistance programmes for individuals, as well as requirements for operations to establish challenging but achievable targets for each of these pathways with due consideration to the potential impact of a sudden withdrawal of cash assistance.	Important	Yes	Senior Regional CBI Officer	30 September 2019	<ul style="list-style-type: none"> (a) The MENA Bureau has started internal consultations on graduation and national social safety nets as the key components feeding into exit strategy guidance. (b) An internal draft will be developed by end of June 2019. (c) Once approved, consultations will be held with the concerned operations before finalising the guidance. (d) The guidance will be finalised, released internally and introduced through dedicated webinars by 31 August 2019.