



Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of UNHCR operations in Japan

Overall results relating to the effective management of the UNHCR operations in Japan were initially assessed as satisfactory

FINAL OVERALL RATING: SATISFACTORY

21 August 2012

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AUDIT REPORT

Audit of UNHCR operations in Japan

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations High Commissioner for Refugees (UNHCR) operations in Japan.
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. The UNHCR Representation in Japan was established in 1979 to ensure protection of asylum seekers and refugees in Japan. Asylum-seekers in Japan come from about 50 countries, the countries most prominently represented in previous years being Myanmar, Sri Lanka, Turkey and Nepal. The refugee and asylum-seeker population is urban, residing in cities like Tokyo, Osaka, Kanagawa, Hyogo, Tochigi and Nagoya.
4. The Representation is headed by a D-1 supported by 13 staff, including six Professional (P) and seven General Service (GS) staff. The budget of the Representation was \$4.6 million in 2009, \$4.8 million in 2010 and \$5.1 million in 2011. Staffing costs constitute around 70 per cent of the budget because the post-adjustment in Japan is the highest in the world. The Representation had three implementing partners (IPs) in 2009 with a budget of \$1 million (22 per cent of the total budget), three in 2010 with a budget of \$0.22 million (5 per cent of the budget) and five in 2011 with a budget of \$0.15 million (3 per cent of the budget). There were 13,669 refugees, 2,061 asylum seekers and 1,234 stateless persons.

II. OBJECTIVE AND SCOPE

5. 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 the UNHCR operations in Japan**.
6. The audit was added to the 2011 annual work plan in agreement with UNHCR to take advantage of OIOS' visit to Japan for the audit of UNHCR private sector fund-raising activities. While it was not identified as a high-risk operation, the Representation had not been audited since 2002.
7. The key controls tested for the audit were: (a) project management; (b) regulatory framework; and (c) disaster recovery and business continuity. For the purpose of this audit, OIOS defined these key controls as follows:
 - (a) **Project management** – controls that provide reasonable assurance that there is sufficient project management capacity to achieve mandates.
 - (b) **Regulatory framework** – controls that provide reasonable assurance that policies and procedures: (i) exist to guide the operations in areas such as budget and finance, and procurement;

(ii) are implemented consistently; and (iii) ensure reliability and integrity of financial and operational information.

(c) **Disaster recovery and business continuity** – controls that provide reasonable assurance that disaster recovery and business continuity plans exist to ensure that the operations can withstand crisis and continue to operate within a reasonable timeframe.

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

9. OIOS conducted this audit between 4 November 2011 and 18 December 2011. The audit covered the period from 1 January 2009 to 31 October 2011.

10. 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

11. The Representation’s governance, risk management and control processes examined were assessed as **satisfactory** in providing reasonable assurance regarding **the effective management of UNHCR operations in Japan**. Project management was adequate with arrangements in place for financial and performance monitoring. Operational reporting was accurate and timely. The Representation complied with rules and regulations pertaining to project management. Delegation of authority plan was in place and operated as designed. Controls were in place for accurate financial reporting, safeguarding of assets and compliance with mandates, rules and regulations. The Representation had adequate plans in place to ensure disaster recovery and business continuity. Major reporting systems and tools for both finance and operations were backed up at the UNHCR headquarters.

12. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **satisfactory**.

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 the Japan	(a) Project management	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(b) Regulatory framework	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(c) Disaster recovery and business continuity	Satisfactory	Satisfactory	Satisfactory	Satisfactory
FINAL OVERALL RATING: SATISFACTORY					

A. Project management

Adequate project monitoring

13. The Representation conducted performance and financial monitoring of IPs on a quarterly basis. Quarterly sub-project monitoring reports were compiled and notes were kept to document the monitoring visits. The Representation also reviewed the Implementing Partner Financial Monitoring Reports and verified expenditures before releasing subsequent tranches of funding to IPs.

Financial and operational reporting for the special project implemented by Refugee Assistance Headquarters was accurate

14. An operating partner, a quasi-governmental body under the Ministry of Foreign Affairs (MoFA) of Japan responsible for the provision of assistance to asylum seekers, received \$0.9 million from UNHCR in July 2009. This was a special one-off arrangement between UNHCR and MoFA. Due to the influx of 2,061 asylum seekers, the operating partner's budget for 2009 was found to be inadequate to provide shelter, medical and cash assistance to refugees. MoFA requested UNHCR to earmark the above amount from the additional Japanese funding for use by the operating partner resulting in the special arrangement. OIOS' review of pertinent documentation (e.g., UNHCR project monitoring reports, the external audit report by Ernst & Young, and the operating partner's standard operating procedures for the identification of and distribution of assistance to asylum seekers and control procedures) showed that UNHCR funds were utilized for the project's intended purpose and financial and operational reports were accurate and satisfactory.

The Representation complied with UNHCR rules when selecting IPs

15. In Japan, only two IPs have been available to assist refugees from the year 2000 to 2011. Three new IPs were identified in 2011: IP 1 (budget \$6,000), IP 2 (budget \$17,000) and IP 3 (budget \$8,000). Selection of these three complied with the rules and procedures for selecting IPs. RHQ, being a quasi-governmental body under the Ministry of Foreign Affairs, was classified as an operating partner and was thus not subject to the IP selection guidelines.

B. Regulatory framework

Financial management and reporting was satisfactory

16. Bank and petty cash reconciliation was done on a monthly basis and sample statements reviewed by OIOS were satisfactory. In compliance with the Financial Internal Control Framework, the delegation of authority plan was in place and operated as designed. Open items of \$72,807 dated between 2004 and 2010. At the time of the audit, the Representation had managed to reduce this amount to \$19,761 and was finalizing clearance of this remaining amount with UNHCR headquarters. OIOS reviewed relevant correspondence and was satisfied that adequate action was underway to clear the remaining balance.

17. The Representation filed accurate and timely financial reports to the UNHCR headquarters in compliance with relevant instructions for year-end closing of accounts.

Asset management was satisfactory

18. The Representation had three property, plant and equipment (PPE) items recorded in the database costing \$65,616 and 57 serially tracked items (STIs) costing \$74,617. OIOS' verification of the assets and STIs showed that controls over their safeguarding were in place and operating satisfactorily.

Administrative Budget Obligatory Document (ABOD) Expenditures were managed in accordance with guidelines

19. Controls over the regulatory framework for ABOD expenditures in Japan were in place. Overall, there was no over-expenditure in ABOD and specific chapters where over-expenditure was noted were justified. Expenditures for 2009 and 2010 pertaining to several chapters including temporary assistance, operating expenses, consultant costs, supplies and materials were compliant with the regulatory framework.

Compliance with procurement and contract administration rules was generally satisfactory

20. Arrangements for procurement and contract administration were generally satisfactory. A local committee on contracts was in place and approved procurement in accordance with rules. The procurement generally met the requirements of the UNHCR manual with regard to sourcing, tendering, contract management and other procedures.

C. Disaster recovery and business continuity

Plans were in place to ensure continuity of operations

21. Rules stress the need for contingency plans for country operations to respond timely to emergencies. Disaster recovery and business continuity plans are an example of such contingency plans. The business continuity plan outlines the steps necessary to prepare for and cope with a crisis. The plan ensures senior management and key personnel know the strategy for business continuity, the critical processes that need to be maintained and the roles assigned to each staff member to allow them to contribute to mitigating the negative effects of a crisis. In the wake of a devastating earthquake in March 2011, Japan is one of the country operations where such plans are more relevant.

22. The Representation Japan had adequate disaster recovery and business continuity plans in place. Some of the plans were preventive while others dealt with the recovery and business continuity processes. The preventive plans included office accommodation in a seismically isolated structure designed to absorb the seismic energy and limit its impact. Critical data such as those in the Managing Systems, Resources and People (MSRP) and FOCUS systems were backed up at UNHCR headquarters. The Representation had a relocation plan that identified places at Kobe, Nagoya and Fukuoka to relocate to in the event of a disaster.

IV. ACKNOWLEDGEMENT

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



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