



INTERNAL AUDIT DIVISION

AUDIT REPORT

UNHCR operations in Sierra Leone

Arrangements for planning and estimating resource requirements for downsizing operations could be improved through the introduction of liquidation guidelines, to ensure that all activities are identified and the correct level of resources is available to handle specific tasks

26 July 2010
Assignment No. AR2010/111/01

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
(UNHCR)

DATE: 26 July 2010

REFERENCE: IAD: 10-

00667

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



SUBJECT: **Assignment No. AR2010/111/01 - Audit of UNHCR operations in Sierra Leone**
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 6, 7, 8, 9, 10, 12, 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., recommendation 1, 2, 4, 7 and 12), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Alexander Aleinikoff, Deputy High Commissioner, UNHCR
Ms. Erika Feller, Assistant High Commissioner (Protection), UNHCR
Ms. Janet Lim, Assistant High Commissioner (Operations), UNHCR
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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 Sierra Leone

The Office of Internal Oversight Services (OIOS) conducted an audit of the Office of the United Nations High Commissioner for Refugees (UNHCR) operations in Sierra Leone. The overall objective of the audit was to assess how the downsizing of operations in Sierra Leone was conducted and whether adequate administrative support for the operations was in place. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The overall conclusion was that the UNHCR arrangements for planning the downsizing of field operations needed improvement and effectiveness could be enhanced through the creation of liquidation guidelines to assist representatives. In the case of Sierra Leone, additional plans were also required to ensure that all requirements for phaseout are taken care of, particularly for decommissioning of camps and handover of infrastructure to local authority and community. UNHCR took immediate action to address the needs for a phaseout plan for Sierra Leone and work has been initiated on the liquidation guidelines, with a planned date of June 2011 for completion.

The reduction of staff in Sierra Leone over the period 2007 to 2010, from around 100 to 20 has impacted on administrative support, and a review is required to establish what level of resources is required to ensure adequate internal control over operations during downsizing. Key areas where administrative support could be improved included the following:

- Planning and monitoring to ensure the correct beneficiaries receive their entitlements;
- Creation and approval of technical and financial assessment prior to bid opening; and
- Ensuring adequate resources to handle asset management.

The UNHCR Representation in Sierra Leone has initiated and completed action in most of the areas. UNHCR only partially accepted a recommendation dealing with reviewing how the year-end procurement is done to mitigate risks from short-notice procurement conducted by Implementing Partners (IPs). OIOS has requested confirmation whether UNHCR accepts the risks involved and or they will develop a formal standard operating procedure ensuring that risks associated with last-minute procurement of IPs are mitigated.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Office of the United Nations High Commissioner for Refugees (UNHCR) operations in Sierra Leone. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. Since January 2009, the UNHCR Representation in Sierra Leone reports to the Regional Representation for West Africa in Senegal. The Regional Office provides strategic planning, direction and coordination of regional resources, quality control and oversight. In line with the regionalization effort, the 2010 Regional Operation Plan for West Africa integrates for the first time operations in 13 countries (Senegal, Guinea Bissau, Mali, The Gambia, Cape Verde, Niger, Burkina Faso, Benin, Ghana, Nigeria, Liberia, Sierra Leone and Togo). For the fiscal year 2010, the Regional Representation in Senegal was allocated a budget target for the operations in Senegal, Sierra Leone and five other country representations. UNHCR maintains an accredited Representative in the Sierra Leone capital, Freetown, and a Field Office presence in the north of the country (Kenema).

3. Since 2007, the number of refugees assisted by UNHCR in Sierra Leone decreased from 17,300 to 9,000. This has resulted in a decrease of budget resources and change of strategy and goals. Major targets set by the Representation for the 2008-2009 biennium were:

- Assisting local integration of Liberian refugees unable to repatriate voluntarily;
- Locally integrating refugees receiving identification documents from the Sierra Leone government and assistance from UNCHR;
- Rehabilitating areas occupied by refugees;
- Transforming eight refugee camps into Sierra Leonean villages and handing over infrastructures to local authorities;
- Enhancing Sierra Leonean authorities' capacity to implement refugee law; and,
- Strengthening standards for assistance to urban refugees.

4. As of March 2010, UNHCR Representation had a presence of 22 staff (of which four were Professionals). There were no vacant posts.

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

II. AUDIT OBJECTIVES

6. The main objective of the audit was to assess how the downsizing of operations in Sierra Leone was conducted and whether adequate administrative support for the operations was in place. Specific objectives were to:

- (a) Assess whether adequate arrangements for planning the downsizing of UNHCR operations in Sierra Leone (including reduced presence and camp decommissioning) were in place;
- (b) Assess adequacy of internal controls for the planning and monitoring of the shelter programme;
- (c) Assess whether the monitoring of Implementing Partners (IPs) and audit certification were performed in compliance with relevant UNHCR rules and regulations; and,
- (d) Assess adequacy of internal controls for procurement activities, safeguarding of assets, use of vehicle fleet and fuel management.

III. AUDIT SCOPE AND METHODOLOGY

7. The Representation in Sierra Leone managed a budget (spending authority) of \$6.8 million in 2008 and \$4.8 million in 2009, inclusive of the programme and administrative components.

8. The audit, which took place in March 2010, covered UNHCR programme activities in Sierra Leone in the period 2008 to the end of 2009. The audit reviewed operations directly implemented by UNHCR and by two main implementing partners on a sample basis. As of January 2010, the Representation managed 2,169 assets worth \$3.8 million (current value \$1.8 million). OIOS conducted the audit in Freetown and Kenema, and visited camps in the Kenema region.

9. The audit activities included a review and assessment of internal controls implemented by management, interviews with selected staff, analysis of applicable data, documents and records using a judgmental sampling approach.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Downsizing UNHCR presence in Sierra Leone

Need for a UNHCR manual to assist with downsizing and liquidating UNHCR field operations

10. UNHCR does not have a manual to guide representatives during the liquidation phase of an operation. Such guidelines exist for other UN operations.

For example, UN peacekeeping missions have a Liquidation Manual, which requires the development of an exit strategy with a written plan establishing targets and timeframes (including for asset management, financial, environmental and human resources aspects). In OIOS' opinion, such a liquidation/downsizing plan provides both management and staff with a better strategic vision of the operations and expected targets. This enhances the transparency of the process and management's capacity to plan.

11. As no such guidelines exist, OIOS did not find any plans to guide the last phase of the operations in Sierra Leone dealing with the downsizing of the UNHCR presence. This called for better planning of the Sierra Leone phaseout and suggested the need for support from UNHCR Headquarters to improve the effectiveness of planning and to ensure that all aspects of a liquidation phase are considered.

12. Between 2007 and 2010, UNHCR closed two offices in Sierra Leone and its staff presence decreased from 107 to 22. A further reduction of staff (two) is expected by the end of 2010. While the number of staff had reduced dramatically, this has not been matched by the same reduction in the number of beneficiary cases as shown in Table 1. Consequently, in two instances (July 2009 and December 2009), the Representative in Sierra Leone estimated that the reduction of staff strength was overburdening staff and was negatively impacting the capacity to provide the required services, putting at risk the local integration process. During the budget preparation for 2010, the posts of Information Technology, Supply and Human Resources assistants were cut initially and subsequently re-established based on imperative needs.

Table 1: Staff and beneficiary trends (2007-2010)

	31 Dec 2007	31 Dec 2008	31 Dec 2009	31 Dec 2010
International	23	9	4	4
NPO	5	6	2	1
GL	79	40	28	15
Total Staff	107	55	34	20
Caseload-beneficiaries	9,489	9,133	9,049	8,909

13. The initial proposal to close the Kenema office was finally transformed into a downsizing of the sub-office with no International staff starting June 2010. The rationale for this is not clear as most of the work for local integration takes place in Kenema.

14. At the time of the audit, the Representation in Sierra Leone was assessing staff requirements to cope with the expected additional workload following the declaration of the cessation clause for the Liberian refugees. The Representation estimates that this new initiative would result in increased demand for services and support by the beneficiary population, which would result in additional workload for the Representation.

15. Staff and management interviewed during the audit agreed that guidance and policy would assist them in their planning for downsizing.

Recommendations 1 and 2

(1) UNHCR should consider developing a manual to provide guidance to representatives in the management of downsizing and liquidation phases of an operation.

(2) The UNHCR Representation in Sierra Leone should develop a phaseout plan as soon as possible to identify resource requirements and deadlines for the implementation of remaining activities.

16. *The Representation accepted recommendation 1 and stated that specific guidance for the management of downsizing and/or liquidation phases of an operation will be worked out by the Division of Programme Support and Management (DPSM) and the Organizational Development and Management Service (ODMS) as an important complementary element to the “Guidelines for Designing UNHCR’s Presence in the Field” and current operations management tools. Such guidance will be incorporated into UNHCR’s core guidance in the UNHCR Manual. Recommendation 1 remains open pending confirmation by DPSM and ODMS that the specific guidance for the management of downsizing and/or liquidation phases has been developed.*

17. *The Representation accepted recommendation 2 and stated that a comprehensive plan will be developed. Based on the assessment, the Representation would seek additional funds from Headquarters. If Headquarters fully approves the Representation’s requirements (staffing, ABOD and operations), the Representation would be able to fully implement OIOS’ recommendation. Recommendation 2 remains open pending receipt of a copy of the phaseout plan and details of the outcome of the request for funding.*

Plans for decommissioning of former camp areas need to be finalized and implemented

18. In order to promote local integration, the 2008-2009 Global Appeal for Sierra Leone called for transforming the eight former refugee camp areas into villages and handing over infrastructures and services to the local authorities and line ministries. The “Checklist for camp/cluster coordinator” requires that when activities decrease, a phaseout and rehabilitation strategy should be planned in order to consolidate camp requirements, and to ensure rehabilitation and handover of areas that have been used. The camp rehabilitation process has been ongoing since 2007. However, because small pockets of refugees are still living in the eight camp areas and have not yet opted for one of the possible durable solutions (i.e., local integration or repatriation), full camp decommissioning has not been possible.

19. OIOS visited the camp areas of Jembe and Tobanda. In Jembe, shelters and pits had been decommissioned while schools, local community centres and

healthcare buildings were fully utilized by the local community and integrated into the hosting village. In the camp of Tobanda, most of the infrastructures built and used during the emergency period were occupied by a few remaining refugee families and only partially used by the local community and other institutions for the provision of services.

20. In both camps, decommissioning of some water wells and other infrastructures (i.e., water purification plant) used during the emergency phase remained to be completed. However, neither the local IP in charge of the remaining decommissioning activities in 2010 nor UNHCR had a definitive list of what remained to be done in order to finalize the decommissioning process. During the camp visits, some water wells were found opened in areas near the villages, which represented a hazard for the local population.

Recommendation 3

(3) The UNHCR Representation in Sierra Leone should ensure that a definite list of activities for the decommissioning of camp areas in Sierra Leone is established and a timeframe to complete the decommissioning process is developed.

21. *The Representation accepted recommendation 3 and stated that it was in the process of compiling the list of activities for the decommissioning of the remaining camp areas. A timeframe for implementation will be developed once the list of activities has been established. The Representation stated that 24 facilities have been identified for decommissioning. The IP will undertake a cleanup or brushing (as part of environmental activities) of some facilities that are being over taken and partially destroyed by bushes in the ex-camps. The decommissioning of facilities identified will be undertaken once the cleanup is completed. It is worth mentioning that the full decommissioning of the former camps will depend on the willingness of the refugees to be relocated since UNHCR cannot force them to do so. Procedures and timetables for the decommissioning will be elaborated with the IP by the end of June 2010. Recommendation 3 remains open pending receipt of a copy of the timetable and procedures for decommissioning of the camp areas.*

Need for a plan for the formal handover of infrastructure in the former camp areas to local authority and community

22. Formal handover of infrastructures used during the emergency and maintenance phases should accompany the progressive disengagement of UNHCR from the operations in the camp areas. The handover process should ensure compliance with UNHCR procedures for the transfer of ownership as per UNHCR Manual (Chapter 8, July 2006) and UNCHR asset management policy (IOM 69/2002-FOM 64/2002). These require full decommissioning of the asset/property, a formal decision by the Local Asset Management Board and signing of a Transfer of Ownership Agreement. The policy requires that the beneficiary of the transfer of ownership should ensure continuity in the

utilization of the property and guarantee that UNHCR will no longer bear costs for care/maintenance or repair of the asset.

23. The handover process was not conducted and documented in a formal manner, and the local community was *de facto* using the existing infrastructures in the former camp areas. Following the OIOS request, UNHCR recognized 117 infrastructures that had been used during the previous phases and now were used by other partners or government entities. The Representation informed OIOS that it intends to establish a plan for the formalization of the handover process.

Recommendation 4

(4) The UNHCR Representation in Sierra Leone should formalize the handover of camp infrastructures that are not required for UNHCR activities and ensure compliance with UNHCR requirements for transfer of ownership.

24. *The Representation accepted recommendation 4 and stated that an inventory list has now been established. Physical verification of the facilities and taking of photographs were conducted. There is a total of 287 facilities listed in all locations as facilities provided between 2000 and 2009. This included both the care and maintenance phase and the ongoing local integration phase. A total of 263 facilities have been identified for handing over; 40 of these facilities are not in good shape and are recommended for some rehabilitation work to be done before handing over. Eighty-six per cent or 227 of the facilities are already being used by the community people. The handover will be done in phases and will start with those sectors with no need for rehabilitation and that are already being used by communities. The 40 facilities that are not in good shape will be rehabilitated before handing over. All these activities will require additional funds since we did not factor them in our current budget allocation. Headquarters will be required to assist financially if this recommendation has to be timely implemented. Procedures and timetables for the formal handover will be elaborated by the end of June 2010 and agreed with relevant stakeholders. Recommendation 4 remains open pending receipt of a copy of the procedures and timetables for the formal handover of camp infrastructures.*

UNHCR needs to formalize a visibility policy

25. UNHCR recognizes the importance of visibility in any field operation for security, protection and public relations reasons. For this purpose, UNHCR publishes and distributes visibility materials to field operations. The visibility of UNHCR contribution to the implementation of activities is formally required in sub-agreements signed with IP. The clause in the sub-agreements only pertains to visibility of UNHCR as far as the implementation of programmes by IPs are concerned, but there is currently no organization-wide policy for visibility of UNHCR activities in general.

26. During the OIOS visit to former camp areas in Kenema, we noted that the visibility of UNHCR-funded activities was very limited, and sometimes non-existing. When UNHCR decides to transfer the ownership of its infrastructures,

these become a legacy for the benefit of the local community and the visibility of the donor is key to ensuring that its contribution is recognized in the future. At the time of the audit, the Representation in Sierra Leone was developing a strategy to enhance the visibility of UNHCR both for handed over infrastructures and for those under construction (i.e., shelters for refugees and local beneficiaries).

Recommendation 5

(5) UNHCR should develop a policy to ensure that its contributions are visible both during ongoing operations and when it hands over the ownership of its properties.

27. *The Representation accepted recommendation 5 and stated that visibility will be done on all facilities without such signs. As a matter of fact, visibility materials like 09/LS/402/UNHCR/CARITAS/2010 funded by Bureau for Population Refugee and Migration or funded by the Economic Community of West African States have already been designed and production as well as implementation will be carried out shortly. DPSM stated that it would review by the end of December 2010 the existing guidance on the area of visibility of its activities and contributions when assets are handed over. This will be considered as part of the updating of Chapter 4 of the UNHCR Manual with regard to the management of the implementation of projects by partners. Recommendation 5 remains open pending confirmation by DPSM that a review of existing guidance on the area of visibility has been completed.*

B. Selection and monitoring of Implementing Partners

Selection of Implementing Partners must be documented

28. The selection of IPs for the implementation of programmes is guided by several factors, including the scale, nature, location and political environment of the project. Chapter 4, Section 5.1 of the UNHCR Manual identifies the minimum criteria and documentation that is required for the selection of an IP (e.g., proof of legal registration in the country of operations and demonstrated financial and operational reliability).

29. In 2009, the Representation in Sierra Leone established partnerships with four IPs. The documentation regarding the selection of three of the IPs, which had been working with UNHCR for more than five years, was not available. Similar documentation for the fourth IP (Hands Empowering Less Privileged - HELP Sierra Leone), selected in 2008, was also not on file. Documentation is important to demonstrate compliance with selection procedures and ensure transparency of the process.

30. *The Representation stated that they have always complied with Chapter 4, Section 5.1 of the UNHCR Manual when selecting IPs. The problem lies with the filing system in the office since the remaining two IPs have been working with UNHCR for more than five years. The file on IPs selection has been retrieved after the Auditor departure. All IPs were all subject to external audit, with*

unqualified opinions. They had already ongoing programmes in the local integration areas, which is already an added value for the mainstreaming of refugees in the local development plans/programmes. They have been implementing programmes funded by other institutions including the African Development Bank, the World Bank, the European Union and UNICEF. They have qualified and experienced staff and are very familiar with UNHCR policy priorities and procedures. Indeed two IPs (NMJD and Help-SL) were terminated in December 2009 for unsatisfactory performance in the implementation of UNHCR projects. Based on the explanation provided by the Representation, no recommendation has been made.

There were adequate arrangements to support continued use of IPs

31. For the three oldest IPs, there was documentation available to support the decision for their continued use, in terms of successful implementation of projects assigned. The partnership with the most recently selected partner (HELP Sierra Leone) was terminated after one year due to unsatisfactory performance. As a precautionary measure, UNHCR had suspended the payment of the last allotment for 2009 pending the result of an assessment ongoing at the time of the audit.

Need to improve the level of support provided to remaining IPs

32. Following the staff reductions and in line with the decision to strengthen cooperation with governmental partners, the Representation has progressively reduced the number of IPs. In 2010 one IP will be responsible for around 44 per cent (or \$692,292) of the implementation of the UNHCR programme.

33. Work relations with the IP and its performance were generally considered satisfactory both by UNHCR and by the local community leaders interviewed by OIOS during camp visits. At the time of the audit, the remaining two IPs were using a manual accounting system based on Microsoft Excel spreadsheets and one of them was considering migrating to a standard accounting software. Further, the IP requested additional support for the adoption of the new UNHCR reporting format (Implementing Partner Financial Report), which UNHCR developed in line with the introduction of the FOCUS results-based management system in 2010.

Recommendation 6

(6) The UNHCR Representation in Sierra Leone should provide its Implementing Partners with guidelines and training for the adoption of the new Implementing Partner Financial Report and support the National Commission for Social Action for the adoption of a standard accounting software.

34. *The Representation accepted recommendation 6 and stated that the Representation has been providing hands-on training and capacity building to IPs and will continue to do so with the remaining two national IPs as part of the*

standard programme management requirements. The Representation enumerated the various workshops and training programmes that have been conducted for IPs in 2009 and early 2010, and other training plans for the future. As for the adoption of a standard accounting software, the Representation is pleased to inform OIOS that one of the IPs intends to start using the accounting software Quick Books in September 2010. As for the other IP, the process of maintaining a general ledger account for the UNHCR project in the Sun Accounting System has started in April 2010. The Representation will continue to assist the IPs to maintain a proper accounting system that is responsive to UNHCR reporting requirements. This will ensure better sub-project monitoring and control. Based on the assurance and the actions taken by the Representation, recommendation 6 has been closed.

C. Planning and monitoring the implementation of the shelter programme

Need for better planning and monitoring to ensure the correct beneficiaries receive entitlements

35. The UNHCR strategy for local integration in Sierra Leone requires that all refugee families opting for integration in the hosting communities be supported in respect of the construction of shelter. The construction is a shared process between the beneficiaries and UNHCR (UNHCR provides technical support and construction materials worth around \$800 per shelter). UNHCR plans to deliver 1,140 shelters by the end of 2010. Additionally, since 2008, UNHCR has been providing each refugee family with one latrine, costing \$448.

Table 2: UNHCR-provided local integration shelters since 2007 in Sierra Leone

	Shelter for Refugees	Shelter for host community	Total shelters
2007	40	-	40
2008	250	-	250
2009	423	47	470
2010	372	38	380
Total	1,085	85	1,140

36. For the implementation of the local integration strategy, in 2007, the Representation developed a project document including shelter requirements and construction project. Since the 2007 pilot implementation of the shelter programme, several components of the programme have changed. For instance, both the Bill of Quantity for the construction materials and the initial shelter specifications were revised. In addition, since 2009, 10 per cent of shelters were assigned to vulnerable families of the hosting community and, as part of the same programme, refugees were also entitled to latrines. The 2007 project document had not been revised and therefore these changes were not reflected.

37. Monitoring reports were not filed and some were difficult to obtain. For instance, the technical advisor in Kenema informed OIOS there was no

monitoring report for the construction of the last 120 shelters in 2009, while the programme officer in Freetown indicated they had received monitoring reports for the same construction projects. Monitoring requirements were not included in the project document. *The Representation informed OIOS that quarterly, mid-year final reports as well as Sub Project Monitoring Reports are systematically filed in the IP's files.* OIOS also noted that there was no mechanism to monitor the selection of the vulnerable members of the land-providing communities (10 per cent of shelters in 2009 and 2010). *The Representation confirmed that the community assumes the responsibility for identifying eligible host community beneficiaries. The process is guided by the IP and is based on pre-identified criteria.* Finally, there was no mechanism to confirm that the beneficiaries have received the completed shelter.

38. Monitoring provides the means to identify areas where UNHCR and partner performance is lacking and improve control of activities and their outcomes for the maximum benefit of the people of concern. A project document should contain details of the activities, how they will be carried out and how progress will be monitored.

Recommendation 7

(7) The UNHCR Representation in Sierra Leone should revise the shelter project planning document specifying, *inter alia*, the monitoring and reporting requirements, how beneficiaries will be identified and how they will confirm receipt of shelter and latrines.

39. *The Representation accepted recommendation 7 and stated that the shelter guideline has been drafted by the shelter specialist to improve project design, site selection, implementation, monitoring and reporting of shelter, latrines and wells projects. The guideline will be finalized and shared with all the concerned parties by the end of July 2010.* Based on the action taken by the Representation, recommendation 7 has been closed.

D. Supply management

Compliance with the requirement to submit composition of Committee on Contracts needs to be enforced

40. UNHCR Guidelines for the establishment of Regional and Local Committee on Contracts (LCC) dated 4 June 2009 require that signed copies of LCC minutes and its composition be sent to the Supply Management Service in Budapest for review with a copy to the Committee on Contracts Secretary. This requirement ensures that supervision of LCC activities and its composition is exercised from Headquarters. The Representation in Sierra Leone had neither submitted to the Headquarters the 2010 LCC composition nor copied the LCC minutes for the last two years.

Recommendation 8

(8) The UNHCR Representation in Sierra Leone should submit the composition of its Local Committee on Contracts (LCC) and all LCC minutes to the Supply Management Service in Budapest for review, with copy to the Committee on Contracts Secretary, and establish a follow-up mechanism to ensure that LCC minutes are shared with Headquarters in a timely manner.

41. *The Representation accepted recommendation 8 and stated that it was well noted and already implemented.* Based on the action taken by the Representation, recommendation 8 has been closed.

Need to submit to the Ethics Office a list of people required to fill out financial disclosure statement

42. Following the adoption of the Secretary-General's Bulletin on Financial Disclosure and Declaration of Interest Statements (ST/SGB/2006/6), UNHCR requires that financial disclosure be submitted by all staff members at the D-1 level and above, staff serving on contracts committees and those whose primary function pertains to procurement/supply, by 31 March 2009. In order to identify staff required to submit the declaration, representatives were requested to inform Headquarters of names of staff included in such definition by 29 January 2009 (IOM063-FOM/062/2009). At the time of the audit (19 March 2010), only the Representative had been contacted for the submission of the declaration. This was because names of staff members in the LCC and those with direct responsibility in the procurement/supply area had not been communicated to Headquarters.

Recommendation 9

(9) The UNHCR Representation in Sierra Leone should submit to the Ethics Office the list of staff serving in the Local Committee on Contracts and those whose primary functions pertain to procurement/supply, for their participation in the annual Financial Disclosure Programme.

43. *The Representation accepted recommendation 9 and stated that it was well noted and already implemented.* Based on the action taken by the Representation, recommendation 9 has been closed.

Need to ensure technical and financial assessment criteria are developed and approved prior to bid opening

44. UNHCR Manual, Chapter 8, requires developing criteria for the technical and financial assessment prior to the bid opening for complex tendering exercises. For the award of contracts where both technical and financial elements were weighted (i.e., selection of the external audit company for the audit of IPs for 2009 and the selection of the fuel provider for 2007), the criteria for the

assessment of the two components were not formally approved prior to the opening of the envelopes containing the bids. Therefore, it was not possible to assess whether the selection of the vendors was in accordance with the pre-defined criteria and scoring system.

Recommendation 10

(10) The UNHCR Representation in Sierra Leone should ensure that criteria for the technical and financial assessment for complex biddings are formally established before the opening of bids.

45. *The Representation accepted recommendation 10 and stated that every effort will be made to ensure that the financial regulations and rules are adhered to at all times. The Representation added that they understand very well that UNHCR’s credibility vis a vis the donors must be maintained and that one of the ways to achieve this is the continued compliance with established procedures. Recommendation 10 will be fully complied with from now on. Based on the assurance provided by the Representation, recommendation 10 has been closed.*

Strategy for mitigating risks associated with end-of-year short-notice procurement must be established

46. The Representation received from Headquarters additional funds on 9 December 2008 and 3 December 2009. IPs therefore received their next installment late and they had to rush purchases for which the installment was intended.

Table 3: Last installment for IPs (2008 and 2009)

Year: 2008				
Date of last installment	Amount (\$)	Implementing Partners	Programme	Description
19/12/2008	\$150,000	NaCSA	LS/402	Procurement of materials for 2009
Year 2009				
Date of last installment	Amount	Implementing Partners	Programme	Description
14/12/2009	\$67,000	NaCSA	LS/402	Procurement of materials
14/12/2009	\$54,000	Caritas	LS/402	Procurement of materials

47. The two IPs informed OIOS that late installments forced short-notice procurement actions to ensure full utilization of funds before the end of the year. In 2008, one IP issued an Invitation to Bid for the acquisition of building material worth around \$150,000 for which the offer remained open for only three days (two of which were weekend days). Because of the short time period given only the three companies invited by the IP submitted their proposal. Moreover, the IP

Procurement Guidelines require that the competent Committee on Contracts must approve (sub) agreements prior to signature for procurement worth \$100,000 or more. Authorization from the competent Committee on Contract had not been obtained due to time constraints.

48. While operational needs should prevail and funds used in the interest of the beneficiary, short-notice procurement presents a risk for the transparency of the acquisition process. Since similar situations may occur also in the future, the Representation should develop a strategy to mitigate risks associated with such procurement practices (e.g., advance market research, pre-identification of potential vendors and items, mechanisms to assist and/or oversee the key steps of procurement, etc).

Recommendation 11

(11) The UNHCR Representation in Sierra Leone should identify a mitigating strategy to reduce risks associated with the requirements for short notice procurement by Implementing Partners.

49. *The Representation partially accepted recommendation 11 and stated that it will fully comply from now on. The Representation stated that the last-minute procurement for shelter materials could have been avoided if appropriate budgetary provisions were allocated earlier. Nevertheless, the Representation has always been implicated in procuring shelter materials although this was the responsibility of the IPs and funds have been allocated under IP budget. Shelter materials were obtained at a competitive price based on the price and supplier's lists provided to the IP by UNHCR. Doing so was to ensure that the quotations received by the IP from suppliers are reasonable and customary. Prior to the preparation of the supplementary agreement with the IP, a bill of quantity (BOQ) was established by UNHCR Shelter Specialist, discussed and agreed upon with the IP. Cost estimations in the BOQ were based on the market prices list. This price list has been taking into account during the budget revision for the IP Supplementary Agreement. The revision of the IP's budget for the additional 120 shelters has not been done without the involvement of the Shelter Specialist. In financial verification, we always check prices paid by IPs against benchmark amount in the Sub-Project budget. Also, bill of quantities is always established and compared with reported quantities and qualities. Contrary to the OIOS recommendation, the Representation feels that allocating funds to many partners not having the expertise on shelter construction will not be cost effective nor in the best interest of the organization as we would have to provide them with all necessary logistical, technical and administrative support to carry out the constructions. The above mitigating measures in our humble opinion helped UNHCR Representation in Sierra Leone make sure that any financial irregularities or misappropriation is timely detected. In case there are better mitigating measures deemed necessary by OIOS, we will be more than happy to apply them consistently in the future. Therefore, UNHCR Representation in Sierra Leone strongly believes that proper mitigating measures were put in place to minimize the risk with regard to IP procurement for shelter materials at the last minute. While understanding and appreciating the good practices of the*

Representation, OIOS reiterates recommendation 11 and will keep it open pending further clarification from UNHCR on whether UNHCR accepts the risks involved and whether they will develop a formal standard operating procedure ensuring that risks associated with last minute procurement by IPs are mitigated.

Asset database needs be to cleaned up

50. At the time of the audit, the asset management records in the Managing for Systems, Resources and People (MSRP) enterprise resource planning software was not reliable. In MSRP, there are 434 assets worth at purchase price \$1.1 million or \$148,000 in current value shown for Kenema. OIOS was only able to verify the existence of 10 per cent of these assets. The Representation explained that the discrepancy was caused by the movement of assets from their original location, disposal, and the recording of such movements was still ongoing. Further, in September 2008, some 300 telecommunication equipment were sorted and transferred to the Regional Representation in Dakar. However, the asset status had not been updated since and they were still recorded as in service in Sierra Leone. The last inventory exercise was conducted in November 2008. The date of the next comprehensive physical inventory was not known at the time of the audit. In the opinion of OIOS, the major cause for these delays is that the Representation had only one staff handling the management of assets during the downsizing phase.

51. The Representation planned to discontinue the post of the Supply Assistant by June 2010 and transfer his functions to the IT Assistant who has limited experience in the supply chain area.

Recommendations 12 and 13

(12) The UNHCR Representation in Sierra Leone should develop a work plan, including an indication of resource requirements, to ensure that: (a) the asset management module of the Managing for Systems, Resources and People enterprise resource planning software is updated and reflects all asset movements and disposals; (b) a comprehensive physical inventory is conducted and that any discrepancies resulting from the exercise are investigated and reported; and (c) milestones are set for the disposal of assets that are not required for the operation.

(13) The UNHCR Representation in Sierra Leone and the Regional Representation in Dakar should update the asset records in the Managing for Systems, Resources and People enterprise resource planning software to reflect the transfer in September 2008 of telecommunication assets.

52. *The Representation accepted recommendation 12 and stated that while they appreciated OIOS comments, they believe that OIOS should also appreciate the efforts already made by the Representation to clear most assets following the closure of eight field offices. After the OIOS visit, the Supply Assistant at*

Freetown and Kenema has performed a comprehensive physical inventory of UNHCR-owned assets from 12 to 16 April 2010. He is now checking the accuracy of the data to make sure that the results of the physical verification tally with the MSRP records. Any discrepancies will be thoroughly investigated and the outcome shared with the Local Asset Management Board (LAMB) for appropriate action.

53. *All attempts are being made to complete this exercise by the end of August 2010. The Representation acknowledged that there were several cases of asset discrepancies pending submission to the LAMB. However, as explained to OIOS, some assets at the Freetown warehouse were unused, especially the vehicles, because the Representation had just retrieved in February 2010 six vehicles and five motorbikes from two IPs whose contracts were not renewed in 2010. These cars were parked at the Freetown warehouse pending technical assessment for further use or disposal. The other vehicles were kept as a reserve because of the volatile political situation prevailing at that time in Guinea. A LAMB meeting was held on 7 May 2010 to deliberate on the unused assets, i.e., to approve the sale of 10 motorbikes, 14 vehicles, 1 truck, 15 computers as well as assorted office furniture and equipment. Constant efforts are being made for the disposal of unused assets. To conclude, the Representation believes that the availability of adequate human resources is a prerequisite to comply with the OIOS recommendation. We would therefore request the extension of the Supply Assistant's post up to 31 December 2010, which was due for discontinuation on 30 June 2010. Having the appropriate staff would go a long way in strengthening the financial monitoring of projects and improving internal controls over procurement and asset management. On 17 June 2010, OIOS was informed that the Representation's request for the extension of the Supply Assistant's post had been endorsed. Based on the action taken by the Representation and the confirmation of required resources for the clearing of the asset management situation in the Representation, recommendation 12 has been closed.*

54. *The Representation accepted recommendation 13 and stated that they were pleased to report that the status of 300 telecommunication equipment transferred to the Regional Representation in Dakar have now been recorded as in "Transit" and no longer as in "Service" in MSRP. The Representation is hoping that the UNHCR Regional Representation in Dakar will do likewise by acknowledging receipt of those assets and changing their status from "In Transit" to "In Service". Recommendation 13 remains open pending final confirmation that records in MSRP have been fully updated.*

Need to dispose of unused assets in a timely manner

55. The Representation was proactive in sorting and disposing equipment. The end of care and maintenance phase resulted in the termination of several programme activities and the return of assets previously under the custody of IPs. In 2009, the Representation held five LAMB meetings and several assets were disposed of, including 364 office machines, 36 vehicles, 35 generators and 25 motorbikes. In spite of this effort, OIOS noted that the Representation was still accumulating unused assets. For instance, in the warehouse in Bo there were

several assets pending submission of their case to the LAMB. The delays in acting on these cases were caused by the limited number of staff. With the extension of the Supply Assistant post until 31 December 2010 in response to recommendation 12, OIOS is not making another recommendation on this issue.

E. Administration and finance

Outstanding advances need to be cleared

56. As of 18 March 2010, the Representation had recorded 293 outstanding advances worth \$162,177. A large majority (\$116,000) of these advances were programme-related. The remaining portion was composed of administrative items. Some of the outstanding advances relate to staff members that had left the operation and sometimes UNHCR and 70 per cent date back to the period between 2003 and 2007.

Table 2: Outstanding advances as of 18 March 2010

Year	Number	Balance	%
2003	42	\$97,603	14
2004	23	(605)	8
2005	60	16,694	20
2006	52	(4,431)	18
2007	26	38,692	9
2008	30	13,019	10
2009	31	(4,985)	11
2010	29	6,190	10
Total	293	\$162,177	100

57. Since the last quarter of 2008, the Representation has been working to identify and settle outstanding advances. However, the process to trace the staff member or the IP accountable for the outstanding advances has proved time consuming. While a focal point for the process had been identified, the Representation should also estimate a timeframe to complete the exercise and ensure that accountability is assigned for those items that cannot be cleared.

Recommendation 14

(14) The UNHCR Representation in Sierra Leone should develop a timeframe for the final recovery of outstanding advances and assign accountability for the items that cannot be cleared.

58. *The Representation accepted recommendation 14 and stated that implementation will be completed by the end of December 2010. The Representation noted that OIOS had already closed on June 2009 a similar recommendation (number 5) in its audit of UNHCR operations in Sierra Leone in 2006 (AR2006/111/03). Therefore, the Representation does not see any added value in reinstating this recommendation since the clearing of open items is part of routine tasks that the office must carry out. Nevertheless, BO Freetown*

conducted an in-depth review of the open items. Our review disclosed that out of 274 open items amounting to \$88,700 as of 30 April 2010 only \$19,500 relate to administration and \$69,200 relate to programme dating back to 2003.

59. During OIOS' visit, the Representation had 293 open items worth \$162,177. As can be seen, a big effort has been made since the audit to clear 19 items worth \$73,477. Our strategy has always been to target the big amounts and clear them so that at the end of the day the organization will not lose any money nor its credibility on financial management vis a vis the donors. It is worth mentioning that most of the staff with outstanding advances were separated during the downsizing of the operation without clearing their suspense accounts. Presently, recovering from them is impossible. Nevertheless, we will compile and substantiate all supporting documents to be submitted to the HAMB for a write-off.

60. Open items for 2009 and 2010 are exclusively related to salary as well as separation advances. The Representation has a system in place for the monthly review of open items a week before salaries are paid to ensure prompt follow-up and recovery as necessary while reconciling eligible items. Africa Concern (former UNHCR's IP) still owes \$38,900 to UNHCR. According to records at our disposal, the partnership with Africa Concern was discontinued at the end of 2004 due to misappropriation of UNHCR funds. Headquarters is fully aware of the case and appropriate action should have been taken since then to address the issue. Since Africa Concern is no longer operating in Sierra Leone, the Representation would strongly recommend that the case be referred to Headquarters for appropriate action since there is nothing more the Representation could do in resolving the issue locally. All outstanding items cannot be cleared at once. Some cases can take a number of years to resolve. For example, certain medical costs paid by the Organization on behalf of staff members have to be presented to the appropriate Board in Geneva for clearance. Given the significant progress made and the continuing efforts made to reduce further the open items from 1,194 (2007) to 274 (as of 30 April 2010), the Representation is of the opinion that OIOS could consider this recommendation as closed since clearing of open items is part of the normal tasks that the Finance Section at BO Freetown must carry out. OIOS agrees that clearing outstanding invoices is part of the normal tasks of the Representation. However, the length of time the process has taken since the issuance of the 2006 recommendation suggests a weakness in the current control arrangements. For this reason and with the downsizing of the operation in Sierra Leone OIOS reiterates recommendation 14, which remains open pending submission of a timeframe for the closure of outstanding items that remain open for more than two years.

Backup functions need to be established in the Delegation of Authority Plan

61. The Delegation of Authority Plan (DOAP) identifies and assigns functional roles to staff members within their area to maintain adequate segregation of duty and effective internal controls. For this purpose, the Financial Internal Control Framework identifies those functions that are conflicting. For instance, staff are not allowed to approve payment when they are directly or indirectly the beneficiary of the payment.

62. Between 2008 and 2009, there were a few instances where the beneficiaries had approved or technically cleared payments to themselves. This arose because the then DOAP included staff with dual responsibilities and/or because of specific situations requesting action while staff were out of the country.

63. The Representation was aware of its responsibilities to ensure adequate segregation of duties and relied on approval process that took place prior to recording in MSRP. For instance, travel authorizations were initiated, approved and finally cleared before being recorded in MSRP (via the F.10 form) by staff other than the beneficiary. While segregation of responsibility should be maintained also in the MSRP approving system, management was aware of the limitations of the system and relied on mitigating measures such as pre-recording approval. Further, in order to avoid use of double responsibilities in MSRP (and therefore reducing risks associated with conflicting authority in the accounting system), the Representation had recently reviewed the DOAP and eliminated all double responsibilities and excluded staff in Kenema. This has resulted in a more limited number of staff with delegated functions in MSRP while there was no backup for the technical approval function.

Recommendation 15

(15) The UNHCR Representation in Sierra Leone should identify a backup for the technical approval function in the Delegation of Authority Plan.

64. *The Representation accepted recommendation 15 and stated that the Senior Finance Clerk is now the Technical Approver and a Programme Assistant has been designated as a backup.* Based on the action taken by the Representation, recommendation 15 has been closed.

Information technology backup processes need to be strengthened

65. Physical security and integrity of electronic information should be managed in order to avoid temporary or permanent loss of operational capacity. Physical controls ensure protection for access to critical rooms, and prevent from damages caused by environmental hazards.

66. The IT servers in both Freetown and Kenema were adequately secured from public access and a fire-control system was in place. Backup of refugee data from the progress system and non-confidential data in the shared drives was regularly maintained in Freetown. However, in Kenema the last backup of information in the shared drive had been made in August 2009. The delay in maintaining the backup was due to technical failure of the supporting hardware. The failure had not been reported to management in Freetown who were not aware of the fact.

Recommendation 16

(16) The UNHCR Representation in Sierra Leone should ensure that backups are regularly conducted and mitigating actions are taken when the system fails.

67. *The Representation accepted recommendation 16 and stated that it was well noted and already implemented. The problem has been solved now by the IT Assistant at BO Freetown and backup continues on a daily basis. The new focal point was trained on what to check for every day so that faults would be thwarted as soon as they arise. Based on the action taken by the Representation, recommendation 16 has been closed.*

V. ACKNOWLEDGEMENT

68. We wish to express our appreciation to the Management and staff of UNHCR Representation in Sierra Leone 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	UNHCR should consider developing a manual to provide guidance to representatives in the management of downsizing and liquidation phases of an operation.	Governance	Higher	O	Confirmation from DPSM and ODMS that the specific guidance for the management of downsizing and /or liquidation phases are developed.	June 2011
2	The UNHCR Representation in Sierra Leone should develop a phaseout plan as soon as possible to identify resource requirements and deadlines for the implementation of remaining activities.	Operational	Higher	O	Receipt of a copy of the phaseout plan and details of the outcome of the request for funding.	Not provided
3	The UNHCR Representation in Sierra Leone should ensure that a definite list of activities for the decommissioning of camp areas in Sierra Leone is established and a timeframe to complete the decommissioning process is developed.	Operational	Moderate	O	Receipt of a copy of the timetable and procedures for decommissioning of the camp areas.	June 2010
4	The UNHCR Representation in Sierra Leone should formalize the handover of camp infrastructures that are not required for UNHCR activities and ensure compliance with UNHCR requirements for transfer of ownership.	Operational	Higher	O	Receipt of a copy of the procedures and timetables for the formal handover of camp infrastructures.	June 2010
5	UNHCR should develop a policy to ensure that its contributions are visible both during ongoing operations and when it hands over the ownership of its properties.	Operational	Moderate	O	Confirmation from DPSM that a review of existing guidance on the area of visibility has been completed.	December 2010
6	The UNHCR Representation in Sierra Leone should provide its Implementing Partners with guidelines and training for the adoption of the new Implementing Partner Financial Report and support the National Commission for Social Action for	Financial	Moderate	C		

	the adoption of a standard accounting software.					
7	The UNHCR Representation in Sierra Leone should revise the shelter project planning document specifying, <i>inter alia</i> , the monitoring and reporting requirements, how beneficiaries will be identified and how they will confirm receipt of shelter and latrines.	Operational	Higher	C		
8	The UNHCR Representation in Sierra Leone should submit the composition of its Local Committee on Contracts (LCC) and all LCC minutes to the Supply Management Service in Budapest for review, with copy to the Committee on Contracts Secretary, and establish a follow-up mechanism to ensure that LCC minutes are shared with Headquarters in a timely manner.	Financial	Moderate	C		
9	The UNHCR Representation in Sierra Leone should submit to the Ethics Office the list of staff serving in the Local Committee on Contracts and those whose primary functions pertain to procurement/supply, for their participation in the annual Financial Disclosure Programme.	Financial	Moderate	C		
10	The UNHCR Representation in Sierra Leone should ensure that criteria for the technical and financial assessment for complex biddings are formally established before the opening of bids.	Compliance	Moderate	C		
11	The UNHCR Representation in Sierra Leone should identify a mitigating strategy to reduce risks associated with the requirements for short notice procurement by Implementing Partners.	Financial	Moderate	O	Development and submission of a formal standard operating procedure ensuring that risks associated to last minute procurement of IPs are mitigated in future years.	Not provided
12	The UNHCR Representation in Sierra Leone should develop a work plan,	Financial	Higher	C		

	including an indication of resource requirements, to ensure that: (a) the asset management module of the Managing for Systems, Resources and People enterprise resource planning software is updated and reflects all asset movements and disposals; (b) a comprehensive physical inventory is conducted and that any discrepancies resulting from the exercise are investigated and reported; and (c) milestones are set for the disposal of assets that are not required for the operation.					
13	The UNHCR Representation in Sierra Leone and the Regional Representation in Dakar should update the asset records in the Managing for Systems, Resources and People enterprise resource planning software to reflect the transfer in September 2008 of telecommunication assets.	Financial	Moderate	O	Confirmation from the Regional Representation in Dakar that records in MSRP database have been updated.	Not provided
14	The UNHCR Representation in Sierra Leone should develop a timeframe for the final recovery of outstanding advances and assign accountability for the items that cannot be cleared.	Financial	Moderate	O	Submission of timeframe for the closure of open items that remained open for more than two years.	End of December 2010
15	The UNHCR Representation in Sierra Leone should identify a backup for the technical approval function in the Delegation of Authority Plan.	Financial	Moderate	C		
16	The UNHCR Representation in Sierra Leone should ensure that backups are regularly conducted and mitigating actions are taken when the system fails.	Information resources	Moderate	C		

¹ C = closed, O = open

² Date provided by UNHCR in response to recommendations