

Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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### **UNHCR operations in Burundi**

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

**FINAL OVERALL RATING: PARTIALLY SATISFACTORY**

**5 December 2012**

**Assignment No. AR2012/110/01**

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# AUDIT REPORT

## UNHCR operations in Burundi

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations High Commissioner for Refugees (UNHCR) operations in Burundi.
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 UNHCR Representation in Burundi (the Representation) assists refugees, returnees and other persons of concern with international protection and humanitarian assistance. The population of concern at the end of 2011 consisted of 45,719 refugees and asylum seekers and 4,369 returnees, all of whom were assisted by UNHCR. The Representation implemented a large reintegration programme to enable the return and reintegration of Burundians from neighboring countries, which is a key function for UNHCR.
4. The Representation was working with 19 implementing partners (IPs) in 2010 and 16 IPs in 2011. The Representation operated through the Branch Office located in Bujumbura, two Sub Offices in Makamba and Musinga and one Field Office in Ruyigi. The budget/expenditures of the Representation were \$33.7 million/\$31.3 million in 2010 and \$26.5 million/\$24 million in 2011. The operation had 128 posts of which 122 were filled as of January 2012.
5. Comments provided by the Representation are incorporated in *italics*.

### II. OBJECTIVE AND SCOPE

6. The audit 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 Burundi**.
7. This audit was included in IAD's 2012 risk based annual work plan. The UNHCR Bureau for Africa had requested the audit of UNHCR operations in Burundi for 2012 because of the large shelter construction programme, including the procurement in 2010 and 2011 of shelter materials costing approximately \$8.3 million.
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 project activities are carried out in compliance with UNHCR policies and procedures.
  - (b) **Regulatory framework** - Controls that provide reasonable assurance that policies and procedures exist to guide the operations of the Representation and are complied with.

9. The key controls were assessed for the control objectives shown in Table 1.
10. OIOS conducted this audit from February to March 2012. The audit covered the period from 1 January 2010 to 31 December 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. The Representation's governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of UNHCR operations in Burundi**. OIOS made 10 recommendations to address the issues identified in the audit. As regards project management, the Representation had taken action to address the weaknesses noted, e.g., the Representation: (a) had finalized a disengagement plan to support measured disengagement in reintegration programmes; (b) established a medical referral committee and finalized standard operating procedures for medical referrals. On regulatory framework, the Representation had taken steps to monitor the delegation of procurement authority to IPs, provide some training to members of the Local Committee on Contracts (LCC) on their role, and analyze fuel consumption. The Representation had initiated actions to delegate authority to a Sub Office and to recover Value Added Tax (VAT) paid to the Government of Burundi, but had yet to complete them.

13. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of three important recommendations remains in progress.

**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 UNHCR operations in Burundi	(a) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

#### A. Project management

Action was taken to develop a plan to support measured disengagement in reintegration programmes in accordance with UNHCR policy

14. Field operations, with the support of UNHCR headquarters, are expected to establish a measured disengagement/exit strategy plan as part of the framework for involvement in reintegration programmes.

Normally, post-return activities should be completed within three years and based on a set of benchmarks developed closely with partners.

15. At the time of the audit, the Representation had not yet documented its disengagement plan from reintegration programmes in Burundi.

**(1) The UNHCR Representation in Burundi should develop and document a plan for its measured disengagement from reintegration programmes in Burundi as required by the policy framework in IOM/065 – FOM/067/2008.**

*The UNHCR Representation in Burundi accepted recommendation 1 and stated that it had finalized the disengagement plan. A meeting was held with UN agencies involved in reintegration activities to remind them of UNHCR's disengagement policy after the repatriation programme. Based on the action taken by the Representation, recommendation 1 has been closed.*

Action was taken to comply with UNHCR policy over medical referrals of refugees

16. A referral committee was not established to assess prognosis and availability of funds to approve the more complex medical referrals, and refugee medical referral decisions were not based on prognosis and cost. As a result, an IP had overspent the relevant budget lines by \$12,000 or about 13 per cent. This IP made medical referral expenditures for refugees totaling \$108,000 in 2011.

**(2) The UNHCR Representation in Burundi should implement procedures to monitor implementing partners' compliance with the UNHCR principles for referral health care.**

*The UNHCR Representation in Burundi accepted recommendation 2 and stated that with the guidance of the Senior Health Coordinator from Geneva, a referral committee had been established. Standard operating procedures for medical referrals had also been finalized (in English and in French) for both health IPs pending their signatures. The selection of reference hospitals and their prices for medical treatment had been concluded. Based on the action taken by the Representation, recommendation 2 has been closed.*

Action was taken to define clearly in sub-project agreements an international non-governmental organization's (NGO) contribution to UNHCR activities

17. International NGO contributions to a UNHCR sub-project should be properly documented and reported on in a transparent manner and in quantifiable terms in order to qualify for seven per cent support cost provided by UNHCR headquarters. However, OIOS noted the following:

- An IP's contribution towards the sub-project was not properly documented and specified in the sub-project agreement for 2010 and 2011; and
- This IP had not reported its contribution in the Implementing Partner Monitoring Report (IPMR) for 2010 as required in February 2011, but had received from UNHCR the related headquarters support cost for its \$71,222 contribution.

18. Furthermore, the support cost was not calculated in compliance with the rules because a significant portion of local procurement, which should not have formed part of the calculation, was included. Since the IP had made local purchases in 2010 of about 45 per cent (\$442,000) and in 2011 of about 35 per cent (\$332,000) of the total budget, these amounts should have been taken out of the

calculation for the headquarters support cost. This would have resulted in savings of \$31,000 in 2010 and \$23,000 in 2011, totaling \$54,000 representing seven per cent of the total local procurement of \$774,000.

**(3) The UNHCR Representation in Burundi should review the reported contribution of \$71,222 in 2010 and \$81,103 in 2011 by an implementing partner for eligibility for support cost and seek recovery if necessary, and recover the invalid calculation of headquarters support cost totaling \$54,000 for 2010/2011.**

*The UNHCR Representation in Burundi accepted recommendation 3 and stated that an external audit firm conducted an independent audit of the contributions reported by the IP for 2010 and 2011. The audit report had been shared with the IP on 3 July 2012 and their comments were received on 16 August 2012. The Representation had recalculated the headquarter support costs for 2010 and 2011 taking into account the local procurement portions that should have been considered. Based on the IP's comments, the external auditors revised the documents provided by the implementing partner. The Representation finalized the outstanding amount owed by the IP to UNHCR based on the external auditors' conclusion. Based on the action taken by the Representation in Burundi, recommendation 3 has been closed.*

Action was taken to implement capacity building activities to mitigate identified risks in IPs

19. The IP Checklist is a risk management tool that should be used to assess partnership risks with each IP and facilitate monitoring and mitigation of those risks throughout project implementation. Although the Representation had prepared the IP Checklist and identified risks for each of the IPs, there was no documentation showing the Representation's plan to mitigate those risks. The link with actual capacity building activities was not evident to ensure that the identified risks were being mitigated and the IPs internal controls and capacity improved. For example, there was no evidence that the Representation had put any plan in place to address the following areas assessed as weak for some IPs: asset management, financial management, and leadership.

**(4) The UNHCR Representation in Burundi should implement a plan to mitigate risks and weaknesses identified for each implementing partner by designing capacity-building activities in compliance with relevant rules.**

*The UNHCR Representation in Burundi accepted recommendation 4 and stated that following the identification of IPs weaknesses, concerned sections had carried out capacity-building activities for the IPs and had also programmed other related activities until end of 2012. In addition, all IPs had been trained on the use of a financial software Sage Saari, which had been installed at their offices. Based on the action taken by the Representation, recommendation 4 has been closed.*

Action was taken to implement adequate UNHCR performance monitoring activities to support the signing of the quarterly IPMR

20. Quarterly signing of the IPMR signifies the acceptance of the IP project activities. This signature should be supported by documentation of monitoring activities. It also requires offices to establish an annual monitoring and reporting schedule/plan.

21. Although project monitoring activities were conducted by UNHCR staff in the field, they lacked the link with the signing of the quarterly IPMR, and the assessment of the IP performance against agreed performance indicators was not documented. This situation was caused by the lack of programme staff based in the field offices in combination with the lack of support missions by programme staff from the

Branch Office to the field offices to adequately plan and structure performance monitoring activities. The Representation was therefore at risk of accepting IP project activities that were not effective.

- (5) The UNHCR Representation in Burundi should implement performance monitoring activities that support the acceptance of the quarterly Implementing Partner Monitoring Reports.**

*The UNHCR Representation in Burundi accepted recommendation 5 and stated that a quarterly performance monitoring tool for each sub-project against agreed targets had been designed and shared with field offices for quarterly monitoring of implementation progress. Recommendation 5 remains open pending receipt of performance monitoring reports prepared by UNHCR evidencing the assessment of IP performance against targets.*

## **B. Regulatory framework**

Action was initiated to comply with UNHCR guidelines on structuring and delegating authority to a Sub Office

22. Delegation of authority to Sub Office Makamba did not include operating its own bank account, maintaining its own field office accounts, or having its own administrative budget and staffing table.

- (6) The UNHCR Representation in Burundi should implement the delegation of authority to Sub Office Makamba in accordance with the guidelines on designing UNHCR field presence.**

*The UNHCR Representation in Burundi accepted recommendation 6 and stated that it had implemented the plan it had designed with a view to rolling out full delegation to Sub Office Makamba of its own cost center. The last two milestones had been: (a) the training of the newly assigned staff, i.e., the Programme Officer whose responsibility would be to ensure technical approval of expenditures; (b) the submission to Headquarters of the request to open a separate cost center for Sub Office Makamba. Recommendation 6 remains open pending receipt of documentation showing the establishment of the cost center for Sub Office Makamba.*

Efforts had been made to recover VAT receivable of \$1.5 million before write-off is initiated

23. Rules require that every effort be made to recover assets before they are written off. The Representation had an outstanding VAT receivable from the Government of Burundi totaling \$1,520,675 relating to VAT paid on fuel procured between June 2006 and December 2009. The Representation had requested the Headquarters Asset Management Board (HAMB) at the end of 2011 for a complete write-off of the said receivable stating that it was not recoverable. However, the Representation could not provide documentation showing that it had made every effort to collect the receivable, except two copies of letters sent to the Government in 2009 and 2011 to which no response had ever been received by the Representation.

- (7) The UNHCR Representation in Burundi should make and document every effort to recover the VAT receivable of \$1.5 million before write-off is initiated.**

*The UNHCR Representation in Burundi accepted recommendation 7 and stated that it had submitted to the UNHCR Legal Affairs Section a memorandum requesting, as recommended by the HAMB*

*Geneva, that they contact OLA New York to seek their intervention in persuading the Government of Burundi to reimburse UNHCR the outstanding VAT-related amount paid during the period 2006-2009. Recommendation 7 remains open pending receipt of documentation showing the outcome of efforts to recover VAT paid to the Government of Burundi.*

Action was taken to monitor delegation of procurement authority to IPs

24. Without the approval of the LCC, the Representation had delegated to each of the eight IPs the authority to procure goods and services in excess of a total value of \$100,000. Rules require that sub-project agreements for this kind of delegation be approved by the applicable UNHCR Committee on Contracts prior to their signing, regardless of the pre-qualification status of the IP. The delegation is blanket and applies to the cumulative procurement value, not to individual purchases. Hence, it is important that the Committee on Contracts review whether an IP is competent to undertake procurement before the signing and approval of the sub-project agreement.

**(8) The UNHCR Representation in Burundi should establish monitoring procedures to ensure that sub-project agreements with total procurement value of \$100,000 or more are signed only after the required approval by the applicable Committee on Contracts is obtained.**

*The UNHCR Representation in Burundi accepted recommendation 8 and stated that LCC had been advising on mitigating measures in respect of procurement. For example, the LCC had reviewed and approved procurement proposals of some IPs. As per the 2012 procurement plan, meetings had been held with IPs to sensitize them with regard to procurement procedures and rules: IPs floated tenders which were submitted to LCC and were approved. Based on the action taken by the Representation, recommendation 8 has been closed.*

Action was taken to augment LCC members' knowledge on procurement with a view to ensuring competitive bidding

25. The LCC's main task is to ensure that goods and services are obtained through competitive bidding. However, the LCC in Bujumbura had not ensured competitive bidding in compliance with the rules. In 2010 and 2011, the LCC reviewed 19 procurement cases of which it approved 14 with a total value of \$1.3 million that did not go through competitive bidding. The LCC had approved renewals of service contracts up to four years without competitive bidding, which does not comply with the rules. Furthermore, the LCC had not complied with the rules on waivers for competitive bidding required when procurement is approved without any competitive bidding. In addition, although the LCC had noted that purchase orders to several vendors had exceeded \$20,000, which would have required LCC approval, no adequate mitigating measures were implemented to avoid recurrence. A major cause of this control weakness was the lack of training of the LCC members on their roles and responsibilities.

**(9) The UNHCR Representation in Burundi should discuss with the Global Learning Centre and arrange training for the members of the Local Committee on Contracts on their main role, such as assessing the adequacy of competitive bidding.**

*The UNHCR Representation in Burundi accepted recommendation 9 and stated that as GLC advised that no customized training intended for LCC members was available to date, the Representation had taken two initiatives intended to reinforce the capacity of the LCC members, i.e.: (a) request all LCC members to take two online courses available so far, namely Procurement Ethics and The Right Way to Buy Goods; and (b) hold an internal workshop intended for LCC members, with a view to ensuring*

*everyone fully understands their role. Based on the action taken by the Representation, recommendation 9 has been closed.*

Action was taken to implement procedures to analyze fuel consumption per vehicle

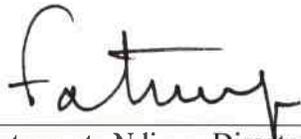
26. Sub Office Makamba and Branch Office Bujumbura had not implemented a monitoring system to analyze fleet performance, including a monthly fuel consumption analysis per vehicle. Such analysis if properly implemented can identify possible irregularities in fuel consumption and can provide useful information on vehicle performance, especially considering the aging UNHCR fleet in Burundi. OIOS' analysis of available data showed average consumption rates for some vehicles that were very high and could not be explained. In addition, many vehicles did not have working odometers.

**(10) The UNHCR Representation in Burundi should implement procedures to analyze monthly fuel consumption per vehicle and follow up on any consumption rates outside normal standards.**

*The UNHCR Representation in Burundi accepted recommendation 10 and stated that a monitoring process was introduced in January 2012, whereby compiled reports on the consumption of Administration and IPs' vehicles would be shared with management and field offices. Periodic checks of vehicle logbooks and monthly oil allocations based on activities had been instituted. The office had introduced monthly oil allocations to Administration vehicles as of March 2012. Reports were to be shared with the Administration and Programme sections. Analysis and follow-up of monthly fuel consumption had been done for the first and second quarters of 2012 and would continue throughout the year. Based on the action taken by the Representation, recommendation 10 has been closed.*

#### IV. ACKNOWLEDGEMENT

27. 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 Burundi

Recom. no.	Recommendation	Critical/ Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	The UNHCR Representation in Burundi should develop and document a plan for its measured disengagement from reintegration programmes in Burundi as required by the policy framework in IOM/065 – FOM/067/2008.	Important	C	Action completed	Implemented
2	The UNHCR Representation in Burundi should implement procedures to monitor implementing partners' compliance with the UNHCR principles for referral health care.	Important	C	Action completed	Implemented
3	The UNHCR Representation in Burundi should review the reported contribution of \$71,222 in 2010 and \$81,103 in 2011 by an implementing partner for eligibility for support cost and seek recovery if necessary, and recover the invalid calculation of headquarters support cost totaling \$54,000 for 2010/2011.	Important	C	Action completed	Implemented
4	The UNHCR Representation in Burundi should implement a plan to mitigate risks and weaknesses identified for each implementing partner by designing capacity-building activities in compliance with relevant rules.	Important	C	Action completed	Implemented
5	The UNHCR Representation in Burundi should implement performance monitoring activities that	Important	O	Submission to OIOS of performance monitoring reports prepared by UNHCR evidencing the	Ongoing

<sup>1</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses 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 the Representation in response to recommendations

Recom. no.	Recommendation	Critical/ Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
	support the acceptance of the quarterly Implementing Partner Monitoring Reports.			assessment of IP performance against targets	
6	The UNHCR Representation in Burundi should implement the delegation of authority to Sub Office Makamba in accordance with the guidelines on designing UNHCR field presence.	Important	O	Submission to OIOS of documentation showing the establishment of the cost center for Sub Office Makamba	Ongoing
7	The UNHCR Representation in Burundi should make and document every effort to recover the VAT receivable of \$1.5 million before write-off is initiated.	Important	O	Submission to OIOS of documentation showing the outcome of efforts to recover VAT paid to the Government of Burundi	Ongoing
8	The UNHCR Representation in Burundi should establish monitoring procedures to ensure that sub-project agreements with total procurement value of \$100,000 or more are signed only after the required approval by the applicable Committee on Contracts is obtained.	Important	C	Action completed	Implemented
9	The UNHCR Representation in Burundi should discuss with the Global Learning Centre and arrange training for the members of the Local Committee on Contracts on their main role, such as assessing the adequacy of competitive bidding.	Important	C	Action completed	Implemented
10	The UNHCR Representation in Burundi should implement procedures to analyze monthly fuel consumption per vehicle and follow up on any consumption rates outside normal standards.	Important	C	Action completed	Implemented