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INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

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

CONFIDENTIAL

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

DATE: 25 May 2012

REFERENCE: IAD: 12-03646

FROM: Christopher F. Bagot, Chief
DE: Geneva Audit Service
Internal Audit Division, OIOS

SUBJECT: **AR2011/151/01 – Audit of UNHCR Operations in Ecuador**

OBJET:

Overall results relating to effective management of UNHCR operations in Ecuador were partially satisfactory; management has initiated necessary steps to address the identified issues

1. Attached please find the draft report on the above-mentioned audit. The draft report has taken into consideration the comments provided on the detailed audit results. We would appreciate receiving your comments by 8 June 2012.

2. Please provide an action plan with a target date and the title of the individual responsible for implementation of recommendations 1-9 as indicated in the attached form (Annex D). Unaccepted recommendations must be supported with appropriate rationale for acceptance of underlying risks. Unaccepted recommendations may be escalated as necessary up to the level of the Secretary-General for reconsideration.

3. In terms of General Assembly resolution 59/272, a Member State may request that the final audit report be made available. It is therefore important that we receive your comments prior to finalizing the report. Pursuant to General Assembly resolution 64/263, OIOS will include your response to this draft report as an appendix to the final report.

cc: Mr. Alexander Aleinikoff, Deputy High Commissioner, UNHCR
Ms. Erika Feller, Assistant High Commissioner (Protection), UNHCR
Ms. Janet Lim, Assistant High Commissioner (Operations), UNHCR
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Audit of UNHCR Operations in Ecuador

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations High Commissioner for Refugees (UNHCR) operations in Ecuador.
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations, and rules.
3. In 2008, Ecuador adopted a comprehensive refugee policy. Ecuador has the highest number of refugees in Latin America. There were approximately 135,000 persons in need of international protection (PNIP) as at December 31, 2009. This has increased to approximately 167,000 as per 2010 figures and includes both registered refugees and asylum seekers. Until June 2010, there were approximately 52,000 recognized refugees. Nearly 98 per cent of recognized refugees are Colombian nationals. The centrepiece of the Ecuadorian operations was the enhanced registration (ER) conducted from March 2009 to March 2010.
4. ER was a unique protection process implemented by the Government of Ecuador (GOE) with UNHCR's technical and financial assistance through the contributions of major donor countries. The objective was to register as many people as possible as quickly as possible. It was targeted at Colombians living along the border area but captured a much wider group. The ER process entailed the following:
 - On the day refugees arrived for the appointment, they were registered, had an eligibility interview, their specific needs were assessed, and a decision was made by the Eligibility Commission.
 - Those recognized as refugees were given documentation, including a refugee visa, and were included in a census.
5. The ER exercise was acknowledged as very successful with its principal impact being that the hitherto invisible refugee population came out into the open, increasing the success of protection efforts. The ER process recognized 27,740 refugees, and the number being recognized declined rapidly following its completion in March 2010. The UNHCR Representation in Ecuador was examining the possibility of drafting a final analysis of the ER and its impact on protection to share the best practice with main government counterparts in Ecuador as well as with UNHCR.
6. The budget of the Representation grew threefold from 2004 to 2009 reflecting increased demand from the refugee population. The budget has since stabilized, averaging just over \$10 million in the three years to 2011. The staffing table showed 60 posts. Thirteen implementing partners (IP) worked with the Representation, twelve of which were local.
7. Comments provided by the UNHCR Representation in Ecuador are incorporated in italics.

II. OBJECTIVE AND SCOPE

8. The audit was conducted to assess the adequacy and effectiveness of the Representation's governance, risk management and control processes in providing reasonable assurance regarding the **effective management of UNHCR operations in Ecuador**.

9. The audit was included in the 2011 OIOS risk-based work plan in agreement with the Bureau for The Americas taking into consideration the results of the previous audit conducted in 2005 that identified weaknesses relating to programme and financial management.

10. The key controls tested for the audit were: (a) performance monitoring; (b) project management; (c) regulatory framework; and, (d) staff safety and security. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Performance monitoring** - controls that provide reasonable assurance that metrics are established on when and how programme activities are performed, and that such activities are carried out in accordance with the metrics.

(b) **Project management** - controls that provide reasonable assurance that there is sufficient project management capacity to achieve mandates. This includes adequate financial resources, competent human resources, and appropriate project management tools.

(c) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures exist to guide the operations of the activity/programme.

(d) **Staff safety and security** - controls that provide reasonable assurance that staff safety and security programmes exist to ensure that staff are aware of the safety and security policies and procedures, and their responsibility for complying with them.

11. The key controls were assessed for the control objectives shown in Table 1.

12. OIOS conducted this audit from June to August 2011. The audit covered the period from 1 January 2009 to 31 May 2011.

13. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

14. In OIOS' opinion, the UNHCR Ecuador Representation's governance, risk management and control processes examined were **partially satisfactory** in providing reasonable assurance regarding the **effective management of UNHCR operations in Ecuador**.

15. The overall rating is based on the assessment of key controls presented in Table 1 below.

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of UNHCR operations in Ecuador	(a) Performance monitoring	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(c) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(d) Staff safety and security	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory

16. The Representation in partnership with the GOE was competently engaged in building up a favourable protection environment for refugees and other persons of concern. The principal impact of the ER was that the hitherto invisible population came out into the open, increasing the success of protection efforts. However, the backlog of RSD cases was growing in the offices of the Directorate of Refugees (DR). There were no credible metrics to monitor performance. Staff resources moved closer to the points of delivery with stepped up decentralization enabling effective delivery of assistance to refugees, although the Representation’s oversight of field offices needed improvement. The Representation was increasingly looking to work with local partners and in this regard, weaknesses were observed in the financial management capacity of local partners, indicating the need to strengthen project management.

17. The regulatory framework was rated as partially satisfactory given the issues identified in relation to payment of retrenchment benefits and IP bank reconciliations. Staff safety and security was an important area of concern for the operations and assessed as partially satisfactory as the Representation lacked an action plan to deal with the growing number of security incidents. Besides, staff needed additional training to be effectively prepared to handle common threats and incidents. The Representation has initiated action subsequent to the audit to strengthen controls.

18. OIOS made nine recommendations to address issues identified in this audit, which the UNHCR Representation in Ecuador accepted and is in the process of implementing.

A. Performance monitoring

Need for programme evaluation

19. The Mexico Declaration and Plan of Action to Strengthen the International Protection of Refugees in Latin America (2004) sets out a blueprint for the protection of refugees and other persons in need of international protection in Latin America and identifies courses of action to assist countries of asylum in the search for durable solutions. Among the steps envisaged by the Declaration is the setting up of evaluation mechanisms. UNHCR has previously undertaken “The Asylum Systems Quality Assurance and Evaluation Mechanism Project” studies in several European countries, which indicated that such evaluations are customarily undertaken. UNHCR has a policy encouraging offices in the field to

undertake evaluations of their programmes, with technical support and guidance provided by the Evaluation Policy and Analysis Unit. From 2008 to 2010, UNHCR incurred an expenditure of \$2.39 million on the ER exercise and \$1.21 million on strengthening of state institutions. In addition, about \$0.5 million was set aside for the Ministry of Foreign Affairs of Ecuador to strengthen state structures in 2011, which aggregated the total outlays on strengthening of state institutions to approximately \$4.1 million. Assistance to the GOE focuses on strengthening national authorities, laws, policies and skills of personnel, providing equipment and arranging public information campaigns to enable proper handling of refugee and asylum issues.

20. However, the Representation had not evaluated whether the targeted funding had been effective and enabled the state institutions to perform more effectively and efficiently. There is a need to evaluate whether the upgraded skills and institutions were having a tangible impact on identified capacity gaps.

(1) The UNHCR Representation in Ecuador should evaluate the initiatives on strengthening of state institutions to assess whether the upgraded skills and institutions have produced a tangible impact on identified capacity gaps.

The UNHCR Representation in Ecuador accepted recommendation 1 and stated that strengthening state institutions has been, and will remain, a key operational objective for UNHCR. This has been done through (1) continuous investment in capacity-building in asylum and protections matters provided to concerned ministries, (2) promoting coordination among stakeholders and (3) regularly monitoring performance in accordance with established parameters. An assessment was carried out to determine the effectiveness of initiatives undertaken and identify outstanding needs. However, changes in the political situation seriously hampered progress through the introduction in the past year of increasingly restrictive measures for addressing asylum and protection issues. Despite concerted advocacy efforts, including by UNHCR's senior-most management, political prerogatives recently prompted the government to issue a Presidential Decree (June 2012) withdrawing accession to the 1984 Cartagena Declaration on Refugees, a fundamental regional legal instrument underpinning asylum in the Americas.

The operation maintains regular coordination meetings with the Refugee Directorate of the Ministry of Foreign Affairs (MFA). Unfortunately, UNHCR-supported registration and documentation brigades to isolated border communities were halted and only a handful of training workshops to improve Refugee Status Determination could be implemented with the authorities. At the beginning of 2012 the Refugee Directorate did not accept UNHCR's offer to start a Quality Assurance Initiative (to improve RSD). In addition to the Ministry of Foreign Affairs, UNHCR works with other authorities, including the Ministry of Interior, Ministry of Justice, Ministry of Defence, the Constitutional Court, the Ministry of Social and Economic Inclusion and the National Ombudsman among others. These contacts sometimes lead to the organization of new training workshops, even though the Government's response to refugee issues is rather centralized in the MFA. In the field, offices maintain good working relations with local (municipal) authorities to advance the implementation of local initiatives on behalf of refugees.

UNHCR has assessed the current context of refugee protection and identified the following challenges:

- ✓ *difficult access to the asylum procedure;*
- ✓ *unfair admissibility procedures at odds with international standards;*
- ✓ *slowness of the refugee status determination process (12/18 months);*
- ✓ *difficulties in renewing the refugee visa;*
- ✓ *refugee visa are not accepted as 'legal' by many institutions;*
- ✓ *local integration opportunities are limited;*
- ✓ *physical security and the presence of Colombian irregular armed groups;*
- ✓ *widespread violence towards refugee women and girls;*

- ✓ *vulnerable situation of adolescent refugees and unaccompanied minors;*
- ✓ *refugees are blamed for the increasing insecurity in Ecuador.*

All these problems are interrelated and have resulted in a reduced protection space for refugees in both the border areas and urban settings.

Although UNHCR has little, if any, influence over political decisions, it is reviewing its country strategy with Government entities, particularly the Directorate for Refugees within the MFA. The implementation of the urban refugee policy in cities such as Quito and Guayaquil should allow UNHCR to monitor the inclusion of urban refugees in existing social programmes. However, tangible results in the above-mentioned areas will remain subject to political will on the part of the authorities.

Need for credible performance metrics

21. The Representation in Ecuador used the official UNHCR standards and indicators system for monitoring and evaluating achievements, constraints and protection gaps. However, OIOS observed that the performance metrics to monitor achievements in registration, RSD and resettlement were not credible. The accuracy and reliability of the performance data in the comprehensive plans was questionable. Impact indicators often lacked “baseline” figures. There were other inconsistencies: for instance, the 2010 comprehensive plan states that the target for average number of days from appeal submission to notification is 180 days, while the “problem and cause analysis” for the same indicator shows the standard as 90 days. Furthermore, the resettlement targets mentioned in comprehensive plans for 2010 and 2011 were ambitious as they call for 100 per cent and 75 per cent of identified individuals respectively to be resettled, whilst the actual achievement is significantly less, underscoring the need for realistic metrics. Credible and consistent performance metrics were required if the Representation was to effectively measure performance and obtain assurance that programme activities were meeting objectives.

(2) The UNHCR Representation in Ecuador should develop and use realistic comprehensive plan performance metrics in crucial protection related areas including registration, asylum procedures and resettlement.

The UNHCR Representation in Ecuador accepted recommendation 2 and stated that in view of 1 above, UNHCR will put in place a Comprehensive Solutions Strategy and work-plan to promote local integration, naturalization, access to basic rights (ex. Right to Work), and establish better-defined resettlement targets. UNHCR is in discussions with the Refugee Directorate to assess, through ProGres software, the registration and documentation of asylum seekers, refugees and resettlement candidates. To assist the authorities address security concerns, data management and refugee documentation using biometrics is being introduced. An attached Excel provides indicators related to registration, RSD and RST metrics, with targets according to the data uploaded for the 2012 Plan in FOCUS (these could still change depending on the context, since we are only at the mid-year report stage). In view of recent policy changes, metrics will be further defined to measure progress, identify on-going constraints and protection gaps.

Need to address the growing backlog in RSD cases

22. UNHCR procedural standards for RSD specify that it should not take more than six months from the date of registration to the RSD interview (section 3.5.3). In addition, the standards require that a decision be issued within one month of the RSD interview, or two months if the case is complex (section 4.5). Although these standards are UNHCR specific, they incorporate best practices that States should adhere to. However, in practice, these timelines were not being complied with and the GOE registration and RSD processes took considerably longer than these thresholds. UNHCR reported that RSD in

Ecuador could sometimes take up two years. Ever since the ER stopped, growing RSD backlogs constituted a major problem. UNHCR estimated that with the limited processing capacity of the GOE Directorate of Refugees (DR) and the existing backlog, and current inflows estimated at 1,400 asylum seekers per month, the backlog could be about 100,000 asylum seekers/persons of concern at the end of 2012, if effective remedial measures were not instituted. With the escalating backlog, UNHCR and the GOE are likely to face exactly the same circumstances and conditions, which made the ER process necessary. An agreement was put in place in 2011 for assisting the GOE, but its effectiveness in overcoming the backlog remained untested.

(3) The UNHCR Representation in Ecuador should develop a strategy to address the backlog in refugee status determination cases and remove bottlenecks in the process.

The UNHCR Representation in Ecuador accepted recommendation 3 and stated that in Ecuador the Government, not UNHCR, is responsible for RSD. Nonetheless, UNHCR has repeatedly offered the Refugee Directorate further support to strengthen its RSD procedures to reduce the existing backlog, and will continue to do so. Actions taken by UNHCR to address the backlog have included: (1) Participating in daily meetings of the eligibility commission to support discussion on pending asylum claims. UNHCR staff have provided advised on ways to accelerate refugee status determination. Even though UNHCR is not always in agreement with the decisions taken, the number of pending claims has been reduced. (2) Providing capacity building to the Refugee Directorate and the eligibility commission on refugee status determination and the handling of backlogs. (3) Supporting the Refugee Directorate in the management of ProGres and the collection of data, allowing the authorities to produce refugee statistics in a timely manner. (4) Facilitating the implementation of registration and data renewal brigades in various parts of Ecuador (mostly in border areas) to accelerate the refugee status determination process. These efforts are part of a strategy to assist the authorities deal with backlog issues although it has no influence over the eligibility process. As per the new Refugee Decree mentioned above, UNHCR will adjust its protection strategy and working relations with the government to continue to assist the authorities address backlogs and bottlenecks. As reported previously, the refugee backlog is estimated at 21,000 asylum seekers. Since the introduction of the more restrictive refugee policies and the admissibility procedures the main protection issue has become access to the asylum system for people in need of international protection. During the second trimester of 2012 the Refugee Directorate informed that the backlog of asylum seekers has been reduced to 16,000 persons. However, UNHCR does not have access to reliable information about how the backlog is being handled and there is concern that the closure of asylum claims may have been undertaken in an arbitrary way. Since the beginning of 2011 the main issue has been on admissibility. The latest statistics of 2012 show that since the introduction of admissibility procedures in December 2010 a total of 6,410 asylum claims have not been admitted, leaving many persons in need of international protection in a state of 'clandestinidad'. It has also been noted that persons admitted to the asylum procedure have an increased chance of being rejected as refugees. In the first semester of 2012 out of 6,386 asylum claims only 1,147 were recognized as refugees (or 18%). Unfortunately, over the last year UNHCR has been confronted with a reduced protection space, which has directly reduced the role of UNHCR in supervising refugee status determination.

Need to formalize resettlement referral mechanisms

23. UNHCR guidelines contained in the resettlement handbook and the UNHCR-NGO Toolkit for Practical Cooperation on Resettlement require that resettlement referral mechanisms be formalized, particularly with regard to the arrangements between the Representation and non-governmental organizations (NGO) to ensure accountability and transparency. Existing standard operating procedures at the Representation for NGO referrals do not provide sufficiently detailed guidance regarding these arrangements and require elaboration to: (a) specify in writing the roles and responsibilities of UNHCR

and NGO and their inter-relationship; and (b) ensure that NGO referrals recognize resettlement criteria in the handbook.

24. While internal referrals occur through UNHCR, resettlement referrals received from NGO's are considered external referrals. As per UNHCR guidelines, the system for external referrals needs to be designed to mitigate the risks associated with resettlement delivery. These risks include fraud, abuse, pull factors and inconsistent approaches to resettlement delivery. External referrals have a higher element of risk because they are not consistently subject to the same stringent scrutiny as UNHCR's internal referrals, which are preceded by stages relating to registration, refugee status determination and resettlement interviews by UNHCR staff. Inadequacies in procedures for external referrals increase the risk that undeserving cases could be referred for resettlement.

(4) The UNHCR Representation in Ecuador should document the roles and responsibilities of UNHCR and the non-governmental organizations in accordance with the criteria outlined in the resettlement handbook and the UNHCR-NGO Toolkit in respect of the referral mechanism.

25. *The UNHCR Representation in Ecuador accepted recommendation 4 stating that action had been taken with regards to the observations made in the report. A consultant was requested by UNHCR Ecuador and provided by DIP to look, inter alia, specifically into the identification and referral of cases. The consultant worked with NGO partners, Field Offices and the Resettlement Unit on streamlining and simplifying referral mechanisms. The components of the SOP mentioned in the recommendation will be duly taken into account and reflected in the SOPs of the Resettlement Unit.*

Under the framework of the UNHCR-NGO Toolkit on resettlement, UNHCR and NGOs have agreed to establish a referral mechanism of cases identified by NGOs that could be candidates for resettlement. A referral form (in Spanish) was designed and is used as basis for referrals. NGOs and UNHCR discuss cases for resettlement in the Durable Solutions Committee (at Field Office level) where cases with protection and assistance needs are discussed, inter alia, for referrals to UNHCR for resettlement analysis. Discussion/information on the cases is shared between NGOs and UNHCR prior to the referral to avoid duplicity. Feedback to the status of the referrals is provided to the NGOs, to coordinate issues including assistance during the resettlement process, psycho social counseling, and others. Training on identification and referrals for NGOs at Field Office level was completed in all Provinces where UNHCR has a presence. (Attached the referral mechanism SOPs of 2009 which are being updated).

B. Project management

Procedures for partner selection and termination need streamlining

26. The UNHCR Manual requires that adequate procedures should be in place to identify potential IPs and to carry out thorough assessments of the capacity of prospective IPs. The Manual also requires that the IP selection process be transparent and well documented. The UNHCR has also adopted a comprehensive pre-selection checklist. IOM/FOM 63/2010 provides that the annual process to select or retain IPs should be subject to a risk-management approach. It recommends that UNHCR offices establish an IP Selection Committee from a multi-functional team, which would provide advice to the Representative on the selection and retention of implementing partners. The decision to renew a partnership is to be based on evaluation of the IP performance and take into consideration the performance related information from internal audit, IP audit certification, control visits and evaluations. In the event a decision is taken to terminate a partnership, such a decision must be transparent, well documented and include evidence of discussion with the IP. As per its partnership strategy for Ecuador,

the UNHCR operation focuses on capacity building, particularly of local partners and since 2008, the Representation has selected 22 new IPs and has terminated its partnership with 11 IPs.

27. OIOS identified that pre-selection files did not contain documentation necessary about partners, such as copy of legal status or the NGO's annual report and financial statements, there was no SOP related to the selection/termination of IPs and the decision to select or terminate a partnership was not taken by the IP Selection Committee. The absence of adequate controls could lead to a perception of lack of transparency in partner selection.

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(5) The UNHCR Representation in Ecuador should adopt a Standard Operating Procedure to ensure compliance with guidelines in IOM/63-FOM63/2010, which covers procedures for selection/termination of implementing partners (IPs), including the role of the IP selection committee, and preparation of a permanent file with relevant documentation collected during the selection process.

28. *The UNHCR Representation in Ecuador accepted recommendation 5 stating that according to the operation's strategy, it had selected several new partners in recent years to enhance the local capacity at field locations to improve the effectiveness of results. The Representation had permanent files on implementing partners. However, the Representation agreed to collect additional documents when selecting IPs.*

Attached are documents currently under discussion on new procedures for the establishment of partnerships, focusing on the selection and retention of partners. It is important to point out that the Ecuador operation has not developed specific SOPs yet, as recommended after the audit process, because new global guidelines are still to be developed. Once they become available and are validated, the operation will put them into practice and the partnership structure will be revised. Additionally, the Programme Unit maintains permanent files on partners that are permanently being updated. The National Programme Officer has participated in a workshop in Budapest on this topic, which is now being finalized as part of the IPSAS requirements.

Staffing resource requirements need to be determined

29. The scale of operations in Ecuador had surged considerably in recent years, whilst capacity and support structures had lagged behind, leading to a mismatch between the demands of the operations and resources available. The Representation's strategy was to increase its presence closer to the point of delivery and delegate greater responsibilities to the field staff, particularly with regard to protection and programme management. This resulted in a surge of United Nations Volunteer (UNV) positions to 45, accounting for half of the total workforce. Some of the field locations were manned only by UNVs, which require a greater degree of supervision and oversight by regular staff, exacerbating the impact of the decision not to increase regular staff in line with the increase in the scale of operations. Lack of adequate regular staff resources represents a significant weakness in internal control.

(6) The UNHCR Representation in Ecuador should determine the resources required at the Representation to ensure effective management, support and monitoring of field offices.

30. *The UNHCR Representation in Ecuador accepted recommendation 6 stating that whilst it is important to have the right staffing structure in place to ensure effective compliance with management tasks, the creation of additional resources/staffing would go in tandem with the availability of additional financial resources for the operation. For the 2013 operating level budget allocation and as part of the special project priorities, two positions were approved for creations in Ecuador as of 1 January. An Associate Project Control Officer at the NOB level and Protection Officer (RSD) at the P3 level. These positions will strengthen the monitoring and management of projects and reinforce activities and support for the field. In addition, on 15 June 2012 the newly appointed Admin/Finance Officer (P3) arrived to take up his function. This post had been vacant since July 2011.*

C. Regulatory framework

Financial management and reporting was adequate

31. The Representation ensured that it carried out bank reconciliation on a monthly basis. In compliance with the Financial Internal Control Framework, the delegation of authority plan was in place and operated as designed. IOM/054-FOM/053/2009 – Instructions for the closure of UNHCR Accounts for year ending 31 December 2009 and IOM/070/2010 -FOM/070/2010 - Instructions for the Closure of UNHCR Accounts for the year ending 31 December 2010 outlined detailed instructions for the closure of year-end. The Representation filed accurate and timely financial reports to the UNHCR headquarters in compliance with these IOM-FOMs.

Procurement was generally conducted in compliance with UNHCR rules

32. The Ecuadorian operations carried out procurement totalling over \$3 million for the period under review. A properly constituted and duly authorized Local Committee on Contracts was in place and convened regularly to consider cases from Quito and the field offices. OIOS assessed compliance with procedures and whether value for money was obtained in the procurement process. No deviation from the rules was noted.

Lack of policy clarity for payment of retrenchment benefits to IP staff poses a financial risk to UNHCR

33. In its report on ‘Audit of Retrenchment Benefits for UNHCR Implementing Partner Project Personnel’ (AR2005/162/07), OIOS recommended that ‘The UNHCR Division of Operational Support should formulate a policy regulating the payment of retrenchment benefits to project personnel of UNHCR implementing partners’. This recommendation was not made in the context of any one specific country operation, and was addressed to UNHCR Headquarters. However, the policy has not been finalized yet. In the absence of clear policy guidelines, the payment of retrenchment benefits to IPs in Ecuador poses a risk of setting precedents that may have serious financial consequences for UNHCR. While UNHCR is of the opinion that there is no firm legal liability to pay retrenchment benefits for IP personnel, UNHCR has created precedents by often paying these on the grounds of national legislation, moral obligation or in the interests of maintaining good relations with partners. The Representation provides on an annual basis a 6 per cent provision in the budget to build a reserve for termination benefits for IPs. The budget line “salary” includes the net salary paid to the staff and the social benefits paid to the Government provision for reserve for termination benefits. Substantial payments have already been made to IPs, including one time payment of \$100,000.

(7) The UNHCR Representation in Ecuador should consult with the Division of Programme Support & Management to assess and review the legal and financial ramifications of paying retrenchment benefits to staff of implementing partners, including future potential liabilities, prior to embarking on any formula/policy and entering into any locally signed agreement.

34. *The UNHCR Representation in Ecuador accepted recommendation 7 and stated that it was aware of regulations on retrenchment benefits for IP staff. The Representation would work in close coordination with Headquarters (DPSM, DFAM, LAS) to find the right solutions.*

The Representation is requesting DPSM criteria on how partners should “reserve” the amount for future retrenchment benefits of former employees. These amounts are foreseen in the yearly budget but under Ecuadorian law they cannot be paid annually. Once a response is received from DPSM the Office may hire a local consultant to ensure that UNHCR policy on retrenchment benefits meets local labor law standards.

Inadequacies in IP bank reconciliations

35. Under the agreement with IPs, bank reconciliations are to be performed monthly and reconciling items followed-up promptly. Not all IPs complied with the requirements for performing bank reconciliations. In addition, on one project, the bank signatories were on sole signatory basis. There was no supervisory review of bank reconciliations; inter-project transfers were made even though prohibited; and there were significant differences totalling about \$71,000 between the general ledger and the bank balances. One IP did not perform bank reconciliations for 2010 or 2011. Also, the UNHCR bank account contained credits of other donors, which created difficulties in reconciling amounts received and expended by individual donors and could lead to fraud and misappropriation. In the absence of regularly conducted bank reconciliations, management may not have reasonable assurance that all transactions that have occurred have been accurately reflected in the accounts and may not be able to uncover any possible discrepancies in a timely manner.

(8) The UNHCR Representation in Ecuador should ensure as part of its financial monitoring that implementing partners perform regular bank reconciliations and follow-up on reconciling items promptly.

36. *The UNHCR Representation in Ecuador accepted recommendation 8 and stated that the bank reconciliation problems reported by OIOS had been reviewed and clarified with implementing partners. An accounting firm had been engaged to review the accounting systems of partners and assess weaknesses to improve their financial management. UNHCR programme staff now include examination of IP bank reconciliations as part of their financial monitoring functions. Measures had been taken to ensure that bank reconciliations were a monthly practice among all IPs in Sucumbíos. Programme staff carried out several follow-up visits to monitor and verify financial procedures of IPs, including bank reconciliations. Recommendations were shared with IPs in writing. Sub-Office Lago Agrio also hired an accounting firm to build the capacity of weak IPs in terms of financial management so that they can comply with UNHCR regulations and national legislation.*

The operation has strengthened the financial monitoring of partners and is regularly updating bank reconciliation records for every verification on IPFMRs. Attached are bank reconciliation records from Federación de Mujeres de Sucumbíos (FMS) as a sample of evidence.

D. Staff safety and security

Security arrangements needed to be strengthened

37. The Representation and its field offices operated in an environment where security concerns often seriously affect the range and extent of operations. This was particularly true for operations in the northern border areas. A new security system was in place since January 2011, which established the Security Level System (SLS). The operation had a Field Safety Adviser (FSA) and all staff had undergone training. Offices were Minimum Operating Safety Standards (MOSS) compliant. Since the sub-office Lago Agrio had moved into its new premises, its MOSS compliance improved significantly. However, since the field presence expanded considerably, the matter of compliance needed to be reviewed. A risk assessment had been undertaken and a report was being prepared for the Security Management Team (SMT), which needed to be expedited and acted upon. The number of security incidents had been increasing steadily. For example, for the period from July 2010 until April 2011 there were 16 serious security incidents (in Quito and in field offices) such as robbery, armed theft, attempted rape, assault, attempted armed robbery, and death threats. The victims were UNHCR staff, interns, staff of IPs, Junior Professional Officer, UNVs and consultants. The Representation lacked an action plan to

deal with the growing number of security incidents and staff needed additional training to be effectively prepared to handle the common threats and incidents.

(9) The UNHCR Representation in Ecuador should make necessary security arrangements related to its expanding field presence.

38. *The UNHCR Representation in Ecuador accepted recommendation 9 and stated that subsequent to audit fieldwork, an action plan was developed together with the Regional Field Safety Advisor for the second half of 2011 and 2012. A new office in Guayaquil was opened and the offices in Esmeraldas and Ibarra were relocated. These measures entailed prior comprehensive security analyses to ensure that the new locations provide an enhanced security environment, which is the case. As suggested, the Representation conducted security management training to over 60% of staff, including that of implementing partners, to improve security of missions to the field. Moreover, greater information sharing has been instituted with local and international actors, including GOE officials and embassy security staff to enhance preparatory and mitigation measures to enhance overall security and safety. The Field Safety Section in Geneva has also assisted by providing a template for specific security incidents and information requests. The template is in use. UNHCR Ecuador is also using regularly issued UNDSS information on security issues and immediately relays it to the concerned field office. As a result of these actions, the number of security incidents in the latter half of 2011 decreased significantly.*

39. *The Representation's security action plan continues into 2012 and aims to expand security training modules, develop relations and information sharing with other actors involved with security management. It is carrying out regular security analyses to enable the operation to adapt to changes in the security environment and continue to enhance staff and implementing partner safety.*

IV. ACKNOWLEDGEMENT

40. OIOS wishes to express its appreciation to the Management and staff of the UNHCR Representation in Ecuador for the assistance and cooperation extended to the auditors during this assignment.

AUDIT RECOMMENDATIONS
Audit of UNHCR Operations in Ecuador

Rec. no.	Recommendation	Critical ¹ / important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Representation in Ecuador should evaluate the initiatives on strengthening of state institutions to assess whether the upgraded skills and institutions have produced a tangible impact on identified capacity gaps.	Important	Yes	Representation, Sr. Protection Officer	Throughout 2012	In view of reply provided, request the revision of recommendation evaluation.
2	The UNHCR Representation in Ecuador should develop and use realistic comprehensive plan performance metrics in crucial protection related areas including registration, asylum procedures and resettlement.	Important	Yes	Representation, Sr. Protection Officer	Dec. 2012	
3	The UNHCR Representation in Ecuador should develop a strategy to address the backlog in refugee status determination cases and remove bottlenecks in the process.	Important	Yes	Sr. Protection Officer	Throughout 2012	In view of the reply provided, request the revision of the recommendation evaluation.
4	The UNHCR Representation in Ecuador should document the roles and responsibilities of UNHCR and the non-governmental organizations in accordance with the criteria outlined in the resettlement handbook and the UNHCR-NGO Toolkit in respect of the referral mechanism.	Important	Yes	Resettlement Officer	Throughout 2012	
5	The UNHCR Representation in Ecuador	Important	Yes	Deputy	April, June and	

¹ Critical recommendations address significant and/or pervasive deficiency or weakness in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Rec. no.	Recommendation	Critical ¹ / important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	should adopt a Standard Operating Procedure to ensure compliance with guidelines in IOM/63-FOM63/2010, which covers procedures for selection/termination of implementing partners (IPs), including the role of the IP selection committee, and preparation of a permanent file with relevant documentation collected during the selection process.			Representation, Programme Officer	throughout of 2012	
6	The UNHCR Representation in Ecuador should determine the resources required at the Representation to ensure effective management, support and monitoring of field offices.	Important	Yes	Representation, Admin. / Finance Officer	Resources determined and created. New Admin/Finance Officer in place. Effective management, monitoring and supporting place and ongoing.	In view of the actions taken and resources confirmed, we request closure of the recommendation.
7	The UNHCR Representation in Ecuador should consult with the Division of Programme Support & Management to assess and review the legal and financial ramifications of paying retrenchment benefits to staff of implementing partners, including future potential liabilities, prior to embarking on any formula/policy and entering into any locally signed agreement.	Important	Yes	Programme Officer	June / Dec. 2012	
8	The UNHCR Representation in Ecuador should ensure as part of its financial monitoring that implementing partners perform regular bank reconciliations and follow-up on reconciling items promptly.	Important	Yes	Representation, Programme Officer	April and throughout 2012	
9	The UNHCR Representation in Ecuador should make necessary security arrangements related to its expanding field presence.	Important	Yes	Representation, Field Security and Safety Adviser	June 2012	In view of actions taken, request the closure of the recommendation.

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