



## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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### **Audit of UNHCR operations in Chad**

**Overall results relating to the effective management of UNHCR operations in Chad were initially assessed as partially satisfactory. Implementation of two important recommendations remains in progress.**

**FINAL OVERALL RATING: PARTIALLY SATISFACTORY**

**22 May 2012**

**Assignment No. AR2011/115 /01**

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# AUDIT REPORT

## Audit of UNHCR operations in Chad

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations High Commissioner for Refugees (UNHCR) operations in Chad (the Representation).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations, and rules.
3. The Representation in Chad is responsible for two major refugee caseloads: the Sudanese with 262,000 refugees, and the Central African Republic with 73,500 refugees. UNHCR assists over 90 per cent of these refugees, based on January 2011 statistics. In addition, the Representation is responsible for 192,000 Internally Displaced Persons (IDPs).
4. Following a restructuring exercise in 2009, UNHCR has 13 offices in Chad comprising one branch office, four sub-offices, and eight field offices. The functions are highly decentralized with administration, finance, supply and project management delegated to sub-offices. The presence of a growing refugee population has placed considerable strain on scarce resources in Chad. Measures to alleviate this pressure are therefore indispensable, along with the pursuit of durable solutions, in the form of repatriation or resettlement. The budget and expenditure data for the Chad operation in 2009, 2010 and 2011 is shown in Table 1.

**Table 1: Budget and expenditure data for 2009, 2010 & 2011 (in US Dollars)**

Programme	Budget 2011	Exp. 2011	Budget 2010	Exp. 2010	Budget 2009	Exp. 2009
Implementing Partner Implementation	54,443,061	54,504,113	51,746,107	52,115,436	54,600,747	41,767,892
Direct Implementation	24,122,259	23,518,413	13,770,296	13,124,399	11,927,249	11,687,530
Total programme budget	78,565,320	78,022,525	65,516,403	65,239,835	66,527,997	66,810,026
Staff costs	25,891,491	22,575,916	27,840,264	21,349,807	22,833,597	21,785,837
Administrative budget	8,317,968	8,317,968	6,963,864	6,836,984	9,917,904	9,528,899
<b>TOTAL</b>	112,774,779	108,654,796	100,320,531	93,426,626	99,279,498	98,124,762

Source: HBE 132 & HBE 160

5. Comments provided by the UNHCR in Chad are incorporated in *italics*.

## II. OBJECTIVE AND SCOPE

6. The audit of UNHCR Operations in Chad was conducted to assess the adequacy and effectiveness of the Representation's governance, risk management and control processes in providing reasonable assurance regarding **the effective management of UNHCR operations in Chad**.

7. The audit was included in the 2011 OIOS risk-based work plan in consultation with the Bureau for Africa, taking into consideration the complexity of the operation, the expenditure involved and the time since the last audit in 2007.

8. The key controls tested for the audit were (a) project management and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Project management** – controls that provide reasonable assurance that there is accurate and complete monitoring and reporting of project activities and that they are carried out in compliance with UNHCR policies and procedures; and

(b) **Regulatory framework** – controls that provide reasonable assurance that administrative activities have been carried out in compliance with UNHCR policies and procedures.

9. The key control(s) were assessed for the control objectives shown in Table 2.

10. OIOS conducted this audit from 3 May to 23 December 2011. The audit covered the period from 1 January 2009 to 30 April 2011.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

## III. AUDIT RESULTS

12. In OIOS' opinion, the Representation's governance, risk management and control processes examined were **partially satisfactory** in providing reasonable assurance regarding **the effective management of UNHCR operations in Chad**. OIOS made three recommendations to address the issues identified in the audit. While management has implemented one important recommendation whereby it amended the delegation of authority to ensure adequate segregation of duties under UNHCR's Financial Internal Control Framework (FICF), the implementation of the two other important recommendations remains in progress. Controls over project management should be strengthened particularly with regard to the selection and retention of Implementing Partners (IPs). In addition, the long outstanding open items under accounts receivable amounting to approximately \$500,000 needed to be reviewed and action taken to clear them.

13. The initial overall rating was based on the assessment of key controls presented in Table.2 below. The final overall rating is **partially satisfactory** as implementation of two open important recommendations remains in progress.

Table 2: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of UNHCR operations in Chad	(a) Project management	Partially satisfactory	Satisfactory	Partially satisfactory	Partially satisfactory
	(b) Regulatory framework	Partially satisfactory	Satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

## A. Project management

### Non-compliance with UNHCR procedures for the selection and retention of IPs

14. The UNHCR Representation in Chad did not use the Selection Committee to select the five new IPs between 2010 and 2011, and did not undertake a substantive review using the selection checklist for three of them as required by IOM59-FOM58/2009 and IOM63-FOM63/2010 on procedures to select and retain IPs. Failure to conduct a review in accordance with IP selection procedures means that UNHCR is not assured of selecting the best IPs, which may impact negatively the programme activities.

**(1) The UNHCR Representation in Chad should re-evaluate and document the selection of the five Implementing Partners (IPs) brought on board between 2010 and 2011, in accordance with established rules for selection and retention of IPs contained in IOM59-FOM58/2009 and IOM63-FOM63/2010.**

*The Representation accepted recommendation 1 and stated that the process of re-evaluating the suitability of ongoing IPs had become an annual process since mid-2010. For the current financial year, the process would be completed before the end of October 2012. UNHCR Chad will share the results of the re-evaluation when it is completed, at the latest by 30 October 2012. Recommendation 1 remains open pending receipt of the results of the re-evaluation of the suitability of ongoing IPs.*

### Adequate systems were in place to ensure that IDP information in the field is shared and used for decision making at the Headquarters level

15. UNHCR in Chad is the lead agency for the Protection Clusters<sup>1</sup> for IDPs with a responsibility to make decisions for their well-being. In its 2011 Country Operation Plan, the Representation committed to

<sup>1</sup> In September 2005, in response to a call by the General Assembly for a more predictable, effective and accountable system for IDPs, the Inter-Agency Standing Committee (IASC) agreed on the establishment of the ‘cluster approach’ targeted at predictable and accountable leadership in a total of nine sectors in response to IDP situations. Protection is one of these sectors and UNHCR became the protection cluster lead. Protection covers a wide range of activities that are aimed at ensuring respect for the rights of all individuals, regardless of their age, gender or social, ethnic, national, religious or other background. UNHCR therefore provides leadership in protection coordination in humanitarian operations at the global and country levels.

‘support increased voluntary return to villages of origin as well as local integration of those who choose not to return’. This requires accurate and timely information on IDPs. Such information is available in the field where the IDPs are located. Since the audit fieldwork took place in May 2011, the Representation had taken steps to facilitate the working of the Protection Cluster, assigning focal points, and introducing quarterly national Protection Cluster meetings to improve the central management of information on field activities. The focal points were now tasked with liaison and Secretariat functions between the main and field Protection Clusters. The Deputy Representative, acting as Protection Cluster lead, was the main point of contact for information, advice and support. The above processes were considered adequate for the management of IDP clusters in Chad.

## B. Regulatory framework

### Receivables were not managed in compliance with UNHCR Manual

16. Monitoring and clearance of receivables was identified as a weak area during the previous audit in 2007 and little progress had been made to resolve the situation. There were open items totaling \$538,815 that needed follow-up. Of this, \$331,078 (61 per cent) related to the period 2003-2009. A dedicated person was hired in March 2010 to help clear long outstanding items; however, the Representation informed OIOS that in the past year not much progress was made due to lack of information from several years back. Twenty nine per cent of this related to medical advances made, in accordance with UNHCR Manual Chapter 6, Section 3.8 to assist local staff who had medical emergencies. These payments were recorded as advances and the staff members were required to follow up reimbursement (usually 80 per cent) from their Medical Insurance Plan. The remaining 20 per cent was payable by the staff members, and where this was not paid, it should be recovered from the staff members’ entitlements.

**(2) The UNHCR Representation in Chad, in coordination with the Finance Control Section at Headquarters, should prepare an assessment of how much of the long outstanding open items need to be written off and which individuals need to be held accountable where no recovery is possible.**

*The Representation accepted recommendation 2 and stated that it had initiated the recovery process. All of the pending old balances amounting to \$157,803 had been recovered except for \$61,476 relating to medical evacuation (MEDEVAC) costs for three staff members evacuated to Dakar, for which the necessary documents were awaited from the respective MEDEVAC destinations. In addition, the Representation had already contacted these MEDEVAC offices to request for the relevant documents that will facilitate the reconciliation and ultimate recovery from concerned staff members. The Representation expected to be able to provide reasonably updated position by the end of July 2012. Recommendation 2 remains open pending receipt of documentation showing the recovery of the remaining balance of \$61,476 from three staff members.*

### Non-compliance with the FICF regarding segregation of duties in the Delegation of Authority Plans (DOAP)

17. Chapter 6 of the UNHCR Manual contains instructions for the appropriate segregation of duties. The Representation’s DOAP did not observe the segregation of duties principle, and incompatible functions were vested in certain individuals, increasing the risk of irregularities and fraud. For example, the Purchase Order match manager function, which is an override function and hence meant for senior management, was assigned to the Programme Officer, the Administration & Finance Officer and the Finance Officer, instead of to the Senior Programme Officer or Senior Administration & Finance Officer.

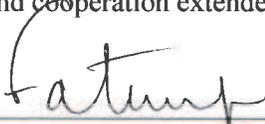
As a result of the lack of segregation of duties, OIOS increased its testing of financial transactions to provide assurance that this internal control weakness had not been exploited. No irregularity was identified.

**(3) The UNHCR Representation in Chad should amend the Delegation of Authority Plan to ensure adequate segregation of duties.**

*The Representation accepted recommendation 3 and stated that the DOAP had been revised accordingly.* Based on the action taken by the Representation, recommendation 3 has been closed.

#### IV. ACKNOWLEDGEMENT

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



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## STATUS OF AUDIT RECOMMENDATIONS

## Audit of UNHCR operations in Chad

Recom. no.	Recommendation	Critical <sup>1</sup> / important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	The UNHCR Representation in Chad should re-evaluate and document the selection of the five Implementing Partners brought on board between 2010 and 2011, in accordance with established rules for selection and retention of IPs contained in IOM59-FOM58/2009 and IOM63-FOM63/2010.	Important	O	Submission to OIOS of the results of the re-evaluation of the suitability of ongoing IPs.	30 October 2012
2	The UNHCR Representation in Chad, in coordination with the Finance Control Section at Headquarters, should prepare an assessment of how much of the long outstanding open items need to be written off and which individuals need to be held accountable where no recovery is possible.	Important	O	Submission to OIOS of documentation showing the recovery of the remaining balance of \$61,476 from three staff members.	31 July 2012
3	The UNHCR Representation in Chad should amend the Delegation of Authority Plan to ensure adequate segregation of duties.	Important	C		Implemented

<sup>1</sup> Critical recommendations address significant and/or pervasive deficiency or weakness in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important deficiencies or weaknesses in governance, risk management or internal 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.