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AUDIT OF UNHCR OPERATIONS IN GERMANY

Auditor:

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Office of Internal Oversight Services
UNHCR Audit Service

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EXECUTIVE SUMMARY

In April 2005, OIOS conducted an audit of UNHCR Operations in Germany. The audit covered activities with a total expenditure over US\$ 1.0 million in 2003 and 2004. A summary of preliminary findings and recommendations was shared with the Representative in April 2005, on which comments were received by May 2005. No additional comments were received on a draft audit report issued in June 2005. *The Representative has accepted the recommendations made and is in the process of implementing them.*

Overall Assessment

- OIOS assessed the UNHCR Operation in Germany as above average. Overall, it was well managed, and although the need for minor adjustments in the application of internal controls was identified, they were not sufficiently critical to compromise the overall system of internal control.

Programme Management

- The refugee programme in Germany is very small, with only three low value sub-agreements in 2004. A short visit to the largest implementing partner confirmed adequate record keeping and only a minor issue on completing the final SPMR was discussed and properly dealt with.
- Some fifty years ago, UNHCR provided housing loans totalling some US\$ 7.4 million to building societies and individual refugees for the construction of some 4,000 housing units for refugees. As of December 2004, the outstanding loan balances amounted to some US\$ 690,000 and the last repayment will not be due until 2017. As the responsibility for the loan recoveries was transferred from UNHCR Germany to UNHCR Treasury Section some years ago, very limited information was available at the Representation in Berlin; files at the Treasury Section did not provide much details either. A number of issues, such as the continued use of the UNHCR funded housing units for refugees, needs to be clarified. *The Representation has agreed to gather information on the status of the loans, their management with four repayment-collecting agencies in Germany as well as the viability to continue using the housing units for refugees in future.* The results from that information gathering should be shared with Treasury.
- The government statistics on refugees and asylum seekers were rather general, lacking details that would be helpful to identify persons under UNHCR's mandate as well as vulnerable groups in need of assistance. *The relevant Government Office in charge of compiling and maintaining such population figures is updating its system and reviewing data. It is estimated that the work may take up to two years.*

Security and Safety

- No particular concerns on Security and Safety were identified at the UNHCR Offices in Germany, except that a protective film on windows should be considered.

Administration

- In the areas of administration and finance, the UNHCR Offices in Germany complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review. Only minor issues were raised, including certain improvements in asset management and meeting deadlines on Performance Appraisal Reporting.

June 2005

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I. INTRODUCTION

1. From 18 to 26 April 2005, OIOS conducted an audit of UNHCR's Operations in Germany. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. OIOS reviewed the activities of the UNHCR Representation in Germany and its Liaison Office in Nurnberg. There have not been any oversight reviews of the UNHCR Programme in Germany for many years.
2. UNHCR has been present in Germany for over 50 years. In recent years UNHCR has worked with the Government and monitored local refugee and asylum seekers issues, mainly along its protection mandate. UNHCR had planned to close its Liaison Office in Nurnberg, but Germany has earmarked funds to keep the Liaison Office operational in view of its close working relations with Government offices.
3. The findings and recommendations contained in this report have been discussed with the officials responsible for the audited activities during the exit conference held on 25 April 2005. A summary of preliminary findings and recommendations was shared with the Representative in May 2005. His comments, which were received in May 2005, are reflected in this report. No additional comments were received on a draft audit report that was shared with the Director, Bureau for Europe and the Representative. *The Representative has accepted the audit recommendations made and is in the process of implementing them.*

II. AUDIT OBJECTIVES

4. The main objectives of the audit were to evaluate the adequacy and effectiveness of controls to ensure:
 - Reliability and integrity of financial and operational information;
 - Effectiveness and efficiency of operations;
 - Safeguarding of assets; and,
 - Compliance with regulations and rules, Letters of Instruction and Sub-agreements.

III. AUDIT SCOPE AND METHODOLOGY

5. The audit focused on 2003 and 2004 programme activities under project AB/GRF/LS/400 with expenditure of some US\$ 500,000. Our review concentrated on the activities performed at the Representation in Berlin and at the Liaison Office in Nurnberg. A short visit was paid to a local Implementing Partner. We also reviewed activities self-implemented by the Representation, mainly public information activities with expenditure of US\$ 170,000.
6. The audit reviewed the administration of the Representation Office in Berlin and the Liaison Office in Nurnberg with annual administrative budgets totalling some US\$ 300,000 and assets with an acquisition value of some US\$ 180,000 and a current value of some US\$ 30,000. The number of staff working for the UNHCR Operation in Germany was 12 under the staffing table, two part-timers worked on Durable Solutions mainly for Afghans and Iraqis (paid from temporary funds from UNHCR CASWANAME) and one person, who

assisted occasionally with meeting individual asylum seekers, was paid on hourly basis.

7. The audit activities included a review and assessment of internal control systems, interviews with staff, analysis of applicable data and a review of the available documents and other relevant records, in Berlin, Nurnberg and at Headquarters.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Review of Implementing Partners

8. The UNHCR programme in Germany is rather small implementing one project AB/AB/GRF/LS/400. Main activities related to protection and public information, of which some US\$ 120,000 was spent in 2004 under self-implementation. US\$ 54,000 (Euro 43,000) was implemented under a sub-agreement with Bundesfachverband UMF (BUMF).

9. A short visit was paid to the BUMF office in Nurnberg, which started working with UNHCR in 2004 to assist children and adolescents. BUMF activities under the UNHCR sub-project were also funded by various other agencies. Confirmation of an adequate accounting system and general internal controls was obtained through an interview with the Director of BUMF and by browsing through vouchers and financial reports. The accounts were maintained by an accounting firm and audited by an audit firm.

10. Our review assessed the arrangements as adequate, except that the final SPMR included not only UNHCR funds but also all the funds that BUMF had received for these refugee related activities, totalling some Euro 127,000. OIOS recommended that BUMF should adjust the final 2004 SPMR to limit the reporting to the use of UNHCR funds only. *The Representation has informed OIOS that an updated SPMR has been submitted for reporting exclusively on UNHCR funds.*

B. Housing loans

11. Between 1955 and 1967, interest-free housing loans totalling some DM 30 million (US\$ 7.4 million) were granted from UN and UNHCR funds for the construction of some 4,000 housing units for refugees. These loans were granted mainly to “housing/building societies”, but also to individual refugees. As the repayment periods were set for 50 years, most of these loans are still partially outstanding. As at 31 December 2004, about € 550,000 (US\$ 690,000) was still outstanding for collection and the last repayments will not become due until 2017.

12. Some years ago, the responsibility for these loans was transferred from the UNHCR Representation in Germany to the Treasury Section at Headquarters. Therefore, only limited information was available at the Representation on the loans, such as initial granting conditions and subsequent collection management, as well as the level of compliance with any statutory requirements associated with the loans.

13. Initially, the UNHCR Representation in Germany managed the loans and the repayments with the assistance of four agencies in different locations in West Germany (Berlin, Nurnberg, Bonn and Stuttgart). Later the agencies took full responsibility for the collection of repayments on behalf of UNHCR. Once a year they reported the refunds to

UNHCR Treasury Section (copy to the Representation) and made corresponding payments into a bank account under the responsibility of UNHCR Headquarters.

14. Various concerns and questions came up after this initial review that need to be considered. For example, the status of the loans is reported in Note 12 to the UNHCR Financial Statements and will continue until 2017. However, there has been no independent confirmation nor audited statements to confirm the correctness of the remaining loan balances.

15. According to the loan conditions, the housing units were to be used exclusively by refugees. One of the agencies explained that as the loans were subject to local government registration along with the properties, the requirement for refugee occupation was considered mandatory for the initial 50 years, even if the loans were paid up before the final due date. However, it was not possible to confirm that the conditions initially set for granting the loans were still honoured. Further, it was unclear whether the requirement for refugee occupation would end upon the full repayment of the loans.

16. The agencies retained 12.5 per cent fees from the regular collection and 3 per cent of the loan balance if they were paid up before final due date. OIOS noted that the agency in Nurnberg was one of the main borrowers itself. Therefore the question arises whether the 12.5 per cent collection fee should apply if the agency is “collecting” funds from itself.

Recommendation:

- The UNHCR Representation in Germany should gather detailed information of the loan conditions and their legal status under local housing legislation. In case refugees could still benefit from this housing assistance in future, a feasible management arrangement needs to be put in place. (Rec. 01)

The Representation has already planned visits to the agencies managing the loans to assess the present situation on collections and the number and other details of the still outstanding loans. A mission report expected towards the end of third quarter 2005 should be shared with Treasury Section. OIOS expects such a report to highlight details on the present situation of the loans and to consider if any future benefits can be expected from the housing units for refugee assistance in Germany.

C. Refugee statistics

17. For years, government statistics on refugees and asylum seekers showed their numbers as having been well over one million. By December 2003 it had fallen to some 900,000. By end April 2005, updated figures were not yet available for 2004. As a result, UNHCR planning figures for 2006 had to be based on 2003 data. Also, various details on the figures were not available at the Representation, for confirming the actual number the UNHCR mandated refugees and asylum seekers in Germany.

18. The largest group listed with the Government refugee statistics was 416,000 “de-facto refugees” or asylum seekers who were allowed to stay temporary in Germany without being granted refugee status. The Representation estimated that about half of them could fall under its mandate. It was not known how many persons from various old caseloads were still listed there, for instance, whether any refugees who had benefited from the housing loans (some 50

years ago) were still included, or how many persons from countries that had recently joined the EU were still included in the refugee statistics.

19. OIOS understands that the Government authority in charge of the refugee statistics is updating their systems and more detailed information may be available in future. By obtaining more information on the refugee figures, UNHCR should be able to focus its work more on any needs with vulnerable groups.

Recommendations:

- The UNHCR Representation in Germany should endeavour to gather more details from the Government on the refugee population in order to determine more accurately the groups and individuals under UNHCR's mandate. (Rec. 02)

The Representative stated that this matter has been of concern to UNHCR and the Government. The German authority in charge of compiling and maintaining such refugees statistics has confirmed that a comprehensive review of the system is being performed. It may, however, take up to two years but significant changes are expected in the numbers. The Representation will inform OIOS as soon as updated information is made available.

D. Private Sector Fund Raising

20. UNHCR signed recently an MOU with Deutsche Stiftung für UNO-Flüchtlingshilfe (DSUF) for fund raising activities in Germany. All income at DSUF is used for refugee related matters, of which UNHCR HQ received about two-thirds, amounting to some US\$ 1.5 million in 2004. Direct mailing appeals turned out to be the most effective approach in Germany. Special events generated much less income, however, even the least profitable ones could be considered as having raised public awareness. The Representation worked closely with DSUF and a UNHCR staff member was on its management board. *OIOS has no audit comments on this area.*

E. Security and Safety

21. A general review of the security and safety matters at the Representation in Berlin did not reveal any particular concerns. In addition to a general reception for the building on the ground floor, a two-door "security entrance" limits the access to the office area on the 2nd floor. The Liaison Office in Nurnberg is located within a Government building, which is very well protected.

22. OIOS suggested, however, that the Representation in Berlin consider installing a protective film on windows, preferably at the front of the building facing the road, which would reduce the scattering of glass in case of any incidents. *The Representation agreed and has started preparations for cost estimates and obtaining the landlord's approval.*

F. Administration

23. In the areas of administration and finance, the UNHCR Representation in Berlin complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review. The Representation in Berlin covered

most of the administrative and financial needs of the Liaison Office in Nurnberg, which operated on a petty cash basis. Following are descriptions of some of the issues that were discussed.

24. Asset management needed some improvement. Some data entries to AssetTrak needed to be completed and the inventory lists for new purchases (such as computer equipment in 2004) needed to be updated. Also, the disposal process for items no longer needed, many of them at the Liaison Office, had yet to be completed. *OIOS was satisfied that steps were being taken to deal with these matters.*

25. The 2004 Performance Appraisal Reports (PAR) for three staff members had not been completed at the time of the audit. OIOS also noted some delay in setting the 2005 objectives. *The Representation explained that the remaining 2004 PARs were being finalized. For the setting of the 2005 objectives an office retreat was being organized for harmonizing them for all staff along the goals for the 2006 Country Operational Plan, which was only completed towards end of March 2005.* Since the performance period is based on the calendar year, the 2005 objective setting in Germany will be very close to the mid-term review. This may diminish the value of the mid-term review.

26. A suggestion from OIOS to prepare and keep updated travel plans for the office was well received and acted upon. Some financial and accounting issues were discussed with the Admin/Finance Assistant and OIOS is satisfied with the actions taken. Such issues related to providing more complete information on hospitality claims and that the Representative should not certify or approve payments for himself.

V. ACKNOWLEDGEMENT

27. I wish to express my appreciation for the assistance and cooperation extended to the auditor by the staff of UNHCR in Germany.

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