



**OIOS**

Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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## **UNHCR operations in South Sudan**

**Fluctuating funding and number of target populations have caused significant difficulties in planning and budgeting the programme, and increased the risks of delays and inadequate programme implementation**

**13 October 2009**

**Assignment No. AR2009/115/01**

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United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

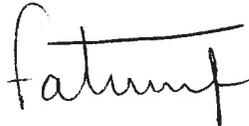
OFFICE OF INTERNAL OVERSIGHT SERVICES - BUREAU DES SERVICES DE CONTRÔLE INTERNE  
INTERNAL AUDIT DIVISION - DIVISION DE L'AUDIT INTERNE

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

DATE: 13 October 2009

REFERENCE: IAD: 09- 03016

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



SUBJECT: **Assignment No. AR2009/115/01 - Audit of UNHCR operations in South Sudan**  
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, 6, 9, 10 and 11 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, 3, 7 and 8) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. L. Craig Johnstone, Deputy High Commissioner, UNHCR  
Ms. Janet Lim, Assistant High Commissioner, UNHCR  
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 Secretariat  
Mr. Moses Bamuwanye, Chief, Oversight Support Unit, Department of Management  
Mr. Byung-Kun Min, Special Assistant to the USG-OIOS

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## INTERNAL AUDIT DIVISION

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### FUNCTION

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

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## **EXECUTIVE SUMMARY**

### **Audit of UNHCR operations in South Sudan**

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

The Office of the Deputy Representative (ODR), South Sudan manages its programmes under difficult circumstances, such as the weak security situation and fluctuating returnee numbers, as well as funding uncertainties. This situation has caused significant difficulties in the planning and budgeting of the programme, and increased the risks of delays and inadequate programme implementation. UNHCR took immediate action to implement the recommendations raised to address these issues and implementation of all recommendations is well underway with over 50 per cent already implemented. For example, the Bureau for Africa is working with the Division of Financial and Administrative Management (DFAM) to review whether and what amendments are needed to the existing budgetary mechanism at UNHCR to cope with operations that are subject to rapid change, such as those experienced in the UNHCR South Sudan operations.

In the area of supply management, purchases of administrative supplies and services did not always comply with applicable rules or were not processed through the Supply Unit. This requires action to be taken at the level of DFAM and the Supply Management Services (SMS) to address the underlying control weaknesses. The Representation indicated that steps were underway to address the weaknesses noted.

Regarding information technology (IT), the disaster recovery procedures in ODR were inadequate and staffing arrangements were in need of review. Regarding the latter, OIOS recommended that the Division of Information Systems and Telecommunications should develop guidelines to assist South Sudan and other UNHCR field operations to identify the level and type of IT staff required to support and operate existing and currently planned IT equipment, hardware and software. Immediate action was taken in respect of disaster recovery arrangements and the staffing situation is under review.

The risk for staff security and loss of resources in transporting cash was high, in view of the prevailing security situation. ODR, in consultation with DFAM and the Field Safety Section, is in the process of reviewing the existing UNHCR guidelines on cash transportation.

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## I. INTRODUCTION

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

2. The Office of the Deputy Representative (ODR), South Sudan, based in Juba, is responsible for the UNHCR operations in South Sudan. The main focus of the operations in 2007-2008 was the repatriation of Sudanese refugees from seven neighbouring countries. In 2008-2009, UNHCR's programme shifted emphasis from the return and reintegration of refugees to reintegration, consolidation and support to Sudanese refugees and Internally Displaced Persons (IDPs). In 2008, UNHCR assisted in the repatriation of 62,000 returnees from Uganda, Kenya, Ethiopia and the Democratic Republic of the Congo (DRC) and in the return of IDPs to South Sudan and the Blue Nile State. Operational areas in South Sudan are spread out over a vast geographical area, posing significant logistical challenges to the operations due to lack of infrastructure in this war-torn region. The weak security situation aggravated the challenges of UNHCR operations.

3. UNHCR collaborated with the Government of South Sudan and various United Nations agencies for the repatriation of refugees and reintegration of returning refugees and IDPs. UNHCR's reintegration programme aimed to ensure that Sudanese refugees returning from countries of asylum have access to water, sanitation, health and education through various community-based reintegration projects in the major return areas. Until 2007 the reintegration activities concentrated on the Central Equatoria states. Since then the returnees have been anticipated to return to Eastern Equatoria, Jonglei, Upper Nile and Blue Nile states. Lack of suitable implementing partners contributed to the difficulties faced by the Representation for the implementation of its programme.

4. UNHCR's main sub-projects in 2008 were 08/SUD/RP/330, focusing on repatriation activities, and 08/SUD/RP/334, which was earmarked for community-based reintegration projects.

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

## II. AUDIT OBJECTIVES

6. The overall objective of the audit was to assess the adequacy and effectiveness of internal controls in programme and project management, supply chain management, information technology (IT) management, and administration and finance. Specifically, the audit assessed:

- (a) The reliability and integrity of financial and operational information;
  - (b) The efficiency and effectiveness of operations;
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- (c) Safeguarding of assets; and
  - (d) Compliance with regulations and rules, Letters of Instruction and Sub-Project Agreements.

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

7. OIOS reviewed the operations and transactions in ODR, Juba and Field Office Yei covering years 2008-09, with emphasis given to the examination of the more recent activities. The total administrative spending authority for ODR and Field Office Yei in 2008 and 2009 was \$3.2 million and \$1.5 million, respectively. The programmatic part of the audit focused on sub-projects 08/SUD/RP/330 with a total budget of \$17.8 million, and 08/SUD/RP/334 with a total budget of \$5.5 million.
8. The audit included interviews with senior staff, review and analysis of documents and records in ODR and Field Office Yei, and a field visit to the Lasu camp in Yei.
9. The audit fieldwork took place from March to April 2009.

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

#### **A. Programme and project management**

Changes in the existing budgetary mechanism would assist South Sudan and similar operations to cope effectively and efficiently with frequently fluctuating funding and number of target populations

10. UNHCR's operations in South Sudan are mainly funded by the annual Supplementary Budget (SB). For the past years, the funding and the number of target populations have been fluctuating significantly within a year, as explained later in this section. This situation has caused significant difficulties in the planning and budgeting of the programme, and increased the risks of delays and inadequate programme implementation.
11. Frequent changes in the availability of funds, common in operations that are funded through SB, can have a snowball effect on the programmes, starting with the need to revise sub-project agreements with IPs, which involves a lengthy negotiation process. Additional funds can be released to the IPs only after all parties have signed the revised sub-project agreement. Also, the IPs have to constantly adjust their operational plans and staffing needs. All this leads to delays in programme implementation. Moreover, successive revisions of sub-project agreements put additional constraints on the programme staff's capacity to deal with other programme matters, such as monitoring. The repeated and

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tedious revisions and an uncertain budget also negatively affect the credibility of UNHCR with the IPs.

12. In South Sudan, the budget of sub-project RP/330 in 2008 was increased nearly 100 per cent over the course of the year, from \$9.15 million to \$17.85 million, in three stages. Similarly, in 2009, the budget for sub-project RP/330 was initially set at \$7.54 million but had grown to \$11.03 million by the time of the audit in March-April 2009. For sub-project RP/330, for example, the incremental increases in funding resulted in 42 revisions of sub-project agreements for the 14 IPs involved in the project. While the uncertainties of SB funding in South Sudan are not unique, the situation is particularly alarming in South Sudan, where the working season is limited to the dry season, i.e., the first half of the year. Hence, any delay in the start of the projects adds significant strain to programme implementation.

13. A major planning constraint in South Sudan is also the difficulty to accurately predict the figures for the repatriation of refugees from countries of asylum. For example, for 2009, ODR made an initial projection of the figure of the target population at 32,000 in their Country Operation Plan (COP). The COP approved by the Operations Review Board (ORB) at Headquarters adopted a higher figure of 54,000. This figure was endorsed in the regional UNHCR retreat for Repatriation in Addis Ababa in September 2008. During this retreat, the need for coordination of UNHCR teams in Sudan and the countries of asylum for planning assumptions was emphasized, in an effort to establish realistic returnee figures, ultimately improving the planning and fund allocation capacity of the Office.

14. However, as has been experienced by ODR in the recent past, the reality can be very different from projections. The nature of repatriation is inherently uncertain and can in many cases be outside the influence of UNHCR, such as due to the weather conditions or political, socio-economic or security factors. In 2008, instead of the 80,000 projected, only 62,000 refugees actually returned. In 2009, by mid-March (the first quarter is the main return season for refugees due to weather conditions), the actual number of returnees was only 13,600. This figure makes it highly unlikely for UNHCR to reach the target figure of 54,000 returnees. The inability to accurately estimate the number of returnees has had two main consequences in South Sudan, as observed by OIOS. First, since the returnee numbers have been lower than expected, the funds for sectors such as transport and logistics could not be adequately utilized and the budgets for IPs had to be adjusted. Second, the over-estimation of expected returnees has resulted in partner UN agencies, such as WFP and FAO, to make excessive provisions for assistance to UNHCR's beneficiaries, such as in terms of food and agricultural kits. This has affected the credibility of UNHCR with these agencies.

15. The existing budgetary mechanisms at UNHCR are not adequate to cope with situations of rapid change, as has been experienced in South Sudan. To cater for this, UNCHR needs to review these mechanisms and consider whether and what amendments are needed to cope with frequently fluctuating funding and target population, which can occur in some field operations.

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## Recommendation 1

**(1) The Division of Financial and Administrative Management should review whether and what amendments are needed to the existing budgetary mechanism at UNHCR to cope with operations that are subject to rapid change, such as those experienced in the UNHCR South Sudan operations.**

16. *The Division of Financial and Administrative Management (DFAM) did not formally comment on recommendation 1 but the Regional Bureau for Africa confirmed that they were working on the issue with DFAM. The UNHCR Representation in Sudan agreed that the recommendation reveals some of the inherent difficulties with the current UNHCR resource allocation mechanisms. According to the Representation, the identified problem is not specific to South Sudan, but concerns the organization as a whole. OIOS reiterates recommendation 1, which will remain open pending confirmation by DFAM of the action taken to allow the existing budgetary mechanism at UNHCR to better cope with operations that are subject to rapid change.*

### Delays by IPs in submitting timely Implementing Partner Financial Monitoring Reports (IPFMRs) are in breach of the requirements of the UNHCR Manual

17. Chapter 4, part 6, section 6.5, paragraph 3.2 of the UNHCR Manual states that IPMFRs should be submitted by implementing partners when requesting the payment of the next instalment and also at the times fixed in the Sub-Project Agreements. If a sub-project terminates on 31 December and all commitments are liquidated by 31 January, the regular IPMFR (Parts 1 and 2), which is due on 15 February for the period ending 31 December, can be replaced by the Final IPFMR (Parts 1 and 2).

18. Failure to comply with this requirement poses several risks to UNHCR:

- It may affect the capacity of UNHCR to have accurate and timely accounting for the use of its resources, increasing the risk of fraud;
- As the IPFMRs are used for monitoring the implementation of programme activities, delays in their submission may result in reduced effectiveness of monitoring; and
- The lack of IPFMRs may prevent UNHCR from making informed decisions regarding the continuation of partnerships.

19. At the time of the audit in April 2009, seven implementing partners were in breach of the requirement to submit timely IPFMRs. For project RP/330 in 2008 (with a final revised budget of \$17.85 million), out of 14 sub-agreements, the final IPFMR for three (a total of \$873,587, or five per cent of the project budget) were still pending as of April 2009. The unaccounted amounts ranged from \$2,911 for Handicap International to \$682,410 for GTZ. In the case of

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project RP/334 (budget of \$5.5 million), out of 11 IPs, four had yet to submit final IPFMRs (a total of \$797,112 or 14 per cent of the project budget) as of April 2009. The balances ranged from \$533 for German Development Services to \$295,523 for Adventist Development. Regarding Adventist Development, the IP had received \$508,189 for 2008 and thus more than half of the funds were yet to be accounted for.

#### **Recommendation 2**

**(2) The Office of the Deputy Representative, South Sudan should take urgent steps to obtain the 2008 Implementing Partner Financial Monitoring Reports, in accordance with chapter 4, part 6, section 6.5, paragraph 3.2 of the UNHCR Manual, and adjust the financial accounts accordingly.**

20. *The UNHCR Representation accepted recommendation 2 and stated that final financial and narrative reports from all partners in respect of 2008 projects have been obtained and are being recorded in MSRP. The final report in respect of the implementing partner AAH for project 09RP334 will require further verification due to inconsistencies in the audit certificate vis-à-vis UNHCR's records on total payments made to the partner. Based on the action taken by the Representation, recommendation 2 has been closed.*

#### **B. Supply chain management**

##### Large quantities of ABOD items were purchased on a non-Purchase Order (PO) basis in disregard of the Financial Internal Control Framework

21. As per the UNHCR Financial Internal Control Framework, non-PO transactions are used for lower value purchases and for certain higher value payments where the use of a PO is impractical (e.g. instalments to IPs) or where a previous process has already pre-approved the disbursement (e.g., staff payments). In the field, non-PO transactions should have a value lower than \$1,000. OIOS was concerned that internal controls and procurement rules were disregarded in purchases of supplies and services on a non-PO basis for the administrative budget (ABOD) at the ODR.

22. OIOS noted the following discrepancies at the Office of the Deputy Representative, South Sudan, which call for action to be taken at the level of the DFAM and the Supply Management Service (SMS) in Headquarters to address the underlying control weaknesses:

- In 2008, construction materials and other goods for Juba and other offices valued at \$53,078 were directly purchased from one source without the issuance of a PO. In 2009, goods for approximately \$26,000 were purchased from the same source in the same way. The LCC was not notified on purchases of \$20,000 from a single source in one year need, which violates the provisions of the delegated authority regarding the requirement for such notification. The reasons for not complying with

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this requirement were not on record. Of these purchases, 28 cases (18 cases in 2008 and 10 cases in 2009) exceeded \$1,000 in value and some were as high as \$3,000. These should have been purchased through POs and processed by the Supply Unit;

- In 2009, chairs were purchased for approximately \$4,200 from a single source. There was no other source for this item. This action lacked transparency, as the justification to waive the competitive process was not formally established, as required by United Nations Financial Rule 105.16 (and UNHCR Manual, chapter 8, section 6). Besides, a PO should have been issued in accordance with required procedures. Reasons for circumventing the role of the Supply Unit were not recorded;
- In 2008, the Administration Unit ordered services and goods from a local bookshop for a total value of \$20,000. In seven instances, the individual purchase value was higher than \$1,000 (totaling \$13,000). The Administrative Unit used non-purchase order transactions and the Supply Unit was not involved in the procurement process.

### **Recommendation 3**

**(3) The UNHCR Division of Financial and Administrative Management, in coordination with the Supply Management Services, should review and revise existing controls to strengthen arrangements for compliance with the UNHCR Financial Internal Control Framework (FIFC), in order to ensure that purchases of supplies and services on a non-purchase order basis for the administrative budget are not made in contravention of the FIFC. In particular, purchases above \$1,000 should be processed on the basis of purchase orders through the Supply Unit and purchases above \$20,000 from a single source should not be processed without the approval the Local Committee on Contracts.**

23. *The Division of Financial and Administrative Management did not formally comment on recommendation 3. The UNHCR Representation stated that the Administration Unit is now fully implementing the limit of \$1,000 for an order to be formally processed in MSRP and no single order exceeding \$20,000 has been processed without the necessary LCC approval. The Supply Unit in Khartoum has established frame agreements with local suppliers of construction materials to facilitate the procurement process. OIOS reiterates recommendation 3, which will remain open pending confirmation by DFAM of action taken to strengthen arrangements for compliance with the UNHCR Financial Internal Control Framework.*

### **Inadequate attention to management of assets**

24. In 2008, physical verifications of assets were conducted in June and November for assets located in UNHCR offices and those with IPs. Following

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these verifications, a large number of assets were bar-coded and recorded in MSRP, and Right of Use (ROU) agreements were obtained.

25. However, since then the control over asset management has weakened. The physical verification of assets for 2009 was yet to be planned at the time of the audit. Coordination among the various asset custodians was insufficient and unresolved discrepancies in the asset list persist. In addition, there is no Local Asset Management Board (LAMB) for South Sudan, while the asset holding is significant and the amount of work required for asset disposal is heavy both in Juba and the field offices.

26. New assets purchased in 2008 (\$1.04 million in value) were not entered in the system, and ROU agreements with receiving IPs had not been concluded. For example, GTZ, one of the implementing partners in Yei, had a large number of UNHCR assets (i.e., trucks, light vehicles, spare parts, food and non-food items) under its custody. In view of the phasing out of partnership with GTZ in June 2009, assets under GTZ custody needed to be verified as a matter of priority.

27. The reliability of the total number and custodianship of assets in the MSRP listing needed scrutiny. At the time of the audit, 2,132 assets (with acquisition value of \$11.97 million and current value of \$5.34 million) were under the South Sudan office's custodianship. A test check of the IT asset list indicated that the IT Officer in Juba had no IT equipment under his name. The IT Assistant in the same office had three laptops under his name while he actually had only one and his desktop was not shown on the list. A staff member that moved to another location was still shown to have IT equipment in his name.

#### **Recommendation 4**

**(4) The Office of the Deputy Representative, South Sudan, considering its significant asset holding and location of assets in far-flung offices, should ensure that asset management is given immediate priority.**

28. *The UNHCR Representation accepted recommendation 4 and stated that UNHCR in Juba has now a focal person for asset management and the focal person had undergone training to further increase the capacity of the function. Based on the action taken by the Representation, recommendation 4 has been closed.*

#### **More scrutiny of compliance with the terms for fuel contract is required**

29. Fuel is a major item of purchase in the South Sudan operation. A control weakness in the scrutiny and monitoring of fuel supply invoices increased the risk of loss of funds. As per the contract for supply of fuel, fuel prices had two parts: a variable part based on the international price of fuel and a fixed part for overhead and other charges. The contract establishes that the vendor must disclose documentary proof for the variable part of the fuel cost with a monthly invoice. However, the invoice furnished by one of the suppliers only showed a

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total unit price per litre of diesel without providing documentary proof for the variable part of the international fuel cost. The deficient invoice was accepted by the Supply Unit in ODR based on its own assessment of the international fuel price for the concerned month. This practice increases the risk of paying additional costs for the provision of fuel and limits UNCHR ability to check vendors' compliance with the contract terms.

#### **Recommendation 5**

**(5) The Office of the Deputy Representative, South Sudan should pay suppliers' invoices for the fuel contract only after careful scrutiny of compliance with the contract terms and after obtaining documentary proof of the international fuel price.**

30. *The UNHCR Representation accepted recommendation 5 and stated that UNHCR in Juba contacted concerned suppliers and requested them to clearly indicate in each invoice the two elements that constitute the total price (FOB and Fixed costs). In addition, those suppliers had been asked to provide the supporting documentation to justify the international fuel price. Recommendation 5 remains open pending receipt of a sample of recent invoices itemizing fixed and variable costs.*

### **C. Information technology management**

#### Inadequate IT disaster recovery procedures in ODR

31. The IT disaster recovery procedures needed to be improved. Tapes for daily backups of data in ODR were kept but they were located in the server room itself. In the case of fire, these may get damaged and disaster recovery would be difficult. A backup file server in ODR had been procured but was yet to be installed as of March 2009.

#### **Recommendation 6**

**(6) The Office of the Deputy Representative, South Sudan should, in consultation with the Division of Information Systems and Telecommunications, strengthen the information technology disaster recovery procedures, including through the installation of the backup file server and storing the daily backup tapes in a separate location from the main server.**

32. *The UNHCR Representation accepted recommendation 6 and stated that, in order to ensure adequate IT disaster recovery procedures, it had taken the following actions: (a) installed a GoVault Server for daily backup; (b) obtained an extra Tape from Headquarters and installed it separate from main premises; (c) performed backup regularly; (d) installed a backup file server; and (e) established a log book at the inception of backup to track the daily report (successful or incomplete or failed). The Division of Information Systems and*

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*Telecommunications stated that it will work with the Representation, and regional IT and Telecoms Officers to improve procedures in South Sudan. Based on the action taken by the Representation and the assurances provided by DIST, recommendation 6 has been closed.*

#### Inadequate IT staffing arrangements

33. UNHCR does not have criteria for determining the required number of IT staff in field locations. The “Design Guidelines for UNHCR Operations and Offices in the Field”, dated 31 January 2008, recommended that, depending on the size of the operation, either a separate Operational Data Management (ODM) unit would be established, led by an Operational Data Manager, reporting directly to the highest officer responsible for operations or to the Representative, or the function could be covered by a focal point or outsourced arrangements. However, there is no other guideline for staff deployment arrangements for IT management in the field.

34. OIOS noted that, for the whole of UNHCR South Sudan operations, there was only one IT Officer in ODR and two IT Assistants, one in ODR and the other one in Sub Office Malakal. The Field Office Yei, which had a large number of IT equipment, had no IT staff. Given the high dependency and use of IT systems by UNHCR (MSRP, FOCUS, etc.) these arrangements should be urgently reviewed by UNHCR.

#### **Recommendation 7**

**(7) The Division of Information Systems and Telecommunications should develop guidelines to assist South Sudan and other UNHCR field operations to identify the level and type of information technology (IT) staff required to support and operate existing and planned IT equipment, hardware and software.**

35. *The UNHCR Division and Information Systems and Telecommunications accepted recommendation 7 and stated that is currently working with the UNHCR Organizational Development and Management to develop guidelines for ICT staffing levels required for typical Field Office configurations. The UNHCR Representation further confirmed that IT staffing needs assessment was carried out as part of 2010-2011 planning exercise. Recommendation 7 remains open pending finalization of the guidelines for ICT staffing level requirements in field offices.*

#### **D. Administration and finance**

##### Security risks in respect of cash transportation need to be addressed

36. The entire South Sudan is under security phase III and a recent Security Risk Assessment (SRA) noticed heightened security risk due to various factors. In the six states of South Sudan where UNHCR operates, reliable banking service is available only in Juba, Malakal and Yei. For the disbursement of operational

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and staff payments to field offices, which do not have access to banking services, cash is flown from Juba, and sometimes transported by road. This involves significant risks for the security of staff and loss of cash. Since 2009 the security situation of the region has deteriorated and, consequently, the risks associated with the transportation of cash have also increased.

37. UNHCR guidelines for cash transportation in high-security situations are rather limited and are contained in various sources. Chapter 6, part 4, section 4.5, paragraph 4.5.4.2 of the UNHCR Manual states that “Where local conditions render [cash replenishments to Sub Offices or Field Offices] impossible, the Head of Office will seek the authorization of Treasury and Finance Section for cash to be hand-carried by a staff member from one location to another. Due to the security issues that may be involved in hand-carrying cash this task is a voluntary one and may be rejected by the staff member”.

38. Furthermore, paragraphs 29 to 31 of chapter 26 of the UNHCR Handbook for Emergencies stipulate that “If it is necessary to transport cash, then arrangements should be made with the host country authorities for protection of the funds. Cash in large amounts should be kept on hand for the shortest possible time, and should either be deposited to a bank or be disbursed quickly to pay salaries or meet other legitimate expenditure”. The Handbook also provides measures which can contribute to security while transporting cash, including making use of professional couriers, armoured vehicles, armed guards, deception and discretion.

39. The existing guidelines mentioned above, however, do not address some problems noted by OIOS in South Sudan, such as:

- Cash is transported by office vehicle from the local bank to the airport in Juba and from the airport of destination to the local UNCHR office. There is no armed escort for the transport although sometimes the distances are considerable;
- Special training has not been provided for enhancing security awareness of staff hand-carrying cash;
- There was no insurance for cash in transit in ODR.

40. In OIOS’ opinion, ODR should take priority action, in coordination with DFAM and the Field Safety Section (FSS) in Headquarters, to reduce the risk of loss of cash and human lives in the transportation of cash in a high-security environment like South Sudan. This could involve developing and implementing specific cash transportation procedures, taking into consideration those already contained in the UNHCR Manual and the UNHCR Handbook for Emergencies, as well as best practices in other UNHCR locations or other UN agencies in South Sudan.

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### Recommendation 8

**(8) The Office of the Deputy Representative, South Sudan, in consultation with the Division of Financial and Administrative Management and the Field Safety Section, should review and consolidate existing guidelines on cash transportation, drawing from best practices identified elsewhere, in order to ensure safety of staff and to safeguard cash in transit from loss or theft.**

41. *The UNHCR Representation accepted recommendation 8 and stated that given the current status of the bank industry in the Juba region, transiting cash by air is the most practical option. DFAM and FSS will be contacted for their guidance. Recommendation 8 remains open pending completion of the review of the existing guidelines on cash transportation in Sudan and confirmation of the actions taken as a result of the review.*

#### Internal controls in operational cash advances to field offices should be strengthened

42. Internal controls for the adjustment of the operational cash advance needed improvement to reduce the possibility of errors and irregularities. In the absence of banking services, the field offices (and occasionally also the Sub-Office in Malakal) are issued with operational cash advances from Juba and cash is then sent to them by air. As of 31 March 2009, operational cash advance of \$1.23 million was lying unadjusted in the suspense account. ODR management clarified that part of the advance was meant for emergency operations in the field. Due to the non-availability of a specific budget provision for this activity, adjustments were delayed.

43. Procedures for the adjustment of operational cash advances are established in chapter 6, part 5, section 5.7 of the UNCHR Manual. Advances for project/administrative purposes must be debited to the receivable account and heads of office are responsible for the monitoring and timely recovery of all advances approved by them. OIOS noted that the existing procedures for the adjustment of operational cash advances in South Sudan were ad hoc in nature and accountability was weak. There was no time limit for adjustment or a ceiling for advances. Adjustment vouchers were submitted only when a request for new advance was issued.

### Recommendation 9

**(9) The Office of the Deputy Representative, South Sudan should ensure timely adjustments of operational cash advances, in compliance with chapter 6, part 5, section 5.7 of the UNCHR Manual.**

44. *The UNHCR Representation accepted recommendation 9 and stated that this is now being done regularly. A standard operating procedure was issued to*

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*all staff on this subject on 30 May 2009. Based on the action taken by the Representation, recommendation 9 has been closed.*

The DOAP for South Sudan needs review in view of the functions of the Head of Field Office, Yei

45. The Head of Office, Yei was yet to be included in the Delegation of Authority Plan (DOAP) for the office. ODR Management clarified that Field Office Yei ceased to be a cost centre from January 2009. However, in view of the opening of a bank branch in Yei and the possible opening of a UNHCR account in the bank, the Head of Office, Yei would need to be given appropriate delegation under DOAP.

**Recommendation 10**

**(10) The Office of the Deputy Representative, South Sudan should ensure that the Delegation of Authority Plan for Field Office Yei includes appropriate functions for the Head of Office.**

46. *The UNHCR Representation accepted recommendation 10 and stated that the Head of Sub Office Yei and other key Yei staff members were included in the DOAP in June 2009 and were allocated appropriate roles. Based on the action taken by the Representation, recommendation 10 has been closed.*

Increased cost of air charter services calls for discussions at the inter-agency level in South Sudan to strengthen arrangements for oversight and transparency on changes in services which are cost-shared

47. UNHCR uses air charter services from WFP for a fee, under a global Memorandum of Understanding (MOU). In 2009, WFP decided to double the fare per passenger flight from the previous rate of \$100 to \$200. WFP justified the increased fees with increased expenditure, of which the fluctuating international fuel costs may have contributed a large part. Notwithstanding the fuel factor, the 100 per cent fare increase needs further justification.

48. As per the 2007 Agreement on Targeted Aircraft Funding (TAF) between WFP and humanitarian agencies working in South Sudan, paragraph 1.3, “[the rates for air transport and related support] are subject to change and will be circulated to all humanitarian agencies regularly”. Paragraph 3.3 continues on this matter by stating that “WFP/UNHAS (United Nations Humanitarian Air Service) will issue and revise price lists indicating the costing of flights and services”. Furthermore, paragraph 4.1 reads: “The costing of flights and handling is based on fuel, operational and administrative costs and factored marginals”. The Agreement, therefore, implies that the rate of passenger flights is unilaterally decided by WFP. The TAF Projection meeting and the Air Transport Group, referred to in the Agreement, do not appear to play any role in discussing rate increases with WFP.

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49. Presently, ODR spends on average \$20,000 on WFP flights per month. In order for ODR to protect UNHCR's financial interests, they should discuss through the inter-agency mechanism in South Sudan ways to strengthen arrangements for oversight and transparency in changes in those services, which are cost shared, such as the air charter.

**Recommendation 11**

**(11) The Office of the Deputy Representative, South Sudan should discuss through the inter-agency mechanism in South Sudan, ways to strengthen arrangements for oversight and transparency in changes in services, which are cost shared, such as the air charter.**

50. *The UNHCR Representation accepted recommendation 11 and stated that UNHCR is participating in regular users group meeting with UNHAS in Juba and UNHAS steering committee in Khartoum in which charges such as cost recovery issues are discussed and agreed on. Through this existing mechanism, UNHCR will continue to raise ways to strengthen oversight and transparency in changes in services.* Based on the assurances provided by the Representation, recommendation 11 has been closed.

**V. ACKNOWLEDGEMENT**

51. We wish to express our appreciation to the Management and staff of UNHCR in South Sudan 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 <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
1	The Division of Financial and Administrative Management should review whether and what amendments are needed to the existing budgetary mechanisms at UNHCR to cope with operations that are subject to rapid change, such as those experienced in the UNHCR South Sudan operations.	Governance	High	O	Confirmation of the action taken to make the existing budgetary mechanism at UNHCR better cope with operations that are subject to rapid change.	Not provided
2	The Office of the Deputy Representative, South Sudan should take urgent steps to obtain the 2008 Implementing Partner Financial Monitoring Reports, in accordance with chapter 4, part 6, section 6.5, paragraph 3.2 of the UNHCR Manual, and adjust the financial accounts accordingly.	Financial	Moderate	C	Action completed	Implemented
3	The UNHCR Division of Financial and Administrative Management, in coordination with the Supply Management Services, should review and revise existing controls to strengthen arrangements for compliance with the UNHCR Financial Internal Control Framework (FIFC), in order to ensure that purchases of supplies and services on a non-purchase order basis for the administrative budget (ABOD), are not made in contravention of the FIFC. In particular, purchases above \$1,000 should be processed on the basis of purchase orders through the Supply Unit and purchases above \$20,000 from a single source should not be processed without the approval of the Local Committee on	Compliance	High	O	Confirmation of action taken to strengthen arrangements for compliance with the UNHCR Financial Internal Control Framework, in order to ensure that purchases of supplies and services on a non-purchase order basis for the ABOD are not made in contravention of the FIFC.	Not provided

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
	Contracts.					
4	The Office of the Deputy Representative, South Sudan, considering its significant asset holding and location of assets in far-flung offices, should ensure that asset management is given immediate priority.	Human Resources	Moderate	C	Action completed	Implemented
5	The Office of the Deputy Representative, South Sudan should pay suppliers' invoices for the fuel contract only after careful scrutiny of compliance with the contract terms and after obtaining documentary proof of the international fuel price.	Compliance	Low	O	Submission of a sample of recent invoices itemizing fixed and variable costs	Not provided
6	The Office of the Deputy Representative, South Sudan should, in consultation with the Division of Information Systems and Telecommunications, strengthen the information technology disaster recovery procedures, including through the installation of the backup file server and storing the daily backup tapes in a separate location from the main server.	Information Resources	High	C	Action completed	Implemented
7	The Division of Information Systems and Telecommunications should develop guidelines to assist South Sudan and other UNHCR field operations to identify the level and type of information technology (IT) staff required to support and operate existing and currently planned IT equipment, hardware and software.	Information Resources	High	O	Finalization of the guidelines for ICT staffing level requirements in field offices.	31 December 2009
8	The Office of the Deputy Representative, South Sudan, in consultation with the Division of Financial and Administrative Management and the Field Safety Section, should review and consolidate existing guidelines on cash transportation, drawing from best practices identified elsewhere, in	Operational	High	O	Completion of the review of the existing guidelines on cash transportation in Sudan and confirmation of the actions taken as a result of the review.	31 October 2009

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
9	order to ensure safety of staff and to safeguard cash in transit from loss or theft. The Office of the Deputy Representative, South Sudan should ensure timely adjustments of operational cash advances, in compliance with chapter 6, part 5, section 5.7 of the UNCHR Manual	Financial	Low	C	Action completed	Implemented
10	The Office of the Deputy Representative, South Sudan should ensure that the Delegation of Authority Plan for Field Office Yei includes appropriate functions for the Head of Office.	Financial	Moderate	C	Action completed	Implemented
11	The Office of the Deputy Representative, South Sudan should discuss through the inter-agency mechanism in South Sudan, ways to strengthen arrangements for oversight and transparency in changes in services, which are cost shared, such as the air charter.	Governance	Moderate	C	Action completed	Implemented

<sup>1</sup> C = closed, O = open

<sup>2</sup> Date provided by UNHCR in response to recommendations