



**UNHCR**

United Nations High Commissioner for Refugees  
Haut Commissariat des Nations Unies pour les réfugiés

## Memorandum

UNHCR

Case postale 2500  
CH-1211 Genève 2

To/ A: Mrs. Kumiko Matsuura-Mueller, Controller and Director of DFAM  
From/De: Daniel Endres, Director, Bureau for Europe *Dillu*  
File Code/Dossier: BE/RMU/2012/33  
Subject/Objet: **Formal response to the OIOS report on the audit of UNHCR operations in Southern Europe (RRSE) – ref: memorandum IAD 12-03654 of 11 June**

Date: 29 June 2012

1. Reference is made to the memorandum IAD: 12-03654 of 11 June 2012, forwarding the draft audit report issued by the Internal Audit Division – OIOS for our operations in Southern Europe (RRSE).
2. The below paragraphs and the attached matrix try to reflect our findings on this report for your kind consideration and further review.
3. In the outset though we would like to draw your attention to the fact that the overall results of the audit being rated as partially satisfactory do not show consistency with the findings of the draft report. We have noticed that during the exit brief by the auditors in November 2011 as well as in the draft report dated 7<sup>th</sup> of March shared with the RRSE for comments the only control objective rated partially satisfactory was the Compliance with mandates, regulations and rules under the key control regulatory framework while all others were considered either satisfactory or not applicable.
4. In our discussions during the two exit conferences, it was explained by the audit team that this rating was mainly due to the need to better clarify the relationships between the RRSE and PSFR, due mainly to the absence of separate business units and separate DOAPs, an observation we fully concurred with as this office has been trying to address the issue with PSFR for the past two years. In fact two out of three recommendations were linked to this issue.
5. In the following we have extracted the tables presented in the aforementioned paragraphs for your kind review and comparison.

### 5.1 Assessment of key controls (draft 6 March 2012)

**Key controls**

**Control objectives**

CC: Jolles, Lepri,  
Gullu, Vonkeman

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Business objective		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Management of UNHCR operations in Italy	Regulatory Framework	Not applicable	Satisfactory	Satisfactory	Partially satisfactory
	Coordinated management mechanisms	Satisfactory	Not applicable	Not applicable	Satisfactory

## 5.2 Assessment of key controls (draft 11 June 2012)

	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 RRSE	(a) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Coordinated management mechanisms	Satisfactory	Satisfactory	Satisfactory	Satisfactory

6. The RRSE provided extensive comments to the draft report received the 6<sup>th</sup> of March in which there was no mention of any finding or negative observation concerning the efficiency and effectiveness of operations, accuracy of financial and operational reporting and safeguarding of assets. On the contrary it was clearly indicated that the auditors were satisfied with the key controls being adequate and implemented.
7. To our great surprise the revised draft report, dated 11 June 2012 shows an assessment of key control table that is at significant variance with the two briefs given in Geneva and Rome as well as with the draft report that was sent to RRSE for comments. We thus fail to understand how the assessment could have been so significantly modified in the course from the first report to the latest report that was sent to various sections of UNHCR, particularly as the text, key findings and recommendations appear not to have altered, except for inclusion of responses given by RRSE.
8. It is therefore with regret that RRSE feels compelled to reject the outcome of the latest report and would appreciate receiving some explanation of the possible new elements that have surfaced between the first (6 March 2012) and latest report (11 June 2012) and the parameters that apply to better understand the so far incomprehensible change in outcome. The recommendations have been accepted and we believe implemented.
9. In addition RRSE would like the auditors to note that all three recommendations made in both reports have been addressed and implemented.

10. Attached you will find copies of documents that confirm that action was taken in relation to the two recommendations concerning the relation PSFR/RRSE:

The following summarizes the follow up actions on these recommendations:

**Rec. 1: Initiate a review of current working arrangements PSFR/RRSE (IMPLEMENTED)**

11. There are now two separate business units (PSFR and RRSE) that clearly distinguish the two operations in terms of budget management, spending and authority, clarifying responsibilities and accountabilities in the delegated authority plan in line with the UNHCR accountability framework. In addition you will also find SOPs signed by the Directors of DER and BE that clarify and formalize working arrangements and supervision.

**Rec. 2: Exploring possibility of engaging legal assistance for recovery of outstanding double payment (IMPLEMENTED)**

12. The situation with regard to the initial outstanding amount of 12,200 \$ as a result of two double payments made 4 years ago is as follows: Following a write off by headquarters of one of the payments and the refund to UNHCR of a first instalment by the second person (a contractor), the remaining outstanding amount was of 4, 457\$. Through the intervention of a lawyer the contractor had accepted to refund the owed double payment in instalments. As suggested by the auditors we have not only explored but in fact retained a lawyer who has started to pursue with legal means the contractor who still needs to refund part of the double payment. As a result we have already recovered part of the outstanding payment. After the payment of the first instalment the contractor disappeared. He no longer responded to letters, phone calls, legal queries, and is no longer located at his previous address. After discussions at the office and with the lawyer and the conclusion that due to the fact that the contractor cannot be reached despite many attempts to locate him, it was suggested to request the HAMB for a to write off of the remaining amount. The RAMB was convened and accepted to endorse the write off. The recommendation of the RAMB has been sent to Headquarters HAMB to take action in relation to this long outstanding open item. (Documentation attached)

**Rec. 3: Review DOAP with a view to minimize risk of authority misuse. (IMPLEMENTED)**

13. Attached is a copy of the revised DOAP, amended accordingly and submitted to MSRP control for implementation. There are now thus two separate DOAPs. RRSE has revised its DOAP reducing to only four persons the payment approval role and limiting the authority of amounts according to seniority and responsibilities.

Thank you.







**Standard Operational Procedures in relation to the cooperation  
between  
PSFR services based in Rome  
and the UNHCR Regional Representation for Southern Europe (RRSE)**

01. This cooperation framework agreement sets out the general parameters with regard to responsibilities, reporting lines, authority and collaboration between the Private Sector Fund Raising (further PSFR), and the UNHCR Regional Representation for Southern Europe (further RRSE).
02. The PSFR Global team based in Rome will have its own office while the PSFR Italy team shares premises with the RRSE. Specific arrangements are therefore considered in this agreement for both teams.
03. The following Standard Operational Procedures (SOPs) define the various roles and responsibilities vis-à-vis financial management, external relations including with governments and general administration.

**Responsibilities and Reporting Lines**

04. The Chief National Fundraising Section is responsible for the PSFR Global team based in Rome and is supervised by the Head of Service. The Senior Global PSFR Officer, as part of their responsibility in SEMEA, is the supervisor of the Global PSFR Officer (Italy) and supervised by the Chief National Fundraising Section.

**Diplomatic Relations with the Italian Government**

05. The Regional Representative is the only staff member formally accredited to the Italian Ministry of Foreign Affairs (IMFA) as the head of the UNHCR Representation in Italy. He is also accredited to Greece and Portugal. All issues in relation to immunities and privileges in Italy are communicated solely by the RRSE or its delegates to Government.
06. All international staff members have to register with the IMFA to ensure that they are subject to immunities and privileges of Officers of the United Nations. This is of particular importance in the case of staff and their family members who require exemption to immigration control measures. Communications on appointment and departure of staff to the Italian Government of PSFR international staff posted in Rome are channeled via the RRSE to the IMFA.

**Officer-in-Charge**

07. The Regional Representative (or in his absence the designated Officer-in-Charge of the RRSE) acts at all times as the Senior Officer in Italy. PSFR Global Team will establish an Officer-in-Charge system in order to ensure a clear line of communication and point of contact with the RRSE. RRSE and PSFR Global Team will keep each other informed at all times of who is the Officer-in-Charge of the respective office.

**Financial Management**

08. PSFR Head of Service will delegate financial authority to the Chief National Fundraising Section and he/she will delegate financial authority to the Senior Global PSFR Officer (SEMEA) based in Rome for the management of PSFR annual budget.

### **Shared Services**

15. Services which benefit both the RRSE and PSFR Global and Italy teams are procured jointly for reasons of cost-effectiveness or efficiency and will be shared on a pro rata basis according to the number of staff. The opportunity to carry out a single procurement for IT, other equipment and office supplies will be assessed on a case by case basis in particular evaluating possible economies of scale and cost/effectiveness considerations. In the case it is opted for joint procurements, the different budgets will be charged according to the items procured.

### **Equipment for Remote Meetings and Meeting Space**

16. The RRSE and PSFR welcome the sharing and use of the meeting rooms, video conferencing and other equipment and space that the RRSE and PSFR have at their disposal.

17. The present arrangement is intended as a framework agreement. Adjustments to the Standard Operating Procedures can be made through consultation in case of changed circumstances.

June 2012



Daisy Dell  
Director, DER



Daniel Endres  
Director, Bureau for Europe

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## UPDATE ON AUDIT RECOMMENDATIONS

### Audit of UNHCR Regional Representation for Southern Europe

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 Regional Representation in Southern Europe (RRSE) should, in conjunction with the Bureau for Europe and the Private Sector Fundraising (PSFR) management, initiate a review of the current working arrangements between RRSE and the PSFR Unit to clarify responsibility and accountability in the delegated authority plan in line with UNHCR accountability frameworks.	Important	YES		Implemented	Standard Operation Procedures (SOPs) approved and separate business units and DOAPs created. There are now two separate business units (PSFR and RRSE) that clearly distinguish the two operations in terms of budget management, spending and authority, clarifying responsibilities and accountabilities in the delegated authority plan in line with the UNHCR accountability framework. In addition you will also find SOPs signed by the Directors of DER and BE that clarify and formalize working arrangements and supervision.
2	The UNHCR Regional Representation in Southern Europe should, in conjunction with the Legal Affairs Section at the UNHCR headquarters, explore the possibility of engaging legal assistance to recover some \$12,200 from two former employees who were erroneously double-paid in a single month.	Important	YES		Implemented	The situation with regard to the initial outstanding amount of 12,200 \$ as a result of two double payments made 4 years ago is as follows: Following a write off by headquarters of one of the payments and the refund to

<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.

Rec. no.	Recommendation	Critical/ important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>UNHCR of a first installment by the second person (a contractor), the remaining outstanding amount was of 4, 457\$. Through the intervention of a lawyer the contractor had accepted to refund the owed double payment in installments. As suggested by the auditors we have not only explored but in fact retained a lawyer who has started to pursue with legal means the contractor who still needs to refund part of the double payment. As a result we have already recovered part of the outstanding payment. After the payment of the first installment the contractor disappeared. He no longer responded to letters, phone calls, legal queries, and is no longer located at his previous address. After discussions at the office and with the lawyer and the conclusion that due to the fact that the contractor cannot be reached despite many attempts to locate him, it was suggested to request the HAMB for a write off of the remaining amount. The RAMB was convened and accepted to endorse the write off. The recommendation of the RAMB has been sent to Headquarters HAMB to take action in relation to this long outstanding open item... (Documentation attached)</p>

Rec. no.	Recommendation	Critical <sup>1</sup> / important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
3	<p>The UNHCR Regional Representation in Southern Europe should review the Delegation of Authority Plan in respect of the need for assigning some critical roles such as Match Manager and Payment Approver with appropriate delegated financial authority to certain staff with a view to minimizing the risk of authority misuse.</p>	Important	YES		Implemented	<p>Revised DOAP submitted to HQ with Payment Approver with appropriate delegated financial authority to certain staff with a view to minimizing the risk of authority misuse. The number of persons with payment approval authority has been reduced to four and the authorities of amounts have been limited according to seniority and responsibilities.</p>