



INTERNAL AUDIT DIVISION

AUDIT REPORT

UNHCR operations in Algeria

Internal controls were in place to manage the risks related to programme and project management, supply management and security, but there are opportunities for improving their effectiveness

8 April 2011

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
A: United Nations High Commissioner for Refugees

DATE: 8 April 2011

REFERENCE: IAD: 11- **00349**

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



SUBJECT: **Assignment No. AR2010/111/01 - Audit of UNHCR operations in Algeria**

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, 6, 7, 8 and 9 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 Aleinikoff, Deputy High Commissioner, UNHCR
Ms. Erika Feller, Assistant High Commissioner (Protection), UNHCR
Ms. Janet Lim, Assistant High Commissioner (Operations), UNHCR
Ms. Karen M. Farkas, Controller and Director, Division of Financial and Administrative Management, UNHCR
Mr. Yacoub El Hillo, Director, Bureau of M.E.N.A., UNHCR
Mr. Abdul Karim Ghoul, Representative, UNHCR Algeria
Ms. Linda Ryan, Senior Policy Advisor, Division of Financial and Administrative Management, UNHCR
Mr. Mario Baez, Chief Policy and Oversight Coordination Service, Department of Management
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Mr. Byung-Kun Min, Special Assistant to the USG-OIOS
Ms. Stephanie Rinville, Audit Coordinator, UNHCR
Mr. Nicholas Birch, Audit Coordinator Assistant, UNHCR
Mr. Christopher F. Bagot, Chief, Geneva Audit Service, OIOS
Ms. Amy Wong, Professional Practices Section, IAD, OIOS

INTERNAL AUDIT DIVISION

FUNCTION

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

CONTACT INFORMATION

DIRECTOR:

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,
e-mail: ndiaye@un.org

DEPUTY DIRECTOR:

Gurpur Kumar: Tel: +1.212.963.5920, Fax: +1.212.963.3388,
e-mail: kumarg@un.org

CHIEF, GENEVA AUDIT SERVICE:

Christopher F. Bagot: Tel: +41.22.917.2731, Fax: +41.22.917.0011,
e-mail: cbagot@unog.ch

EXECUTIVE SUMMARY

Audit of UNHCR operations in Algeria

The Office of Internal Oversight Services (OIOS) conducted an audit of the Office of the United Nations High Commissioner for Refugees (UNHCR) operations in Algeria. The overall objective of the audit was to assess the adequacy and effectiveness of internal controls in place for programme and project management, supply management, and security. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

During the period 2008-2009, the Representation, with the help of seven Implementing Partners (IPs), implemented six care and maintenance projects with a total expenditure of \$13.1 million. Nearly 90 per cent of the programme budget was allocated to project AB/ALG/CM/201 (Care and Maintenance to the Sahrawi refugees in the Tindouf region) with expenditures of \$11.6 million.

The overall conclusion was that controls were in place to manage the risks related to programme and project management, supply management, and security, but there are opportunities for improving their effectiveness.

There was no strategic plan for the water pipeline project as required by Chapter 4, Section 3.1 of the UNHCR Manual. Furthermore, the Representation needed to prepare a procurement strategy for 2011 in consultation with the Supply Management Service (SMS) to mitigate the risks of significant procurement being delegated to IPs that were not pre-qualified to carry out procurement on behalf of UNHCR. In addition, the Representation needed to ensure full implementation of the Minimum Operating Security Standards for Algeria.

TABLE OF CONTENTS

Chapter	Paragraphs
I. INTRODUCTION	1-5
II. AUDIT OBJECTIVES	6
III. AUDIT SCOPE AND METHODOLOGY	7-8
IV. AUDIT RESULTS	
A. Programme and project management	9-18
B. Supply management	19-36
C. Security	37-40
V. ACKNOWLEDGEMENT	41
ANNEX 1 – Status of Audit Recommendations	

I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Office of United Nations High Commissioner for Refugees (UNHCR) operations in Algeria. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The main objectives of the Algeria operations were to improve the protection space and the legal and economic status of urban refugees through advocacy with the Government of Algeria, develop new partnerships, and provide protection to and improve living conditions of refugees from Western Sahara living in the refugee camps in Tindouf. Although the Government of Algeria estimates the number of refugees from Western Sahara at 165,000, UNHCR uses the figure of 90,000 vulnerable persons for planning purposes pending the completion of a registration exercise. UNHCR is currently negotiating with the Government of Algeria and the Sahrawi refugee leadership to determine the exact number of refugees in the camps. Following the visit of the UNHCR High Commissioner in September 2009, discussions were started with the Algerian and Sahrawi leadership to see what could be done to reduce dependency of the beneficiaries on UNHCR assistance.
3. During the period 2008-2009, the Representation, with the help of seven implementing partners (IPs), implemented six care and maintenance projects with a total expenditure of \$13.1 million. Nearly 90 per cent of the programme budget was allocated to project AB/ALG/CM/201 (Care and Maintenance to the Sahrawi refugees in the Tindouf region) with expenditures of \$11.6 million.
4. As at 11 August 2010, the asset records showed 722 items with purchase cost of \$4.2 million and current value of \$1.4 million. The UNHCR workforce in Algeria comprised 29 regular staff (ten Professional (P) and 17 General Service (GS) staff and two United Nations Volunteers (UNVs)).
5. Comments made by the UNHCR Representation in Algeria 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 place for programme and project management, supply management, and security.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit, which took place from 20 September to 5 October 2010, reviewed the overall management of programme activities in Algeria in Branch Office Algiers and Sub-Office Tindouf. This included a review of the Representation's project control and review of the two largest IPs, Solidaridad International (SI) and Triangle Génération Humanitaire (TGH). The review of IPs focused on the audit of UNHCR's water pipeline project plus workshop and
-

fleet management. The audit also reviewed asset management and the adherence to UNHCR procurement guidelines by the Representation and IPs. The audit covered operations during the period from 1 January 2008 to 30 June 2010.

8. The audit methodology comprised review of policies and procedures, administrative guidelines and data available from Managing for Systems, Resources and People (MSRP), interviews with responsible personnel, analysis of relevant data, and observations and verification of processes.

IV. AUDIT RESULTS

A. Programme and project management

Need for a strategic plan for the large water pipeline project

9. According to Chapter 4, Section 3.1, paragraph 2 of the UNHCR Manual, country offices are encouraged to prepare ‘more detailed plans for the realisation of sector objectives and activities.’ Paragraph 7 of the same section of the Manual further encourages ‘the development of multi-year strategies especially in situations where the operational conditions and caseloads are stable.’ According to the Manual, the multi-year plan should be developed as an umbrella strategy to which annual plans and documents can be linked. It also provides guidance on minimum elements that multi-year plans should include.

10. No such plans existed for the water pipeline project with total budget of \$4.5 million during the period 2008-2010 and whose budget had increased by 30 per cent (from \$1.3 million in 2009 to \$1.7 million in 2010). UNHCR has been funding the project from year to year without clear targets on the expected achievements in the long term. There is a need for a strategic plan to ensure that goals, objectives and benefits of the project are clearly articulated to enable UNHCR to evaluate and determine its success. A strategic plan will enable the Representation to take a more proactive approach in implementing the project. It also creates an accountability framework, enabling improved control and provides a budgetary framework for donors such as UNHCR who are funding the project.

11. A Water and Sanitation (WATSAN) consultant brought to the attention of the Representation the need for a multi-year plan during a mission to Tindouf in April 2010. The consultant declined the assignment to create the plan and the Representation experienced difficulties in finding a new consultant.

Recommendation 1

(1) The UNHCR Representation in Algeria should develop a strategic plan for the water pipeline project in accordance with Chapter 4, Section 3.1 of the UNHCR Manual. The plan should provide an accountability framework for implementation as well as a budgetary framework for donors funding the project.

12. *The UNHCR Representation in Algeria accepted recommendation 1 and stated that consultations were held with the Humanitarian Aid department of the European Commission (ECHO) and Solidaridad International on the need to put in place a strategic plan for the water pipeline project. An external consultant was being contracted to undertake this task, and the consultancy cost would be covered by ECHO. The consultancy report is going to be finalized during the first semester of 2011. Recommendation 1 remains open pending receipt of the strategic plan for the water pipeline project.*

Need to review staffing required to fulfil respective roles and responsibilities of Solidaridad International and UNHCR

13. UNHCR hired an Associate Water and Sanitation expert in March 2010 to assist with the water pipeline project being implemented by SI. The Terms of Reference (ToR) required the expert to assist the hydraulic department of SI; provide technical advice to UNHCR; and represent UNHCR in technical coordination of the project. This means that the WATSAN expert was assisting both SI and UNHCR and, it was not always clear to whom he should be reporting. This arrangement could make it difficult for UNHCR to hold SI accountable for implementation because it appears to be directly involved in the implementation process. It is also unclear whether SI needed additional staff that should be included in their budget line or UNHCR needed someone to assist with the supervision of the project. Given the significance of the water pipeline project to the Algeria operation, the Representation needs to identify whether SI and UNHCR have a need for additional staff and ensure that ToRs are drawn up for staff to fulfil any gaps identified.

Recommendation 2

(2) The UNHCR Representation in Algeria should determine whether Solidaridad International and UNHCR require additional staff to fulfil their respective roles and responsibilities for project implementation and draw up terms of reference for each of the different types of staff identified.

14. *The UNHCR Representation in Algeria accepted recommendation 2 and stated that following a thorough assessment of the situation, the Representation and Solidaridad concluded that the level of human resources at their disposal is adequate to fulfill their respective roles and responsibilities. In addition to a decrease in Solidaridad's project activities in 2011 as compared to 2010, internal human resources management changes were being carried out by this partner to ensure clearer division of roles and responsibilities of staff engaged in project implementation. Based on the actions taken by the Representation, recommendation 2 has been closed.*

Need to improve reporting on achievement of sub-project objectives

15. Sub-project narrative reports submitted by SI were not prepared in compliance with UNHCR requirements as outlined in Chapter 4, Part 6, Section 6.5 of the UNHCR Manual. In its narrative report, SI did not explain whether sub-project objectives were achieved and what activities, if any, remained outstanding at the end of the project. Furthermore, the project descriptions in the sub-agreements did not contain performance targets and therefore the section on progress towards performance targets did not allow the Representation to gauge if targets were met. For example, SI reported that five pumps and four generators were installed but there was nothing explaining how many pumps and generators were needed or were planned to be installed.

Recommendation 3

(3) The UNHCR Representation in Algeria should ensure that sub-project reports prepared by Solidaridad International include performance targets against which a progress update is given and an overall evaluation of the sub-project confirming whether sub-project objectives were met.

16. *The UNHCR Representation in Algeria accepted recommendation 3 and stated that discussions were conducted with Solidaridad International to ensure clarity of reporting requirements, and action was being taken through the 2011 Sub-Agreements. The project proposal was drafted by Solidaridad in consultation with UNHCR. It contains performance targets. Also attention has been given to ensuring that the activities are clearly detailed in the project description and that the results can be measured against the predefined objectives. The draft project proposal would be finalized before 31 January 2011. Recommendation 3 remains open pending receipt of Solidaridad International's next sub-project report, which should include performance targets and an overall evaluation of the sub-project.*

Need to explore and develop programmes to promote self-reliance of refugees

17. According to Chapter 4, Section 1.2 of the UNHCR Manual, the purpose of durable solutions is to make "refugees economically independent... to reduce the burden on the international community... to prevent the development of a dependency syndrome." Chapter 4, Section 3.5 of the Manual further explains UNHCR's development role as part of the UN community as being one of 'enhancing capacity to achieve self-reliance and to realize durable solutions'. During his visit in September 2009, the High Commissioner indicated that, with regard to the assistance to Sahrawi refugees, UNHCR cannot maintain an emergency mode of operations focussing on care and maintenance. While the High Commissioner stressed the need to improve self-reliance, there was no action plan for developing self-reliance, such as income-generating activities, at the time of the audit.

18. *The UNHCR Representation in Algeria commented that an action plan for income-generating activities aiming to increase the self-reliance of refugees*

was part of discussions which took place with the implementing partners and the beneficiaries. The limited available resources and multiple competing priorities, combined with harsh climatic conditions and absence of any local integration prospects makes it unreasonable to expect that Sahrawi refugees may become self-reliant anytime in the foreseeable future. In a situation of funding insufficiency, if income-generation activities are to compete with life-saving/life-sustaining activities in the desert, preference shall always be given to the latter. In the context of the operation for Sahrawi refugees, the approved 2011 IBTs of some \$10,000,000 fall short of meeting the very basic life-sustaining needs. Hence, the development of a self-reliance plan could only be a theoretical/academic exercise. Nevertheless, small-scale income-generating activities were incorporated in the 2011 projects, including a small project through AFAD for making desserts/sweets in Dakhla camp. In view of the explanations provided by the Representation, no recommendation is made.

B. Supply management

Need to review the procurement strategy

19. The UNHCR procurement guidelines Chapter 8, Part 2, section 3 on Identifying, Quantifying and Planning Needs requires that a needs assessment be conducted prior to preparing annual procurement plans. This should include a procurement strategy to identify items that can be purchased through direct implementation and through IPs. During the period covered by the audit, significant procurement was delegated to IPs in spite of the fact that none of the UNHCR's partners in Algeria was pre-qualified to procure on behalf of UNHCR. For example, in 2008 and 2009 UNHCR delegated procurement totalling \$2.7 million to the two largest IPs, SI and TGH. In order for UNHCR to obtain the best value for money in these procurements, both IPs needed to make significant improvements to comply with UNHCR procurement guidelines. The IPs could improve the procurement process by comparing a sufficient number of offers; by giving sufficient time to bidders to submit their bids; by carrying out technical evaluations and by documenting the selection process with comparative tables or minutes of the meetings.

20. UNHCR Headquarters was aware of the reliance on IPs not pre-qualified for procurement. The Supply Management Service (SMS) offered assistance in the development of a 2011 procurement plan identifying items to be purchased through direct implementation or through IPs.

Recommendation 4

(4) The UNHCR Representation in Algeria should, in consultation with the Supply Management Service, prepare its 2011 procurement strategy to mitigate the risks of significant procurement delegated to implementing partners that have not been pre-qualified to carry out procurement on behalf of UNHCR.

21. *The UNHCR Representation in Algeria accepted recommendation 4 and stated that the Representation has been in touch with SMS for assistance in identifying procurement activities that could be taken over by SMS from IPs. A procurement plan itemizing all procurements planned for 2011 by IPs has already been communicated to SMS and the Representation expects a feedback soonest to adjust the sub-agreements accordingly. It was to be noted that the current staffing levels of SO Tindouf (where neither logistics nor supply/purchase officer posts exist, and where the number of programme staff is very limited) and BO Algiers (where also no logistics or supply officer positions exist and where the programme unit consists of only one Programme Assistant who is grossly overloaded with tasks), UNHCR Algeria may only afford to take over from IPs procurements that can be undertaken by SMS. Recommendation 4 remains open pending receipt of the finalized 2011 procurement strategy.*

Need to obtain tax exemption for goods imported by implementing partners

22. To facilitate tax-free importation of goods procured for IPs on behalf of UNHCR, the Representation imports these goods as a donation to the Algerian Red Crescent (CRA). Goods donated to CRA are cleared tax-free. This arrangement has not been cleared with the UNHCR Legal Affairs Section (LAS) and there is no agreement in place to ensure that goods brought into the country under this arrangement are given to the IP for which they were intended. This setup poses a reputation risk for UNHCR by creating an appearance that it may be avoiding paying taxes. In addition, it exposes UNHCR to the risk of loss of goods.

Recommendation 5

(5) The UNHCR Representation in Algeria should seek assistance from UNHCR Legal Affairs Section in obtaining tax-free status for implementing partners importing goods on its behalf and should get advice on the practice of importing goods as a donation to the Algerian Red Crescent.

23. *The UNHCR Representation in Algeria accepted recommendation 5 and stated that the Representation has submitted to LAS a request for assistance to clarify this situation in an email of 10 January 2011. Meanwhile, in its 2011 sub-agreement with Algerian Red Crescent (CRA), the Representation has included a provision to the effect that the so called donation certificate is issued to CRA to allow the latter to conduct import formalities and as such does not impact on UNHCR's property right on the imported items. This is meant to safeguard UNHCR's property right and to ensure that goods are not lost between CRA and the delivery place, as those at the delivery point confirm the arrival of the goods. OIOS takes note of the actions already taken. Recommendation 5 remains open pending receipt of a copy of the LAS guidance on the issues raised.*

Need to comply with procurement rules on the number of offers to be considered

24. Chapter 8 of the UNHCR Manual on tendering requires competitive bidding to be used or a waiver request to be made quoting the financial

regulations and rules 105.16 (a) on why competitive procedures were not required. During the audited period the local procurement undertaken directly by the Representation amounted to \$2.1 million and was mainly administration related. Apart from this, under the delegation of authority, IPs procured goods and services worth \$2.7 million. OIOS reviewed 19 local procurement cases, amounting to \$3.56 million. In five cases representing 32 per cent of the total local procurement, the UNHCR guidelines on the required number of offers were not followed. Thus, there was no assurance that the Representation obtained the best value for money on its procurements.

25. In December 2009, the LCC recommended selection of suppliers for the rehabilitation of two UNHCR warehouses at a price of \$25,076 and security equipment at \$23,605. Only three and four offers were considered respectively instead of eight, as required by UNHCR rules.

26. In 2009, SI procured construction services for an equivalent of \$420,000 and tools worth \$394,000. In each case, only four offers were considered instead of the required 15. The IP stated that they were not familiar with the recommended number of offers by amount as contained in UNHCR procurement guidelines. For the purchase of spare parts totalling \$670,000 TGH evaluated only three offers. According to UNHCR's procurement guidelines, at least 20 offers should have been evaluated for amounts over \$500,000.

27. According to the Representation, the market situation does not always allow a sufficient number of offers to be obtained. In case there was evidence that the market is not competitive due to the lack of potential suppliers, the reasons for having a fewer number of the bidders needs to be documented and if necessary a request for a waiver of competitive bidding should be considered.

Recommendation 6

(6) The UNHCR Representation in Algeria should comply with UNHCR procurement guidelines (UNHCR Manual, Chapter 8, Part 2, Section 6), and develop an action plan to assist its implementing partners in ensuring that UNHCR procurement guidelines are adhered to, particularly with regard to the minimum number of offers to be considered. In cases where insufficient number of offers was received, the decisions taken should be properly documented and waiver from competitive bidding sought, if necessary.

28. *The UNHCR Representation in Algeria accepted recommendation 6 and stated that from 9 to 16 October 2010, SMS undertook a training and support mission to Algeria. One staff from Solidaridad International and one staff from Triangle Generation Humanitaire (TGH) were among the participants. Participants were trained among other issues on procurement and asset management. Chapter 8, Part 2 Section 6 was discussed with the representatives from the IPs. Ten UNHCR staff members involved in procurement and asset management benefited from this training (five from BO Algiers and five from SO Tindouf). On 28 October 2010, the Representation issued a memo (Algal -10-*

2010) on strengthening procurement procedures, highlighting areas where particular attention was needed to ensure full compliance. Another memo (Algal 10-813) was also shared with staff to clarify the roles and responsibilities of staff members involved in procurement. Follow-up discussions/meeting took place among staff in the administration and programme sections to ensure clarity of instructions. Based on the actions taken by the Representation, recommendation 6 has been closed.

Strengthening controls over asset management

29. Controls over asset management were strengthened through the following measures initiated in 2009:

- A Local Asset Management Board (LAMB) was established in accordance with Chapter 8, Part 5, Section 1 of the UNHCR Manual and minutes of the meetings were maintained, as required;
- Physical inventories were conducted in 2009 and 2010 as required by Chapter 8, Part 5, Section 2 of the UNHCR Manual; and
- Clean-up exercise of asset management database in coordination with the Supply Management Service was carried out. At the time of the audit, the vast majority of cases arising from the clean up had been submitted to the LAMB;
- The Representation initiated action to ensure correct recording of the items that should be identified as Serially Tracked Items (STIs) in MSRP.

Completion of asset disposal forms

30. According to Chapter 8, Part 5, Section 2 of the UNHCR Manual and IOM050-FOM049/2009 (IPSAS implementation in Asset Management), an inventory report should be prepared within four weeks of completing an inventory exercise, which should include:

- The number and value of Property, Plant and Equipment (PPE) listed in MSRP prior to the stocktaking compared with the number and value of assets found;
- A list of discrepancies found and action taken; and
- Any other follow-up required.

31. The inventory reports prepared during the period 2008 to 2010 did not comply with the above-mentioned UNHCR rules. The most significant deficiency was the absence of documentation on discrepancies found and action taken. A complete picture on the state of assets was not therefore available to assist management decision-making.

Recommendation 7

(7) The UNHCR Representation in Algeria should seek assistance from UNHCR Headquarters in preparing guidelines for completing inventory reports in compliance with Chapter 8, Part 5, Section 2 of the UNHCR Manual and IOM050-FOM049/2009 on IPSAS implementation in Asset Management.

32. *The UNHCR Representation in Algeria accepted recommendation 7. The SMS support mission explained issues pertaining to inventory management under Chapter 8, Part 5, and Section 2. After this training, subsequent PPE reports for 2010 were issued in accordance with relevant rules and applicable IOM (IOM/080-FOM/080/2010 - Physical Verification of Property, Plant and Equipment by 31 December 2010). These reports indicated the number of assets as per the reports prior to conducting the physical verification exercise and the findings upon completion of the verification and noted discrepancies and recommendations. In addition, a meeting was organized by the Representation (24-01-2011) for the asset management focal points and admin colleagues in BO Algiers and SO Tindouf to discuss further about implementation of Part 5, Section 2 of Chapter 8 and plan for the 2011 physical verification including the verification for Serially Tracked Items (STIS). Based on the actions taken by the Representation, recommendation 7 has been closed.*

Need to improve fleet management

33. In April 2010, UNHCR commissioned a fleet management consultant with the objectives of indentifying the future transport needs for food and water distribution taking into account the planned expansion of the water pipeline network and to define the fleet capacity and infrastructure required to deliver this. One of the conclusions of the expert was to reduce the current fleet size. The consultant also questioned the quality of the maintenance of the water truck fleet carried out by TGH.

34. According to Chapter 8, Part 4, Section 2 of the UNHCR Manual (Field Workshop for Maintaining Vehicles and other assets), a workshop for UNHCR programmes needs to have proper systems including billing, accounting, record keeping and inventory control. TGH who manages a UNHCR workshop was unable to analyze the cost of repair by vehicle at the time of the audit. The lack of reliable vehicle repair tracking systems makes it difficult to determine the repair costs for each vehicle. Although daily requests for spare parts were prepared for a group of vehicles and were duly approved before spare parts were released, no work orders were prepared for individual motor vehicles based on the daily request. Similarly, there was no system in place to determine the period for which vehicles were grounded. According to TGH, a new fleet management software was being designed which was expected to address many of the concerns raised.

35. Improvements were also needed in managing vehicle spare parts. Chapter 8, Part 4, Section 2 of the UNHCR Manual outlines the procedures that

IPs are expected to adhere to for successful warehouse management such as the use of bin cards to track immediately each movement of spare parts. TGH only updated its stock levels once every month in a stock report by updating spare part purchases and usage. There were no established minimum re-order levels to trigger the re-stocking of spare parts. According to TGH, the existing budget constraints from UNHCR did not allow such a mechanism to be established.

Recommendation 8

(8) The UNHCR Representation in Algeria should request Triangle Génération Humanitaire to maintain adequate records of spare parts and establish a system allowing analysis of vehicle repair costs by vehicle.

36. *The UNHCR Representation in Algeria accepted recommendation 9 and stated that Triangle Génération Humanitaire (TGH) has put in place procedures aimed at improving internal controls regarding management of spare parts, including a system allowing to analyze/calculate repair cost per vehicle. TGH is hiring a logistics expert (expatriate) who will be in charge of managing the workshop. A software was put in place by TGH for the management of vehicles repair and maintenance costs, spare parts records (in and out), as well as the management of stock. TGH has prepared an annex to 2011 Sub-Agreement with the project proposal in which the planned improvements to workshop management are detailed. The Representation subsequently agreed to send OIOS a copy of the signed sub-agreement with the annexed project proposal outlining planned improvements. OIOS has reviewed the copy of the signed sub-agreement and found it satisfactory. Based on the actions taken by the Representation, recommendation 8 has been closed.*

C. Security

Need for full implementation of MOSS

37. The Representation in Algeria needed to ensure full implementation of the Minimum Operating Security Standards (MOSS) for Algeria.

38. According to the UN Department of Safety and Security mission report dated 12 October 2009, Algiers was 90 per cent compliant with MOSS. At the time of the audit, to achieve full, the Representation still needed to install an alarm system, scanner and explosive detectors with guards. The Representation explained that the delay was partly due to difficulties faced with Government authorities in clearing security related equipment at the port of Algiers.

39. Tindouf MOSS falls under the jurisdiction of the United Nations Mission for the Referendum in Western Sahara (MINURSO). Email correspondence following an April 2009 mission suggested that Tindouf was fully MOSS compliant but this was not supported by a detailed report. *The UNHCR Representation in Algeria stated that the Representation has followed up with MINURSO to obtain a formal MOSS compliance report in Sub-Office Tindouf, and this report is awaited. During a recent mission (December 2010) of the*

UNHCR Senior Regional Security Adviser, it was confirmed that the Sub-Office is fully compliant.

Recommendation 9

(9) The UNHCR Representation in Algeria should develop an action plan to ensure that the Algiers Office is fully compliant with the Minimum Operating Security Standards.

40. *The UNHCR Representation in Algeria accepted recommendation 9 and stated that during a recent security mission by the UNHCR Senior Security Advisor, security arrangements in Algiers office were reviewed and it was confirmed that the Algiers office still needs to put in place an x-ray scanning machine and an electricity back-up system (generator) as the one in place belongs to the World Food Programme who is relocating from the joint-premises. The Representation has already ordered a generator, which is expected to be delivered in mid February 2011. As to the x-ray machine, the Government's authorization is still awaited. The office of the UN Resident Coordinator is following up on behalf of the UN system as three agencies have not been granted required customs clearance for import of the scanning machine (United Nations Children's Fund, International Labour Organization, UNHCR). Based on the progress made and explanations provided by the Representation, recommendation 9 has been closed.*

V. ACKNOWLEDGEMENT

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

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	The UNHCR Representation in Algeria should develop a strategic plan for the water pipeline project in accordance with Chapter 4, Section 3.1 of the UNHCR Manual. The plan should provide an accountability framework for implementation as well as a budgetary framework for donors funding the project.	Strategy	High	O	Receipt of the strategic plan for the water pipeline project.	30 June 2011
2	The UNHCR Representation in Algeria should determine whether Solidaridad International and UNHCR require additional staff to fulfil their respective roles and responsibilities for project implementation and draw up terms of reference for each of the different types of staff identified.	Human Resources	Medium	C		Implemented
3	The UNHCR Representation in Algeria should ensure that sub-project reports prepared by Solidaridad International include performance targets against which a progress update is given and an overall evaluation of the sub-project confirming whether sub-project objectives were met.	Compliance	Medium	O	Receipt of Solidaridad International's next sub-project report which should include performance targets and an overall evaluation of the sub-project.	31 January 2011
4.	The UNHCR Representation in Algeria should, in consultation with the Supply Management Service, prepare its 2011 procurement strategy to mitigate the risks of significant procurement delegated to implementing partners that have not been pre-qualified to carry out procurement on behalf of UNHCR.	Strategy	High	O	Receipt of the finalized 2011 procurement strategy.	Not provided
5	The UNHCR Representation in Algeria should seek assistance from UNHCR Legal Affairs Section in obtaining tax-free status for implementing partners importing goods on its behalf and should get advice on the practice of	Operational	Medium	O	Copy by Representation to OIOS of outcome of LAS guidance on the issues raised.	Not provided

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	importing goods as a donation to the Algerian Red Crescent.					
6	The UNHCR Representation in Algeria should comply with UNHCR procurement guidelines (UNHCR Manual, Chapter 8, Part 2, Section 6), and develop an action plan to assist its implementing partners in ensuring that UNHCR procurement guidelines are adhered to, particularly with regard to the minimum number of offers to be considered. In cases where insufficient number of offers was received, the decisions taken should be properly documented and waiver from competitive bidding sought, if necessary.	Compliance	Medium	C		Implemented
7	The UNHCR Representation in Algeria should seek assistance from UNHCR Headquarters in preparing guidelines for completing inventory reports in compliance with Chapter 8, Part 5, Section 2 of the UNHCR Manual and IOM050-FOM049/2009 IPSAS implementation in Asset Management.	Compliance	Medium	C		Implemented
8	The UNHCR Representation in Algeria should request Triangle Génération Humanitaire to maintain adequate records of spare parts and establish a system allowing analysis of vehicle repair costs by vehicle.	Operational	Medium	C		Implemented
9	The UNHCR Representation in Algeria should develop an action plan to ensure the Algiers Office is fully compliant with the Minimum Operating Security Standards.	Compliance	Medium	C		Implemented

¹ C = closed, O = open

² Date provided by UNHCR in response to recommendations