



INTERNAL AUDIT DIVISION

AUDIT REPORT

UNHCR operations in Ghana

There is a need to review the decision to close the UNHCR Field Office in Ho until after the Togo presidential elections have taken place

20 January 2010

Assignment No. AR2009/111/02

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 January 2010

REFERENCE: IAD: 10- 00026

FROM: Fatoumata Ndiaye, Director
DE: Internal Audit Division, OIOS

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SUBJECT: **Assignment No. AR2009/111/02 - Audit of UNHCR operations in Ghana**
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, 4, 12, 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. 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 3) 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
Mr. Moses Bamuwanye, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Special Assistant to the USG-OIOS
Mr. Christopher F. Bagot, Chief, Geneva Audit Service, OIOS

INTERNAL AUDIT DIVISION

FUNCTION

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

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EXECUTIVE SUMMARY

Audit of UNHCR operations in Ghana

OIOS conducted an audit of UNHCR operations in Ghana. 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 concluded that in the areas reviewed, adequate controls were generally in place to ensure compliance with rules and regulations with the exception of the issues highlighted below under programme management, procurement, asset management and administration and finance.

- There is a need to reassess the decision to close UNHCR's Field Office in Ho by 31 December 2009, in light of the presidential elections scheduled to take place in Togo in February/March 2010. The Ho office focuses on Togolese refugees in the Volta region whose influx in the past was a direct result of the last two presidential elections in 1992 and 2005 and parliamentary elections in 2003. The premature closing of such a strategic UNHCR field office could lead to delayed response and significant costs associated with the need to reopen the office under emergency conditions. *The Representation stated that it had drafted a paper on the impact of the withdrawal from Ho and Takoradi, which had been shared with the Regional Representation for West Africa.*
- The Representation should consider reducing the number of implementing partners (nine) to reflect the declining number of programme posts and to improve efficiency as three out of nine partners currently implement two thirds of UNHCR's refugee programme in Ghana. The two partners reviewed by OIOS, i.e., National Catholic Secretariat (NCS) and National Disaster Management Organization (NADMO), need to address the weaknesses noted in procurement and to strengthen their internal control systems. *The Representation stated that it has taken measures to reduce the number of partners from nine to four in 2010 and that official letters have been shared with five partners, including NADMO, informing them of the Representation's decision to discontinue implementing partner arrangements after 31 December 2009. It has also shared audit findings with its largest implementing partner NCS and encouraged it to comply with UNHCR procurement guidelines.*
- The Representation should follow up with the Government of Ghana to obtain its Value Added Tax (VAT) exemption status and discontinue its current practice of withholding VAT payments to suppliers. *The Representation stated that it had written to UNDP on the issue of VAT, requesting the office of the Resident Coordinator to lead the process to secure VAT exemption for UNHCR.* The Representation also urgently needs to review procurement arrangements to ensure that procurement is performed in consultation with the Supply Unit. A more

consistent involvement of the Supply Unit in procurement activities can help improve compliance with UNHCR procurement guidelines. *The Representation stated that it had drafted Standard Operating Procedures (SOPs) and shared with all units for their input and finalization for implementation at the end of December 2009.* OIOS also recommended that the Asset Management System be updated and that a physical inventory of assets be performed at least once a year. *The Representation had completed a draft report on UNHCR physical inventory in Ghana and a final report was expected by 31 December 2009. It had contacted the Regional Office to provide support staff to ensure there is capacity in 2010 for improved asset management.*

- Improvement is needed in following up long outstanding receivables totaling \$236,000 and in ensuring that advances are accounted for separately, in accordance with relevant rules and procedures. *The Representation stated that it had managed to reduce the outstanding receivables by approximately 50 per cent.* OIOS also recommended that controls in the management of fuel be improved and controls over the use of telephone facilities be strengthened. *The Representation stated it has instituted measures to improve controls in the areas of fuel and telephone.*

TABLE OF CONTENTS

Chapter	Paragraphs
I. INTRODUCTION	1 - 7
II. AUDIT OBJECTIVES	8
III. AUDIT SCOPE AND METHODOLOGY	9 - 11
IV. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Programme Management	12 - 18
B. Supply Management	19 - 36
C. Review of Implementing Partners	37 - 44
D. Administration and Finance	45 - 55
V. ACKNOWLEDGEMENT	56
ANNEX 1 – Status of Audit Recommendations	

I. INTRODUCTION

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

2. Over the past few years, Ghana has successfully dealt with its programme of repatriation and local settlement of both Togolese and Liberian refugees, bringing down its refugee numbers from 35,000 in 2007 to just over half this number, 18,690 in early 2009. Of these, only 1,800 are Togolese with the majority of others being Liberian refugees.

3. In 2005, following the post-election violence in Togo, UNHCR had to deal with an emergency involving a mass exodus of 40,000 refugees from Togo, of which 15,000 fled to Ghana and the rest to Benin. In Ghana, the Togolese refugees fled to over 200 locations in the Volta Region and the UNHCR Representation in Ghana was forced to reopen the field office in Ho to be able to effectively care for and protect these refugees. In 2005, UNHCR mobilized \$1.5 million from the operational reserve to enhance preparedness measures and response to the Togo crisis. A flash appeal for a further \$6 million was launched to assist an estimated 50,000 Togolese refugees in both Benin and Ghana. Between 2006 and 2009, the Representation has actively pursued the voluntary repatriation of both Liberian and Togolese refugees while promoting local integration through self-reliance and development projects for refugees unable to return home.

4. The main objectives of the Ghana operations for the period under review were to ensure international protection and seek durable solutions for all persons of concern. With the completion of the voluntary repatriation of both Togolese and Liberian refugees, the operation was focused on providing self-reliance programmes that would facilitate the integration of the remaining refugees into the local community. The Field Office in Ho (Togolese caseload) and Antennae Office in Takoradi (multi-national caseload) were both scheduled to be closed by December 2009.

5. Between 2007 and 2009, the Representation procured goods and services totaling \$2.6 million, of which some \$2.1 million was local procurement. As at July 2009, the Representation acquired 863 assets with total purchase cost of \$3.3 million and current value of \$918,000. Of the total assets, 430 assets (or 50 per cent) with an acquisition cost of \$2.3 million and a current value of \$808,000 were classified as 'in service'. Total assets included 125 assets under the Regional Support Hub (RSH) for West Africa with an acquisition cost of \$316,000 and current value of \$39,000. The RSH for West Africa was relocated to Dakar, Senegal effective 1 January 2008.

6. In 2009, the number of staff working for the UNHCR Operations in Ghana was 41. This included 27 General Service staff, six National Officer staff and eight Professional staff. Around five per cent of the posts were vacant at the time of the audit.

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

II. AUDIT OBJECTIVES

8. The objective of the audit was to assess the adequacy of arrangements in place for programme management, supply management, implementing partners and administration and finance.

III. AUDIT SCOPE AND METHODOLOGY

9. The audit, which took place between 24 August and 8 September 2009, reviewed the programme activities in 2007 and 2008 and also looked at the status of programme activities in 2009. This included the planned closure of field offices by 31 December 2009. The projects reviewed included 2007/AB/GHA/LS/400, 2007/AB/GHA/CM/203, 2008/AB/GHA/LS/400 and 2008/AB/GHA/LS/401, with a combined total budget of \$5.5 million and expenditures of \$5.2 million. These projects represented 78 per cent of the programme expenditures in 2007 and 2008. The review of programme management focused on the activities implemented by two of the largest implementing partners, i.e., the National Catholic Secretariat (NCS) and the government partner National Disaster Management Organisation (NADMO). Together, these two partners accounted for over 50 per cent of the expenditures incurred by implementing partners. The review also included looking at the Representation's monitoring of implementing partners as a whole. OIOS also reviewed activities directly implemented by UNHCR with expenditures of \$1.4 million in 2007-2008.

10. The audit also reviewed: (a) the administration of the UNHCR Representation in Ghana with administrative expenditures totalling \$2.2 million in 2007-2009, and assets with acquisition cost totalling \$3.3 million and current value of \$0.9 million; (b) financial management including budgeting, delegation of authority and receivables; and (c) other administration areas such as fuel and telecommunications, training in Managing for Systems, Resources and People (MSRP) and the proposed post discontinuation at the Representation.

11. The audit methodology comprised: (a) review of policies and procedures, administrative guidelines and MSRP data; (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

Adequate controls in place over project management

12. The project control conducted by programme was generally well managed as evidenced by regular financial and performance monitoring visits. For the period 2007 to 2009, we saw adequate coverage of implementing partners with at least one to two monitoring visits per partner per year.

Need to review decision to close UNHCR Field Office Ho

13. As indicated in the 2009 Country Operations Plan (COP), UNHCR plans as part of its management strategy for 2009 to close its Field Office in Ho by the end of 2009. Notifications to discontinue Ho posts were sent to staff on 25 August 2009. Based on our review of the COP and discussions with various staff, OIOS assessed that the decision to close the Ho office needs to be reviewed because by closing the Field Office Ho, the Representation faces the risk of delayed and inadequate response in case a post-election violence occurs, leading to an emergency influx such as the one during the 2005 Togo emergency; hence, UNHCR risks not meeting its core objective of protection:

- Presidential elections are scheduled to take place in Togo in February/March 2010 just two months after the proposed closure of the office. The Ho office focuses on Togolese refugees in the Volta region whose influx in the past was a direct result of the last two presidential elections in 1992 and 2005 and parliamentary elections in 2003;
- The 2009 COP, in its section on management strategy for UNHCR, only factored the provision of ‘international protection for the remaining Togolese refugees’; no mention is made of any contingency measures for the potential influx of Togolese refugees following the election in early 2010;
- Having to reopen the Ho office at short notice could be more costly, for example identifying new premises, ensuring Minimum Operational Security Standards (MOSS) compliance, hiring new staff, etc.

Recommendation 1

(1) The UNHCR Representation in Ghana, in consultation with UNHCR Headquarters, should consider reversing its decision to close the office in Ho until after the presidential elections in Togo are held in early 2010, when a

more informed decision can be taken based on the post-election situation.

14. *The Representation accepted recommendation 1 and stated that it has drafted a paper on the impact of withdrawal from Ho and Takoradi which has been shared with the Regional Representation for West Africa (RRWA) at the Regional Representatives Meeting in November 2009 and feedback/authorization was still being awaited.* Recommendation 1 remains open pending confirmation that the question of closure of the Ho office has been adequately deliberated upon at both the Representation and UNHCR Headquarter levels and a decision taken based on these deliberations.

Non-compliance with UNHCR procedures requiring a phase out plan for offices planned for closure

15. For closure of field offices, Chapter 6, Sections 9.3 and 9.4 of the UNHCR Manual require that a phasing out plan with time frame be prepared and approved by headquarters to ensure that all outstanding administrative, personnel, financial and operational matters are addressed. At the time of the audit, no phase out plan was in place though there was only about three months left to the proposed dates of closure. Given that OIOS has recommended that consideration be given to keeping the offices open no recommendation is raised, but attention is drawn to the need to ensure that phase out plans are produced to assist in ensuring an effective closure occurs.

Representation agreed to pay more attention to follow-up issues during monitoring visits

16. Monitoring visits are required to provide regular feedback to operations managers and help them identify problems and measure progress, allowing for improved planning and timely corrective action to identified problems. In this regard, the financial and performance monitoring by the Representation needs some improvement. For example, there was no evidence of follow-up on previous monitoring visits and on inspection or audit findings. As a result, it was difficult to independently verify whether specific problems identified in one report were addressed and recommendations implemented by the time of the next review. The monitoring process also needs to report more on the partner implementation on the ground such as the progress and workmanship of construction activities by partners. The Representation has agreed to pay more attention to follow-ups and explained that its main challenge is lack of staff as the unit only has three staff and one of these posts is scheduled to be discontinued from the year 2010. In light of the commitment given, OIOS has not raised a recommendation.

Consideration should be given to reducing the number of implementing partners

17. The Representation currently works with nine implementing partners, with a programme budget of some \$3 million and with three partners accounting for about two thirds of the expenditures. Between 2007 and 2009, the expenditures incurred by five of the implementing partners totaled less than

\$200,000. The Representation explained that it sometimes has to work with certain strategic partners such as the Ghana Health Service and the Ghana Education Service. The Representation should consider working with a smaller number of implementing partners as this would improve efficiency as well as the Representation's ability to monitor implementation more effectively. While most partners were covered at least once during the period from 2007 to 2009, reducing the number of implementing partners is important especially given that the number of programme posts is expected to decline from the current three posts to just two posts in 2010.

Recommendation 2

(2) The Representation should review the number of implementing partners with a view to reducing their number from the current nine partners in order to improve efficiency and the Representation's ability to monitor implementation, taking into account the anticipated reduction in programme posts in 2010.

18. *The Representation accepted recommendation 2 and stated that official letters have been shared with five partners informing them of the Representation's decision to discontinue implementing partner arrangements after 31 December 2009, therefore reducing the number of implementing partners from nine to four in 2010. Based on the action taken by the Representation, recommendation 2 has been closed.*

B. Supply Management

(i) Procurement

UNHCR risks penalties from host country for failure to correctly handle Value Added Tax (VAT)

19. The Representation had not officially been recognized as a VAT exempt organization and had therefore not been issued with VAT Relief Purchase Orders (VPROs), which is required to evidence VAT exemption status to suppliers. At the time of the audit, three agencies, FAO, UNICEF and UNU, were exempt from paying VAT. There was therefore a need for the Representation to follow up on this issue with the UN Country Team (UNCT) and/or seek assistance from headquarters to obtain the VAT exemption and comply with local laws.

20. In our review of procurement we found that the Representation was not consistent in its handling of VAT. While in many instances VAT was paid, in a number of other instances goods and services were procured without paying VAT. For example in June 2007, the Representation purchased sanitary towels for 287,166,720 Cedis (\$30,911) without paying the required 15 per cent VAT. For this purchase, the Representation requested quotations from suppliers, free of VAT and subsequently purchased the goods VAT free. Also, on 16 March 2009 the Representation paid \$7,560 for internet service which did not include any VAT amount. There were several other such examples during the period

reviewed. According to the Supply Unit, the Representation did not want to pay VAT to businesses that were not registered for VAT purposes. Upon further inquiry, however, we were informed by the Administration Unit that suppliers reviewed were registered for VAT and had official VAT registration codes.

21. The fact that the Representation did not fully comply with the VAT requirements violated the laws and policies of the host country, and exposed UNHCR to heavy penalties and retroactive payments. OIOS was not able to establish the total amount of VAT paid or unpaid. This needs to be established by the Representation in the event that this information is required in the future. There was no evidence that between 2007 and 2009 the Representation had pursued, either directly or through the UN Country Team an exemption from VAT payments.

Recommendations 3 and 4

The UNHCR Representation in Ghana:

(3) In collaboration with the UN Country Team in Ghana and UNHCR at Headquarters, should actively seek the Value Added Tax (VAT) exemption status and discontinue the practice of not paying VAT on some goods and services until UNHCR has been officially granted VAT exemption status by the Government of Ghana; and

(4) Should, for the purpose of its records, establish the amount of paid and unpaid Value Added Tax in the event that this information is required.

22. *The Representation accepted recommendation 3 and stated that it has written to UNDP on the issue of VAT, requesting the office of the Resident Coordinator to lead the process to secure VAT exemption for UNHCR. Recommendation 3 remains open pending receipt of documentation showing that UNHCR at headquarters has been consulted and that follow-ups on this issue have been made.*

23. *The Representation accepted recommendation 4 and stated that the Administration/Finance, Supply and Programme units are working together to establish a record of unpaid VAT in the event that this information is needed in the future. A list of all procurement for years 2007 to 2009 has been compiled and VAT paid and unpaid is being extracted. Based on the action taken by the Representation, recommendation 4 has been closed.*

Need for greater involvement of the Supply Unit in procurement

24. To ensure compliance with Chapter 8 of the UNHCR Manual, there is a need for greater involvement of the Supply Unit in the Representation's procurement activities. Procurement was undertaken by the Administration/Finance, Programme and Supply units in an uncoordinated manner with the administration/finance and programme sections often undertaking their own procurement without consulting the Supply Unit. The

Supply Unit was involved in only two procurement cases in 2008 and a similar number in 2009. Consequently, for many of the procurement action undertaken by the Administration/Finance Unit, there was no documentation showing competitive bidding. The impact of this situation is discussed in more detail in the next section. The Representation needs to ensure that all procurement is made in consultation with the Supply Unit and the roles of other departments in the procurement process determined using UNHCR's procurement guidelines and internal control framework for the delegation of authority (DOAP) as a guide.

Recommendation 5

(5) The UNHCR Representation in Ghana should review procurement arrangements and ensure that procurement is made in consultation with the Supply Unit, in accordance with the relevant rules on procurement.

25. *The Representation accepted recommendation 5 and stated that the Supply Unit has drafted SOPs for procurement and shared with all units for input and finalization. The Representation further stated that the final adopted SOPs would be ready for implementation by 20 December 2009. Recommendation 5 remains open pending receipt of a copy of the final SOPs.*

Procurement procedures in the Ghana office need to be strengthened

26. During 2007-2009, the Representation, under direct implementation by UNHCR, procured goods and services totaling \$2.6 million, out of which \$2.1 million (or 81 per cent) was procured locally. However, UNHCR procurement procedures were not always complied with. For example:

- In November 2007, the Representation paid 120,000 Cedis (\$126,096) to construct a day care centre. Only three companies were invited to bid, whereas the UNHCR procurement guidelines (Chapter 8, Section 6 of the UNHCR Manual) recommend at least fifteen bids for this amount. The Representation explained that the day care centre was being built to protect vulnerable groups of refugees and hence time was essential. This rationale for not having the recommended number of bidders was not, however, mentioned in the minutes of the Local Committee on Contracts (LCC) held on 30 November 2007 nor in the note to the file prepared to explain the purpose of the construction;
- In May 2008, the Representation procured construction services worth 19,150 Cedis (some \$15,000) for the construction of voluntary repatriation facilities at the Buduburam Camp (reference: PO# 183). There was, however, no evidence of any competitive bidding for this procurement. For a number of other procurement cases reviewed, no documents were available showing competitive bidding;
- On 15 May 2008, bids for PO# 192 were requested for the transportation of refugees to Liberia. Six bids were received and the third lowest bidder was selected. While the lowest offer was evaluated, the

Local Committee on Contracts (LCC) minutes gave no explanation why the second lowest offer was not considered. In addition, important additional information such as a request to clarify whether the prices included the cost of finding a resting place and additional luggage, which could have influenced the bids of the other bidders, was only given to two of the bidders. The bidders were not therefore evaluated on equal basis, in accordance with the original request for proposals.

Recommendations 6 and 7

The UNHCR Representation in Ghana should ensure that:

(6) The minimum recommended number of quotations is obtained, in accordance with Chapter 8 of the UNHCR Manual on tendering. If this is not possible, the reasons should be clearly explained in a note to the file; and

(7) Subsequent amendments made to the original request for proposals should be communicated to all bidders and supporting documents for procurement properly filed.

27. *The Representation accepted recommendation 6 and stated that it would implement it with immediate effect.* Recommendation 6 remains open pending confirmation by UNHCR of the details of action taken or procedures introduced to ensure that the minimum recommended number of quotations is obtained.

28. *The Representation accepted recommendation 7 and stated that it would implement it with immediate effect.* Recommendation 7 remains open pending confirmation by UNHCR of the details of action taken or procedures introduced to ensure that amendments made to the original request for proposals are communicated to all bidders and that supporting documents for procurement are properly filed.

(ii) Asset Management

Need to update the asset management system

29. Asset management was an area in need of urgent attention. The Representation was responsible for overseeing a total of 863 UNHCR assets with a total purchase cost of \$3.3 million and current value of \$918,000. Since the departure of the Assistant Supply Officer mid 2009, the Supply Unit had only one supply assistant to cope with not only these assets, but also the regional stockpile, in the absence of the supply function at the Regional Representation in Senegal. According to the Representation, the Regional Support Hub in Dakar also had no supply staff and this made the review of supply issues in Ghana even more difficult.

30. Chapter 8 of the UNHCR Manual requires that a physical inventory be conducted at least once a year and a final report prepared within four weeks of the physical inventory of assets. The manual also outlines what information this

report should contain. There was, however no evidence that physical inventories of assets were undertaken. According to the Supply Unit, no physical inventory was undertaken in 2007 or 2008; an inventory was, however, reportedly conducted in 2009 but the final report required by the UNHCR Manual was not available. Consequently, the asset management system was not up-to-date, and a number of assets on the ground could not be traced to the asset listing. In addition, many of the assets had not been bar-coded.

Recommendations 8 and 9

The UNHCR Representation in Ghana should:

(8) Ensure that the final report for physical inventory conducted in 2009 is produced as soon as possible and the Asset Management System updated accordingly; and

(9) Take appropriate measures to ensure that a physical inventory of assets is conducted at least once a year and evidenced by a final report, in accordance with Chapter 8 of the UNHCR Manual. In order to achieve this, the Regional Office in Dakar and UNHCR Headquarters should be consulted to ensure that the necessary resources are in place.

31. *The Representation accepted recommendation 8 and stated that the Supply Unit had completed a draft report of the physical inventory conducted in 2009 covering all assets in UNHCR offices and with implementing partners. The Representation further stated that the Supply Unit would update the asset management system in MSRP in compliance with IPSAS and produce a final report by 31 December 2009. Recommendation 8 remains open pending confirmation that the asset management system in MSRP has been updated and a copy of the final physical inventory report shared with OIOS.*

32. *The Representation accepted recommendation 9 and stated that it was consulting with the Regional Representation for West Africa and the Bureau to provide support staff to the Supply Unit to ensure that there is capacity in 2010 for improved asset management. Recommendation 9 remains open pending receipt of the details of the resources made available and procedures introduced to ensure that a physical inventory of assets is conducted at least once a year and evidenced by a final report.*

The Representation has agreed on the need for greater consistency in the signing of right of use agreements

33. Chapter 8 of the UNHCR Manual on Asset Management requires that Right of Use Agreements be signed with implementing partners for assets in their custody. The purpose of these agreements is to retain ownership of the assets with UNHCR while giving the partners the right to use them for UNHCR-funded projects. Right of Use Agreements had not been systematically prepared for all partners. Out of the nine partners, only two agreements were prepared in 2009 (for the partners National Catholic Secretariat and Christian Council of Ghana).

There was no evidence that any Right of Use Agreements were prepared in 2007. Failure to sign right of use agreements may lead to potential dispute over ownership of assets and possible loss to UNHCR. The Representation has committed to ensuring that these are systematically prepared and signed with implementing partners. Therefore, no recommendation is raised.

Some improvements are needed in the disposal of assets

34. The Representation disposed of a significant number of assets, including computers, laptops, telecommunication equipment, etc., without always complying with the required procedures for the disposal of UNHCR assets. For example, 63 assets were disposed of in 2007, without evidence of the required Asset Disposal Form (GS-45), indicating that the items being disposed of have been reviewed by the Local Asset Management Board (LAMB) and authorized. The Supply Unit explained that there was documentation for the disposal of assets in 2007 because there was no Branch Office supply staff in that year.

35. Under the exceptional measures provision outlined in the Controller's memorandum dated 30 March 2009 on "Exceptional Measures for Asset Clean-Up", the Representation exceptionally wrote-off several fully depreciated assets including faulty or broken down telecommunications equipment such as computers, voltage stabilizers, mobile phones, satellite equipment, etc. As these assets were fully depreciated, they could be disposed of under the simplified procedures outlined in the Controller's memo which entails submission to the LAMB for write-off with a statement of all known facts presented on the Asset Disposal Form. Regarding the actual physical disposal itself, however, Chapter 8, Section 4 still applies. OIOS found that there was no evidence that a committee had been constituted to inspect the physical disposal. According to the Representation, two staff inspected the items at UNHCR premises and not at the refuse site as required by the UNHCR Manual. The driver reportedly drove off with the assets and there was no record of what happened to the assets thereafter. This is less than transparent given the nature of the assets. As a result UNHCR could not be assured that the rules on physical disposal of these assets were fully complied with.

Recommendation 10

(10) The UNHCR Representation in Ghana should request the Local Asset Management Board to ensure that the guidelines for the physical disposal of assets as outlined in Chapter 8, Section 4 of the UNHCR Manual are complied with. These actions should include the selection of a disposal committee, supervision of physical disposal, removal of assets from the Asset Management System and certifying what action was taken on the Asset Disposal Form.

36. *The Representation accepted recommendation 10 and stated that the Supply Unit has drafted a proposed membership of an Asset Disposal Committee with clear terms of reference to be submitted to the LAMB on 18 December 2009. Recommendation 10 remains open pending confirmation of submission to the*

LAMB and recommendation by the LAMB of the proposed members of the Asset Disposal Committee.

C. Review of Implementing Partners

National Catholic Secretariat (NCS)

37. NCS was UNHCR's largest implementing partner in Ghana, accounting for \$2 million or one third of the total expenditure of all implementing partners between 2007 and 2009. NCS was responsible for activities in the sectors of health, primary education, and construction. The partner had made marked improvement since the last audit in 2005, but there is still a need to strengthen certain controls and to further improve in the area of procurement.

38. In the area of procurement, there were a number of instances of non-compliance with the required procurement procedures. For example:

- For the re-gravelling of road in 2008, the lower of the two bidders meeting the requirements (\$66,000 vs. \$68,000) was not selected. There was no explanation in the minutes of the selection committee (Tender Evaluation Report) why the lowest bidder was not selected, nor was there evidence of a note to the file to explain this selection.
- Medical referrals were systematically made to Catholic Hospital (an organization related to the National Catholic Secretariat) without evidence of any tendering process being undertaken. NCS stated that it used Catholic Hospital because it provided medical treatment on credit. To comply with UNHCR procurement guidelines NCS needs to use competitive bidding procedures consistently.

Recommendation 11

(11) The UNHCR Representation in Ghana should request the National Catholic Secretariat to ensure that UNHCR procurement rules are adhered to, in particular, that competitive bidding procedures are used consistently in accordance with UNHCR procurement guidelines and that the minutes of the selection committee (Tender Evaluation Report) provide justifications for selections made, especially when the lowest bidder has not been selected.

39. *The Representation accepted recommendation 11 and stated that the programme unit has written to NCS informing the IP of the audit observations and encouraging the IP to refer to and comply with UNHCR procurement guidelines in the future. Recommendation 11 remains open pending receipt of details of the checks that the Representation has introduced to follow up and monitor that NCS is complying with the rules.*

National Disaster Management Organization (NADMO)

40. NADMO was UNHCR's second largest implementing partner in Ghana, with expenditures over \$1 million between 2007 and 2009 and was mainly involved in the transport and agricultural sectors.

Weaknesses in the accounting system and internal controls

41. NADMO used a manual accounting system consisting of a cashbook where many entries were made in pencil, which could therefore be easily altered. These entries were then summarized for the preparation of the Sub-Project Monitoring Report (SPMR), with no audit trail on how the summary figures were obtained. This made it impossible to trace the cashbook to the SPMRs. NADMO received a qualified opinion in respect of 2007 projects CM/203 and RP/300 for differences between the SPMR and cash book figures as well as for unsupported transactions. The total amount of discrepancies amounted to about \$40,000. The Representation is still following up the recovery of these unsupported funds.

42. Further, the budget monitoring system was weak, as evidenced by numerous budgetary overruns above the authorized ceiling of 15 per cent. The overruns ranged from 70 to 170 per cent, and pertained mainly to line items such as staff travel, supplies and goods. 2007 and 2008 budgets were monitored by budget activity instead of budget lines at account level as required by the sub-agreements.

43. NADMO management requested that UNHCR provide it with computer software to assist in tracking UNHCR expenditures. In its review, OIOS assessed that internal control weaknesses identified could be significantly reduced if the partner were to move from a manual accounting system to a computerized accounting system. This will enable UNHCR to achieve savings in the long run through improved internal controls and NADMO to better account for UNHCR funds. A full analysis of information technology requirements should be conducted for NADMO to help move to a computerized accounting system.

Recommendation 12

(12) The UNHCR Representation in Ghana should request a full analysis of information technology requirements to be conducted for its partner, National Disaster Management Organization, with a view to obtaining a computerized accounting system.

44. *The Representation accepted recommendation 12 and stated that NADMO is, however, one of the five implementing partners with whom UNHCR Accra will discontinue partnership with in 2010. The Representation further pointed out that it is part of UNHCR's 2010 strategy to support government with their response to influxes and displacement by providing logistical and technological capacity. NADMO being the government's primary disaster response organization, the Representation stated that it will implement the audit*

recommendation in this regard. Based on the Representation's response, recommendation 12 has been closed.

D. Administration and Finance

Rules and regulations generally complied with

45. The Representation generally complied with the rules, regulations and procedures in the areas of administration and finance covered in our audit scope. Generally, the internal control framework for the delegation of authority (DOAP) is properly established and is functioning as required.

Improvement required in the follow-up of long outstanding receivables

46. There was a need to better track and monitor advances made to staff. OIOS found that advances to different staff members were commingled and reported on under the same receivable account, which made it difficult to monitor the status of advances made to each staff. Chapter 6, Part 5, Section 5.7.4 of the UNHCR Manual requires that 'each advance must be fully accounted for separately and the balance of one advance must not be carried forward to a subsequent advance'. At the time of the review, advances totaling some \$236,000 had been outstanding for over a year. These included mainly salary advances, operational advances, miscellaneous advances and travel advances.

Recommendation 13

(13) The UNHCR Representation in Ghana should make every effort to recover the longstanding advances totaling \$236,000, ensure that each advance is separately accounted for and timely justified and/or recovered in accordance with Chapter 6, Section 5.7 of the UNHCR Manual.

47. *The Representation accepted recommendation 13 and stated that as a result of ongoing efforts to clear long outstanding receivables, the figure has dropped by approximately 50 per cent. The Representation further stated that it continues to collaborate actively with Budapest and HQ Finance Unit colleagues to clear these longstanding advances.* Recommendation 13 remains open pending confirmation that the all the advances have been cleared and the action that was proposed or procedures introduced to prevent a recurrence.

Controls over fuel management need to be strengthened

48. The Representation spent \$184,180 and \$199,961 on fuel in the years 2007 and 2008 respectively. Out of these amounts, \$28,428 and \$36,439 were rolled over and charged against 2008 and 2009 budgets respectively. There were no proper systems in place to control and review mileage covered and fuel consumed. As a result, the Representation has had to pay significant fuel bills each month. Introducing improved systems can go a long way in controlling fuel costs.

49. Chapter 6 of the UNHCR Manual, particularly the section on maintenance of vehicles, requires that vehicle log books be properly maintained to control the use of official vehicles. It also requires the completion and review of monthly control sheets to enable the monitoring of fuel consumption and the investigation of unreasonable variances. IOM/30/2001-FOM/29/2001 further deals with the use of UNHCR vehicles for private and official purposes.

50. Motor vehicle log books were not properly maintained or reviewed. We reviewed the log books of three vehicles currently in use and found that the mileage on departure and arrival was not systematically completed. For example, the logbook of motor vehicle UNO416 mileage between 17,058 km and 17,080 km was not recorded. Similarly, motor vehicle CD964 had many gaps of mileage that went unrecorded. There was also no evidence that monthly control sheets were prepared and reviewed to monitor fuel consumption.

Recommendation 14

(14) The UNHCR Representation in Ghana should ensure that log books and monthly control sheets are properly maintained for each vehicle to ensure that use of official motor vehicles and fuel consumption are monitored in accordance with Chapter 6 of the UNHCR Manual and IOM/30/2001-FOM/29/2001.

51. *The Representation accepted recommendation 14 and stated that drivers have been sensitized on the need to fully record entries in log books with frequent checks to ensure that this is being performed. The Representation further stated that a monthly control sheet would be introduced in 2010 to complement the fuel consumption analyses currently being performed and staff would first undergo an orientation session in December 2009.* Based on the action taken by the Representation, recommendation 14 has been closed.

Controls over use of telephone need to be strengthened

52. The Representation's telephone bills amounted to \$51,928, \$46,826 and \$31,651 in the years 2007, 2008 and 2009 respectively. In these periods \$6,024, \$11,325 and \$12,992 were still in suspense and yet to be verified by staff members. Chapter 6 of the UNHCR Manual indicates that the private use of official telecommunication facilities should be authorized by the Head of Office or delegated to the Administrative Officer. It also requires that private calls should be reimbursed by staff members on a monthly basis preferably through salary deduction and that the authorization is withdrawn whenever a staff member fails to refund the cost of the private calls in a timely manner.

53. The Representation uses the telephone billing system MAN 3000 where each staff has his/her own PIN code, but has had technical difficulties with this billing system. As a result, itemized bills for staff members are outstanding for about one year. Also, official mobile phones are given to heads of departments and key staff have official mobile phones. We also noted the following internal control weaknesses:

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- Verification of calls: There is no system in place to follow up on staff members' verification of their bills by identifying private and official calls. Hence, a significant backlog in the verification of phone bills and in the subsequent reimbursement of private calls to UNHCR. Fixed line bills had not been verified since January 2009, while mobile phone bills since May 2009. Reimbursements of private calls for this period therefore remain outstanding.
 - Certification of calls: There was no system in place to certify calls reported as official. Currently, staff members only reported private calls and it was assumed that calls not marked private were official. The certification of official calls will encourage staff to correctly verify calls into private and official since they know this itemization will be checked.

Recommendations 15 and 16

The UNHCR Representation in Ghana should:

(15) Ensure that the problems with its fixed line billing system are addressed as a matter of priority; and

(16) Put in place measures to ensure that the guidelines on the authorization and reimbursement of private calls as outlined in Chapter 6 of the UNHCR Manual are complied with.

54. *The Representation accepted recommendation 15 and stated that the Regional Representation for West Africa had been notified of the breakdown of the billing system and plans were underway to repair it as a replacement was not currently economically viable. Based on the action taken by the Representation, recommendation 15 has been closed.*

55. *The Representation accepted recommendation 16 and stated that the dialing code previously made available at the receptionist to make outgoing calls for staff has been deactivated to ensure that staff members use their unique codes linked to the billing system to track and bill all non-official calls. The Representation would also sensitize staff on being time conscious on official calls. Based on the action taken by the Representation, recommendation 16 has been closed.*

V. ACKNOWLEDGEMENT

56. 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 ¹	Actions needed to close recommendation	Implementation date ²
1	The UNHCR Representation in Ghana, in consultation with UNHCR Headquarters, should consider reversing its decision to close the office in Ho until after the presidential elections in Togo are held in early 2010, when a more informed decision can be taken based on the post-election situation.	Governance	High	O	Confirmation that the question of closure of the Ho office has been adequately deliberated upon at both the Representation and UNHCR Headquarter levels and a decision taken based on these deliberations.	Not provided
2	The Representation should review the number of implementing partners with a view to reducing their number from the current nine partners in order to improve efficiency and the Representation's ability to monitor implementation, taking into account the anticipated reduction in programme posts in 2010.	Operational	Medium	C	Action completed	Implemented
3	The UNHCR Representation in Ghana, in collaboration with the UN Country Team in Ghana and UNHCR at Headquarters, should actively seek the Value Added Tax (VAT) exemption status and discontinue the practice of not paying VAT on some goods and services until UNHCR has been officially granted VAT exemption status by the Government of Ghana.	Governance	High	O	Submission to OIOS of documentation showing that UNHCR at headquarters has been consulted and that some follow-up on this important issue has been made.	Not provided
4	The UNHCR Representation in Ghana should, for the purpose of its records, establish the amount of paid and unpaid Value Added Tax in the event that this information is required.	Governance	High	C	Action completed	Implemented
5	The UNHCR Representation in Ghana should review procurement arrangements and ensure that procurement is made in	Governance	Medium	O	Submission to OIOS of the adopted Standard Operating Procedures.	20 December 2009

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	consultation with the Supply Unit, in accordance with the relevant rules on procurement.					
6	The UNHCR Representation in Ghana should ensure that the minimum recommended number of quotations is obtained, in accordance with Chapter 8 of the UNHCR Manual on tendering. If this is not possible, the reasons should be clearly explained in a note to the file.	Compliance	Medium	O	Submission to OIOS of details of action taken/procedures introduced to ensure that the minimum recommended number of quotations is obtained.	With immediate effect
7	The UNHCR Representation in Ghana should ensure that subsequent amendments made to the original request for proposals should be communicated to all bidders and supporting documents for procurement properly filed.	Compliance	Medium	O	Submission to OIOS of details of action taken/procedures introduced to ensure that amendments made to the original request for proposals are communicated to all bidders on equal basis and supporting documents for procurements properly filed.	With immediate effect
8	The UNHCR Representation in Ghana should ensure that the final report for physical inventory conducted in 2009 is produced as soon as possible and the Asset Management System updated accordingly.	Compliance	Medium	O	Confirmation that the asset management system in MSRP has been updated and a copy of the final physical inventory report shared with OIOS.	31 December 2009
9	The UNHCR Representation in Ghana should take appropriate measures to ensure that a physical inventory of assets is conducted at least once a year and evidenced by a final report, in accordance with Chapter 8 of the UNHCR Manual. In order to achieve this, the Regional Office in Dakar and UNHCR Headquarters should be consulted to ensure that the necessary resources are in place.	Compliance	Medium	O	Submission to OIOS of details of the resources made available and the procedures introduced to ensure a physical inventory of assets is conducted at least once a year and evidenced by a final report.	Not provided
10	The UNHCR Representation in Ghana should request the Local Asset Management Board to ensure that the guidelines for the physical disposal of assets as outlined in Chapter 8, Section 4 of the UNHCR Manual are complied with.	Compliance	Medium	O	Confirmation of submission to the LAMB and recommendation by the LAMB of the proposed members of the Asset Disposal Committee.	Not provided

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	These actions should include the selection of a disposal committee, supervision of physical disposal, removal of assets from the Asset Management System and certifying what action was taken on the Asset Disposal Form.					
11	The UNHCR Representation in Ghana should request the National Catholic Secretariat to ensure that UNHCR procurement rules are adhered to, in particular, that competitive bidding procedures are used consistently in accordance with UNHCR procurement guidelines and that the minutes of the selection committee (Tender Evaluation Report) provide justifications for selections made, especially when the lowest bidder has not been selected.	Compliance	Medium	O	Submission to OIOS of details of the checks that the Representation has introduced to follow up and monitor that NCS is complying with the rules.	Not provided
12	The UNHCR Representation in Ghana should request a full analysis of information technology requirements to be conducted for its partner, National Disaster Management Organization, with a view to obtaining a computerized accounting system.	Operational	Medium	C	Action completed	Implemented
13	The UNHCR Representation in Ghana should make every effort to recover the longstanding advances totaling \$236,000, ensure that each advance is separately accounted for and timely justified and/or recovered in accordance with Chapter 6, Section 5.7 of the UNHCR Manual.	Financial	Medium	O	Confirmation that the all the advances have been cleared and what action was proposed/procedures introduced to prevent a re-occurrence.	Not provided
14	The UNHCR Representation in Ghana should ensure that log books and monthly control sheets are properly maintained for each vehicle to ensure that use of official motor vehicles and fuel consumption are	Operational	Medium	C	Action completed	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O¹	Actions needed to close recommendation	Implementation date²
	monitored in accordance with Chapter 6 of the UNHCR Manual and IOM/30/2001-FOM/29/2001.					
15	The UNHCR Representation in Ghana should ensure that the problems with its fixed line billing system are addressed as a matter of priority.	Operational	Medium	C	Action completed	Implemented
16	The UNHCR Representation in Ghana should put in place measures to ensure that the guidelines on the authorization and reimbursement of private calls as outlined in Chapter 6 of the UNHCR Manual are complied with.	Financial	Medium	C	Action completed	Implemented

¹ C = closed, O = open

² Date provided by UNHCR in response to recommendations