

**CONFIDENTIAL – DRAFT AUDIT RESULTS**

**ANNEX I  
SUMMARY OF RECOMMENDATIONS  
Audit of UNHCR operations in Azerbaijan**

Para. no.	Recommendation	Accepted? (Yes/No)	Implementation date	Client comments
12	The UNHCR Representation in Azerbaijan should develop a strategy and action plan for increasing refugee self-reliance.	Yes	31/12/2011	A road map for launching the livelihood project in Azerbaijan to test opportunities among refugees devised. An evaluation of the implemented pilot project has been completed. Considering results of the evaluation, a strategy will be developed in close liaison with HQs. The strategy will be based on the findings of the BE/DIP report as well as continued interventions for strengthen Government buy in. While the strategy will be ready by 31 December 2011, UNHCR Representation in Baku expects gradual implementation of the strategy throughout 2012.
18	The UNHCR Representation in Azerbaijan should revise the standard operating procedures for cash assistance to require IPs to rotate staff involved in cash disbursement, provide for sample checks to confirm that only approved beneficiaries receive cash assistance, clarify roles and responsibilities for cash payment to avoid duplication of efforts and ensure proper segregation of duties. The UNHCR Representation in Azerbaijan should also consider alternative methods to distribute the cash to beneficiaries.	Yes	31/12/2011	Point well noted. UNHCR Representation in Azerbaijan will explore possibility of cash disbursements to refugees and asylum seekers through ATM cards by the end October 2011. Should this option fail, UNHCR will consider/examine the staff rotation option to ensure checks and balances. UNHCR ensures that this recommendation is fully implemented by the end of 2011.
22	The UNHCR Representation in Azerbaijan should ensure that financial and performance monitoring is carried out more comprehensively through the establishment of a detailed monitoring tool, annual schedules of monitoring visits, systematic documentation of the monitoring visits, and sharing monitoring findings with multi-functional teams.	Yes	31/12/2011	Point noted. Annual monitoring schedules and guidelines on conducting verifications/monitoring will be developed and fully implemented by the end of 2011. In the improved revised practice, findings and observations of financial/performance verification are being documented through a Note For the File (NFF) which is signed and shared with the Implementing Partners. UNHCR Representation will ensure accessibility of NFFs by placing them in the livelink under a common folder.
24	The UNHCR Representation in Azerbaijan should ensure that auditors report on the overall adequacy of	Yes	31/03/2012	Point noted and will be given due attention for the next scheduled audit due to be contracted in

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	internal controls of the implementing partners.			November 2011. The full implementation date for this recommendation will be 31 March 2012.
27	The UNHCR Bureau for Europe should review the renewal of office lease to establish whether UNHCR has incurred unnecessary expenditure as a result of non compliance with the UNHCR procedures.	Yes	08/07/2011	<p>The non-compliance with the existing procedures was established, recognized and mitigated through the CoC retroactive approval of the lease, which is reflected in the minutes of the CoC meeting # 1408 of 19 February 2010. The Bureau has followed up with the Office in Baku to ensure full compliance to existing financial rules and procurement procedures regarding all contract extensions of this type.</p> <p>The BRE reviewed the office lease and established that UNHCR has not incurred unnecessary expenditure as a result of non-compliance with the UNHCR procedures. The following comments support this conclusion.</p> <p>According to the NewsAZ (<a href="http://www.news.az/articles/economy/29531">http://www.news.az/articles/economy/29531</a>), the actual prices on the real estate market have dropped by 3.5 % in 2010. However, even with this drop down, the cost of real estate per square meter remained at the level of USD 20.6. In relation to the current office space in Baku this represents a substantially favourable option as compared to any new lease. The calculations below illustrate this reference:</p> <p>USD 6.09 x 1314.6 m<sup>2</sup> = USD 8,000/month (current lease agreement)          USD 20.6 x 1314.6 m<sup>2</sup> = USD 27,080.76/month (real estate prices in 2010).</p> <p>Assuming that the office space required per one staff member in accordance with the existing guidelines is 9.5-19.5 m<sup>2</sup> and taking into consideration the number of staff of different grades in the Representation in Baku, the total cost of any new office space would amount to a minimum of USD 8,056 per month at best. This does not include any related requirements such as parking, etc. UNHCR has already sub-leased office space to UNODC and UNAIDS which</p>

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				<p>contributes to offsetting the rental cost.</p> <p>The office move to any new premises would amount to a minimum of AZN 50,000 or USD 63,000. The cost estimation done by the office using conservative benchmarks includes internet cabling, telephone connection, installation of CCTV, security locks, entrance gates, emergency exit, anti shattered film, barbed wire, security lights, etc. It is believed that the actual cost may be even higher. In addition, under the current lease agreement UNHCR enjoys a reasonably good parking space that is sufficient for the fleet of vehicles. There is no guarantee that similar, i.e. without additional costs, arrangements would be easily available should the office conclude a new lease. It is publicly known that Baku experiences severe parking constraints.</p> <p>The Office made attempts in 2008 to locate more convenient and more cost effective office space (the results of the findings were reflected in the memo addressed to CoC on 05 Feb 2008) that did not result in tangible outcome. The Representation even tried to secure an office space from the Government without any success. The Office plans to conduct a new search for suitable office premises before the current lease agreement expires at the end of February 2012.</p>
31	The UNHCR Representation in Azerbaijan should obtain the acceptance letter from the Donor Relations and Resource Mobilization section of UNHCR before the shipment/delivery of the in-kind contribution; submit the agreement to be signed to the Legal Affairs Section at the UNHCR headquarters for review; record the items received in at the fair value of the donation.	Yes	31/12/2011	UNHCR Representation in Azerbaijan will liaise closely with Donor Relations and Resource Mobilization, Supply Management and Legal Affairs Sections to ensure that any in-kind contribution received in accordance with new IPSAS regulation.
34	The UNHCR Representation in Azerbaijan should discontinue recruitment of staff using irregular service contracts.	Yes	30/10/2011	UNHCR will immediately start reviewing of alternative cost effective contractual arrangements (contract through UNDP, outsourcing of services) to align the modality of contracts with the existing regulations for the irregular service staff. To allow this review and to avoid any interruption in the services, contracts for the current service staff will be extended

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				up until 30 September 2011. This transition will allow BoBaku to complete the review and have the new contractual arrangement effective as of 01 October 2011.
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