



## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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## **UNHCR Operations in Kenya**

**Delay in appointing the Regional Representative combined with the heavy influx of refugees led to inadequate oversight of the programme, resulting in serious weaknesses and shortcomings**

**17 October 2008**

**Assignment No. AR2007/112/02**

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United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE  
INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

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

DATE 17 October 2008

REFERENCE IAD: 08- 01864

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



SUBJECT: Assignment No. AR2007/112/02 – UNHCR Operations in Kenya

OBJET:

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendations 2, 3, 4, 5, 9, 10, 14, 15 and 16 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. Your response indicated that you partially accepted recommendation 11 and did not accept recommendation 12. In OIOS' opinion however, these recommendations seek to address significant risk areas. We are therefore reiterating them and requesting that you reconsider your initial response based on the additional information provided in the report.
4. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 7, 11, 12 and 13) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. L. Craig Johnstone, Deputy High Commissioner  
Ms. Judy Cheng-Hopkins, Assistant High Commissioner  
Ms. Karen Farkas, Controller and Director, DFAM, UNHCR  
Ms. Maha Odeima, Audit Coordinator, UNHCR  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat  
Ms. Christina Post, Administrative Officer, Oversight Support Unit, Department of Management  
Mr. Byung-Kun Min, Programme Officer, OIOS  
Mr. Anders Hjertstrand, Chief, Geneva Audit Service, OIOS

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## INTERNAL AUDIT DIVISION

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### 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

### UNHCR Operations in Kenya

OIOS conducted an audit of UNHCR operations in Kenya. The overall objective of the audit was to assess the adequacy and effectiveness of internal controls in programme management, supply chain management, and administration and finance. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS assessed selected internal controls of the operations in Kenya by reviewing records relating to the activities during 2005, 2006 and 2007 involving a total expenditure of \$58 million. The operation's system of internal control was assessed as below average. The weaknesses identified, taken together or individually, significantly impaired the overall system of internal control. Prompt corrective action is required by management to significantly improve the application of key controls.

The vacancy for over a year in the position of UNHCR Representative in Kenya, at a time when there was heavy influx of new refugees coupled with flooding in Dadaab, resulted in a number of weaknesses and shortcomings caused by inadequate oversight of programme, finance and supply management. At the political level, the absence of an accredited Representative had led to a lack of full cooperation from the Government of Kenya. *The Representation explained that the request for accreditation was submitted timely, and that it has no control over the time taken by the Government to make a decision.*

Over the past several years, the office has lacked the necessary regular UNHCR protection staff, and relied on some 100 employees under United Nations Office for Project Services (UNOPS) contracts for essential core protection activities. OIOS was of the view that the use of such a significant number of "project" staff carried considerable risks in the context of the resettlement fraud that occurred in Kenya some years back. The Bureau and the Representation need to re-assess the staffing level required to carry out the protection workload, with the aim of replacing UNOPS project staff with staff on regular UNHCR contracts.

Programme management required immediate attention. Financial monitoring of implementing partners was often not carried out and many Sub-Project Monitoring Reports were recorded in the Management Systems Renewal Project (MSRP) database without being approved and authorized. Common costs, mainly salaries of staff working for both UNHCR projects and other donors' projects, were charged to UNHCR without prior consultation with the Representation about its share of the costs. OIOS also assessed that the involvement of local implementing partners was inadequate, and recommended enhanced participation by local non-government organizations (NGOs) in order to build local capacity and reduce overall programme support costs.

The monitoring of assets by the Representation was assessed as seriously deficient. Most of the assets at the Representation as well as those in the custody of implementing partners were not recorded in the MSRP asset register, while

UNHCR's ownership of the assets in the custody of implementing partners could not often be evidenced, given the absence of Right of Use Agreements and barcodes. Further, no physical inventory had been undertaken since 2005. Also the Local Asset Management Board was not fully functional, holding only one meeting a year, despite the various shortcomings noted in the area of asset management.

The delegation of procurement on behalf of UNHCR to implementing partners not pre-qualified for it should be discontinued. Further, consideration should be given to procurement of vehicles and drugs through the Supply Management Service at UNHCR Headquarters in order to achieve cost savings. The Representation has initiated corrective actions on most of the recommendations made.

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## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of UNHCR Operations in Kenya. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. Following the signing of peace agreements in Somalia in 2004 and Sudan in 2005 there were high expectations of voluntary repatriation to these countries. Instead, the UNHCR programme in Kenya witnessed rapid expansion during 2006 mainly due to the influx of 34,000 Somali refugees due to further hostilities in Somalia. The flooding of the Dadaab camp and increased restrictions on Somali refugees rendered UNHCR operations all the more difficult.

3. The lack of funds, security constraints and limited absorption capacity in the places of origin were the main stumbling blocks. UNHCR assisted a total of 272,500 refugees in 2006 from both Sudan and Somalia. In terms of durable solutions, UNHCR was able to resettle 6,200 refugees in third countries and about 5,400 Sudanese refugees, though less than expected, were able to voluntarily repatriate.

4. In 2006 and 2007, the Representation was working with 12 partners in various locations. At the time of the audit, the number of staff working for the UNHCR Operations in Kenya was 219. There were 38 vacant posts.

5. Comments made by UNHCR are shown in *italics*.

## II. AUDIT OBJECTIVES

6. The purpose of the audit was to assess the adequacy and effectiveness of internal controls in programme management, supply chain management, and administration and finance. The main objectives of the audit were to assess:

(a) Effectiveness and efficiency of arrangements for programme management including monitoring of the implementing partners;

(b) Reliability and integrity of financial and operational reporting as well as information available in Management Systems Renewal Project (MSRP);

(c) Safeguarding of UNHCR resources against loss, misuse and damage due to waste, abuse, mismanagement, errors, fraud and irregularities; and

(d) Compliance with UNHCR regulations and rules, Letters of Instruction and Sub-Project Agreements.

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### **III. AUDIT SCOPE AND METHODOLOGY**

7. The audit concentrated on the review of UNHCR programme management during 2005, 2006 and 2007. For implementing partners, OIOS relied on the work carried out by the external auditors, and conducted a horizontal review of the following major implementing partners, concentrating on areas that were not reviewed by the external auditors: Gesellschaft für Technische Zusammenarbeit (GTZ), Lutheran World Federation (LWF), CARE International, International Rescue Committee (IRC) and National Council of Churches of Kenya (NCCK). The audit also covered the administration of the office of the Representation in Kenya with administrative expenditure totaling \$3.4 million for the years 2006 and 2007, and assets with an acquisition cost of \$9.6 million and a current value of \$1.7 million.

8. The audit methodology comprised: (a) review of policies and procedures, administrative guidelines, data available from the Management System Renewal Project (MSRP), (b) interviews with responsible personnel; (c) analysis of applicable data; (d) physical verification and assessment of the effectiveness of controls; and (e) observation and verification of processes, as appropriate.

### **IV. AUDIT FINDINGS AND RECOMMENDATIONS**

#### **A. Programme management**

9. OIOS assessed that programme management required immediate attention and improvement, mainly in regard to shared support costs, headquarters (overhead) support costs, monitoring of assets held by implementing partners, and delegation of procurement to partners not pre-qualified for procurement on behalf of UNHCR.

#### External audit of implementing partners

10. OIOS met with the external audit team (Ernst & Young) to discuss their audit scope, procedures, and main findings. The external audit team reviewed a total of 12 implementing partners and covered 70 per cent of the reported expenditure. The team assessed that the accounting system and internal controls of implementing partners were generally satisfactory. Most of its findings pertained to unauthorized budgetary overrun. For example, at LWF the team noted a budgetary overrun of 38 per cent at the "Activity" level while, according to the Sub-Agreement, overrun was only authorized at the "Item" level, limited to 15 per cent. The team admitted, however, that areas such as common support costs, overhead (headquarters) support costs, etc., were not reviewed, as the team was not aware of the specific rules regarding these areas.

11. Audit certificates were available for all implementing partners falling within the threshold for external audit, containing qualified opinion in most cases, mainly because of questioned costs totaling about \$70,000. The questioned costs consisted of unauthorized budgetary overruns, lack of

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supporting documents for salaries paid to international staff, expenditure not budgeted for (such as consultancy cost), etc. For example, LWF (an international NGO) and NCKK (a local NGO) had unauthorized budgetary overruns of Ksh 685,000 (\$10,538) and Ksh 1,052,814 (\$16,197) respectively. At GTZ, the external auditors issued a disclaimer of opinion on the 2006 Sub-Project, mainly for the lack of documents supporting international staff salaries, totaling \$37,000. In this case, OIOS noted that the external auditors were not aware of UNHCR policy to pay a flat amount for salaries, which actually represents the UNHCR contribution to the often-higher salaries, paid to staff.

#### Need for a uniform methodology for sharing common costs

12. According to UNHCR Manual, Chapter 4, project support costs that cannot be budgeted under fully identifiable line items, such as certain administrative costs (salaries, maintenance costs), may be budgeted as lump sum amounts, given to implementing partners (IP) as UNHCR's contribution. For the salaries of staff working both under UNHCR-funded projects as well as other donors' projects, UNHCR's share should be on the basis of an agreed cost allocation methodology between IP and UNHCR.

13. However, OIOS found disparities in the amounts charged to UNHCR for the salaries of staff working for both UNHCR projects and other donors' projects (common costs), with the cost allocation methodologies varying from one partner to the other. There was no evidence that UNHCR was consulted and that UNHCR was in agreement with the cost allocation methodologies used by any of the partners.

14. For example, CARE charged UNHCR 11 per cent of the salaries paid to its staff in Nairobi (both national and international staff), calculated on the basis of the budget provided by each of its donors. These costs pertained to CARE staff working at the Nairobi office only, and presumably supporting various donors for the Kenya operations, including UNHCR projects. OIOS calculated that CARE charged over \$0.5 million between 2005 and 2007 for such costs. According to the Representation, the issue of shared support costs had been discussed with CARE since 2005, and that due to different interpretations by both agencies, no agreement was reached on how the costs should be calculated. Consequently, the issue of shared support costs has in the past led to delays in the signing of the sub-agreements and project implementation.

15. At IRC, the UNHCR share of the salaries paid to the support staff (national staff only) was calculated on the basis of the timesheets evidencing the actual time spent on the projects. For its international staff's salaries, IRC was able to cover the full costs from other funding. At NCKK, pre-established cost sharing rates (percentages) were used to calculate each donor's share of support staff salaries, and were calculated on the basis of estimated time spent on the projects. The salary cost allocation for each staff depended on his/her level of responsibility, which varied from 2 per cent (Human Resources staff) to 10 per cent (Programme Director). At LWF, no shared project support costs relating to national staff salaries were charged to UNHCR projects. Instead, the full cost

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was charged to other donors, but LWF pointed out that timesheets would be used in future to charge UNHCR its share of common salary costs.

16. In OIOS' view, there was a need to harmonize project support cost sharing practices to ensure transparency, consistency and fairness.

### **Recommendation 1**

**(1) The UNHCR Representation in Kenya should negotiate and agree with implementing partners on a common cost sharing methodology, and ensure that UNHCR's share of common project support costs are transparent and fair.**

17. *The UNHCR Representation in Kenya accepted recommendation 1 and stated that negotiations would be initiated with the partners to have a uniform methodology for calculating shared common costs.* Recommendation 1 remains open pending the confirmation by the UNHCR Representation in Kenya that a uniform common costs sharing methodology has been negotiated with partners, and implemented.

### Need to provide for and report on contribution to projects by international implementing partners

18. UNHCR provides headquarters support costs (overhead) to international implementing partners, on the condition that those partners make a significant and quantifiable contribution to the project or country/regional operation, using their own resources, at least sufficient to offset UNHCR's contribution. According to the UNHCR Manual, Chapter 4, a description of the contribution and its financial value should be properly documented and reflected in the final Sub-Project Monitoring Reports (SPMR) narrative. However, the expected contributions were not mentioned in any of the 2005, 2006, and 2007 Sub-Project Agreements, except for GTZ. Consequently, none of the implementing partners in receipt of overhead support costs had reported on their financial and/or in-kind contributions to UNHCR projects, with the exception of GTZ. Without this, the eligibility for the 7 per cent headquarters support costs could not be evidenced. There might have been undue payments to some implementing partners.

19. Also, under the 2005 Memorandum of Understanding signed between UNHCR and GTZ/BMZ, BMZ is to contribute 25 per cent of the project budgets, whilst UNHCR would cover 75 per cent. However, the contribution was not reported to UNHCR, and therefore not recorded in the MSRP system. GTZ explained that the reports on BMZ contributions were prepared for submission to the Representation, but was told by the Representation that the reports were neither required nor needed. According to the Representation, the GTZ/BMZ partnership is not clearly understood by both GTZ and UNHCR staff worldwide, and as late as October 2007 new guidelines were issued on how to manage and calculate BMZ contribution. The Representation indicated, however, that in future it would verify and upload in the MSRP system subsequent BMZ contributions.

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## **Recommendation 2**

**(2) The UNHCR Representation in Kenya should ensure that the required contributions to projects from international implementing partners are clearly described in the Sub-Project Agreements, properly reflected in the final Sub-Project Monitoring Reports, and verified during project financial monitoring.**

20. *The UNHCR Representation in Kenya accepted recommendation 2 and stated that the recording of the expected financial and in-kind contributions from partners has been implemented in all 2008 sub-agreements.* Based on the action taken by the Representation, recommendation 2 has been closed.

### Overpayments of headquarters support costs

21. The budget provided for overhead (headquarters) support cost is a pre-determined percentage (5 to 8.5 per cent depending on NGO) applied to the total budget under the Sub-Project Agreements. However, when the Sub-Project involves a large component (over 30 per cent of the total project value) of procurement to be undertaken locally, UNHCR policy is to take out of the calculation the whole amount budgeted for local procurement. OIOS found that the Representation did not always comply with this policy. For example, under the 2006 sub-projects signed with CARE, the local procurement portion of the budget, which was well above the ceiling of 30 per cent, had not been deducted. OIOS calculated that a saving of some \$13,500 could have been achieved on CARE alone. The Representation indicated that it would recalculate the headquarters support costs and recover overpayments from the agency concerned.

## **Recommendation 3**

**(3) The UNHCR Representation in Kenya should ensure, in future, that local procurement in excess of 30 per cent of the total budget given to international implementing partners is excluded from the calculation base of headquarters support costs.**

22. *The UNHCR Representation in Kenya accepted recommendation 3 and stated that this has already been implemented in the 2008 sub-agreements and would continue in the future.* Based on the action taken by the Representation, recommendation 3 has been closed.

### Scope for better involvement of local NGOs as implementing partners

23. OIOS assessed that the involvement of local implementing partners was inadequate. Out of 12 implementing partners, only one was local, despite the availability of many experienced local NGOs in Kenya that could have been entrusted with the implementation of activities in sectors such as health,

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education, community services, etc. For example, the health sector was implemented by GTZ with unproven experience in this area, and recent assessments by the UNHCR health coordinator showed that implementation was not satisfactory. In OIOS' view, in order to reduce its overall support costs, UNHCR should engage in the capacity building of local NGOs and shift from the more expensive international NGOs, especially given that local competence/education of personnel in Kenya is good.

#### **Recommendation 4**

**(4) The UNHCR Representation in Kenya should bring into the operation more local non-government organizations (NGOs), and shift from the more expensive international NGOs, in order to build local capacity and reduce the overall programme support cost. Activities/sectors implemented by international NGOs should be delegated to local NGOs known to be competent in the same areas.**

24. *The UNHCR Representation in Kenya accepted recommendation 4 and stated that in 2008, the Branch Office has already signed sub-agreements with five (5) local NGOs. The Representation also indicated that further involvement of national NGO partners was being explored.* Based on the action taken by the Representation, recommendation 4 has been closed.

#### Strengthening project financial monitoring and arresting unauthorized budgetary overruns

25. UNHCR used to conduct financial monitoring visits to implementing partners, but this decreased considerably over the years. For example, while in 2005 nearly all the sub-projects were reviewed, during 2006 only eight out of the 23 sub-projects (about 35 per cent) were reviewed. OIOS noted that no financial verifications were conducted at some of the largest implementing partners (e.g. IRC and CARE), and that only four final SPMRs were verified during 2006. Moreover, in 2006, at least 15 out of the 23 final SPMRs had not been approved at the time of the audit, yet the relevant expenditure had already been recorded in the FMIS system (and uploaded in MSRP).

26. OIOS found that the situation was the same at UNHCR Sub-Office Dadaab. There were no financial verification reports in the programme files, although the Programme Officer pointed out that verifications were conducted. The only documents available were some letters accompanying the SPMRs briefly mentioning the verification, but it was unclear which budget lines were verified, or what the findings were. According to the Representation, proper verification and approval was hampered by the increased workload and time constraint brought about by the emergencies in the country.

27. OIOS noted a number of significant budgetary overruns (above the authorized ceiling of 15 per cent) under the sub-projects implemented by CARE, GTZ, NCKK and Windle Trust. The overruns went up to 175 per cent, with no evidence of UNHCR's prior approval. The external audit reports had also

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mentioned these overruns in 2005 and in 2006, and as a result their audit opinion was qualified.

#### **Recommendation 5**

**(5) The UNHCR Representation in Kenya should strengthen its project financial monitoring, and ensure that no expenditure is recorded in the Management Systems Renewal Project database unless the relevant Sub-Project Monitoring Reports have been reviewed and approved. Further, unauthorized budgetary overruns should be disallowed and recovered.**

28. *The UNHCR Representation in Kenya accepted recommendation 5 and stated that all of the SPMRs uploaded for 2008 have been verified, and contain the requisite authorization and approval signatures, and that no installments would be released in future unless the Reports contain all the mandatory signatures. The Representation also provided evidence of letters sent to implementing partners informing them that UNHCR will no longer accept any financial reports that have budget overruns unless formally requested for and approved with the subsequent supplementary sub-agreement being prepared to correct the overruns. Based on the actions taken by the Representation, recommendation 5 has been closed.*

#### **Recovery of outstanding unspent balances from implementing partners**

29. OIOS noted that, according to the records in MSRP, there were outstanding unspent balances of implementing partners (X.21 balances) totaling some \$0.5 million, mainly relating to 2006 sub-projects, which the Representation had not recovered. For 2005 sub-projects, there were also unspent balances of \$993 in respect of Windle Trust (though the partnership had been discontinued), and \$4,600 in respect of NCKK. During our review, an attempt was made by the Programme Unit to reconcile the X.21 balances for 2006, which confirmed that \$0.5 million was still outstanding. The Representation subsequently explained that the 2006 unspent balances actually resulted from the incorrect uploading of some of the 2006 final SPMRs in the new MSRP system, and that adjustments would be made in conjunction with Headquarters in order to clear the balances.

#### **Recommendation 6**

**(6) The UNHCR Representation in Kenya should take action to correct the wrong accounting entries in the Management Systems Renewal Project database, and ensure that outstanding unspent project balances are reviewed and recovered from the relevant partners at once.**

30. *The UNHCR Representation in Kenya accepted recommendation 6 and stated that the correction of wrong entries would be undertaken in conjunction with UNHCR Budapest. The Representation also indicated and provided*

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*evidence that a recovery of the outstanding unspent balance from one of the two concerned partners has been made, while recovery was still being sought from the second partner. Recommendation 6 remains open pending confirmation by the Representation that the wrong accounting entries have been corrected, and that the recovery of the remaining unspent balances from the partner has been made.*

## **B. Supply management**

### Asset management and monitoring seriously deficient

31. OIOS assessed that the UNHCR office in Kenya did not have control over its assets. The number and value of assets were not known, as the records were either inaccurate or incomplete or missing. Also, the ownership of UNHCR assets in the custody of IPs was often not documented. UNHCR was therefore exposed to the serious risk of asset loss.

32. At the Branch Office in Nairobi, OIOS found that over 45 per cent of the randomly selected asset items in various offices had not been recorded in the MSRP assets register. Also, many assets were still listed in MSRP as being under the custody of partners, when in fact the partnership with them had been discontinued several years back (e.g. GOAL, MSF, JRS, etc.). Moreover, the procurement of assets, including vehicles, was entirely delegated to IPs, although some of them were not pre-qualified for procurement on behalf of UNHCR. Further, none of the assets procured by the partners using UNHCR funds had been bar-coded and recorded in UNHCR AssetTrak (and in MSRP). The required Right of Use Agreements were not prepared/signed by IPs, which left UNHCR unprotected from possible litigations over ownership of these assets. In fact, OIOS found that many IPs had recorded UNHCR's assets (including many vehicles) in their own names. No physical inventory had been carried out at the Representation or at the implementing partners.

33. At UNHCR Sub-Office in Dadaab, similar to the Nairobi office, the control of UNHCR assets held by partners was weak. For example, a significant number of UNHCR assets, including several vehicles, computers, etc., held by GTZ field office in Dadaab, were not captured at UNHCR. At UNHCR Sub-Office in Kakuma a staff member also found that 314 assets had not been recorded in the asset database, and over 60 new assets had been procured by IPs using UNHCR funds with no supporting documents (financial details) to enable the recording of the transactions into MSRP. There were a significant number of old unserviceable assets (including vehicles and trucks) that needed to be presented to the Local Asset Management Board (LAMB).

34. OIOS visited five major implementing partners and found that UNHCR assets were often not adequately tracked. At GTZ for example, UNHCR assets were recorded in Excel tables, and key information, such as the date of purchase, acquisition price, etc., was missing. The records were merely a description of the assets held, with no further information, despite the significant number and value, which included vehicles, medical equipment, computers (desktops and laptops), communication equipment, etc., all of which had been purchased with UNHCR's

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funds. At CARE-Kenya, UNHCR's assets were neither bar-coded nor could be distinguished from their own assets. Some of the UNHCR assets had been registered in CARE's name and bar-coded with their own numbers. As CARE had not been submitting to UNHCR the list of UNHCR assets in its custody, ownership of these assets by UNHCR was difficult to establish. CARE indicated that it was unaware that this was a requirement. At IRC, no asset lists were ever submitted to the Representation. Although IRC held a significant number of UNHCR assets in its custody, IRC indicated that UNHCR staff had never visited them for the purpose of conducting a physical inventory or to barcode the assets.

#### **Recommendation 7**

**(7) The UNHCR Representation in Kenya should conduct as soon as possible a comprehensive physical inventory of all UNHCR assets, including those held by implementing partners, affix UNHCR barcodes, and update the Management Systems Renewal Project asset register. Further, in order to prevent future litigations over ownership of assets, Right of Use Agreements should be prepared, signed and kept on file.**

#### **Recommendation 8**

**(8) The UNHCR Representation in Kenya should remind all implementing partners of the requirement to submit annually, together with the final Sub-Project Monitoring Reports, a list of UNHCR assets in their custody.**

35. *The UNHCR Representation in Kenya accepted recommendation 7 stated that a physical inventory was conducted and completed in December 2007, the result of which showed that 48 per cent of the recorded assets could not be verified, and that 14 per cent of the assets were found to be obsolete. The Representation also indicated that 7 per cent of the previously unrecorded assets have been recorded in the system, and that several corrections in regard to the problems identified by the audit have been made. The Representation further explained that it plans a new and comprehensive physical verification during November 2008. For the Right of Use Agreements, the Representation stated that some of them were still not captured in MSRP because asset data such as financial information was unavailable, and that assistance would be sought from Supply Management Service (SMS) at Headquarters for the way forward regarding such assets. Recommendation 7 remains open pending the confirmation by the Representation that: (a) a comprehensive physical inventory of the assets has been conducted, all the assets have been bar-coded and the asset register updated in the MSRP system; and (b) all the required Right of Use Agreements have been prepared and signed by the concerned implementing partners.*

36. *The UNHCR Representation in Kenya accepted recommendation 8 and stated that a letter would be written to all IPs reminding them of the requirement to submit annually a list of UNHCR assets in their custody. Recommendation 8*

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remains open pending the receipt of a copy of the reminder letters sent to partners on this issue.

#### Local Asset Management Board (LAMB)

37. Despite the various control weaknesses and other shortcomings in the area of asset management, there had only been one LAMB meeting per year since 2005. In OIOS' view, the LAMB failed to effectively oversee the asset management. There was a backlog of assets on which disposal had been authorized by the LAMB years back, with no evidence of any actions taken to dispose of them. He subsequently explained that several vehicles identified for disposal were withdrawn from the auction because their registration logbooks (proving UNHCR ownership) could not be found, and that considerable time and resources were spent in trying to trace the missing logbooks or to find duplicates.

#### **Recommendation 9**

**(9) The UNHCR Representation in Kenya should comply with the rules governing Local Asset Management Boards (LAMB), and ensure that LAMB meetings are convened as often as necessary so as to more effectively review and coordinate the asset management system. Actions should be taken as soon as possible to implement the decisions made by previous boards.**

38. *The UNHCR Representation in Kenya accepted recommendation 9 and stated that four LAMB meetings have already been conducted this year, and that decisions from these LAMB meetings have either been carried out or is being implemented.* Based on the action taken by the Representation, recommendation 9 has been closed.

#### Local procurement by implementing partners at higher cost or without formal authorization

39. A significant level of procurement was delegated to implementing partners, although most of the required items could have been procured by the Representation through SMS, and significant savings achieved. For example, following the departure of former implementing partner MSF (in 2004), the health sector was implemented by GTZ, with the procurement of drugs also delegated to them. However, the drugs were procured locally with no evidence of cost comparison with SMS' list of essential drugs; the drugs could have been procured at lower costs, at a duty free price. According to UNHCR Manual, Chapter 8, local or regional procurement of drugs should only be considered where international procurement is impossible or does not meet programme objectives. For 2006 and 2007 GTZ spent about \$0.5 million on the local procurement of drugs on behalf of UNHCR. OIOS found that the procurement of drugs was actually budgeted and paid for directly by the Branch Office, with GTZ undertaking all the procurement process. In our view, this not only blurred the distinction between direct and indirect implementation, but also increased the cost of procuring the drugs.

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40. In OIOS' view, UNHCR could also have achieved significant cost savings had the procurement of vehicles not been delegated to implementing partners. Not only were some of the partners not pre-qualified for procurement on behalf of UNHCR (e.g. NCKK), but also none of them was VAT/Duty exempt, except GTZ. For example, in 2007 alone, a total of 11 vehicles were purchased by the partners using UNHCR funds under the sub-agreements and paid duty of over 100 per cent of the purchase price. Those vehicles were procured locally, at a price at least 30 per cent higher than usually obtained from SMS. For example, OIOS determined together with the Supply Officer that a Toyota Landcruiser 4x4 Station Wagon procured through SMS (ex- Japan) costs only Yen 2,454,000 (\$20,280) while a similar vehicle in the local market costs \$31,468 (duty free). This means that savings of at least 30 per cent could have been achieved, had UNHCR directly procured the vehicles. The total savings could have been over \$100,000 for the 11 vehicles procured in 2007.

#### **Recommendation 10**

**(10) The UNHCR Representation in Kenya should ensure that the procurement of vehicles is not delegated to implementing partners that are not pre-qualified for procurement on behalf of UNHCR. Further, consideration should be given to procurement of vehicles and drugs through Supply Management Service at Headquarters to achieve costs savings.**

41. *The UNHCR Representation in Kenya accepted recommendation 10 only insofar as it relates to the procurement of vehicles, and stated that the partners would no longer be allowed to procure vehicles on behalf of UNHCR. The Representation also pointed out that value-added tax (VAT) would then have to be imposed on UNHCR for the vehicles procured for partners, given that efforts to obtain VAT exemption on such vehicles have been unsuccessful. The Representation did not accept, however, the part of the recommendation pertaining to the procurement of drugs, because the Kenyan legislation requires the fulfillment of several conditions for an organization to be pre-qualified and accredited to import pharmaceutical articles and drugs, which UNHCR does not meet. Based on the assurance and the explanations given by the Representation, recommendation 10 has been closed.*

#### Procurement at Sub-Office, Dadaab

42. At UNHCR Sub-Office Dadaab, an ad hoc procurement committee was established to deliberate on all purchases of goods and services ranging from \$5,000 to \$20,000 but there was no evidence on file that the Representation had approved this arrangement. Most of the procurement consisted of firewood and drugs, under projects EM/130, EM/102, and CM/201 with a budget of over \$1 million, but OIOS noted that the procurement was actually carried out by GTZ and that the supporting documents were sent to the Sub-Office for payment and recording. In OIOS' view, this arrangement again blurred the distinction between direct and indirect implementation of the projects. Also, from a legal

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perspective, in the absence of any agreement formalizing the arrangement, GTZ would not be held liable for loss or held responsible/accountable for issues arising from the implementation of the projects, such as poor or low project implementation, non-compliance with procurement procedures, etc. In fact, a meeting convened between the Sub-Office and GTZ on 16 October 2007 concluded that GTZ had achieved less than half of the planned activities (with only 48 per cent implementation rate).

43. Also, while the arrangement saved UNHCR from paying GTZ's overhead costs (8.5 per cent) on the procurement budget, the Sub-Office had largely exceeded its threshold in almost all instances of procurement of firewood, and under the circumstances, the cases should have been submitted to the Local Contract Committee (LCC) at the Representation. Also, per GTZ's own procurement rules, had a Sub-Project Agreement been signed, GTZ's field office in Dadaab would have exceeded its authorized procurement threshold, and the cases would have had to be referred to their main office in Nairobi.

#### **Recommendation 11**

**(11) The UNHCR Representation in Kenya should specify in writing the level of procurement delegated to Sub-Offices Dadaab and Kakuma, and request them to refrain from making decisions on procurement above the delegated threshold. Further, the current arrangement for the procurement of firewood by GTZ-Dadaab should be either formalized through a Sub-Agreement, or discontinued.**

44. *The UNHCR Representation in Kenya partially accepted recommendation 11 and stated that, as early as January 2007 it had instructed its Sub-Offices to form local committees on contracts to deliberate on any procurement valued between \$10,000 and \$20,000, however an official communication to this effect was yet to be issued. For the procurement of firewood, the Representation did not accept the recommendation, and stated that the procurement process was rather complex and time consuming. In the absence of big firewood dealers capable of providing the required quantities, the Representation has had to deal with a significant number of small dealers for the procurement of firewood, making it difficult to comply with UNHCR rules on procurement. The Representation further explained that, while it would have been preferable to formalize the arrangement with GTZ, this would have a significant financial impact for UNHCR.*

45. OIOS takes note of the explanations given regarding the direct procurement of firewood by UNHCR, and its financial implications. OIOS wishes, however, to stress on the risks of loss and lack of accountability that such a non-formalized arrangement might lead to. OIOS believes that the financial implications raised by the Representation cannot and should not justify circumventing the relevant internal controls (both at GTZ and UNHCR), which requires that for such significant procurement (over \$600,000 per year), the cases be submitted before the respective Committees on Contracts at the Regional Offices or Headquarters. OIOS also believes that the issue of financial burden on

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UNHCR can be lowered significantly if a local NGO or less expensive international NGO (other than GTZ) was entrusted with the procurement of firewood.

46. Recommendation 11 remains open pending the exploration by the UNHCR Representation in Kenya of other procurement alternatives, or the receipt of evidence that the relevant and respective Committees on Contracts at GTZ and at UNHCR have acknowledged and authorized the present non-formalized level of procurement by GTZ in Dadaab.

### **C. Administration and Finance**

47. In the areas of administration and finance, the Representation generally complied with UNHCR's regulations, rules, policies and procedures. However, in OIOS' assessment, there were weaknesses/shortcomings in the area of human resources that needed to be addressed. Also, some improvement was required in the application of key internal controls.

#### Impact of the long vacancy in the position of UNHCR Representative

48. The position of Representative remained unfilled for over a year (from mid 2006 to January 2008). The vacancy coincided with a series of important events that occurred soon after the departure of the former Representative, including the enactment of refugee legislation in December 2006 (which had been accelerated in 2006 after many years of negotiations), the emergency situation in Dadaab with the arrival of some 34,000 refugees, and the flooding in Dadaab. The occurrence of so many events at a time when UNHCR had no accredited Representative has inevitably had an impact on the UNHCR operations in Kenya.

49. The UNHCR staff interviewed were of the opinion that the vacancy had resulted in a distant relationship between the Government and the Representation, with access to high-level officials difficult, official UNHCR letters not given full consideration, etc. Because the Deputy Representative had assumed the functions of Acting Representative, the operational role of the deputy suffered. The Deputy had to have daily interactions with high level government officials, and at the same time had to oversee programme activities, administration finance, human resources, security and safety, etc. The situation was further complicated since programme funding in Kenya doubled and the number of sub-projects increased from some 20 to over 45, while at the same time the office lost about 30 per cent of its senior management staff.

50. In OIOS' view, this situation resulted in adequate attention not being given to the oversight function. This was evidenced by various weaknesses and shortcomings identified in the areas of programme and supply management during the audit.

51. According to the Representation, both functions (Deputy and the Representative) were fully taken care of by the Acting Representative, and in his absence, by the Assistant Representative (Protection), who assumed the role of

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the Deputy (although without a formal designation as such), and played a critical role in developing and agreeing protection strategies and programmes and their implementation/oversight with the Acting Representative. The Representation acknowledged however, that some of the Deputy functions, particularly those relating to the supervision and coordination of operations at the central level, were not entirely fulfilled, particularly in guiding programme and supply activities. The Representation also explained that the emergencies and expanded scope of the operation made the Acting Representative focus attention more on management of the emergencies, mobilizing donor support, involvement of the UN Country Team in the emergency, and handling increasingly strained relations with the Government in late 2006 and early 2007.

52. At the political level, the series of events described above required high level of representation, which was not available. Not having an established and accredited Representative meant it was difficult to obtain full cooperation from the Government of Kenya, for example it was difficult to have access to high government officials. There was a feeling among some staff members that the Government of Kenya did not give due consideration to the Representation, as evidenced by what they considered as a serious breach of protocol when in March 2007, the Head of the Kenya Refugee Department (under the Ministry of Home Affairs) was able to enter UNHCR premises, and directly address asylum seekers, informing them that UNHCR was discontinuing with immediate effect any further registration process, and that this would not be resumed until further notice. The staff members felt that such a breach would not have occurred had an accredited Representative been in place.

53. OIOS believes that UNHCR Headquarters should draw on the lessons learned and ensure that, in future, the selection/decision-making process is not delayed, and that requests for the accreditation of new UNHCR Representatives are submitted as early as possible to the host country, and duly followed up.

#### **Recommendation 12**

**(12) The UNHCR Representation in Kenya should draw on the lessons learned and ensure, in future, that requests for the accreditation of new UNHCR Representatives are submitted as early as possible to the host country, and duly followed up.**

54. *The UNHCR Representation in Kenya did not accept recommendation 12 and stated that the requests for accreditation are always submitted on time. The Representation further pointed out that the delay in receiving the accreditation is always on the Government's side, and that the required follow up was made, and that it has no control over the period that government takes.* OIOS takes note of the explanation and requests that documentary evidence be provided of the date of the submission of the request for accreditation to the Government of Kenya, along with the various follow ups made.

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Propriety of using UNOPS-managed staff resources for UNHCR core functions

55. Under an Exchange of Letter (EOL) between UNHCR and the United Nations Office for Project Services (UNOPS) that was first signed in May 2002 and continued every year through a series of amendments, the latter was to support the UNHCR Representation in Kenya through the recruitment and administration of human resources. A 9 per cent management fee is charged by UNOPS. From 2002 to 2007 the total project budget was some \$3.5 million.

56. Under the arrangement, the Representation in Kenya was employing 98 persons performing various functions; most of them were involved, and in some cases responsible for UNHCR core activities. OIOS viewed this as a substitute for the discontinued use of project staff. The use of such “project” staff bears considerable risks, especially in the context of the resettlement fraud that occurred in Kenya some years back. For example, many of these UNOPS-managed staff (registry clerks) were responsible for the reception, registering, finger-printing and even interviewing asylum-seekers, while others in addition to interviewing, were also responsible for conducting assessments, dealing with regular appeals, and recommending admission or rejection.

57. Although under the EOL, UNOPS was responsible for the recruitment and administration of the UNHCR project staff, the Representation informed that UNOPS was in fact not involved in any way in the recruitment. This was entirely carried out by UNHCR. OIOS was of the view that, given the labour-intensive recruitment process and the fees paid to UNOPS, it was inappropriate for the Representation to take on additional administrative work, thus stretching the already limited human resources capacity.

58. UNOPS’ administration of project staff was not satisfactory. According to some UNHCR staff interviewed, UNOPS was consistently paying staff salaries with much delay (from one week up to three months), which had a negative impact on staff morale, especially given the fact that staff salaries under UNOPS contracts were much lower than that of UNHCR local staff performing work at the same level. OIOS understands that staff contracts under UNOPS did not provide for an annual salary increment or any termination benefits, which has added to the frustration of the project staff.

**Recommendation 13**

**(13) The UNHCR Representation in Kenya should, in conjunction with the UNHCR Bureau for Africa, re-assess the staffing level required for the protection workload, with the aim of replacing the United Nations Office for Project Services’ project staff performing UNHCR core functions with staff on regular UNHCR contracts.**

59. *The UNHCR Representation in Kenya accepted recommendation 13 and stated that in the 2009 Country Operations Plan, it requested the creation of posts to replace some of the UNOPS positions, and that this was rejected by the Bureau for Africa. The Representation further stated that it would continue with*

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*the use of UNOPS staff, while reassessing the need to create regular UNHCR posts, in contact with the Bureau for Africa. The Representation also pointed out that the difference per annum in using UNOPS as opposed to regular UNHCR funds posts is in the region \$250,000. OIOS takes note of the explanations given and reiterates the need for the Africa Bureau, together with the Representation in Kenya to re-assess the staffing level required for the protection workload in the Kenya operation and to ensure that the key protection functions are staffed with UNHCR regular staff. Recommendation 13 remains open pending receipt of the comments and/or decision made by the Bureau for Africa on this issue.*

Lack of control over payment of Special Operational Living Allowance Rate (SOLAR)

60. OIOS assessed that the controls over SOLAR payments needed improvement. According to the relevant procedures, the payments of SOLAR (also Hazard Allowance and other entitlements) should be recorded on the reverse of the Global Travel Authorization (GTA). However, since at least 2006 SOLAR payments were not being recorded on the reverse of the GTA. Moreover, the control over the physical presence of staff in the SOLAR area was not evidenced in the file. The presence in the Special Operations Area (SOA) is required for entitlement to SOLAR, and should be monitored and supporting documentation kept on file. The Representation explained that e-mails requesting confirmation of presence/absence from the SOA are sent to each of the sub-offices for the calculation of SOLAR entitlements. However, there was no evidence that replies/confirmations were received from these offices prior to the calculation and payment of SOLAR.

**Recommendation 14**

**(14) The UNHCR Representation in Kenya should ensure that Special Operational Living Allowance Rate (SOLAR) entitlements are calculated and paid only when written confirmation of the physical presence of staff members in the Special Operations Area is provided by sub-offices. Further, all SOLAR payments should be recorded on the reverse of the Global Travel Authorizations.**

61. *The UNHCR Representation in Kenya accepted recommendation 14 and informed that new measures have been implemented whereby SOLAR payments are made only upon a written confirmation received from Sub-Offices, and are duly recorded on the reverse of the GTA. The Representation also stated that retroactive actions have been taken to record the SOLAR payments made under past GTAs, and that a SOLAR claim form has been introduced and is now being completed and certified at the Sub-Office level. Based on the action taken by the Representation, recommendation 14 has been closed.*

62. According to UNHCR rules, a staff member on official travel outside the SOA, in receipt of DSA (e.g., official mission, emergency evacuation, medical evacuation) may continue to receive SOLAR for up to and including 15 nights. As of the 16th night outside the SOA, SOLAR will cease to be paid and no other

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entitlement will be payable. However, there were instances when staff members absent from the SOA, either on extended sick leave, paternity leave or on medical evacuation, were paid SOLAR beyond the allowed 15 nights. For example:

- A staff member (index 0693261) was on medical evacuation from 1 April 2005 through 21 May 2005, a total of 51 days and was in receipt of full SOLAR during the whole period. Since only 15 nights are authorized, OIOS calculated that a recovery of \$3,955 should be made.
- Another staff member (index 443735) was on extended sick leave outside the SOA from 9 to 27 February 2006 (19 days), and yet received SOLAR payments. Some \$2,147 should therefore be recovered.
- In another case, OIOS found that the travel claim of a staff member (index 684385) on long-term mission in Dadaab included both entitlements for SOLAR and for a living allowance while under the Mental Health Travel Scheme (MARS). According to IOM/FOM – 12/2004, SOLAR replaces all other payments, such as the living allowance payable under MARS. Hence, the living allowance of \$700 should not have been paid. There were also three double payments for terminal expenses in the claim. OIOS calculated that a total of \$847 should be recovered from the staff member.

#### **Recommendation 15**

**(15) The UNHCR Representation in Kenya should strengthen its internal controls over the calculations and payments of Special Operational Living Allowance Rate (SOLAR). Further, the cases of SOLAR overpayments made to staff members under index numbers 0693261, 443735, and 684385 should be reviewed and recovered.**

63. *The UNHCR Representation in Kenya accepted recommendation 15 and stated that the internal controls over the payment of SOLAR have been strengthened. The Representation also stated and provided evidence that the cases of overpayments found during the audit have been recovered. Based on the action taken by the Representation, recommendation 15 has been closed.*

#### Medical evacuation

64. The Representation did not maintain the required Medical Evacuation (MEDEVAC) control sheet. Therefore, key information such as the names of staff evacuated, place of evacuation, duration and costs of the evacuation, was not available. Moreover, the documentation supporting the claims for MEDEVAC was often inadequate. For example, none of the claims reviewed was supported by the required authorization from the UNHCR Medical Service, and the number of days of hospitalization was not always evident. In one instance a staff member proceeded on MEDEVAC, with no evidence of authorization either by the Representation or by the UNHCR Medical Service.

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### Recommendation 16

**(16) The UNHCR Representation in Kenya should strengthen its internal controls over medical evacuations and ensure that the relevant supporting documents are complete and accurate. The required MEDEVAC control sheet should also be maintained and kept up-to-date.**

65. *The UNHCR Representation in Kenya accepted recommendation 16 and informed that internal controls over medical evacuation have been implemented, and that as from 1 January 2008 the MEDEVAC control sheet is being maintained.* Based on the action taken by the Representation, recommendation 16 has been closed.

### Delegation of Financial Signing Authority (DOAP)

66. OIOS' review of the Delegation of Authority Plan (DOAP) in MSRP found that conflicting roles were set up governing the payment cycle, thereby creating breaches in proper segregation of duties as per the UNHCR Financial Internal Control Framework (FICF).

67. At the Sub-Office in Dadaab, three staff members had two MSRP user IDs with incompatible functions assigned. For example, one of the staff was assigned the roles of Voucher Preparer and Technical Approver, while another staff was assigned the role of Voucher Preparer and Receiver of Goods. OIOS noted, however, that none of the staff concerned had actually used the second incompatible role.

### Recommendation 17

**(17) The UNHCR Representation in Kenya should review its Delegation of Authority Plan (DOAP), and ensure that proper segregation of duties is achieved. The cases of conflicting roles identified in the DOAP should be corrected at once.**

68. *The UNHCR Representation in Kenya accepted recommendation 17 and stated that a new DOAP has been submitted to the Headquarters for approval, in which the conflicting roles have been corrected.* Recommendation 17 remains open pending the receipt of a copy of the new DOAP with no conflicting roles.

### Outstanding advances

69. OIOS assessed that there was need for closer and more regular monitoring of outstanding advances at UNHCR Sub-Office in Dadaab. The balance of accounts receivable totaled \$90,000, and most had been outstanding since 2006. Of this amount, \$22,000 related to six staff members who were no longer working at the Sub-Office; two of them had left UNHCR. OIOS noted that in many cases operational or salary advances were given when the previous advance had not been settled.

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### **Recommendation 18**

**(18) The UNHCR Representation in Kenya should ensure that appropriate and timely actions are taken to keep the receivable accounts up-to-date. Immediate steps should be undertaken to address the issues of outstanding advances of staff no longer working at the Sub-Office Dadaab.**

70. *The UNHCR Representation in Kenya accepted recommendation 18 and stated that the review of the receivable accounts has been prioritized and staff has been dedicated to handle this area. Recommendation 18 remains open pending the receipt of evidence that the outstanding advances at the Sub-Office Dadaab have been settled.*

## **V. ACKNOWLEDGEMENT**

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

## STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O	Actions needed to close recommendation	Implementation date <sup>2</sup>
1	The UNHCR Representation in Kenya should negotiate and agree with implementing partners on a common cost sharing methodology, and ensure that UNHCR's share of common project support costs are transparent and fair.	Operational	Medium	O	Confirmation by the UNHCR Representation in Kenya that a uniform common costs sharing methodology has been negotiated with partners, and implemented.	September 2008
2	The UNHCR Representation in Kenya should ensure that the required contributions to projects from international implementing partners are clearly described in the Sub-Project Agreements, properly reflected in the final Sub-Project Monitoring Reports, and verified during project financial monitoring.	Operational	Medium	C	Action completed	Implemented
3	The UNHCR Representation in Kenya should ensure, in future, that local procurement in excess of 30 per cent of the total budget given to international implementing partners is excluded from the calculation base of headquarters support costs.	Operational	Medium	C	Action completed	Implemented
4	The UNHCR Representation in Kenya should bring into the operation more local non-government organizations (NGOs), and shift from the more expensive international NGOs, in order to build local capacity and reduce the overall programme support cost. Activities/sectors implemented by international NGOs should be delegated to local NGOs known to be	Operational	Medium	C	Action completed	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
5	competent in the same areas. The UNHCR Representation in Kenya should strengthen its project financial monitoring, and ensure that no expenditure is recorded in the Management Systems Renewal Project database unless the relevant Sub-Project Monitoring Reports have been reviewed and approved. Further, unauthorized budgetary overruns should be disallowed and recovered accordingly.	Financial	Medium	C	Action completed	Implemented
6	The UNHCR Representation in Kenya should take action to correct the wrong accounting entries in the Management Systems Renewal Project database, and ensure that outstanding unspent project balances are reviewed and recovered from the relevant partners at once.	Financial	Medium	O	Confirmation by the Representation that the wrong accounting entries have been corrected, and that the recovery of the remaining unspent balances from the partner has been made.	30 September 2008
7	The UNHCR Representation in Kenya should conduct as soon as possible a comprehensive physical inventory of all UNHCR assets, including those held by implementing partners, affix UNHCR barcodes, and update the Management Systems Renewal Project asset register. Further, in order to prevent future litigations over ownership of assets, Right of Use Agreements should be prepared, signed and kept on file.	Compliance	High	O	Confirmation by the Representation that: (a) a comprehensive physical inventory of the assets has been conducted, bar-coded, and updated in the MSRP system, and (b) the required Right of Use Agreements have been prepared and signed by the concerned implementing partners.	December 2008
8	The UNHCR Representation in Kenya should remind all implementing partners of the requirement to submit annually, together with the final Sub-Project Monitoring Reports, a list of UNHCR assets in their custody.	Compliance	Medium	O	Receipt from UNHCR Representation in Kenya, of a copy of the letters sent to partners reminding them of the requirement to submit annually a list of UNHCR assets under their custody	September 2008
9	The UNHCR Representation in Kenya should comply with the rules governing	Compliance	Medium	C	Action completed	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O	Actions needed to close recommendation	Implementation date <sup>2</sup>
10	Local Asset Management Boards (LAMB), and ensure that LAMB meetings are convened as often as necessary so as to more effectively review and coordinate the asset management system. Actions should be taken as soon as possible to implement the decisions made by previous boards. The UNHCR Representation in Kenya should ensure that the procurement of vehicles is not delegated to implementing partners that are not pre-qualified for procurement on behalf of UNHCR. Further, consideration should be given to procurement of vehicles and drugs through the Supply Management Service at Headquarters to achieve costs savings.	Compliance	Medium	C	Action completed	Implemented
11	The UNHCR Representation in Kenya should specify in writing the level of procurement delegated to Sub-Offices Dadaab and Kakuma, and request them to refrain from making decisions on procurement above the delegated threshold. Further, the current arrangement for the procurement of firewood by GTZ-Dadaab should be either formalized through a Sub-Agreement, or discontinued.	Compliance	High	O	Exploration by the UNHCR Representation in Kenya of other procurement alternatives, or the receipt of evidence that the relevant and respective Committees on Contracts at GTZ and at UNHCR have acknowledged and authorized the present non-formalized level of procurement by GTZ in Dadaab.	August 2008
12	The UNHCR Representation in Kenya should draw on the lessons learned and ensure, in future, that requests for the accreditation of new UNHCR Representatives are submitted as early as possible to the host country, and duly followed up.	Governance	High	O	Receipt of documentary evidence of the date of the submission of the request for accreditation to the Government of Kenya, along with the various follow ups made	Not provided
13	The UNHCR Representation in Kenya should, in conjunction with the UNHCR Bureau for Africa, re-assess the staffing	Human Resources management	High	O	Receipt of the comments and/or decision made by the Bureau for Africa on the issue on project staff performing core protection	2009

Recom. no.	Recommendation	Risk category	Risk rating	C/O	Actions needed to close recommendation	Implementation date <sup>2</sup>
	level required for the protection workload, with the aim of replacing the United Nations Office for Project Services' project staff performing UNHCR core functions with staff on regular UNHCR contracts.				functions at the Representation in Kenya.	
14	The UNHCR Representation in Kenya should ensure that Special Operational Living Allowance Rate (SOLAR) entitlements are calculated and paid only when written confirmation of the physical presence of staff members in the Special Operations Area is provided by sub-offices. Further, all SOLAR payments should be recorded on the reverse of the Global Travel Authorizations.	Financial	Medium	C	Action completed	Implemented
15	The UNHCR Representation in Kenya should strengthen its internal controls over the calculations and payments of Special Operational Living Allowance Rate (SOLAR). Further, the cases of SOLAR overpayments made to staff members under index numbers 0693261, 443735, and 684385 should be reviewed and recovered.	Financial	Medium	C	Action completed	Implemented
16	The UNHCR Representation in Kenya should strengthen its internal controls over medical evacuations and ensure that the relevant supporting documents are complete and accurate. The required MEDEVAC control sheet should also be maintained and kept up-to-date.	Financial	Medium	C	Action completed	Implemented
17	The UNHCR Representation in Kenya should review its Delegation of Authority Plan (DOAP), and ensure that proper segregation of duties is achieved. The cases of conflicting roles identified in the DOAP	Compliance	Medium	O	Receipt of a copy of the new DOAP with no conflicting roles.	August 2008

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
18	should be corrected at once. The UNHCR Representation in Kenya should ensure that appropriate and timely actions are taken to keep the receivable accounts up-to-date. Immediate steps should be undertaken to address the issues of outstanding advances of staff no longer working at the Sub-Office Dadaab.	Financial	Medium	O	Receipt of evidence that the outstanding advances at the Sub-Office Dadaab have been settled.	September 2008

1. C = closed, O = open
2. Date provided by UNHCR in response to recommendations.