



INTERNAL AUDIT DIVISION

OFFICE OF INTERNAL OVERSIGHT SERVICES

AUDIT REPORT

UNHCR Operations in Burundi

29 June 2007

Assignment No. AR2007/110/1

United Nations  **Nations Unies**
INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR
INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE
OIOS · BSCI

TO: Mr. António Guterres, High Commissioner
A: United Nations High Commissioner for Refugees

DATE: 29 June 2007

REFERENCE: AUD- (07-00 312)

FROM: Dagfinn Knutsen, Acting Director
DE: Internal Audit Division, OIOS



SUBJECT: **Assignment No. AR2007/110/01 – Audit of UNHCR Operations in Burundi**

OBJET:

1. I am pleased to present the report on the above-mentioned audit, which was conducted from 19 February to 8 March 2007.

2. Based on your comments, we are pleased to inform you that we will close recommendations 1, 3 and from 5 to 9 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.

3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e., recommendations 4, 8 and 10), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

4. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.

cc: Mr. L. Craig Johnstone, Deputy High Commissioner, UNHCR
Ms. Judy Cheng-Hopkins, Assistant High Commissioner, UNHCR
Mr. Colin Mitchell, Controller and Director, DFAM, UNHCR
Ms. Marjon Kamara, Director Bureau for Africa, UNHCR
Mr. Kaba Guichard Neyaga, Representative, UNHCR Burundi
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Mr. Byung-Kun Min, Programme Officer, OUSG, OIOS
Ms. Maha Odeima, Audit Coordinator, UNHCR
Ms. Eleanor T. Burns, Acting Chief, UNHCR Audit Service, IAD, OIOS

INTERNAL AUDIT DIVISION

FUNCTION

“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).

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EXECUTIVE SUMMARY

Audit of UNHCR Operations in Burundi

OIOS conducted an audit of UNHCR Operations in Burundi from 19 February to 8 March 2007. The main objectives of the audit were to assess the adequacy and effectiveness of controls to ensure: (a) reliability and integrity of financial and operational information; (b) effectiveness and efficiency of operations; (c) safeguarding of assets; and, (d) compliance with regulations and rules, Letters of Instruction and Sub-Project Agreements. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS assessed the internal controls of the Operation in Burundi by reviewing records related to the activities implemented during 2005 and 2006 with a total expenditure of \$68.3 million. The operation's system of internal control was assessed as average. It was adequately run but although the majority of key controls were applied, the application of certain important controls lacked consistency or effectiveness. In order not to compromise the overall system of internal control, timely corrective action by management is required.

For the implementing partner Gesellschaft für Technische Zusammenarbeit (GTZ), OIOS observed discrepancies totalling \$114,000 between their accounting ledgers and the expenditures reported in the 2006 Sub-Project Monitoring Report (SPMR), as well as ineligible expenditures of \$11,500. After the audit, these discrepancies were eventually resolved and GTZ have agreed to reimburse \$11,500. GTZ did not always comply with sound procurement procedures to ensure best value for money. Internal controls over fuel management should be strengthened; some fuel tanks were not properly installed and some were equipped with faulty dipsticks making it impossible to monitor the fuel level, or independently confirm fuel quantities received from suppliers. These deficiencies had already been observed by OIOS in its 2005 audit, and the shortcomings had still not been corrected.

For the implementing partner Association pour la Paix et le Développement (APADE), OIOS questioned the Representation's decision to select this partner. It was a newly formed NGO with no record of any experience in financial management and project implementation. OIOS found that the accounting system and internal controls were seriously deficient. There was a lack of basic books of account and expenditures could not always be supported. Significant purchases of \$1.1 million were made in 2005 and 2006 without adherence to sound procurement procedures. While improvements were noted in 2006 compared with 2005, the partnership with APADE has been terminated.

UNHCR's procurement procedures were generally complied with. There was a need to re-assess the delegation of significant procurements to implementing partners with poor or non-existent formal procurement procedures.

A minimum operational safety standards (MOSS) compliance assessment had not been conducted since 2004, and according to the Field Safety Adviser, the Representation was not yet fully MOSS compliant. The Representation explained that a request for funds was made in January 2007 to enhance security, but no response had been received. The location of the office of the Representation in Bujumbura was opposite a petrol station that continues to pose a problem.

The Representation made commendable efforts to address many of the internal control deficiencies and other issues identified during the 2005 OIOS audit. Also, key positions previously vacant had been filled. The issue of funds embezzled by a former Finance Assistant, now calculated at \$176,000, and identified following OIOS' previous audit, was still being dealt with. The bank has informally accepted to share the burden of the loss.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of UNHCR Operations in Burundi from 19 February to 8 March 2007. OIOS reviewed the 2005 and 2006 activities.
2. The main activity of the operation was to facilitate the repatriation of Burundian refugees from neighbouring countries, improve living conditions in areas of return and facilitate the reintegration of returnees by providing economic, social and psychological support. UNHCR was also providing protection and assistance to refugees from the Democratic Republic of Congo (DRC), and sought to strengthen the national bodies responsible for refugee and returnee matters.
3. In 2005 and 2006 a budget of \$91.6 million was allocated, including staffing costs administered by Headquarters, against which expenditure of \$68.3 million was reported. At the time of the audit, the number of personnel working for the operation in Burundi was 143. This included staff on regular posts and United Nations Volunteers. There were seven vacant posts
4. Comments made by UNHCR are shown in *italics*.

II. AUDIT OBJECTIVES

5. The major objectives of the audit were to evaluate the adequacy and effectiveness of controls to ensure:
 - (a) Reliability and integrity of financial and operational information;
 - (b) Effectiveness and efficiency of operations;
 - (c) Safeguarding of assets; and,
 - (d) Compliance with regulations and rules, Letters of Instruction and Sub-Project Agreements.

III. AUDIT SCOPE AND METHODOLOGY

6. The audit reviewed 2005 and 2006 programme activities under projects 05/AB/BDI/RP/332, 05/AB/BDI/CM/270, and 06/AB/BDI/RP/372 and made visits to the following implementing partners' offices: Gesellschaft für Technische Zusammenarbeit (GTZ), Association pour la Paix et le Développement (APADE), Projet d'Appui au Rapatriement et à la Réintégration des Sinistrés (PARESI, Norwegian Refugee Council (NRC) and Comunità Impegno Servizio Vol (CISV). OIOS reviewed the administration of the office of the Representation in Burundi and assets with an acquisition cost of \$ 45 million and current value of \$32 million.
 7. The audit methodology comprised: (a) a review of policies and procedures, administrative guidelines, data available from the Management Systems Renewal Project (MSRP), UNHCR's legacy system and its asset management system; (b) interviews with responsible personnel; (c) analysis of
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applicable data; (d) physical verification, assessment and effectiveness of controls; and, (e) observations and verification of processes, as appropriate.

8. The audit also followed up on OIOS' previous recommendations, which included the need to address serious deficiencies in financial management and the overall monitoring and management of implementing partners' books of account.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Review of Implementing Partners

9. For the five partners reviewed, except for APADE, reasonable assurance could be obtained that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreement. Audit certificates for 2005 were available for all partners, with unqualified opinions expressed. The 2006 certificates were not due at the time of the review.

Gesellschaft für Technische Zusammenarbeit

10. OIOS assessed that, since its previous audit in 2005, GTZ had made some improvement in their internal controls but there was still a need for further strengthening. Although GTZ had introduced the use of Payment Vouchers as recommended by OIOS, these were not available for many of the 2005 and 2006 disbursements; thus, the authorization and approval of expenditure was not always evidenced. Also, the documentation supporting the expenditure was sometimes inadequate. For example, in 2005 GTZ procured 2,753 pieces of reinforcing steel for \$17,300 but according to the relevant Goods Received Notes only 1,253 pieces were received, with no explanation for the discrepancy. Subsequent to the audit, the missing documentation was found and presented to OIOS to confirm that 2,753 pieces were received. OIOS appreciates that the information has been found, but would stress that this was not an isolated case. OIOS takes note, however, that steps have been taken by GTZ to adopt improved procedures and that GTZ Burundi staff are undergoing training to mitigate the reoccurrence such practices.

11. There were discrepancies between GTZ's accounting ledgers and the expenditure reported in the 2006 SPMR of \$114,000. In the absence of the Finance Manager, no satisfactory explanation could be obtained. The Regional Finance Director on mission to Burundi confirmed that their Regional Office had also noted the discrepancies, and in the opinion of the Regional Finance Director these had resulted from the GTZ Finance Manager using unofficial parallel accounting software.

12. OIOS found that payments of \$11,500 were made to GTZ staff referred to as "Consultants". These charges were either not supported or only partially supported and the staff concerned were on official GTZ mission to Burundi for routine internal control checks. OIOS pointed out that the charges were part of

GTZ's Headquarters support costs and as such were already covered under the 8.5 per cent overhead costs provided to GTZ.

Recommendations 1 and 2

(1) The UNHCR Representation in Burundi should request Gesellschaft für Technische Zusammenarbeit to use their official accounting software and ensure that the 2006 final Sub-Project Monitoring Report reflects the summary expenditure obtained from the systems, with properly supported documentation;

(2) The UNHCR Representation in Burundi should ensure that charges of \$11,500 and representing unsupported consultancy costs are excluded from the 2006 final Sub-Project Monitoring Report of Gesellschaft für Technische Zusammenarbeit.

13. *The UNHCR Representation accepted recommendation 1 and stated the 2006 SPMRs were finalized on 23 March 2007 on the basis of the information generated from GTZ's official accounting software. Evidence to support this was provided to OIOS. Based on the action taken by the Representation and GTZ, recommendation 1 has been closed.*

14. *The UNHCR Representation accepted recommendation 2 and provided a copy of the final SPMR showing that an amount of \$11,500 had been deducted. Recommendation 2 remains open pending confirmation that the over charge of \$11,500 has been reimbursed to UNHCR.*

15. GTZ did not always comply with their procurement procedures, which required that purchases above €12,500 be referred to GTZ's Headquarters. For many purchases, this was not done and OIOS' review of local procurement found that procedures were sometimes deficient. For example, GTZ procured metallic tubes for \$26,060 and tarpaulin for \$16,400 on 23 September 2005 and 31 December 2005 respectively without competitive tendering. OIOS regrets that despite its 2005 audit recommendations, GTZ's procurement procedures have not significantly improved.

16. GTZ's management of UNHCR fuel was raised as a concern during OIOS' previous audit. Although there has been improvement since then, OIOS found that some previously identified deficiencies had still not been corrected. For example, two of the fuel tanks at GTZ's compound in Bujumbura were not properly installed (not in balance) and were equipped with faulty (bent) dipsticks, making it impossible to independently confirm the quantities received from suppliers, or to undertake reliable fuel stocktaking. Both GTZ and UNHCR had been relying on the quantities indicated by the fuel suppliers, despite the fact that those suppliers, according to GTZ, did not have properly calibrated fuel flow meters on their delivery trucks. Consequently, during the November 2006 stocktaking for example, a deficit of 5,851 litres of diesel was identified by the Representation. The difference was calculated by comparing the computed stock

level (opening stock plus deliveries minus issuances) and the actual stock in the GTZ fuel tanks.

Recommendations 3 and 4

(3) The UNHCR Representation in Burundi should obtain assurance from Gesellschaft für Technische Zusammenarbeit's management that in the future the provisions of its procurement rules and procedures be complied with, and that the requirements for competitive bidding are adhered to; and,

(4) The UNHCR Representation in Burundi should, together with Gesellschaft für Technische Zusammenarbeit's, ensure that appropriate dipsticks are available at all locations receiving fuel, and that the fuel tanks are correctly installed.

17. *The UNHCR Representation accepted recommendation 3 and has obtained assurances from GTZ's management that it will observe its procurement procedures in purchasing goods and services for UNHCR. An exemption or waiver to normal procurement procedures will be secured from UNHCR in special cases such as in emergencies.* OIOS appreciates the action taken by GTZ management and the Representation, however as this was a reoccurring issue from our 2005 audit, the recommendation remains open until the Representation as part of its regular monitoring exercises is fully assured that good procurement practices are now applied.

18. *The UNHCR Representation accepted recommendation 4 and explained that GTZ was in the process of building a calibration table and would revise the platform. Once this is done, the tanks will be equipped with proper dipsticks.* Recommendation 4 remains open pending confirmation that the tanks are properly calibrated and equipped with accurate dipsticks.

Association pour la Paix et le Développement

19. Significant project activities (budget 2005: \$592,000, budget 2006: \$711,000) were delegated to APADE, despite the fact that this local NGO had come into existence only two months prior to the signing of the partnership agreement and had therefore no prior experience in any of the areas it was entrusted with. APADE was created in January 2005, officially registered in February 2005, and obtained its tax registration as an NGO only in the following year (July 2006). Despite this, a Letter of Intent was signed with APADE in April 2005, at which time the first instalment of \$110,000 was transferred.

20. OIOS assessed that the accounting system and internal controls of APADE were seriously deficient, as evidenced by the lack of basic books of account (ledgers), and incompatible functions exercised by the Finance Director (expenditure initiation, approval, and often effecting payments). The Representation noted this in late December 2005, and attempted to take

corrective measures, such as installing accounting software and providing training. Despite this, the software was not put to use and the cash and bank journals consisted of listings of cash movements (in and out) with no analysis of the expenditure, and no postings to ledgers. For both 2005 and 2006, the summary expenditure in the SPMRs was obtained through undocumented manual calculations that were not reliable. For example, according to the 2005 final SPMR, \$166,000 was spent under the Quick Impact Project budget line (construction), but the relevant supporting documents totalled only \$161,000. Similar discrepancies were found under other budget lines.

21. Significant procurement and construction activities (totalling \$690,000 in 2005 and \$430,000 in 2006) were delegated to APADE. OIOS assessed that the procurement procedures were seriously deficient, with basic UNHCR procurement procedures not adhered to. Also, the documentation supporting the expenditure was often inadequate and/or incomplete. For example, doors and windows were procured on 2 August 2005 costing \$82,000 with no evidence of any competitive bidding. The expenditure approval and receipt of goods were not evidenced, and the relevant invoice did not bear the name of the supplier (this information was also not indicated on the payment document). This was also the case for the procurement of wood for construction made on 4 August 2005 for \$46,000. Also, in 2005, APADE locally procured 15 boat engines and fishing nets costing nearly \$150,000, with no formal invitation to bid issued; only three pro-forma invoices were obtained. The approval of the expenditure was not evidenced, and no Goods Received Notes were available for this procurement. Also in the absence of a local purchasing committee, OIOS assessed that its procurement procedures and supplier selection process was less than transparent.

22. Overall, for 2006, OIOS noted a marked improvement in APADE's procurement procedures, but the documentation supporting expenditure was still inadequate. The accounting system and internal controls were also still deficient, with APADE not using the UNHCR-provided accounting software. OIOS was of the view that the Representation should not have selected this partner, and in any case, should not have delegated such a significant level of procurement to a newly formed local NGO, with no record of any experience in financial management and project implementation. *Both the Representation and APADE assured us that the planned activities (construction of houses, rehabilitation of schools and the fishing project) were completed satisfactorily, despite the shortcomings noted.* The Representation also pointed out that, in 2007, the partnership with APADE has been discontinued. Nonetheless, OIOS would emphasize the need to properly assess the qualification/experience of NGOs prior to their selection, in accordance with UNHCR Manual, Chapter 4, Section 3.

Recommendation 5

(5) The UNHCR Representation in Burundi should ensure that implementing partners are properly selected, in accordance with UNHCR Manual, Chapter 4, Section 3 and refrain from delegating significant procurement activities to partners with no experience and pre-qualification in this area.

23. *The UNHCR Representation accepted recommendation 5 and stated that due consideration will be given to the criteria as stipulated, and acknowledged the fact that closer procedural control should have been exerted by UNHCR taking into account APADE's limited experience in working under this type of agreement with an international organization. Based on the action taken by the Representation and the acknowledgement that future partners will be selected in accordance with UNHCR guidelines, recommendation 5 has been closed.*

Projet d'Appui au Rapatriement et à la Réintégration des Sinistrés

24. OIOS assessed that the expenditure reported by PARESI was generally supported, and that proper internal controls were in place, although budgetary controls could be improved. Some improvement was required in the area of procurement, especially for the transportation of construction materials, with no tenders issued for transport contracts, or sometimes no justification available for the selection of a more expensive supplier. *The Representation accepted OIOS' comments and will ensure that the selection of companies for transporting construction materials be justified in writing.*

Norwegian Refugee Council

25. The accounting system, internal controls and supporting documentation maintained by NRC were satisfactory, but there was a need to comply with the Sub-Project Agreement to operate a separate bank account for UNHCR remittances. OIOS noted that UNHCR funds were commingled with funds received from other donors in a pool account. OIOS appreciates that NRC's accounting system could identify the receipts and disbursements of UNHCR funds, but the use of a pool account should be agreed with UNHCR and specified in the Sub-Project Agreement.

26. OIOS found that the 2005 and 2006 final SPMRs included payments for office rental of \$16,560, which actually pertained to residence costs incurred by NRC's expatriate staff. Such charges were in principle already covered by UNHCR contributions to international staff salaries (flat monthly rates) and should not be charged again under other budget lines.

Recommendation 6

(6) The UNHCR Representation in Burundi should disallow \$16,560 representing Norwegian Refugee Council's international staff's residential costs charged to office rental and request them to comply in future with the provisions of the Sub-Project Agreement to maintain a separate bank account.

27. *The UNHCR Representation accepted recommendation 6 and explained that NRC' office also served as a house for the NRC staff, and that this arrangement was exceptionally agreed with UNHCR. The Representation also pointed out that NRC has been officially informed of the discontinuation of rental*

payment of any sort for the 2007 sub-project. Based on the decision taken and the supporting information provided by the Representation, recommendation 6 has been closed.

Communita Impegno Servizio Vol

28. CISV did not always comply with the required procurement procedures as outlined in the Sub-Project Agreement. While proforma invoices were generally obtained for purchases of less than \$5,000 no formal competitive tender was made for procurement valued at over \$5,000. For example, CISV did not issue any tender for its purchase of tubes made on 12 October 2005 and 6 June 2005 costing \$14,800 and \$8,500 respectively and for water reservoirs for \$8,750 made on 14 October 2005.

29. For most of the transportation contracts/vehicle rentals, the competitive bidding could not be evidenced, with only one offer available. CISV explained that the prices for transportation are the same throughout the industry, and that the number of transport companies willing to go to remote areas in the country was very limited.

Recommendation 7

(7) The UNHCR Representation in Burundi should request Communita Impegno Servizio Vol to comply with the requirement of the Sub-Project Agreement of competitive bidding and ensure that any reasons for deviations are properly documented and kept on file.

30. *The UNHCR Representation accepted recommendation 7 and stated that evidence of competitive bidding was available for the purchase of tubes, which was not presented to OIOS by error and that no bidding was conducted for the purchase of water reservoirs, as there was only one manufacturer. The Representation acknowledged that in such instances, a waiver for competitive bidding should have been requested, and that this would be followed up.* Based on the information provided and the acknowledgement that in the future procurement actions will be adequately documented, recommendation 7 has been closed.

B. General Programme Matters

31. The Representation conducted financial monitoring visits for the majority of implementing partners. However, although financial monitoring was performed semi-annually according to the Programme Control Officer, only one visit could be evidenced from the files. In addition, no financial verification was conducted at GTZ, UNHCR's largest partner and there had not been any follow-up on the implementation of OIOS' previous significant findings and recommendations. Consequently, many of the weaknesses previously found had not been fully corrected, and had led to similar shortcomings in 2007 (discrepancies in the SPMRs, poor fuel management and non-adherence to

applicable procurement procedures). An increased level of monitoring and follow-up of recommendations was required.

32. In general, the SPMR narratives submitted by implementing partners should be improved. For the majority of the cases reviewed, the achieved performance was not always directly linked to the performance indicators described in the relevant Sub-Project Agreements. This was the case, for example, for the narrative reports of World Vision International (WVI) and Transcultural Psychosocial Organization (TPO). The contributions to the project expected from implementing partners were often not clearly mentioned or formulated in the Sub-Project Agreements. Consequently, many partners, including international partners International Rescue Committee (IRC) and NRC, did not report on their contributions, if any, to the project.

Recommendation 8

(8) The UNHCR Representation in Burundi should ensure that financial monitoring visits are carried out for all partners, with proper follow up on the implementation of previous audit recommendations. The expected contributions to projects from partners should be clearly described in the Sub-Project Agreements, properly reflected in the final Sub-Project Monitoring Report and verified by the Representation.

33. *The UNHCR Representation accepted recommendation 8, and informed OIOS that the Project Control Officer and the Senior Programme Officer posts were finally filled in June/end of July 2005, both of whom were now closely following up on implementation of prior audit recommendations, closure of prior years' sub-projects, and overall, were emphasizing the need to disseminate and implement strong financial procedures. The Representation explained that a five-day financial evaluation was performed in the various GTZ offices in Burundi from 5 to 12 June 2006, and that due to an oversight the report was not made available to OIOS at the time of the visit to Burundi.*

34. *A concerted effort has been made to improve the quality of the narrative reports and it was pointed out that the quality of the Standards and Indicators Report as at the end of 2006, synthesizing the contribution from UNHCR and partners, was recognized by Headquarters and that, to improve further the quality in the use of standards and indicators, project formulation and reporting, a three-day workshop took place in mid-May with all UNHCR partners and UNHCR staff to continue the process of qualitative improvement, including financial control. OIOS takes note of the positive actions implemented. The recommendation remains open pending the submission of the final 2007 SPMRs where partner outcomes and contributions to the sub-projects are included.*

35. In April 2005, the Representation signed a Letter of Intent with an implementing partner Transcultural Psychosocial Organization (TPO) and transferred the first instalment of \$15,000. OIOS noted that on 13 July 2005, the Representation signed a Sub-Project Agreement with TPO, although neither the

Letter of Instruction (LOI) nor the subsequent amendment dated 15 July 2005 authorized this. Moreover, on 31 August 2005 a second instalment of \$95,000 was sent to TPO although such authority was also not given in the LOI. This was not an isolated case, as instalments were sent to another implementing partner Austria Relief Programme (ARP) under the same circumstances. OIOS appreciates the fact that the Representation subsequently made a series of accounting entries (such as recording the instalment as a “loan” to the partner) to subsequently regularize the situation, but wishes to stress that Sub-Project Agreements should only be signed under the authority of an LOI (UNHCR Manual, Chapter 4, Section 5.1 refers).

Recommendation 9

(9) The UNHCR Representation in Burundi should ensure, in future, that no Sub-Project Agreements are signed with implementing partners unless this has been authorised in the relevant Letter of Instruction.

36. *The UNHCR Representation accepted recommendation 9, but explained that the partner TPO was retained to replace another partner that was on the initial LOI, and that ARP was requested to undertake urgent construction work at Gasorwe refugee camp, in view of the refugee influx. Pending the issuance of the revised LOI, the Letter of Intent was processed and signed for the first instalment. The Representation also explained that ARP had to pre-finance most of the work, until UNHCR was able to transfer funds. Based on the explanations given and that this was done due to exigencies in project implementation, recommendation 9 has been closed.*

37. Direct implementation by the Representation totalled \$9.8 million in 2005 and 2006, relating mainly to the procurement of fuel for repatriation activities and for international procurement of iron sheets for construction activities. The construction work was carried out by local and international implementing partners and closely monitored by the Representation. The construction activities, which started in 2005 and should have been completed by December 2005, were only finalized in 2006 due to budgetary constraints.

38. OIOS observed that the construction activities were generally well managed and satisfactorily completed, as evidenced by a standard bill of quantities established by the Representation (and generally complied with by partners), weekly monitoring/progress reports, overall status reports, technical and final acceptance, etc. The expenditure incurred by implementing partners was generally within budgetary limits, and according to the reports, the outputs (quantity and quality) were in compliance with the relevant Sub-Project Agreements as confirmed by the various acceptance reports reviewed. There was a need, however, to improve the filing system pertaining to the construction activities. Most of the documentation, though available, could only be found in various and sometimes unrelated files.

39. For international NGOs local procurement, when in excess of 30 per cent of the total budget, should be excluded from the calculation of overhead costs.

For 2006 the Representation appropriately excluded all local procurement from the calculation of the overhead budget allocated to its five international partners, which resulted in the saving of \$62,000. Regrettably, this exercise was not carried out for 2005, when there were eight international partners with higher budgets, which could have resulted in higher savings.

C. Supply Management

Procurement

40. During 2005 and 2006, the Representation carried out local and international procurement, with approval sought and obtained from Headquarters' Committee on Contracts for cases above the authorized threshold. Local procurement totalled \$2 million for both years. OIOS assessed that UNHCR procurement procedures were generally complied with. There was, however, a need to re-assess the need to delegate significant procurement to implementing partners that did not adhere to good procurement practice or to partners with no track record or experience in administrating large purchases.

Asset management

41. OIOS was pleased to note that the Representation had made considerable improvement in this area since the last audit in 2005. A Local Asset Management Board (LAMB) was established, with regular meetings taking place. In 2006 alone, the LAMB held about 20 meetings, compared with two meetings in the two years prior to the last audit. Two physical inventories had been conducted since the last audit; significant discrepancies noted in the last one (over 300 assets lost in the past, valued at \$55,000) were appropriately followed up and, where necessary, assets written off. The Representation needed, however, to recover \$14,000 relating to nine vehicles involved in accidents that are in the custody of GTZ. The accidents took place between 2003 and 2006, and despite several reminders, GTZ had still not made any reimbursement, although its liability was established in each of the cases.

Recommendation 10

(10) The UNHCR Representation in Burundi should ensure that \$14,000 relating to nine vehicles involved in accidents that are the responsibility of Gesellschaft für Technische Zusammenarbeit (GTZ) is recovered. If necessary, assistance should be sought from Headquarters and from GTZ's Regional Office in Kenya.

42. *The UNHCR Representation accepted recommendation 10, and explained that GTZ has agreed to reimburse the repair costs for five out of the nine accident vehicles, and that the total amount to be reimbursed would be determined once the vehicles are repaired. The Representation also indicated that it has taken responsibility for the repair of one of the vehicles that was not part of GTZ's fleet. GTZ has contested the claims for reimbursement of the repair costs for two vehicles. For the remaining accident vehicle, the Representation*

explained that it was still waiting for the police report to establish responsibility. Recommendation 10 remains open pending confirmation of the reimbursement by GTZ of the repair costs of five vehicles for which it has accepted responsibility, and the final decision of the LAMB for the three remaining vehicles for which GTZ has denied responsibility.

D. Security and Safety

43. Bujumbura remains in Security Phase 3, while other areas in the field with UNHCR presence have been reduced to Phase 2. Missions outside Bujumbura by road continue to be done with military escort. The last assessment for minimum operational safety standards (MOSS) compliance was made in 2004, at which time UNHCR's offices were assessed as non-compliant. OIOS was informed that no assessment has been conducted since then. According to the Field Safety Adviser (FSA), UNHCR was still not fully MOSS compliant. Some of the MOSS requirements such as the installation of blast-resistant film, smoke detectors and vehicle search mirrors were yet to be installed. *The Representation explained that a request for funds was made in January 2007 from Headquarters to enable full MOSS compliance, and that no response had been received so far.*

44. The location of the office of the Representation, opposite a petrol station, continues to pose a problem. The FSA explained that management is looking for an alternative location and hopes to move in 2007. Although a warden system and evacuation procedures were in place, according to the FSA, no evacuation drills had been conducted in recent times as these are very sensitive and require government authorization. OIOS was informed that no such authorization was granted because of the perception such drills could create given the small size of Bujumbura.

E. Administration and Finance

45. In the areas of administration and finance, the Representation generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review.

Internal control environment

46. The Representation made commendable efforts to address most of the internal control deficiencies and other issues identified during the 2005 OIOS audit. This was greatly facilitated by the fact that previous key vacant positions had been filled since the last audit including, for example, the positions of Deputy Representative, Senior Administration & Finance Officer and Senior Programme Officer. Internal control deficiencies previously noted in the areas of special operational living allowance, medical evacuation, filing of vouchers, cheque payments, etc., had been satisfactorily addressed.

47. Both the Representation and Field Office Ruyigi needed to adhere to budgetary provisions, with overruns of 20 per cent noted under the travel budget line (maximum authorized is 15 per cent). Also, while the receivable (VF)

accounts were generally up-to-date, the Representation needed to address some longstanding travel advances on the VF 369 account (travel advances) dating back to 2004 and totalling \$9,000. Immediate action should be taken to recover these advances from the staff concerned. *The Representation stated that steps have been taken to contact staff to settle outstanding advances. For the older receivable balances, some \$5,000 has already been cleared.*

48. OIOS followed up on the issue of the funds embezzled by a former Finance Assistant. The Representation explained that the issue was still being dealt with, and that the bank has informally accepted to share the burden of the loss. Discussions were underway to determine the share of the loss to be borne by the bank. *The Representation stated that the final amount embezzled by the former Finance Assistant was \$130,899 and BIF45,460,476 (\$45,460).*

49. OIOS also followed up on the 2005 outstanding recommendations (Recommendations 02 and 03) pertaining to the reimbursement by a former implementing partner Ministry de l'Action Sociale/Promot (FEPADE) of funds totalling \$110,000, which had been either embezzled or could not be substantiated. The Representation explained that both the Ministry of Social Affairs and UNHCR had referred the case to court, and that despite much follow-up correspondence, the court had not initiated any legal action against the former Director of FEPADE. The Representation also assessed that it was very unlikely that the amount would be recovered, and indicated that the case would need to be submitted to Headquarters for write off, if the current legal actions prove unsuccessful. For the reasons stated above, OIOS has recorded these recommendations as closed without implementation.

V. ACKNOWLEDGEMENT

50. We wish to express our appreciation to the Management and staff of UNHCR and its implementing partners for the assistance and cooperation extended to the auditors during this assignment.

STATUS OF AUDIT RECOMMENDATIONS

| Recom. no. | C/O ¹ | Actions needed to close recommendation | Implementation date ² |
|------------|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| 1 | C | Action completed. | Implemented |
| 2 | O | Adjusted final 2006 SPMR from GTZ, along with evidence of the reimbursement of \$ 11,500 representing unsupported consultancy costs. | 30 June 2007 |
| 3 | C | Action completed. | Implemented |
| 4 | O | Confirmation by the Representation that the fuel tanks have been properly calibrated and are equipped with proper dipsticks. | 31 December 2007 |
| 5 | C | Action completed. | Implemented |
| 6 | C | Action completed. | Implemented |
| 7 | C | Action completed. | Implemented |
| 8 | O | Copies (a sample) of the final 2007 SPMRs where partners' outcomes and contributions to the sub-projects are included. | 31 December 2007 |
| 9 | C | Action completed. | Implemented |
| 10 | O | Confirmation of the reimbursement by GTZ of the repair costs of five vehicles for which it has accepted responsibility, and the final decision of the LAMB for the three remaining vehicles for which GTZ has denied responsibility. | 31 December 2007 |

1. C = closed, O = open

2. Date provided by UNHCR

UNITED NATIONS



OIOS Client Satisfaction Survey

Audit of: UNHCR Operations in Burundi

(AR2007/110/01)

| | 1 | 2 | 3 | 4 | 5 |
|--------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| By checking the appropriate box, please rate: | Very Poor | Poor | Satisfactory | Good | Excellent |
| 1. The extent to which the audit addressed your concerns as a manager. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. The audit staff's understanding of your operations and objectives. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Professionalism of the audit staff (demeanour, communication and responsiveness). | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. The quality of the Audit Report in terms of: | | | | | |
| • Accuracy and validity of findings and conclusions; | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Clarity and conciseness; | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Balance and objectivity; | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Timeliness. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. The extent to which the audit recommendations were appropriate and helpful. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. The extent to which the auditors considered your comments. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Your overall satisfaction with the conduct of the audit and its results. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Please add any further comments you may have on the audit process to let us know what we are doing well and what can be improved.

Name: _____ Title: _____ Date: _____

Thank you for taking the time to fill out this survey. Please send the completed Survey as soon as possible to: Mr. Dagfinn Knutsen, Acting Director, Internal Audit Division, OIOS, Room DC2-518, United Nations, New York, NY 10017. You can also send it via e-mail (knutsen2@un.org) or by fax (+1-212-963-2185).