



## INTERNAL AUDIT DIVISION

# AUDIT REPORT

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### UNHCR Operations in Georgia: Selection of implementing partners

UNHCR needs to develop a consolidated set of guidelines for selection of partners, including procedures for discontinuing work with non-performing partners

24 December 2009  
Assignment No. AR2009/121/01

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United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

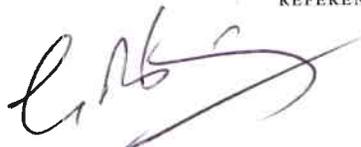
OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE  
INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

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

DATE: 24 December 2009

REFERENCE: IAD: 09- 03262

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



SUBJECT: **Assignment No. AR2009/121/01 - Audit of UNHCR Operations in Georgia: Selection of implementing partners**  
OBJET: **implementing partners**

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 recommendation 2 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 1 and 4), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Alexander T. Aleinikoff, Deputy High Commissioner, UNHCR  
Mr. Peter Nicolaus, Representative, UNHCR, Georgia  
Ms. Judith Kumin, Director, Bureau for Europe, UNHCR  
Ms. Karen Farkas, Controller and Director, DFAM, UNHCR  
Ms. Maha Odeima, Audit Coordinator, UNHCR  
Mr. Nicholas Birch, Audit Coordination Assistant, UNHCR  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit  
Mr. Moses Bamuwamye, Chief, Oversight Support Unit, Department of Management  
Mr. Byung-Kun Min, Special Assistant to the USG, OIOS  
Mr. Christopher Bagot, Chief, Geneva Audit Service, OIOS

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## INTERNAL AUDIT DIVISION

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### FUNCTION

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

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## EXECUTIVE SUMMARY

### Audit of UNHCR Operations in Georgia: Selection of implementing partners

OIOS conducted an audit of the selection of implementing partners (IPs) in the Office of the United Nations High Commissioner for Refugees (UNHCR) Operations in Georgia. The overall objective of the audit was to assess the adequacy and effectiveness of arrangements for the selection of IPs. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The overall conclusion was that UNHCR did not have a consolidated set of procedures governing all phases of the selection process. In the absence of such procedures, the UNHCR Representation in Georgia had developed its own processes which were inconsistent. Thus, it could not be demonstrated that only IPs who performed satisfactorily were retained. UNHCR needs to develop a procedure for assessing the performance of IPs and discontinuing work with non-performing IPs.

In June 2009, the UNHCR Representation in Georgia established an IP Selection Committee (IPSC) to oversee the selection process of IPs. This was a commendable step, but the IPSC's decisions were not always documented by supporting evidence.

The UNHCR Representation in Georgia accepted all of OIOS' recommendations and has initiated steps to implement them.

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## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the selection of implementing partners (IPs) in the Office of the United Nations High Commissioner for Refugees (UNHCR) Operations in Georgia. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. UNHCR in Georgia manages an extensive network of IPs including the Government of Georgia (GoG) and its agencies, United Nations sister agencies, international and local organisations. At the end of 2008, UNHCR in Georgia had signed partnership agreements with 20 local partners (including three government partners, i.e. the Ministry for Refugees and Accommodation, the Civil Registry Agency and the Ministry of Foreign Affairs), and ten international partners (including two UN agencies) working in different parts of Georgia and the autonomous provinces, with a total 30 IPs under about 40 sub agreements. In July 2009, there were 28 IPs and 37 sub-agreements.

3. OIOS' review of UNHCR expenditures in Georgia for 2008 indicated that around 59 per cent of operational expenses were incurred through the IPs, demonstrating their importance for the implementation of UNHCR activities. Therefore, it is important to have a structured and transparent approach when selecting IPs.

4. While the selection of IPs was performed locally in Georgia, the establishment of objectives, strategies, standards/principles and guidance for development and efficient partnerships was provided by UNHCR Headquarters.

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

## II. AUDIT OBJECTIVES

6. The main objective of the audit was to assess the adequacy and effectiveness of arrangements for the selection of IPs.

## III. AUDIT SCOPE AND METHODOLOGY

7. The audit covered the selection of IPs for UNHCR programme activities in Georgia during 2008 and 2009. The audit was conducted between July and August 2009.

8. The audit included an assessment of internal controls over the selection of IPs, interviews with key staff, and analysis of relevant data, documents and records using a judgemental sampling approach. Visits were made to the Branch Office (BO) in Tbilisi, and the Field Offices (FO) in Gori and Akhmeta.

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## IV. AUDIT FINDINGS AND RECOMMENDATIONS

### A. Review of UNHCR guidance on selection of IPs

There is a need to more clearly define the IP selection process and establish standards for managing it

9. The principles governing cooperation with IPs expressed in the UNHCR Manual are: “Close partnership and maximizing the use of available resources and expertise in achieving the common UNHCR/IP goal of providing appropriate resources to beneficiaries”. The choice of an IP is determined by several factors. The UNHCR Manual refers to four basic conditions and additional factors to take into consideration. For instance, to be considered as an IP, an organization should: be legally registered; be financially reliable; have successfully implemented a similar programme in the past; demonstrate its capacity to respond to an emergency at short notice; and have local experience.

10. UNHCR recently adopted a risk management approach in selecting IPs. The IOM/03-FOM 03/2009 – Pre-selection Checklist for UNHCR Implementing Partners – was issued in January 2009 to assist field offices in the management of the IP selection process. This approach should help to assess the level of risk accepted by UNHCR in entering into an agreement with a particular IP in a more consistent manner. The new guidance also intended to contribute to capacity building by facilitating the identification of mitigating measures and by focussing UNHCR’s support on areas where the performance of the IPs can be enhanced.

11. Although UNHCR provided a list of factors to be used, and the purpose of the above mentioned IOM-FOM was to reinforce the IP selection process, the various sets of guidance had not been brought together into one uniform set of procedures for IP selection at the global level. The absence of such a set of procedures meant that there was no standard applied to documenting and reporting all aspects of the IP selection process. Thus, there was no evidence that a consistent and transparent process was being applied to the selection of IPs.

12. There is a need for guidance from UNHCR Headquarters on the IP selection process. The following phases/steps of the process could benefit from such guidance:

- Pre-selection phase:
    - (a) Identification of potential partners and invitation for proposals; and
    - (b) Establishment of criteria in line with the needs of the programme.
  - Decision phase:
    - (a) Review and assessment of the proposals according to established criteria; and
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- (b) Selection of IPs using the risk assessment approach as per the IOM/03-FOM 03/2009, which include identification of measures to mitigate the risk related weaknesses of the selected IP.
  - Post-selection phase:
    - (a) Follow-up and documentation of IP performance; and
    - (b) Assessment of IP performance and effectiveness of capacity building or risk mitigating measures deemed necessary for each IP.

### **Recommendation 1**

**(1) UNHCR should consolidate existing guidance on Partnership selection into in a manual which defines the modalities of how each step of the process should be conducted and documented.**

13. *UNHCR accepted recommendation 1 and acknowledged that the existing guidance on the management of IPs, including selection procedure, documentation and assessment of performance needs a comprehensive review and update. The Division of Programme Support and Management will review and update the section on IPs in Chapter 4 of UNHCR Manual in the second quarter of 2010. Recommendation 1 remains open pending receipt of the updated Chapter 4 of the UNHCR Manual.*

### B. IP selection process in Georgia

#### Obstacles to the conduct of an effective selection process

14. The political situation in Georgia had an impact on UNHCR's capacity to select its IPs. As in many UNHCR operations, the Representation in Georgia was faced with a lack of international partners, and the few local Non Governmental Organizations (NGOs) had low capacity. In addition, some of the areas in which UNHCR Georgia operated were remote and local and international NGOs had little interest in operating in those areas. As a result, UNHCR Georgia had to rely on its partners from previous years. This increased the need for the identification of mitigating measures to compensate any weaknesses in the IPs.

15. In 2009, UNHCR continued using the same partners as in the previous years as a long standing reliable relationship had been established, and satisfactory work performance had been observed over the years. This was mainly in the regions of South Ossetia and Abkhazia, where the number of NGOs was generally low.

16. With this in mind, OIOS encouraged the Representation to use the methodology proposed in the IOM/03-FOM 03/2009 to assess the risk areas within IPs currently working with UNHCR in Georgia. The UNHCR

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Representation in Georgia indicated that the utilization of the pre-selection questionnaire will start for the selection of IPs for 2010.

Existing IP selection procedures in Georgia needed to be further enhanced

17. There was no common IP selection process within the Georgia Operation. Since February 2009, a Field Office in Georgia had established a selection process which consisted of inviting IPs to submit proposals, creating an IP selection panel, and using established criteria to evaluate the proposals.

18. The UNHCR Representation in Georgia also took an important step to improve its IP selection process, when it set up an IP Selection Committee (IPSC) in June 2009. The mandate of the IPSC is to review IP performance and continuation of activities/IPs, and to review proposals submitted by IPs for the following year.

19. However, the decision and justification for selecting the IPs were, in the majority of cases, not documented. Nor was there documentation supporting the IPs' assessed capacity or showing the evaluation criteria used. There was also a lack of clarity on the division/section responsible for preparing the invitation of proposals and documenting the evaluations of the IPs' proposals.

20. In accordance with the UNHCR Manual which states that the choice of IPs should be the result of analysis by all units within the operation on the basis of concerted analysis, the IPSC was composed of the Representative and staff from Protection, Programme, Administration and the Field. Considering the volume of UNHCR activities for the implementation of a shelter programme, a shelter construction expert should have assisted the members of the IPSC in their decisions.

**Recommendation 2**

**(2) The UNHCR Representation in Georgia should further analyze and document the terms of reference of the Implementing Partner Selection Committee. This should include special attention being paid to the segregation of duties and to the possibility of assigning experts to the Committee.**

21. *The UNHCR Representation on Georgia accepted recommendation 2 and stated and provided documentary evidence that the terms of reference for the IPSC was reviewed to create a more consistent and transparent selection process. Technical experts or other resources can be invited upon request of the IPSC to clarify and explain specific issues to the committee.* Based on the action taken by the UNHCR Representation in Georgia, recommendation 2 has been closed.

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Need to maintain records on IP performance

22. UNHCR Georgia did not have a procedure for assessing the performance of its IPs and to determine whether it was appropriate to extend the partnership. As there was no requirement in the UNHCR guidelines to maintain records of IPs whose work performance was weak, UNHCR Georgia did not maintain such records.

23. OIOS is of the view that appropriate follow-up procedures on the assessment of the performance of the IPs could consist of:

- Identifying capacity building or risk mitigating measures;
- Following up on required improvements; and
- Discontinuing partnerships where there has been chronic unsatisfactory performance.

**Recommendations 3 and 4**

**(3) The UNHCR Representation in Georgia should take action to ensure proper follow up and documentation of the performance of its implementing partners in order to have the information necessary to make decisions on the extension of partnership agreements.**

**(4) UNHCR should develop a procedure on how to improve identified weaknesses of implementing partners and a clear policy on discontinuing work with a specific partner.**

24. *The UNHCR Representation in Georgia accepted recommendation 3 and stated that though progress reports were requested from the IPs on a regular basis, they were often submitted after considerable delay. However, all UNHCR offices in the field were in regular contact with the IPs to ensure that the implementation was in accordance with the sub-agreements. Nevertheless the Representation acknowledged that there were shortcomings in the monitoring of partners' performance and reporting. In future, the UNHCR Representation in Georgia will request monthly monitoring updates from field offices that would include information on IP expenditure, performance and implementation rate. Recommendation 3 remains open pending receipt of monitoring reports from the field offices in Georgia containing updates on the performance of the implementing partners.*

25. *UNHCR accepted recommendation 4 and stated that the upcoming update of the section on IPs in Chapter 4 of the UNHCR Manual would cover this. Nevertheless, the UNHCR Representation in Georgia will provide monthly training on programme, finance and protection issues to its partners to develop their capacity and increase awareness as to UNHCR's requirements and their responsibilities. Recommendation 4 remains open pending receipt of the updated Chapter 4 of the UNHCR Manual.*

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More emphasis on IP contribution criteria was needed

26. International NGOs receiving a UNHCR contribution for their headquarters overhead costs are expected to make a contribution of resources to the programme in cash or kind. In most cases, of the ten IPs selected for audit, no contribution was stated in the sub-agreement. When a contribution was made, it was difficult to quantify it in the narrative sub-project monitoring report. The expected IP contribution was not systematically subject to monitoring or follow-up by UNHCR. More emphasis must be placed on the IPs' capacity to contribute to the project to ensure that the IPs meet the basic requirements stated in the sub-agreement.

**Recommendation 5**

**(5) The UNHCR Representation in Georgia should put more emphasis on the implementing partners' contribution criteria and monitor the criteria to ensure that the partners meet the basic requirements stated in the sub-agreement.**

27. *The UNHCR Representation in Georgia accepted recommendation 5 and stated that the IP contribution was included as one of the selection criteria for 2010. IP contribution will be clearly stated in each IP sub-agreement for 2010 and followed up during monitoring missions. During 2010, UNHCR will further request its partners to report on their contribution in the quarterly sub-project monitoring reports. Recommendation 5 remains open pending receipt of evidence showing that the contribution of IPs to the UNHCR programme is being monitored.*

V. ACKNOWLEDGEMENT

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

## STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
1	UNHCR should consolidate existing guidance on Partnership selection into in a manual which defines the modalities of how each step of the process should be conducted and documented.	Governance	Higher	O	Receipt of the updated Chapter 4 of the UNHCR Manual.	December 2010
2	The UNHCR Representation in Georgia should further analyze and document the terms of reference of the Implementing Partner Selection Committee. This should include, special attention being paid to the segregation of duties and to the possibility assigning experts to the Committee.	Governance	Moderate	C	Action completed.	Implemented
3	The UNHCR Representation in Georgia should take action to ensure proper follow up and documentation of the performance of its implementing partners in order to have the information necessary to make decisions on the extension of partnership agreements.	Operational	Moderate	O	Receipt of monitoring reports from the field offices in Georgia containing updates on the performance of the implementing partners.	January 2010
4	UNHCR should develop a procedure on how to improve identified weaknesses of implementing partners and a clear policy on discontinuing work with a specific partner.	Strategy	Higher	O	Receipt of the updated Chapter 4 of the UNHCR Manual.	December 2010
5	The UNHCR Representation in Georgia should put more emphasis on the implementing partners' contribution criteria and monitor the criteria to ensure that the partners meet the basic requirements stated in the sub-agreement.	Operational	Moderate	O	Receipt of evidence showing that the contribution of IPs to the UNHCR programme is being monitored.	January 2010

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