



Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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### **Audit of UNHCR Regional Representation for Southern Europe (RRSE)**

**Overall results relating to the effective management of RRSE were initially assessed as partially satisfactory. Management has satisfactorily implemented the audit recommendations.**

**FINAL OVERALL RATING: SATISFACTORY**

**14 August 2012**

**Assignment No. AR2011/121/03**

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# AUDIT REPORT

## Audit of UNHCR Regional Representation for Southern Europe

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations High Commissioner for Refugees Regional Representation for Southern Europe (the RRSE or 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 is one of the organization's oldest offices and was opened in 1952. The office has been responsible for UNHCR operational activities in Italy, San Marino and the Holy See since 1954. In 2007, the regionalization process formally added Greece, Cyprus, Malta and Portugal. Albania became part of the region in 2009. While the first changes in structure and staffing at the national and regional levels took place in 2006, the Representation became fully functional and staffed according to its new responsibilities on 1 January 2007 when it became known as the UNHCR RRSE. At the time of the audit, there were 51,428 refugees and 4,076 asylum seekers in Italy. The RRSE focuses on improving asylum institutions and the requisite capacities, and provides sectoral support to national offices in the areas of protection, programme, public information, human resources, administration and finance.

4. The RRSE (office in Rome) was headed by a D-1 supported by 39 staff including 5 Professional and 34 General Service staff of which 11 were on temporary assistance. In addition, there were 18 consultants. In 2010 and 2011, RRSE worked with 14 implementing partners, out of which one was international. The budget of RRSE was \$8.4 million in 2009, \$9.4 million in 2010 and \$15.9 million in 2011.

### II. OBJECTIVE AND SCOPE

5. The audit was conducted to assess the adequacy and effectiveness of the RRSE's governance, risk management and control processes in providing reasonable assurance regarding the **effective management of the RRSE**.

6. The audit of the RRSE was added to the 2011 annual work plan to make a planned mission of auditing UNHCR private sector fundraising activities in Italy more cost-effective. While it was not identified as a high-risk operation, the Representation was last audited in 2003 and had since changed its status to a regional office.

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

- (a) **Regulatory framework** – controls that provide reasonable assurance that policies and procedures: (i) exist to guide the operations in budget, finance, procurement; (ii) are implemented consistently; and (iii) ensure reliability and integrity of financial and operational information;

(b) **Coordinated management mechanisms** – controls that provide reasonable assurance that potential overlaps in the performance of a function or the delivery of a programme are mitigated, and that issues affecting or involving other UN partners and actors are identified, discussed and resolved timely and at the appropriate forum. This key control includes regular meetings among UN partners and actors involved in programme delivery, and other tools, forums or mechanisms to discuss issues.

8. The key controls were assessed for the control objectives shown in Table 1.

9. OIOS conducted this audit from November 2011 to January 2012. The audit covered the period from 1 January 2009 to 31 October 2011.

10. 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

11. The RRSE’s governance, risk management and control processes examined were assessed as **satisfactory** in providing reasonable assurance regarding **the effective management of the RRSE**. OIOS made three recommendations to address the issues identified in the audit. All recommendations had been implemented and evidence of implementation provided to OIOS. RRSE now has two separate business units (i.e., PSFR and RRSE) with clarified authority and responsibility. Of the \$12,282 outstanding receivables, the Representation had already written off \$6,485 and recovered \$1,340. The remaining amount had been recommended for write-off since chances of recovery are slim. A new delegation of authority plan had been put in place with critical roles assigned only to select staff.

12. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **satisfactory** as three important recommendations have been implemented satisfactorily.

**Table 1: 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 RRSE	(a) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Coordinated management mechanisms	Satisfactory	Satisfactory	Satisfactory	Satisfactory
<b>FINAL OVERALL RATING: SATISFACTORY</b>					

## A. Regulatory Framework

The Representation had revised the office arrangement between the RRSE and the Private Sector Fund-Raising (PSFR) office in line with accountability frameworks of UNHCR

13. The RRSE and PSFR are accommodated in the same office building. The two UNHCR operations have distinct activities and separate organigrammes that are not linked. The reporting lines of the heads of the two operations are different. However, in the enterprise resource-planning tool, Managing for Systems, Resources and People (MSRP), the two are identified as one business unit. As a result, there is only one Delegation of Authority Plan (DOAP) in which authority to approve spending, approve purchases, confirm delivery, approve payments and execute payments in MSRP is shared between the RRSE and PSFR. This means managers and staff from either operation have the authority over funds for which they are not responsible and accountable. Senior officers from both units are joint signatories of bank accounts for either operation, although bank reconciliations and financial records are separated. Senior officers from both units were sometimes understandably reluctant to make decisions on procurement and travel matters for which they were not accountable. While the RRSE, concerned about the lack of clarity, has engaged with PSFR locally to settle the issue of roles and responsibilities, the matter remains unresolved and has now been elevated to Headquarters.

**(1) The UNHCR Regional Representation for 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 the RRSE and the PSFR Unit to clarify responsibility and accountability in the delegated authority plan in line with UNHCR accountability frameworks.**

*UNHCR RRSE accepted recommendation 1 and implemented it by creating two separate business units (RRSE and PSFR). In addition, standard operating procedures clarifying and formalizing working arrangements and supervision have been signed. Based on a review of the procedures, recommendation 1 has been closed.*

Adequate action had been taken to recover overpayments

14. Rules require that all outstanding receivables be reconciled on a monthly basis and discrepancies explained. At the time of the audit, a total of \$12,282 pertaining to double payment of salaries of two staff members was outstanding and could not be recovered as the employees had separated from UNHCR.

**(2) The UNHCR Regional Representation for Southern Europe should, in conjunction with the Legal Affairs Section at the UNHCR headquarters, explore the possibility of engaging legal assistance to recover some \$12,282 from two former employees who were erroneously double-paid in a single month.**

*UNHCR RRSE accepted recommendation 2 and stated that UNHCR headquarters had since written off \$6,485 (corresponding to the amount due from one of the two recipients of double payment). The office had engaged a lawyer to recover the remaining part of \$5,797 corresponding to the total amount due from the second recipient. The lawyer wrote to the concerned person who responded that he would comply and deposited \$1,340 to the Representation's bank account. The outstanding amount of \$4,457 was scheduled for recovery in installments. However, no further payments were made as the person disappeared and no contact could be established. Based on legal advice it was concluded that as the person could not be reached despite numerous attempts, the remaining amount should be written off as irrecoverable. Accordingly, the RAMB has recommended to the HAMB that*

*the remaining balance of \$4,457 be written off.* Based on evidence provided and the fact that the RRSE has taken all reasonable measures to recover the overpayments including engaging a lawyer and obtaining a portion of the overpaid amounts, no further action could be taken. Based on the actions taken by UNHCR RRSE, recommendation 2 has been closed.

The Delegated Authority Plan (DOAP) had been revisited to minimize the risk of authority misuse

15. Under the Financial Internal Control Framework of UNHCR, select staff members are given MSRP system access to override exceptions generated during the matching of the accounts payable voucher, receipt and purchase order (PO). When discrepancies are identified during this 3-way matching, payment is blocked until these issues are resolved or accepted by the requisition approver or PO approver, or the exceptions are cleared by the staff assigned the Match Manager role to override the system. Given the importance of this role, prudence needs to be exercised in assigning this role to staff in an operation to minimize the risk of misuse. RRSE had seven staff members assigned the Match Manager role on the DOAP, from the level of associate officer and above. Although no inappropriate overrides were detected, the risk of such an occurrence existed. Further, the payment approval function in MSRP has defined value limits. Some staff members can approve any amount, others should only be allowed to approve up to an established limit. However, RRSE had given five staff the authority to approve any amount.

**(3) The UNHCR Regional Representation for 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 only to certain staff with a view to minimizing the risk of authority misuse.**

*UNHCR RRSE accepted recommendation 3 and stated that a new delegation of authority plan had been implemented.* Based on review of the revised DOAP, recommendation 3 has been closed.

Asset management and procurement oversight were conducted in compliance with UNHCR policies and procedures

16. OIOS' examination of records pertaining to property, plant and equipment and serially tracked items located at the RRSE in Rome, inspection of bank reconciliations and testing of procurement transactions showed that:

- A Regional Asset Management Board was in place and effectively managed the assets in Italy;
- A Regional Committee on Contracts was in place and met regularly to provide procurement oversight; and
- The reconciliation of two RRSE and four PSFR bank accounts was well managed.

## **B. Coordinated management mechanisms**

Effective and efficient operations

17. RRSE had put in place adequate mechanisms to oversee the execution of UNHCR programmes in the region. Sectoral support was provided to national offices in areas of protection, programme, public information, human resources, administration and finance. RRSE closely monitored UNHCR operations in the regions. The RRSE team regularly visited the offices in all five countries (Italy, Greece, Malta, Cyprus and Albania). In programme, RRSE played a particularly strong role not only in overseeing and supporting offices in countries in the region, but in managing (in close coordination with the National

Offices and Representations) sub-agreements under the asylum reform project. Notes of meetings with Implementing Partners in Greece (the largest operation in the region) chaired by RRSE were maintained. RRSE also provided support on protection issues to countries in the region, and oversaw a multinational project aimed at protecting unaccompanied minors from Afghanistan. The Regional Public Information Office held meetings with public information officers from all countries in the region twice a year to formulate and/or revise public information strategies in the region. RRSE participated in recruitment and selection procedures, including interview panels.

Operations were in compliance with mandates, regulations and rules

18. The RRSE operations were conducted in compliance with mandates, regulations and rules:

- RRSE conducted high-level meetings with cabinet ministers and other senior government representatives;
- RRSE oversaw the formulation and implementation of regional and national operational plans and budgets throughout the region, ensuring their consistency with agreed strategies. To this effect, RRSE formulated an annual regional operations plan and issued letters of instruction to the country offices to execute this plan which ensured consistency with regional operations plans; and
- RRSE dedicated a member of its staff to donor relations to promote increased financial support from governments in the region for UNHCR activities. Because of these efforts, the Italian Government financially supported protection activities through the Praesidium Project, and the European Commission funded the Children on the Move Project aimed at protecting unaccompanied Afghan minors in the region.

#### IV. ACKNOWLEDGEMENT

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



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