



Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

UNHCR Operations in Ethiopia

The significant level of involvement and influence by the Government of Ethiopia in the management of UNHCR operations needed to be addressed

20 August 2009

Assignment No. AR2009/112/01

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: 20 August 2009

REFERENCE: IAD: 09- 02773

for William Petersen
FROM: Fatoumata Ndiaye, Acting Director
DE: Internal Audit Division, OIOS

SUBJECT: **Assignment No. AR2009/112/01 – Audit of UNHCR Operations in Ethiopia**
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 3, 4, 6, 7, 8, 10, 12 and 18 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 high risk (i.e., recommendations 1 and 2) 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. Karen Farkas, Controller and Director, DFAM, UNHCR
Ms. Maha Odeima, Audit Coordinator, UNHCR
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit
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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 Ethiopia

OIOS conducted an audit of the United Nations High Commissioner for Refugees (UNHCR) operations in Ethiopia. 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 the internal controls of the operations in Ethiopia by reviewing records relating to activities implemented during 2008 with expenditures totalling \$28 million. Although the majority of key controls were being applied, the application of certain important controls was inconsistent or ineffective. In order not to compromise the overall system of internal control, timely corrective action by management is required.

Urgent attention and high-level intervention are required from UNHCR Headquarters to clarify the respective roles and responsibilities of the Representation and its government implementing partner, given the significant level of involvement by the Government of Ethiopia in the management of UNHCR operations. The Representation was losing ground on the decision-making authority delegated to it for the implementation of UNHCR projects in Ethiopia. The existing Country Agreement and Agreements for the Receipt and Right of Use of UNHCR Assets were disregarded by the Government of Ethiopia, which unilaterally decided to take ownership of UNHCR assets when projects end, or when assets become non-operational. This was also illustrated by the recent sale of some UNHCR vehicles by the Government of Ethiopia, without UNHCR approval and without accounting for the proceeds.

Programme management required attention. Financial monitoring visits were not conducted for many of the projects. Significant audit findings and recommendations made by external auditors were neither followed up nor implemented. Also, coordination meetings between the Representation and its offices in the field were lacking, and many of the 2008 and 2009 implementing instruments were signed and issued without being dated, which raised the question of whether the instruments were issued in a timely manner and whether payments to implementing partners were made under valid agreements.

Procurement was also an area of great concern, with several instances of inefficient and uneconomic purchasing, due to the lack of advance planning and non-observance of prescribed procedures, which resulted in lost opportunities to save some \$180,000. There were also several red flags in the contracts awarded by the government partner, and the genuineness of a number of construction contracts was questionable. OIOS recommended the recovery of at least \$100,000.

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. Improvement and

strengthening of internal controls were, however, required at field offices where the Managing for Systems, Resources and People System had still not been implemented. There was also a need to address longstanding advances, which mainly related to travel and salary advances.

TABLE OF CONTENTS

Chapter	Paragraphs
I. INTRODUCTION	1 – 5
II. AUDIT OBJECTIVES	6
III. AUDIT SCOPE AND METHODOLOGY	7 – 9
IV. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Programme management	10 – 34
B. Supply chain management	35 – 56
C. Review of implementing partners	57 – 61
D. Administration and finance	62 – 70
V. ACKNOWLEDGEMENT	71
ANNEX 1 – Status of audit recommendations	

I. INTRODUCTION

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

2. As of June 2009, Ethiopia had over 100,000 registered refugees mainly from Sudan, Somalia and Eritrea. Following the successful implementation of the repatriation programme, some 36,000 Sudanese refugees have returned home, leaving behind some 26,000. Hence, activities in the western locations of Gambella and Assosa were decreasing. But the political developments in Ethiopia's neighboring countries, Eritrea, Somalia and Sudan continued to have an impact on UNHCR's operations in Ethiopia. In the east, there were a growing number of Somali refugees around Jijiga. There were also a large number of internally displaced persons, estimated at some 200,000 persons, that were not officially recognized by the Government of Ethiopia.

3. The main objectives of the Ethiopia operation in 2008 and 2009 were to ensure that the population of concern receive international protection, to build the capacity of the Government in both registration and refugee status determination (RSD), and to seek durable solutions for refugees. Ethiopia is a party to the 1951 Convention relating to the Status of Refugees and its 1967 Protocol. The role of the Administration for Refugee and Returnee Affairs (ARRA), UNHCR's main government partner, has been essential for the delivery of assistance and protection to refugees in Ethiopia. In 2008, there were 23 implementing partners including the government counterpart, which alone accounted for almost half of the budget allocated to all partners.

4. In 2009, the number of staff working for the UNHCR Operations in Ethiopia was 205. This included 30 United Nations Volunteers, 11 staff on mission, eight staff on temporary assignment and two consultants. There were 24 vacant posts (or 14 per cent).

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

II. AUDIT OBJECTIVES

6. The objective of the audit was to assess the adequacy and effectiveness of controls in programme management, supply chain management, and administration and finance. Specifically, the audit assessed the:

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

(b) Reliability and integrity of financial and operational reporting as well as information available in the Managing for Systems, Resources and People (MSRP) System, which is UNHCR's Enterprise Resource Planning System;

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- (c) Safeguarding of UNHCR assets against loss, misuse and damage due to waste, abuse, mismanagement, error, fraud and irregularities; and
 - (d) Compliance with regulations and rules, Letters of Instructions, and sub-agreements.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit, which took place in May 2009, reviewed 2008 programme activities under projects 2008/AB/ETH/EM/130, 2008/AB/ETH/CM/200, 2008/SB/ETH/CM/202, 2008/AB/ETH/CM/204 and 2008/AB/ETH/RP/331 with a combined total budget of \$21 million and expenditures of \$20.9 million. These projects represented about 80 per cent of the programme expenditures in 2008. The review focused on the activities implemented by the largest implementing partner, ARRA and a local implementing partner Development & Inter-Church Aid Department (DICAC), which together accounted for nearly 50 per cent of the expenditures incurred by implementing partners. OIOS also reviewed activities directly implemented by UNHCR with expenditures of \$7.1 million in 2008.

8. The audit reviewed the administration of the UNHCR Representation in Ethiopia with administrative expenditures totalling \$3 million in 2008, and assets with acquisition cost totalling \$12.4 million and current value of \$3.5 million.

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

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Programme management

10. The area of programme management required immediate attention by UNHCR senior management at the highest level at Headquarters.

Difficult relationship with the government implementing partner

11. The Representation has had difficulties and an unbalanced relationship with the government partner, ARRA, which has been UNHCR's main implementing partner in Ethiopia, and funded 100 per cent by UNHCR. ARRA alone accounted for half of the resources in 2008 (\$9 million out of \$19 million) allocated to all implementing partners in the country (23 partners in 2008), and employed over 600 staff with annual salaries totalling some \$3 million. UNHCR's partnership with ARRA spans over a period of 43 years, when UNHCR opened its Regional Liaison Office in Ethiopia in 1966. The size of the operations and the number of refugees has drastically decreased over the

last few years (from over 1 million refugees to some 100,000 refugees). While the staffing level of UNHCR has fluctuated along with the decrease in the number of refugees, ARRA's staffing level remained the same.

12. The level of involvement and influence by the Government of Ethiopia in UNHCR operations is a cause of concern as the Representation has slowly been losing ground in decision-making with regard to the UNHCR country programme. As reported by previous reviews (OIOS' report dated 11 August 2003 and the UNHCR Inspector General Office's report issued in February 2009) ARRA has had a number of unprecedented and conflicting roles: in addition to being an implementing partner ARRA, as the main refugee policy-setting agency, was responsible for the accreditation of implementing partners in Ethiopia and a signatory to all sub-agreements between UNHCR and other implementing partners (tripartite agreements). Furthermore, ARRA's organizational structure and staffing size (over 600 employees) are not commensurate with the size of the operations, which have considerably decreased over the last few years.

13. A recent report by the Inspector General Office also pointed out that ARRA's organizational structure was a replication of UNHCR functional units, which had resulted in administrative and project costs assessed as being "one of the more costly projects to implement in UNHCR operations worldwide". Efforts by the Representation to reduce ARRA's staff complement have sometimes in the past been met with resistance by ARRA, and UNHCR has had little if any influence in ARRA's staffing level although the posts were 100 per cent funded by UNHCR. For example, the Representation explained to OIOS that its attempt in 2008 to reduce ARRA's administrative costs in line with the then existing size of the operation led to a situation whereby ARRA went on strike, which resulted in the Representation keeping the status quo. According to the Representation, however, there have been indications in the recent past of ARRA's willingness to right-size following the closure of refugee camps for Sudanese refugees, but this was cancelled with the new influx of Eritrean and Somali refugees.

14. The imbalance was evidenced almost on a daily basis through a number of challenges faced by the Representation. In a recent example, the Government of Ethiopia through its letter dated 27 February 2009 unilaterally made the decision that all UNHCR vehicles purchased for the refugee programme in Ethiopia (in the custody of ARRA as well as other implementing partners), would be registered as assets of the Government of Ethiopia when the project was phased out or when those vehicles became non-operational due to damages. This decision was not in line with UNHCR's policy regarding the use of UNHCR assets by implementing partners, and breached the existing Right of Use Agreements, which maintained ownership of vehicles with UNHCR, and only gave custody to ARRA. It should be noted that ARRA alone had in its custody over 130 UNHCR vehicles, fully maintained by UNHCR.

15. ARRA recently disposed of five UNHCR vehicles without the prior approval of UNHCR, in contravention of the Right of Use Agreements which are still in force. Moreover, ARRA did not account for the proceeds from the disposal of the vehicles. According to the Right of Use Agreements signed with

ARRA, written approval should be obtained prior to the disposal of any asset, and the proceeds of the sales should revert to UNHCR.

16. The use of UN number plates on UNHCR vehicles in the custody of ARRA (as well as other UNHCR implementing partners) poses a serious reputation risk. As it was not possible to differentiate UN and non-UN staff members, there could be a serious lack of accountability in the use of those vehicles, which could convey the wrong image to the local population should these vehicles be involved in any unauthorized activities. OIOS understands, however, that this issue was common to all UN agencies operating in the country and would need to be addressed centrally through the UN Country Team in Ethiopia.

17. There were a number of other challenges faced by the Representation, including for example:

- The previous threats by the Government to boycott the refugee programme unless salary increments requested by ARRA were implemented.
- The difficulties in following up on external or internal audit recommendations such as the unaccounted use of funds (some \$0.5 million for the years 2007 and 2008 alone), or conducting effective financial monitoring visits, the lack of logbooks to document the official and private use of UNHCR vehicles, etc.

18. In our view, the significant level of involvement by the Government of Ethiopia in UNHCR operations, coupled with the deficiencies and lack of accountability observed by internal and external review bodies at ARRA, calls for a high level intervention by UNHCR at Headquarters.

Recommendations 1 and 2

(1) The UNHCR Representation in Ethiopia and the Office of the High Commissioner at Headquarters should engage in discussions with the Government of Ethiopia with a view to clarifying the roles, responsibilities, staffing levels and limits of the government partner, the Administration for Refugee and Returnee Affairs, in the delivery of the refugee assistance programme in Ethiopia.

(2) The Office of the High Commissioner should engage in discussions with the Government of Ethiopia to seek redress for the breaches of the Country Agreement and the provisions of the Right of Use Agreements.

19. *The Representation accepted recommendation 1 and stated that there was a 43-year history in the relationship existing between the Government of Ethiopia and UNHCR, in which there were indications that the nature of the relationship, when entered into initially, was probably not as balanced as it*

should have been. As a result, there now exists “an acquired way” of doing business. The Representation pointed out that many attempts have been made by a succession of very senior and competent UNHCR Representatives and Africa Bureau Directors to engage the Government of Ethiopia to effect change in that relationship. Indications from their efforts were that there has been limited or no success achieved. The Representation also stated that there was a need to continue those efforts, and while there is a role for the Representation in that regard at the country level, there was a strong need for Headquarters to play an even greater role, preferably at the highest levels.

20. *The Representation further stated that the efforts would have to continue to focus on the need for reform regarding the way in which the UNHCR-Government of Ethiopia relationship is structured and the manner in which business is therefore conducted. It is hoped that the desired reforms would bring economy to the programme and enhance accountability. The Representation pointed out, however, that the primary responsibility for extending international protection and assistance to refugees, as is the case with all States, rests with the Government. Recommendation 1 remains open pending confirmation that the Representation in Ethiopia and the Office of the High Commissioner at Headquarters have engaged in high-level discussions with the Government of Ethiopia.*

21. *The Representation accepted recommendation 2 and stated that the Ministry of Foreign Affairs has informed that the Government of Ethiopia would be assuming ownership of all motor vehicles after the expiry of their economic life, and that this measure was a decision that the Government took to bring UNHCR into conformity of the practice exercised in relation to other United Nations agencies in Ethiopia. The Representation pointed out that if this decision is not reversed, it is foreseen that UNHCR stood to lose funding derived from the disposal of these assets that it has until now utilized to part-replenish the programme. The Representation also stated that the intervention of UNHCR Headquarters would be most welcome in this situation. Recommendation 2 remains open pending confirmation that the Office of the High Commissioner has engaged into discussions with the Government of Ethiopia and that actions have been taken to seek redress for the breaches of the Country Agreement and the provisions of the Right of Use Agreements.*

Monitoring implementing partners’ financial performance is required to improve the efficiency and effectiveness of UNHCR programme delivery

22. The project financial monitoring function required some improvement. According to Chapter 4, Section 2.5 of the UNHCR Manual, it is recommended that offices establish jointly, through agreed and signed minutes with each implementing partner, an annual monitoring and reporting schedule/plan. This should indicate in a transparent manner the time and location of monitoring visits, which will include expenditure verification at the accounting office. This is of particular importance in operations such as Ethiopia where partners have a widespread presence in a number of locations and disburse funds in more than one cost centre. With the exception of ARRA, there was no evidence that monitoring visits had been conducted at any of the remaining implementing

partners (over 20 partners in 2008). As a result, the Representation was not effective in assessing the reliability of the partners' accounting and budgetary control systems and the effectiveness of the internal controls in place.

23. Moreover, the issues raised by the Project Control Assistant (and the recommendations made by external auditors) were mostly not followed up to ensure implementation. Consequently, the Representation could not establish whether these recommendations had been implemented. For example, in the 2008 external audit report covering the 2007 projects, the external auditors found that ARRA had charged UNHCR expenditures totalling \$157,000 that were not supported/substantiated. There was no evidence that this issue was followed up with ARRA, or that any money had been refunded to UNHCR as a result of such follow-up. The external audit report also revealed that commitments totalling \$195,000 were charged to UNHCR and remained unaccounted for in subsequent years. This meant that a total of \$352,000 should have been recovered from ARRA. It should be noted that for 2008, OIOS found additional commitments of \$100,000 charged to UNHCR, which related to construction work that was actually not undertaken.

Recommendations 3 to 5

(3) The UNHCR Representation in Ethiopia should establish an annual monitoring plan and ensure that financial monitoring visits to implementing partners take place at least once a year.

(4) The UNHCR Representation in Ethiopia should establish a proper follow-up on previous issues and recommendations should be made and reported on following each of the monitoring visits. Further, the Representation should ensure that the recommendations made during internal or external reviews are followed up and implemented in a timely manner.

(5) The Office of the High Commissioner should send a letter to the Government of Ethiopia seeking a refund of \$452,000 for expenditures that are not properly substantiated.

24. *The Representation accepted recommendation 3 and stated that field missions were undertaken, and that the need to strengthen monitoring was identified as a priority at the beginning of the year, and monitoring exercises were planned accordingly. The Representation explained that monitoring visits were undertaken, combined with programme training with the participation of all implementing partners, and that its Programme Section has developed a checklist that would be followed. Based on the action taken by the Representation, recommendation 3 has been closed.*

25. *The Representation accepted recommendation 4 and stated that while the responsibility to follow up on issues observed through field visits is that of the*

sub-offices, they would continue to be supported through field-based coordination meetings, with support from sector specialists based in Addis Ababa who regularly undertake missions to the sub-offices to follow up on issues arising. The Representation also stated that this approach had proved effective, and that the findings of each monitoring visit would be formally transmitted to the relevant implementing partner in writing. The Representation further stated that a checklist of findings and the list of recommendations and due dates for implementation would be established and regularly revisited. Based on the action taken by the Representation, recommendation 4 has been closed.

26. *The Representation accepted recommendation 5 and stated that it would obtain the supporting documents on these transactions and follow up with Headquarters on the letter to the Government of Ethiopia.* Recommendation 5 remains open pending confirmation by the Representation that the unsupported expenditures totaling \$452,000 have been substantiated by or recovered from ARRA.

Lack of coordination meetings

27. A proper coordination mechanism between the Branch Office and its field offices is essential to ensure the successful implementation and monitoring of the assistance programme. In 2008, however, there was no evidence of any coordination meetings between the Representation and its offices in the field, except for meetings relating to the preparation of the Country Operations Plan (COP), and project planning at the beginning of the year. The absence of coordination meetings could result in a disjointed running of programme activities, reduced accountability and UNHCR possibly not fully meeting its programme objectives.

28. According to the Representation, not much attention was given to this area in the past, mainly because of its dual responsibilities until January 2009 (as a Regional Liaison Office to Economic Commission for Africa and to the African Union as well as the UNHCR Representation in Ethiopia running country programs). However, the Representation pointed out that the issue of coordination was being taken seriously, and that it would discuss ways to improve in this area. It was expected that, with the recent official creation of two distinct and physically separated UNHCR offices (UNHCR Representation in Ethiopia and a Regional Liaison Office), the Representation would be able to devote more time to managing the UNHCR country programme, hence improve its coordination of programme activities with field offices. In light of the actions taken, no recommendation was raised by OIOS.

Improvement needed in the preparation of implementing instruments

29. Project implementation should only begin after the implementing instrument (Sub-Agreement or Letter of Intent) has been dated, signed and issued. However, OIOS found that almost none of the 2008 and 2009 sub-agreements had been dated by the Representation or any of the implementing partners. Given that this essential information was systematically missing, OIOS assessed that this could not be the result of an oversight. Hence, OIOS could

neither ascertain that the implementing instruments were prepared/signed in a timely manner, nor whether the installments were paid under valid agreements with the partners.

Recommendation 6

(6) The UNHCR Representation in Ethiopia should ensure that the dates of signing the agreements are always written by all the parties involved.

30. *The Representation accepted recommendation 6 and stated that the dates of the signing of the agreements would be inserted henceforth, if need be manually.* Based on the assurances given by the Representation, recommendation 6 has been closed.

Weak financial control over budgetary limits

31. The authorized budgetary transfer levels were inconsistently indicated, as these were often checked either at the sector or at the activity level for the same implementing partner, which OIOS viewed as giving too much budgetary flexibility to some partners. Some implementing partners such as ARRA had significant budgetary overrun at almost each of the budget line items, which resulted in even more significant budgetary overruns at the sector level, ranging between 600 per cent and 900 per cent, without prior UNHCR approval.

Recommendation 7

(7) The UNHCR Representation in Ethiopia should ensure that the authorized level of budgetary transfers is commensurate with implementing partners' accountability and experience in managing UNHCR sub-projects.

32. *The Representation accepted recommendation 7 and stated that there was already an ongoing effort to meet this recommendation and that for 2009, the authorized level of sub-agreements is set at the activity level. The Representation also stated that it would make sure that the authorized level of future sub-agreements are established at the activity level.* Based on the action taken by the Representation, recommendation 7 has been closed.

Audit certificates

33. An external audit is required for all sub-projects totalling over \$100,000 annually and implemented by partners. For 2007, audit certificates were available for all of the projects, with unqualified opinions given. A qualified opinion was, however, given on five of the biggest sub-projects implemented by ARRA, mainly because of commitments totalling \$195,000 that remained unaccounted for, and the lack of documentation to support payments totalling \$157,000. There was a need for the Representation to recover these charges (see recommendation 5 above).

34. For the 2008 projects no audit certificates were available at the time of the review (May 2009), despite the fact that these were required within three months after the project liquidation date (April 2009 in most cases). The Representation explained that it had undertaken competitive bidding for external auditors instead of extending the tenure of the previous audit firm, and that this had delayed the external review of the 2008 projects. The Representation should ensure that necessary arrangements are in place to enable audit certificates to be obtained in a timely manner.

B. Supply chain management

Significant losses incurred through failure to comply with procurement rules for local purchases

35. During 2008, under direct implementation by UNHCR, the Representation procured goods and services totalling \$5.6 million, out of which \$3.9 million (or 70 per cent) was procured locally.

36. UNHCR's policy for procurement is to give priority to goods and services procured from the area of operation, to support economies of refugee-hosting countries, provided however that such goods and services are competitive. To be considered competitive the price of a locally purchased commodity should not exceed by a maximum of 15 per cent the total delivered cost (goods, transport, customs, etc.) of the comparable product purchased internationally. If this is not the case, international procurement should normally be undertaken by the Supply and Management Service (SMS) at Headquarters, in particular for goods and services covered by UNHCR Frame Agreements, to capitalize on global competition and benefit from economies of scale. International market prices are listed in the UNHCR "Most Frequently Purchased Items Catalogue", and should be used by offices in the field for comparison purposes.

37. For the local procurement undertaken by the Representation in 2008 (\$3.9 million), there was no evidence that international market prices under the Frame Agreements had been consulted prior to resorting to local procurement. For the 21 local procurement cases reviewed by OIOS, the procurement procedures were often less than transparent, and the local purchase prices significantly exceeded the 15 per cent threshold, implying significant cost savings could have been achieved, had the procurement been made through SMS. For example:

- In October 2008, the office procured locally synthetic sleeping mats at a unit cost of \$5.25 while the price listed by SMS was only \$1.5. Given that 25,000 pieces were procured under the Purchase Order (P.O. # ETH01-0000354 and P.O. # ETH01-000146), a total of \$93,750 could have been saved; and
- In November 2008, 8,000 pieces of woven blankets were procured locally (PO # 0000426 dated 24/11/08) at a unit cost of \$8.75

while that of SMS was only \$3.9, which would have resulted in a savings of \$38,800 had the procurement been made through SMS.

38. During the first quarter in 2009, the office procured some \$0.4 million, without once again resorting to SMS. The existing suppliers with lead time exceeding that of SMS were awarded contracts in 2009, which resulted in lost opportunity to save some \$56,000. Hence, a total of \$188,500 could have been saved (\$132,500 in 2008 and \$56,000 for the four months in 2009) had the procurement been made through SMS.

39. The Supply Assistant often invoked urgency of the requirements, but this was neither evidenced in the tender document, which did not in many instances indicate the delivery terms (such as place and date of delivery,) nor in any other documents or e-mails from the concerned requisitioning sections or divisions. Moreover, the actual delivery dates as per the Goods Receiving Notes (GRN) showed that the actual lead time exceeded that indicated by SMS for the delivery of goods procured internationally, and that the goods were actually always received piecemeal, and spread over several weeks.

Recommendations 8 to 10

The UNHCR Representation in Ethiopia should:

(8) Justify why Supply and Management Service prices were not systematically consulted, and action taken with respect to losses incurred where a satisfactory explanation is not forthcoming;

(9) Ensure that a procurement plan is prepared early during the year for the various assets and relief items needed in the operation; and

(10) Put procedures in place to check that the Supply Unit systematically analyzes the cost differences and delivery terms of items in the local markets against those for which frame agreements exist, and source the goods from the Supply and Management Service when they are available and more economical. Any exception or non-compliance should be documented, justified and approved by the Representative.

40. *The Representation accepted recommendation 8 and stated that the UNHCR Representation systematically consulted SMS for all goods and services procured but because of lengthy delivery time and the nature of the emergency situation that was being experienced, it was decided to purchase locally to immediately alleviate the human suffering that was evolving. The Representation further explained that it was faced with a dilemma and it would have been extremely difficult to justify the loss of life due to lack of blankets, sleeping mats and other essential items, which could be procured immediately locally in order*

to save lives. Based on the explanations given by the Representation, recommendation 8 has been closed.

41. *The Representation accepted recommendation 9 and stated that all sub- and field offices and sections of the Representation have already been requested to review their needs and come up with a new six-month procurement plan for all goods and services to enable the Supply Unit to initiate early on the necessary procurement procedures for purchases either internationally or locally as the case may be. The Representation pointed out, however, that procurement plans would be affected by the limits imposed by the spending authority and the funding situation, as the MSRP system could only allow transactions that are fully funded at the time of the procurement request. As UNHCR funding is incremental and not guaranteed to service an annual procurement plan, the Representation may find itself compelled to procure quantities in proportion to available income. Recommendation 9 remains open pending receipt of a copy of the six-month procurement plan for the operations in Ethiopia.*

42. *The Representation accepted recommendation 10 and stated that the procedures are already in place and some items have been procured through SMS, except those procured under emergency situations. The Representation further stated that it would continue to work systematically with SMS and source all the items under frame agreement, provided that the delivery terms are respected and convenient in terms of the dictates of the needs on the ground. The Representation also expressed its commitment to ensuring that SMS prices are taken into consideration and henceforth the bidding tabulation would include a column stating the SMS prices and delivery period for comparison purposes. Based on the assurances provided by the Representation, recommendation 10 has been closed.*

Inadequate arrangements for tendering and receipt of bids increased the risk of manipulation and fraud

43. Chapter 8.4 of the UNHCR Manual requires that for UNHCR offices in the field, with no Supply Officer, and especially for tenders of more than \$20,000, the tender should be issued to an adequate number of vendors (generally eight) to reasonably ensure the receipt of at least three competitive offers/proposals. Offers should be submitted to an officially designated party other than the Supply staff. A record should be kept showing the name of the person(s) who opened the bids, time of bid opening, number of bids received, names of the bidders, whether offers met requirements for valid receipt specified in the tender document, and if they were properly signed.

44. There was, however, no officially designated staff other than the Supply staff for the receipt of the bids. OIOS found that the Supply staff was responsible for preparing the bids, issuing them to only three vendors in general (instead of the required eight), often contacting them through telephone, and most importantly directly receiving the bids. The bids were received by any local staff in the Supply Unit, which were collected and taken to the requesting officer. This resulted in flawed procurement procedures, which often lacked transparency.

Recommendation 11

(11) The UNHCR Representation in Ethiopia should ensure that tenders are issued to an adequate number of suppliers, and designate a staff member other than the Supply staff for the receipt of bids. Any cases of non-compliance should be duly justified and kept in a note to the file.

45. *The Representation accepted recommendation 11, but felt that it had already established a vendor list with pre-qualified companies, which are regularly consulted. In addition, the Office publishes a tender notice in one of the widely read local newspapers by the business community. As for the receipt of the bids, these are kept in a locked bid box and the keys are kept by the Administration staff, not the Supply staff. The opening of the bids is secured jointly by the Supply Officer, the Administrative/Finance Officer as well as staff from the Programme Section. OIOS takes note of the explanations given, but stresses the fact that this is neither what was explained by the Senior Supply Assistant, nor what was found and evidenced during the audit. OIOS therefore reiterates the need for the Representation to ensure that the policies and procedures relating to the receipt and opening of bids are complied with, with any exceptions duly documented. Recommendation 11 remains open pending confirmation by the Representation that stronger controls have been put in place with respect to the Request for Tenders, and the receipt and opening of bids, and that the relevant policies and procedures are being complied with.*

Lack of compliance with rules for bidding exposed UNHCR to risk of poor value for money

46. Chapter 8 of the UNHCR Manual requires that the bidding process include providing all information necessary for a prospective vendor to prepare an offer/proposal, with an explanation of the main criteria for evaluation. The bids or proposals should be sent to an independent third party who can check that all potential vendors have complied with bidding procedures and that offers/proposals were received before the closing date and time. No supplementary information should be provided to one potential vendor after a tender has been issued unless the same information is provided to all potential bidders.

47. In many cases, however, OIOS found that the technical specifications were often either not given to the potential bidders, or were not clear enough to provide for a fair competition. For example:

- The quantities indicated in one tender were often subsequently significantly increased (10 times the original quotations) after the selection of the lowest bidder on a much smaller quantity. This implied that the terms stated in the Invitation to Bid (ITB) were modified and that the bidders were not evaluated on a transparent basis, in accordance with the original ITB.

- In November 2008 for the procurement of pipes and fittings (P.O. ETH01-000416 dated 21/11/08) awarded to KB and totalling some \$144,000, no request for quotations was prepared, only telephone calls were made to the selected vendors, with no justification in the files.

- For a contract for the supply of sanitary napkins in May 2008, awarded to MOAB (P.O. ETH01-0000215 dated 27/5/08), the requests for quotations were issued on the basis of 23,000 packets, and the Local Committee on Contracts (LCC) selected the lowest bidder for this specified quantity. However prior to placing the order, the quantity was very significantly increased to 227,900 packets, about 900 per cent of the quantity in the Request for Quotations (RFQ) ordered from the same supplier for a total cost of \$34,688, with no evidence that other bidders were informed of the significant increase, which could have otherwise modified their offer. According to the Supply Assistant, the other bidders were informed by phone.

- Similarly, for the supply of sleeping mats, the RFQ indicated 4,000 pieces to potential bidders, and after the selection of the winner, the request was increased to 15,000 pieces (representing 275 per cent of the original RFQ), for a total cost of \$116,906, without notifying other bidders or re-tendering.

48. Given that the change in requirements was only communicated to the winning bidders after their selection, and that no new bids were sought to include the increased requirement, this resulted in less than transparent procurement procedures being applied at the expense of UNHCR.

Recommendation 12

(12) The UNHCR Representation in Ethiopia should ensure that any subsequent changes or amendments made to the original requirement of goods or services, are adequately communicated to all bidders through the same means as for the original tender, and reviewed by the Local Contracts Committee.

49. *The Representation accepted recommendation 12 and stated that it would ensure compliance in the future.* Based on the assurance provided by the Representation, recommendation 12 has been closed.

Insufficient safeguards to ensure that delegated procurement to ARRA was efficient, effective or economic

50. A number of problems were found in respect of the procurement activities delegated to the Representation's main partner, ARRA; mainly in the area of construction. The value in 2008 totaled over \$2 million.

51. ARRA procured materials directly from Government-owned suppliers with no competitive bidding. This was in contravention of Article 6.11.2 of the

Sub-Agreements, which stated that ARRA may not conclude contracts with another department of the Government that is a signatory to the Agreement, unless prior UNHCR approval is obtained. Given that prices available from local suppliers were not considered, UNHCR could not ensure that the best prices were obtained for such procurement.

52. The relevant provisions of the sub-agreements signed with ARRA (Appendix 1, paragraph 17.2) for building and construction require that ARRA submit to UNHCR a copy of each signed building and construction contract or sub-contract exceeding a value of \$5,000 or equivalent, together with the corresponding plans, specifications, bill of quantities and cost estimates. ARRA's failure to comply with this requirement combined with the issue described below, raise serious red flags concerning the ability of ARRA to demonstrate the genuineness of the construction contracts awarded.

53. The constructions were neither undertaken nor paid for, yet the expenditures had been charged to UNHCR as commitments totalling 969,947 Ethiopian Birrs (\$100,000). The construction contracts were signed in early December 2008, and were to start within 10 days and be completed within 30 days. However, as at May 2009 (four months after the end of the sub-projects), these constructions had neither been undertaken nor any payments made, and the relevant contracts were questionable, given that they had been signed with the same suppliers, and split into several smaller equal amounts on the same date, for the same bill of quantity.

Recommendations 13 to 15

The UNHCR Representation in Ethiopia should:

(13) Review all the commitments charged to the 2007 and 2008 final Sub-Project Monitoring Reports, and ensure that those commitments that did not translate into any constructions and subsequent payments by the Administration for Refugee and Returnee Affairs are fully recovered, including \$100,000 relating to the cases identified during the audit;

(14) Request the Administration for Refugee and Returnee Affairs to systematically submit a copy of each signed building and construction contract or sub-contract exceeding the equivalent of \$5,000, along with the relevant required documentation; and

(15) Request the Administration for Refugee and Returnee Affairs to ensure that no contracts are concluded with other departments of the Government of Ethiopia without prior written approval by UNHCR.

54. *The Representation accepted recommendation 13 and stated that it would be implemented in conjunction with recommendation 5. Recommendation*

13 remains open pending confirmation by the Representation that the commitments charged to both 2007 and 2008 Sub-Project Monitoring Reports have been reviewed and recovery efforts pursued, if warranted.

55. *The Representation accepted recommendation 14 and stated a letter would be sent to ARRA reminding them of this contractual obligation.* Recommendation 14 remains open pending receipt of documentation from the Representation showing that ARRA systematically submits copies of signed building and construction contracts or sub-contracts exceeding the equivalent of \$5,000.

56. *The Representation accepted recommendation 15 and stated that consistent with Article 16.2 of the sub-project agreements, it would obtain formal confirmation of compliance from ARRA on the conditions for sub-contracting service to other government departments.* Recommendation 15 remains open pending receipt of documentation from the Representation showing that ARRA seeks the approval of UNHCR before it enters into contracts other departments of the Government of Ethiopia.

C. Review of implementing partners

Administration for Refugee and Returnee Affairs (ARRA)

57. ARRA was the largest implementing partner, accounting for almost 50 per cent of the total budget allocated to all implementing partners (23 partners in 2008). In addition to the serious shortcomings and red flags referred to in previous sections, OIOS noted that:

- The recent disposal of five UNHCR vehicles by ARRA (without consultation with and prior approval by UNHCR) was not recorded in ARRA's accounting system, and could not be traced to the bank account. During the review, the ARRA Finance Director pointed out that she was not aware of the whereabouts of the proceeds from the sales.
- In 2008 ARRA reported significant maintenance/repair costs totalling some \$167,000 under one sub-project alone. However, OIOS could not ensure that these costs were genuine and competitive, given that ARRA had used a Government-owned garage with internally generated bills that were consistently settled by cash despite the significant amount involved. The cash payments could not be justified by ARRA, but according to the Representation, cash transactions were the preferred means of payments in Ethiopia, mainly because of stringent restrictions on cheque transactions for purposes of liquidity.
- Travel advances for official travel, undertaken by ARRA's officials had been directly charged to the projects, while the relevant travel claims were never prepared and submitted by the concerned staff. For example, in October 2008 under JV hq10/08-005 a travel advance of 89,708 Ethiopian Birrs (\$9,248) was paid to four ARRA officials for travels, with no subsequent travel claims submitted. Also, in March

2008, travel advances of 29,478 Ethiopian Birrs (\$3,038) and 39,583 Ethiopian Birrs (\$4,080) were given but no travel claims were available to support the expenditure.

- There were significant budgetary overruns in many of the budget line items, which resulted in overrun at the sector level, ranging between 600 per cent and 900 per cent. There was no evidence of prior authorization having been received from UNHCR.
- There were also serious deficiencies in the management of drugs (receipt, warehousing and distribution) by ARRA. For example, the packing list of the drugs (which were delivered directly to ARRA, with no UNHCR involvement) did not tie up with the Goods Received Notes (GRN), and the entries to the itemized bin cards tied up with neither the GRN nor the packing list. According to the storekeeper, the drugs were received at various dates and grouped together so that only one entry is made in the bin card. This made the entries very difficult to verify. In addition, no stock cards were available for the review. The storekeeper stated that the last stock card dated back 1.5 years and explained that the staff in charge of this task had left ARRA. Noteworthy was the lack of expiry date and label in some of the drugs, which meant that patients could be exposed to serious risks. OIOS noted that drugs, although addressed to UNHCR, were delivered directly to ARRA, without UNHCR involvement. The medical focal point at UNHCR explained that he had found this system in place.

Recommendations 16 and 17

The UNHCR Representation in Ethiopia should:

(16) Request the Administration for Refugee and Returnee Affairs to justify the use of the proceeds obtained from the sale of five UNHCR vehicles, and ensure that the funds are refunded to the project; and

(17) Further review the management of drugs by the Administration for Refugee and Returnee Affairs, and ensure that stronger internal controls are implemented in the receiving and distribution of drugs, including periodic and independent checks of stock balances. Proper labels and expiry dates should be clearly displayed on each of the drugs.

58. *The Representation accepted recommendation 16 and stated that it would be addressed in conjunction with recommendation 2. The Representation further stated that the Ministry of Foreign Affairs has requested UNHCR to realign motor vehicle disposal procedures to that used by other UN agencies, and that the Government intends to assume ownership of all motor vehicles once they are boarded off. The matter was being discussed in consultation with UNHCR Headquarters, including the issue of those vehicles already disposed of. Recommendation 16 remains open pending confirmation by the Representation*

that the proceeds from the sale by ARRA of the five UNHCR vehicles have been refunded to the project.

59. *The UNHCR Representation accepted recommendation 17 and stated that consultations would be made with the National Drug Monitoring Authority and WHO on the suitability and adequacy of the current system with a view to improving on it and not excluding ideas advanced by the audit. The need for enhanced control of drug management had already been identified. In this connection, the Representation also stated that its Medical Coordinator had proposed this subject to be at the center of his studies in the context of the Learning Programme on Operational Data Management, and that he had developed a system, which ARRA had endorsed, which would address most of the control issues. Recommendation 17 remains open pending confirmation by the Representation of the implementation of a system that ensures stronger internal controls over the receipt, warehousing and distribution of drugs.*

Development & Inter-Church Aid Department (DICAC)

60. OIOS assessed that the expenditures at DICAC were generally well supported. Improvement, however, was required over cash disbursements. DICAC made cash payments for major expenses including salaries, payment to third parties such as schools (tuition fees), clinics and hospitals (medical referral), and even for its own internal billing and payment to its own garage. Cheques were made out and paid to the cashier, who in turn made cash payments to the beneficiaries. Such a practice, in addition to the risks of loss, was inefficient and time-consuming as it involved the printing of hundreds of receipts that even DICAC's own internal audit had no time to review.

Recommendation 18

(18) The UNHCR Representation in Ethiopia should request the Development & Inter-Church Aid Department to ensure that payments to third parties are made by cheques wherever possible, and to consider effecting salary payments through bank transfers.

61. *The Representation accepted recommendation 18 and stated that notwithstanding the shortcomings existing in the banking system, DICAC would be encouraged to use more cheques. Based on the assurances provided by the Representation, recommendation 18 has been closed.*

D. Administration and finance

Weaknesses in internal controls at Sub-Office Jijiga

62. For UNHCR field offices where the MSRP system is still not in use, expenditures are summarized on an MSRP-compatible MSExcel template, and sent to UNHCR Headquarters for uploading into MSRP.

63. OIOS found that the expenditure summaries prepared by the Administrative/Finance Assistant were sent to UNHCR Headquarters with no evidence of any supervisory review and approval of the summaries. This was a matter of concern, particularly because the Administrative Assistant was also responsible for making payments, recording the financial transactions, and preparing the bank reconciliations. These were incompatible functions that should have been segregated. Moreover, no bank reconciliations had been prepared for the last three months (March through May 2009). Reconciliations for the six months prior to that, from when MSRP was introduced in Ethiopia, had not been reviewed or independently approved. The lack of review meant that errors and/or misstatements could occur and not be detected.

64. On top of the above functions the Administrative/Finance Assistant was performing, he was also responsible for the calculation and request of monthly operational cash requirements for the office (sent to the Branch Office in Addis). Since the cash requirements were based on the ending bank balance and the expected expenditure for the following period, the absence of reliable bank reconciliations meant that the monthly amounts requested from the Branch Office could have been overstated (or understated). OIOS reviewed the last request sent in April 2009 and found that the period ending bank balance did not tie up with any figures in the financial records maintained at the sub-office (bank statement, cashbooks, etc.). The Administrative/Finance Assistant explained that the ending bank balance was just his estimate. The head of the sub-office explained that he had not been aware of this practice, and cited lack of sufficient staff to implement appropriate segregation of duties.

Recommendations 19 to 21

The UNHCR Representation in Ethiopia should:

(19) Undertake a detailed review of payments made at Sub-Office Jijiga between November 2008 and May 2009 to ensure that the transactions were genuine and authorized;

(20) Ensure that the expenditure summary is independently reviewed and approved prior to being sent to UNHCR Headquarters for uploading into the Managing for Systems, Resources and People System; and

(21) Implement proper segregation of duties to ensure that the same staff do not make payments, record transactions, and reconcile statements.

65. *The Representation accepted recommendation 19 and stated that this activity is ongoing as recommended. The Representation pointed out, however, that the UNHCR Programme in Ethiopia has had a serious connectivity problem because the Government has not licensed the use of the VSAT connectivity system and as such internal operations, such as the use of MSRP, is severely hampered. Most transactions were therefore captured in MSExcel format and uploaded at UNHCR Headquarters and were therefore prone to wrong postings and delays.*

Recommendation 19 remains open pending confirmation by the Representation that a detailed review of payments made at the Sub-Office Jijiga has been undertaken.

66. *The Representation accepted recommendation 20 and stated that the checks and balances in place would be revisited to ensure compliance with the Delegation of Authority Plan (DOAP). Recommendation 20 remains open pending confirmation by the Representation that expenditures at field offices where the MSRP system has not been installed are independently reviewed and approved.*

67. *The Representation accepted recommendation 21 and stated that the financial management system would be reconstituted after the review. The Representation pointed out, however, that in as much as there was already a reasonable segregation of duties in place (DOAP), the implementation of Rest & Recuperation scheme and other authorized travels made it difficult to continuously implement adequate segregation of duties in duty stations in Ethiopia. Recommendation 21 remains open pending confirmation by the Representation that appropriate controls over cash disbursement, recording and reconciliation have been implemented.*

Outstanding receivables

68. Receivables totalling some \$36,000 were found to be outstanding. Many of the receivables dated back to the years 2004, 2005 and 2006, and mainly related to travel and salary advances not accounted for by the recipients. According to UNHCR financial rules and regulations, salary advances should be recovered within a period of one year, while travel advances should be recovered if no travel claim is submitted within 15 days after the staff members return. Outstanding receivables not settled on a timely basis become difficult to recover, and might lead to write-offs which result in a loss to the organization.

Recommendations 22 and 23

The UNHCR Representation in Ethiopia should:

(22) Review all outstanding receivables and ensure that appropriate actions are taken to clear longstanding advances; and

(23) Ensure that advances are promptly settled, in accordance with Chapter 3 of the UNHCR Staff Administration and Management Manual.

69. *The UNHCR Representation accepted recommendation 22 and stated that an audit would be conducted regarding outstanding receivables to apportion them individually, and recovery measures taken where necessary. Particular importance would be attached to the prevention of possible recurrence of similar incidents. Recommendation 22 remains open pending confirmation by the*

Representation that proper actions have been taken to recover longstanding receivables.

70. *The UNHCR Representation accepted recommendation 23 and stated that action would be taken as described in paragraph 69. Recommendation 23 remains open pending confirmation by the Representation that proper actions have been taken to ensure that future advances are promptly settled.*

V. ACKNOWLEDGEMENT

71. We wish to express our appreciation to the Management and staff of UNHCR Ethiopia 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 ¹	Actions needed to close recommendation	Implementation date ²
1	The UNHCR Representation in Ethiopia and the Office of the High Commissioner at Headquarters should engage in discussions with the Government of Ethiopia with a view to clarifying the roles, responsibilities, staffing levels and limits of the government partner, the Administration for Refugee and Returnee Affairs, in the delivery of the refugee assistance programme in Ethiopia.	Governance	High	O	Confirmation that the Representation in Ethiopia and the Office of the High Commissioner at Headquarters have engaged in high-level discussions with the Government of Ethiopia, with a view to clarifying the roles, responsibilities, staffing levels and limits of the government partner ARRA in the delivery of the refugee assistance programme in Ethiopia.	Not Provided
2	The Office of the High Commissioner should engage in discussions with the Government of Ethiopia to seek redress for the breaches of the Country Agreement and the provisions of the Right of Use Agreements.	Governance	High	O	Confirmation that the Office of the High Commissioner has engaged into discussions with the government of Ethiopia and that actions have been taken to seek redress for the breaches of the Country Agreement and the provisions of the Right of Use Agreements.	Not Provided
3	The UNHCR Representation in Ethiopia should establish an annual monitoring plan and ensure that financial monitoring visits to implementing partners take place at least once a year.	Operational	Medium	C		Implemented
4	The UNHCR Representation in Ethiopia should establish a proper follow-up on previous issues and recommendations should be made and reported on following each of the monitoring visits. Further, the Representation should ensure that the recommendations made during internal or external reviews are followed up and implemented in a timely manner.	Operational	Medium	C		Implemented
5	The Office of the High Commissioner	Operational	Medium	O	Confirmation by the Representation that	December 2009

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	should send a letter to the Government of Ethiopia seeking a refund of \$452,000 for expenditures that are not properly substantiated.				the unsupported expenditure totaling \$ 452,000 has been substantiated by or recovered from ARRA.	
6	The UNHCR Representation in Ethiopia should ensure that the dates of signing the agreements are always written by all the parties involved.	Operational	Medium	C		Implemented
7	The UNHCR Representation in Ethiopia should ensure that the authorized level of budgetary transfers is commensurate with implementing partner's accountability and experience in managing UNHCR sub-projects.	Operational	Medium	C		Implemented
8	The UNHCR Representation in Ethiopia should explain why Supply and Management Service prices were not systematically consulted, and action taken with respect to losses incurred where a satisfactory explanation is not forthcoming.	Compliance	Medium	C		Implemented
9	The UNHCR Representation in Ethiopia should ensure in future that a procurement plan is prepared early during the year for the various assets and relief items needed in the operation.	Compliance	Medium	O	Receipt of evidence that a consolidated 6-month procurement plan has been produced for the operations in Ethiopia	September 2009
10	The UNHCR Representation in Ethiopia should put procedures in place to check that the Supply Unit systematically analyzes the cost differences and delivery terms of items in the local markets against those for which frame agreements exist, and source the goods from the Supply and Management Service when they are available and more economical. Any exception or non-compliance should be documented, justified and approved by the Representative.	Compliance	Medium	C		Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O	Actions needed to close recommendation	Implementation date ²
11	The UNHCR Representation in Ethiopia should ensure that tenders are issued to an adequate number of suppliers, and designate a staff member other than the Supply staff for the receipt of bids. Any cases of non-compliance should be duly justified and kept in a note to the file.	Compliance	Medium	O	Confirmation by the Representation that stronger controls have been put in place with respect to the Request for Tenders, and the receipt and opening of bids, and that the relevant policies and procedures are being complied with.	Not Provided
12	The UNHCR Representation in Ethiopia should ensure that any subsequent changes or amendments made to the original requirement of goods or services, are adequately communicated to all bidders through the same means as for the original tender, and reviewed by the Local Contracts Committee.	Compliance	Medium	C		Implemented
13	The UNHCR Representation in Ethiopia should review all the commitments charged to the 2007 and 2008 final Sub-Project Monitoring Reports, and ensure that those commitments that did not translate into any constructions and subsequent payments by the Administration for Refugee and Returnee Affairs are fully recovered, including \$100,000 relating to the cases identified during the audit.	Financial	Medium	O	Confirmation by the Representation that the commitments charged to both 2007 and 2008 Sub-Project Monitoring Reports have been reviewed and recovery efforts pursued, if warranted.	December 2009
14	The UNHCR Representation in Ethiopia should request the Administration for Refugee and Returnee Affairs to systematically submit a copy of each signed building and construction contract or sub-contract exceeding the equivalent of \$5,000, along with the relevant required documentation.	Operational	Medium	O	Submission by the Representation of documentation showing that ARRA systematically submits copies of signed building and construction contracts or sub-contracts exceeding the equivalent of \$5,000	Immediate
15	The UNHCR Representation in Ethiopia should request the Administration for Refugee and Returnee Affairs to ensure that no contracts are concluded with other	Operational	Medium	O	Submission by the Representation of documentation showing that ARRA seeks the approval of UNHCR before it enters into contracts other departments of the	Immediate

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	departments of the Government of Ethiopia without prior written approval by UNHCR.				Government of Ethiopia	
16	The UNHCR Representation in Ethiopia should request the Administration for Refugee and Returnee Affairs to justify the use of the proceeds obtained from the sale of five UNHCR vehicles, and ensure that the funds are refunded to the project.	Operational	Medium	O	Confirmation by the Representation that the proceeds from the sale by ARRA of the five UNHCR vehicles have been refunded to the project.	Not Provided
17	The UNHCR Representation in Ethiopia should further review the management of drugs by the Administration for Refugee and Returnee Affairs, and ensure that stronger internal controls are implemented in the receiving and distribution of drugs, including periodic and independent checks of stock balances. Proper labels and expiry dates should be clearly displayed on each of the drugs.	Operational	Medium	O	Confirmation by the Representation of the implementation of a system that ensures stronger internal controls over the receipt, warehousing and distribution of drugs.	Not Provided
18	The UNHCR Representation in Ethiopia should request the Development & Inter-Church Aid Department to ensure that payments to third parties are made by cheques wherever possible, and to consider effecting salary payments through bank transfers.	Financial	Medium	C		Implemented
19	The UNHCR Representation in Ethiopia should undertake a detailed review of payments made at Sub-Office Jijiga between November 2008 and May 2009 to ensure that the transactions were genuine and authorized.	Financial	Medium	O	Confirmation by the Representation that a detailed review of payments made at the Sub Office Jijiga has been undertaken.	Not Provided
20	The UNHCR Representation in Ethiopia should ensure that the expenditure summary is independently reviewed and approved prior to being sent to UNHCR Headquarters for uploading into the Managing for Systems, Resources and	Financial	Medium	O	Confirmation by the Representation that the expenditure at field offices with no MSRP system installed is independently reviewed and approved.	Not Provided

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
21	People System. The UNHCR Representation in Ethiopia should ensure that proper segregation of duties is implemented to ensure that the same staff do not make payments, record transactions, and reconcile statements.	Financial	Medium	O	Confirmation by the Representation that appropriate controls over cash disbursement, recording and reconciliation have been implemented.	Not Provided
22	The UNHCR Representation in Ethiopia should review all outstanding receivables and ensure that appropriate actions are taken to clear longstanding advances.	Financial	Medium	O	Confirmation by the Representation that proper actions have been taken to recover longstanding receivables.	Not Provided
23	The UNHCR Representation in Ethiopia should ensure that advances are promptly settled, in accordance with Chapter 3 of the UNHCR Staff Administration and Management Manual.	Financial	Medium	O	Confirmation by the Representation that proper actions have been taken to ensure that future advances are promptly settled.	Not Provided

¹ C = closed, O = open

² Date provided by UNHCR Ethiopia in response to recommendations