INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/026

Audit of UNHCR operations in Tunisia

Overall results relating to the effective management of UNHCR operations in Tunisia were initially assessed as partially satisfactory. Implementation of four important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

25 March 2013
Assignment No. AR2012/131/01

CONTENTS

AUDIT REPORT

Audit of UNHCR operations in Tunisia

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations High Commissioner for Refugees (UNHCR) operations in Tunisia.

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. UNHCR first established an Honorary Representation in Tunisia in 1963 and operated under that status as a Liaison Office until 18 June 2011 when the office changed status to that of a Country Office (the Representation) following the signing of the cooperation agreement (Accord de Siège) between UNHCR and the Government of Tunisia. The newly appointed Representative assumed her functions on 15 September 2011.

4. In February 2011, because of the crisis in Libya, the Tunisian operations became an emergency operation as more than one million people sought refuge in Tunisia. At the outset of the emergency, UNHCR's office in Tunisia comprised five staff, including one International staff. UNHCR had no presence in southern Tunisia, no host country agreement with the government and only minimal activities within the UN country team and local non-governmental organizations. The Representation's activities, which were mainly in the Zarzis region near the Libya border, ceased to be an emergency operation by July 2011. The emergency operation was initially managed from the newly created sub-office (SO) at Zarzis from April 2011 as all the activities were implemented in southern Tunisia. SO Zarzis operated with a significant degree of autonomy until September 2011, when the Representative assumed duties at the country office. The population of concern at the end of April 2012 consisted of 2,713 refugees and asylum seekers in Shousha Camp and 333 refugees and asylum seekers in urban areas.

5. The budget/expenditures of the Representation were $1.1 million/$0.98 million in 2010, which rose to $34 million/$36 million in 2011 as result of the Libya emergency. Similarly, the 2010 Administrative Budget Obligation Document (ABOD) was $125,000, increasing to $4.5 million in 2011. ABOD is meant for administrative support expenses and comprises an administrative budget and authority to disburse cash up to an approved obligation level. The 2012 budget was $32 million. As of January 2012, the operation functioned with 129 posts, including 40 professional and 89 posts in other categories. The Representation held 50 property, plant and equipment (PPE) items with a purchase value of $1.33 million (current value $1.07 million) and 219 serially tracked items (STIs) with a purchase value of $227,452 (current value of $123,176).

6. Comments provided by the Representation are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

7. 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 Tunisia**.

8. The audit was included in the 2012 OIOS risk-based work plan, in discussion with Bureau for Middle East and North Africa (MENA), due to high risk presented by the emergency operation in 2011, the high monetary value, and operational complexity.

9. The key controls selected for this audit were: (a) project management; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide cash management, financial management and supply chain; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information; and

(b) **Project management -** controls that provide reasonable assurance that there is accurate and complete monitoring and reporting of project activities and that they are carried out in compliance with UNHCR policies and procedures.

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

11. OIOS conducted the audit from June to July 2012. The audit covered the period from 1 January 2010 to 31 May 2012.

12. 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. The audit reviewed programme activities and expenditures at the Representation's office at Tunis and at SO Zarzis.

III. AUDIT RESULTS

13. The Representation's governance, risk management and control processes examined were **partially satisfactory** in providing reasonable assurance regarding **the effective management of UNHCR operations in Tunisia.** OIOS made four recommendations in the report to address issues identified in the audit. The Representation initiated corrective measures to rectify the shortcomings identified in the audit by setting in place procedures ensuring: (a) that the Local Committee on Contracts (LCC) performs its duties in accordance with relevant guidelines; (b) Procurements undertaken comply with competitive processes and that required approvals are obtained; and (c) Purchase orders are systematically used and receiving reports prepared in accordance with the rules. The Representation also acted promptly in recovering an overpayment of $184,000 to a vendor providing logistics services. Steps were taken to prevent a recurrence of overpayments by ensuring that: (i) vendor payments were supported by appropriate documentation including the original invoice and certification that goods/services were received; and (ii) that vendor payments are tracked and vendor accounts reconciled on a quarterly basis. However, controls over regulatory framework were assessed as partially satisfactory, because corrective action needed to be completed on discrepancies in property, plant and equipment, inventories and serially tracked items and for transferring assets to the Tunisian Ministries.

14. Project management was assessed as partially satisfactory as the Representation had yet to: (a) establish a framework for defining and monitoring performance indicators and targets for each implementing partner agreement in accordance with the Results Based Management (RBM) framework; (b) recover overpayments of IP overhead support costs; and (c) obtain approvals for termination payments.

15. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of four important recommendations remains in progress.

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 Tunisia	(a) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Regulatory framework

(i) Emergency management

Roles and accountabilities of the Representation and the SO were clarified

16. At the time of the audit, the respective roles, reporting lines, accountabilities, authorities and responsibilities of the Representation in Tunis and the SO in Zarzis had not been adequately clarified. Governance arrangements were not adequately structured to establish normal reporting lines through the Representation, delegate authorities from the Representative, and establish effective oversight. As a consequence, the Head of SO assumed authorities normally provided to a Representative, such as, establishing a Local Committee on Contracts (LCC), establishing a Local Asset Management Board (LAMB) and signing IP agreements. In a memo from the Representative to the Head of Office in Zarzis in June 2012, LAMB and LCC compositions were amended and restricted to the Representation, as was the authority to sign IP agreements.

Inadequacies in handling emergencies were addressed

17. Shortcomings were observed in staff deployments such that UNHCR could not provide in a timely fashion, the number and quality of staff required for emergencies. Some Fasttrack[1] staff only arrived from September 2011 long after the emergency, which meant that the emergency operation was dependent on emergency mission deployments[2] between February and September 2011. There was no evidence of hand-over of tasks between one mission staff member and the next, and therefore, any system of control set up by one staff on mission, was generally lost at the hand-over. Many of the weaknesses of the operation can be traced to the rapid rollover of emergency mission staff, many of whom stayed for only a few months and control shortcomings evident as at audit date were those that remained uncorrected in the period between February and September 2011.

[1] Staff assigned to the operation based on an expedited selection process
[2] Staff on mission status for short durations

18. UNHCR stated that, since the emergency operation in Tunisia, it had reviewed in April 2012 its deployment mechanisms for emergency operations, in particular to reduce the frequent turnover of staff during the first months of an emergency response. Additionally, in a broadcast message dated 30 October 2012, the Assistant High Commissioner (Operations) issued a booklet intended to make the April 2012 procedures and policies more accessible to staff. Supplementing the global policy changes mentioned above, and having learned lessons from recent emergencies, UNHCR had also set in place appropriate structures and arrangements for future emergencies. For example, UNHCR had taken steps to strengthen its emergency leadership capacity through the establishment of a Senior Corporate Emergency Roster, conducted training sessions, prepared standard handover templates, and on a general note, the Organization recognized that its global staff capacity in the areas of project control, finance and administration required strengthening. In light of the policy and other changes introduced recently, OIOS considers that the gaps in emergency management have been addressed and no additional action is recommended.

(ii) Financial management

Management has initiated corrective action to address shortcomings in financial management

19. Weaknesses were observed in the financial management of the operations including bank reconciliations, the Delegation of Authority Plan (DOAP), management of petty cash, clearance of operational advances and procedures for the recovery of value added tax (VAT). Action had been taken to address arrears in bank reconciliations in the US Dollar and the Tunisian Dinar (TND) accounts and bank reconciliations were current at the time of this report. The DOAP was revised to achieve segregation of duties. Petty cash arrangements were strengthened with the creation of standard operating procedures intended to ensure compliance with rules. The Representation also implemented procedures to ensure that available VAT exemptions were obtained and UNHCR had a VAT exemption valid from 7 May to 31 December 2012.

20. Individual staff members may be granted advances to effect cash payments away from the immediate area of the Field Office and the staff member is required to properly account for and clear the open item. From February 2011 to June 2012, the Representation issued operational advances, totaling $1.37 million. Contrary to requirements: (a) the balance of previous advances was carried forward to subsequent advances; (b) the SO did not monitor on a monthly basis the adjustment of account number 240015 used for operational advances. Further, the SO did not carry out the required complete mid-year review of all receivable and payable accounts to ensure that outstanding amounts were fully justified; (c) four operational advances given from July to November 2011 were in the open items list as at audit date; and (d) payments were made to vendors exceeding the $1,000 limit for non-PO vouchers. To strengthen controls over operational advances, the Representation established standard operating procedures to ensure that these advances were processed and accounted for in compliance with the rules. Operational advances of TND 15,135 ($10,810) were cleared during the period from June to September 2012. The Representation, with the support of the MENA Bureau, was taking action to clear all outstanding operational advances by 31 December 2012. With the actions taken by the Representation, no recommendation is being raised.

(iii) Supply chain

Corrective steps have been taken to improve management of procurement

21. At the time of the audit, procurement was not being undertaken in compliance with rules and a number of control weaknesses were observed, which were corrected by the time of this report:

- There was no vendor registration process or vendor review committee and procedures for evaluating vendors had not been implemented. To rectify this, the Representation established a vendor review committee in October 2012 for the retention of qualified and capable vendors. To strengthen contract management and planning, the Representation created consolidated contract files in order to properly plan for procurement and initiate establishment and renewals of contracts.

- The LCC had not ensured that the purchase of goods and services was accomplished through competitive bidding and that the most economical offer was determined. Instead, LCC Zarzis approved 58 cases (total value $4.6 million) in 2011 and 2012 of which 45 cases were approved (total value: $2.8 million or 62 per cent) without competitive bidding. There were 27 waivers for competitive bidding and 18 retroactive approvals for waivers of competitive bidding for cases that were not submitted to the LCC before commitment. Of the 13 cases that were subjected to competition, six cases did not comply, without adequate written explanation, with the recommended minimum number of vendors to be contacted. In order to prevent recurrence of the shortcomings, the LCC in Zarzis was dissolved and members of the LCC in Tunis were trained on 17 August 2012. The Representation advised colleagues on a regular basis on rules and regulations, by coaching them, and by providing information/advice when needed. Regular missions are organized to share best practices and bring the necessary support. With the adoption of these measures, the Representation ensured that the Local Committee on Contracts (LCC) performed its duties in accordance with relevant guidelines

- From May 2011 to March 2012, the SO made payments of $1.18 million to a vendor contracted for transportation, logistics and warehousing services. There was a breakdown in internal control due to non-recording of invoice numbers on payment vouchers, inadequate tracking of payments made previously and non-reconciliation of payments. As a consequence, the SO made double payments totaling $183,682 in four of the 14 payment vouchers. At the time of this report in November 2012, the vendor had reimbursed UNHCR the sum of $183,682 and prepared a reconciliation of all payments. To prevent recurrence of overpayments, the Representation established arrangements which ensured; (a) that vendor payment is supported by appropriate documentation including original invoice and certification that goods/services were received; and (b) that vendor payments are tracked and vendor accounts reconciled on a quarterly basis.

- In five procurement cases worth $2.1 million, staff committed UNHCR to suppliers without a contract or purchase order and the required approvals from the LCC or the UNHCR Committee on Contracts (CoC). Improved procurement planning and vendor payment certification will adequately mitigate the risk of such control override recurring. The Representation reported that the procurement plan for 2013 was prepared in accordance with the rules. To further strengthen procurement arrangements, the Representation initiated the systematic use of purchase orders and monitored procurement activities to ensure compliance with the rules.

<u>Action was taken to monitor compliance with IP procurement guidelines</u>

22. Proposals for the delegation to IPs of the authority to procure $100,000 and above require the LCC approval. At the time of the audit, the Representation granted, without the LCC approval, such procurement authority to two international IPs that were allocated procurements in excess of $2 million. The Representation had also not documented the results of monitoring activities on IPs' compliance with procurement procedures. The Representation had addressed the issues and advised that during the Implementing Partner Financial Monitoring Report verification conducted in October 2012, UNHCR programme/supply staff monitored procurement and ensured compliance with UNHCR's IP procurement guidelines. Delegation to IPs of procurement above $100,000 was done retroactively on 22 October 2012. Based on the action taken by the Representation, no recommendation is being raised.

Controls over warehouse management were strengthened

23. At the time of the audit, there was a lack of procedures for warehouse management, absence of insurance cover and incorrect handling of in-kind donations. At the time of this report, the Representation had implemented standard operating procedures for warehouse management. In addition, the warehouse insurance cover was finalized with SMS support in August 2012 and the warehouse inventory safeguarded against common risks such as fire, theft and natural disasters. The Representation also adopted an action plan to ensure that in-kind donations would be recorded by 31 December 2012 as per UNHCR's procedures. Based on the action taken by the Representation, no recommendation is being raised.

Strengthening of controls over PPE, inventories and STIs and transfer of items to the Ministries of Social Affairs, Health and Defense were underway

24. The Representation completed a physical verification of PPE, STI and inventories (NFI and food) in November 2011. However, the audit noted that the verification by the Representation did not adequately address discrepancies in the PPE, STI and inventory records at the Zarzis and Ben Gardene warehouses. The following items were not recorded in MSRP: three tractors, two trailers, one water tank, 53 STIs and several NFIs. Ten bullet proof vests and helmets were recorded in MSRP, but could not be physically located. OIOS was unable to assess the value of these items in the absence of documentation. The discrepancies were mainly due to the high turnover of staff during the emergency and also to the lack of communication between Tunis and Zarzis offices. As the Representation had prepared standard handover templates to address the high staff turnover and ensure adequate transfer of responsibility, OIOS is not making a recommendation to address this issue.

25. In addition, procedures for the transfer of assets were not followed and the transfer of items was delayed. On 1 August 2011, UNHCR transferred nine vehicles ($370,811) and 70 printers/computers ($45,474) to the Ministry of Social Affairs of Tunisia under the right of use (ROU) of agreement with UNHCR. However, these items were a donation to the Ministry for which an agreement on the transfer of ownership was necessary. An office/living container and a prefabricated warehouse (with a combined value of $31,000) were in the possession of the Tunisian Military in the Shousha Camp for which an agreement on the transfer of ownership was required. UNHCR purchased medical equipment worth $1 million for distribution to four district hospitals through the Ministry of Health. Although this assistance was charged to the 2011 programme budget, the medical equipment procured had not been handed over to the hospitals at the time of the audit.

(1) The UNHCR Representation in Tunisia should: (a) reconcile the discrepancies in property, plant and equipment, inventories and serially tracked items; (b) ensure that all items belonging to UNHCR are verified and recorded in the Managing for Systems, Resources and People (MSRP) enterprise resource planning software; (c) obtain the required approvals from the Local Asset Management Board (LAMB), prepare transfer of ownership agreements for the Tunisian Ministries of Social Affairs, Health and Defense and update MSRP records.

The Representation accepted recommendation 1 and stated: (a) LAMB meetings were held in September and October 2012 and that the reconciliation process for PPE, STI's and inventories was ongoing. While not all items were reconciled, significant progress was made and verification updated in the system. (b) MSRP registration would be finalized once all cases have been submitted to the LAMB; (c) Transfer of ownership to the Ministry of Health was approved by the LAMB meeting held in September 2012, although transfer of ownership agreement remained to be finalized and MSRP records were also to be updated. Transfer of ownership to the Ministry of Social Affairs was approved by the LAMB in September 2012 and transfer of ownership agreement signed in November 2012, although MSRP still needed to be updated. Recommendation 1 remains open pending receipt of (a) documentation showing the reconciliation of PPE, STIs and inventories and updating of MSRP records, and (b) signed transfer of ownership agreements and the physical transfer of the items to the Ministries.

<u>(iii) Safety and security</u>

<u>UNHCR offices were compliant with Minimum Operating Security Standards (MOSS) for Tunisia</u>

26. At the time of the audit, UNHCR offices in Tunisia (the Representation and SO Zarzis) were not fully MOSS compliant and there was no properly documented MOSS compliance self-assessment. OIOS recommended that the UNHCR Representation in Tunisia implement security measures to ensure that all UNHCR offices were MOSS compliant. The Representation acted promptly and reported its MOSS compliance self assessment to UNHCR Headquarters on 16 January 2013 and also listed measures taken at Tunis and at SO Zarzis to achieve MOSS compliance. Based on the action taken by the Representation and supporting documentation provided, no recommendation is raised.

B. Project management

<u>(i) Programme management</u>

<u>Action was taken to ensure compliance with procedures for the selection and retention of implementing partners (IPs)</u>

27. The Representation strengthened internal controls over the selection and retention of IPs by setting up an IP selection committee comprising a multi-functional team in August 2012. IP checklists had also been filled out for all IPs, which helped mitigate risks and analyze IP capabilities in Tunisia where the choice of IPs is limited. UNHCR's two remaining partners in southern Tunisia were officially registered with the Government of Tunisia. The Bureau consulted UNHCR's Legal Affairs Section (LAS), which confirmed in writing that the clauses in the standard IP agreement protect UNHCR against the liabilities of its IPs.

<u>Action was taken to ensure timely disbursement of funds to partners in 2012 and recover unspent balances</u>

28. In 2011, funds were disbursed to five IPs after the stipulated deadline of 30 November 2011 resulting in insufficient time available to complete planned programme implementation. This shortcoming was rectified in 2012 by developing a disbursement plan that ensured timely disbursement of funds. In addition, unspent balances with IPs decreased from $305,432 in June 2012 to $258,727 as of September 2012. Based on the action taken, no recommendation is being raised.

<u>Need to define and monitor performance indicators and targets for IPs</u>

29. The RBM framework had not been adequately incorporated in the IP agreements as required. For example: (a) three IPs had not submitted their final narrative Implementing Partner Monitoring Reports (IPMR) for 2011; (b) for four IPs, performance targets were not set in the IP agreement; and (c) for seven IPs, the performance targets set in the IP agreement were weak, out of these only three IPs actually reported in the narrative IPMR on the achievement of these performance targets. In 2012, the situation improved and of the four IPs reviewed, two had adequate performance indicators and targets set, although one IP still had no performance targets set and the remaining IP did not have comprehensively formulated performance indicators and targets.

30. Consequently, the achievement of overall programme targets per IP was still unclear and no assurance could be obtained that the Representation achieved its intended programme objectives. Monitoring of IP activities was therefore ineffective because performance indicators and targets were not properly formulated. There was also no documentation of the performance monitoring activities performed by UNHCR in the programme files in Tunis or Zarzis to support the acceptance of IP project activities as reported in the signed IPMRs. The Representation did not have a monitoring plan and monitoring reports from the field assessing IP project performance against targets and the work plan. As a result, there was a risk that weaknesses in IP project performance would not be addressed in a timely manner.

(2) The UNHCR Representation in Tunisia should: (a) define and monitor performance indicators and targets for each implementing partner agreement in accordance with the Results Based Management framework; and (b) ensure that performance monitoring activities are performed properly and documented.

The Representation accepted recommendation 2 and stated that IP agreements in both 2012 and 2013 follow the standard results-based framework for performance and impact indicators. Implementing partners provided monthly monitoring reports with concrete statistics against performance. OIOS thanks the Representation for their response, and the two narrative reports from IPs. However, further action is required to close the audit recommendation. Of the nine IPs in 2012, narrative reports have been provided only for two partners. Moreover in the reports provided there were inconsistencies in defining performance targets and in reporting on them, making it difficult to adequately assess achievement against targets. There was also no evidence that performance monitoring had been performed by UNHCR staff to verify the performance reported by the IPs. This is not in compliance with the RBM framework. Recommendation 2 remains open pending receipt of documentation showing the systematic establishment of performance indicators and targets in compliance with RBM for each IP and evidence that performance monitoring activities are performed properly and documented by the Representation.

<u>International NGO IPs contributions to UNHCR activities were not defined in sub-project agreements and overhead support costs to two international IPs were overpaid</u>

31. In 2011 and 2012, IP contributions toward sub-projects were not documented and specified in the IP agreement, which was a condition for receiving IP overhead support costs. The Representation explained that the situation had been corrected as of October 2012. For one partner, the 2012 contribution had been reflected properly in the revised sub agreement. For the other, pending the revision of the sub agreement, UNHCR requested and obtained written confirmation of the 2012 contribution.

32. Chapter 4 of the UNHCR manual states that where the amount allocated in the project budget for local procurement to be undertaken by the international partner exceeds 30 per cent of the total project value, then the whole amount budgeted for local procurement should be taken out of the calculation and

the overhead costs assessed at 7 per cent of the budget remaining after excluding procurement. However, as the local procurement component had not been excluded, the 7 per cent overhead support costs for two international IPs were incorrectly calculated which resulted in overpayments of $205,000 in 2011 and 2012.

(3) The UNHCR Representation in Tunisia should recover support costs of $205,000 overpaid to implementing partners and provide training to programme staff to ensure that overhead support costs are correctly calculated in accordance with Chapter 4 of the UNHCR Manual.

The Representation accepted recommendation 3 and stated that two letters were written to one of the IPs requesting reimbursement of $130,395.70 - the first on 22 October, 2012 and the second on 8 March 2013. To date, the IP has not yet agreed to return the requested funds. For the second IP the NGO unit, in consultation with the Controller, agreed with the IP that the notification of reduction came too late in their project and the full overhead costs were granted to the IP in February 2013. OIOS thanks the Representation for the update and can close this recommendation upon recovery of $130,000, since these costs were incorrectly computed and paid in excess of the approved budget. In view of the circumstances and the decision of the Controller and the NGO unit, recovery of overhead costs will not be pursued for the second IP. In addition, the Representation needed to take action to ensure that training is provided to programme staff to ensure that support costs were correctly computed in accordance with the rules. Recommendation 3 remains open pending the recovery of the overpayment of $130,000 and conduct of training for programme staff to ensure that support costs are correctly computed in accordance with the rules.

Termination payments to non-UNHCR staff

33. Due to pressure from the workforce, UNHCR was forced to make termination payments to staff of its IPs and of IPs of other international organizations and on two occasions even to staff of a private contractor. The Representation made termination payments to non-UNHCR staff totaling TND 650,000 ($465,000) in the past year to some 540 staff working for IPs and private vendors. This is contrary to standard IP agreements and rules which state that UNHCR has no contractual link with IP personnel and bears no legal liabilities for the payment of termination or other types of benefits. In violation of the rules and standard IP agreement, an international IP's budget for 2011 and 2012 contained budget lines for termination payments. The 2012 IP agreement states that the IP would bear no responsibility for termination payments and that all responsibility would fall upon UNHCR and a provision of $180,000 had been made for such payments. In the circumstances, UNHCR was legally bound to pay such benefits.

34. In the context of payments made to staff of IPs and private vendors, the question arises whether such payments should be considered as *ex gratia* payments. Under Article 10.5 of the Financial Rules for Voluntary Funds, the Controller may personally approve *ex gratia* payments where, although no legal liability on UNHCR exists, the moral obligation is, in his/her opinion, to make payment desirable in the interest of UNHCR. Further, *ex gratia* payments to staff members of UNHCR or another agency of the United Nations system as well as *ex gratia* payments in excess of $5,000 also require the personal approval of the High Commissioner. The required approvals were not taken.

(4) The UNHCR Representation in Tunisia and the Bureau for Middle East and North Africa should seek *post facto* approval of termination payments made to non-UNHCR staff.

The Representation accepted recommendation 4 and stated that with the Controller's approval, the *termination payments were exceptionally included in the revised IP sub agreement. The post facto approval by the HC became therefore obsolete.* In view of the action taken to obtain the approval of the Controller to exceptionally make payments under a revised IP agreement to IP personnel, the issue of termination payments made to IP staff has been satisfactorily addressed. However, the Representation in Tunisia made termination payments not only to IP staff under an IP agreement, but also to personnel employed by private vendors providing services to UNHCR. UNHCR had no legal or financial responsibility to make such payments. Recommendation 4 remains open pending ex-post facto approval of the Controller and High Commissioner for termination payments made to personnel working for private vendors.

(ii) Camp management

The Representation has reviewed food and NFI assistance at the Shousha camp in 2012 and set in place satisfactory arrangements

35. The costs of the food programme for a camp population of around 2,700 was $3.7 million for 2011 and 2012. Prior to May 2012, there was no reasonableness check between the food items procured and the number of meals served and no food distribution reports to justify the delivery of food. The core issue of wet feeding programme had not been adequately addressed. The Representation stated that they have implemented control mechanisms for food procured, cooked and distributed. Weekly reports detail the number of portions provided for each meal and are correlated to the quantity of food procured. As of November 2012, however, the Representation would shift to the distribution of dry rations with the use of ration cards.

36. The Representation also needed to strengthen its monitoring of the NFI distribution system to ensure that beneficiaries receive agreed quantities of NFIs. The Representation had distributed NFIs in 2011 and 2012, but was not in a position to provide the value or numbers distributed. The Representation rectified the shortcomings and detailed reports are now issued after each NFI distribution. To further strengthen controls during the distribution, beneficiaries sign receipt of goods and the ProGres database is updated. Discrepancies would be reconciled by the Representation. Since the Representation had implemented control measures for the distribution of food and NFIs, no recommendation is being raised.

IV. ACKNOWLEDGEMENT

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

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Office of Internal Oversight Services

ANNEX I

STATUS OF AUDIT RECOMMENDATIONS

Audit of UNHCR operations in Tunisia

Recom. no.	Recommendation	Critical[3]/ important[4]	C/ O[5]	Actions needed to close recommendation	Implementation date[6]
1	The UNHCR Representation in Tunisia should: (a) reconcile the discrepancies in property, plant and equipment, inventories and serially tracked items; (b) ensure that all items belonging to UNHCR are verified and recorded in the Managing for Systems, Resources and People (MSRP) enterprise resource planning software; (c) obtain the required approvals from the Local Asset Management Board (LAMB), prepare transfer of ownership agreements for the Tunisian Ministries of Social Affairs, Health and Defense and update MSRP records	Important	O	Receipt of (a) documentation showing the reconciliation of PPE, STIs and inventories and updating of MSRP records, and (b) signed transfer of ownership agreements and the physical transfer of the items to the Ministries.	31 March 2013
2	The UNHCR Representation in Tunisia should: (a) define and monitor performance indicators and targets for each implementing partner agreement in accordance with the Results Based Management framework; and (b) ensure that performance monitoring activities are performed properly and documented.	Important	O	Receipt of documentation showing the systematic establishment of performance indicators and targets in compliance with RBM for each IP and evidence that performance monitoring activities are performed properly and documented by the Representation.	31 March 2013
3	The UNHCR Representation in Tunisia	Important	O	Recovery of the overpayment of $130,000	31 March 2013

3 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.
4 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.
5 C = closed, O = open
6 Date provided by the Representation in response to recommendations.

Recom. no.	Recommendation	Critical[3]/ important[4]	C/ O[5]	Actions needed to close recommendation	Implementation date[6]
	should recover support costs of $205,000 overpaid to implementing partners and provide training to programme staff to ensure that overhead support costs are correctly calculated in accordance with Chapter 4 of the UNHCR Manual.			and conduct of training for programme staff to ensure that support costs are correctly computed in accordance with the rules.	
4	The UNHCR Representation in Tunisia and the Bureau for Middle East and North Africa should seek *post facto* approval of termination payments made to non-UNHCR staff**.**	Important	O	Ex-post facto approval of the Controller and High Commissioner for termination payments made to personnel working for private vendors.	Not provided