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AUDIT OF UNHCR OPERATIONS IN GREECE

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Office of Internal Oversight Services
UNHCR Audit Service

AUDIT OF UNHCR OPERATIONS IN GREECE (AR2005/121/02)

EXECUTIVE SUMMARY

In April 2005, OIOS conducted an audit of UNHCR Operations in Greece. The audit covered activities with a total expenditure of US\$ 0.9 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 in May and June 2005. A draft audit report was shared with the Representative and the Director of the Bureau for Europe in July 2005, on which comments were received in July 2005 and reflected in the final report. *The Representative has accepted all the recommendations contained in the final report and is in the process of implementing them.*

Overall Assessment

- OIOS assesses the UNHCR Operation in Greece as above average, taking into account the prompt and expeditious action by the Representation on the observations and recommendations of the audit. The operation was adequately run but although the majority of key controls were being applied, the application of certain important controls lacked consistency or effectiveness. In view of the timely corrective action by management, the implementation of most of the recommendations has been or will be completed in the near future.

Programme Management

- For the implementing partner Greek Council for Refugees, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements. However, improvements were needed in the area of reporting personnel changes and asset management.
- For the implementing partner Social Work Foundation, we encountered problems of reconciling the accounts with Sub-Project Monitoring Reports. Internal controls needed improvements to ensure consistency of information in the Sub-Project planning and reporting documents, as well as accuracy and completeness of financial and project records.
- International Social Services (ISS) had been an implementing partner of UNHCR Greece until the end of 2002. As of April 2005, Euro 40,545 (US\$ 53,700) still remained with ISS as UNHCR funded termination indemnity fund. UNHCR Greece should obtain from ISS a confirmation that there are no outstanding liabilities and then request the reimbursement of the balance of the fund together with accrued interest.
- In 2003 and 2004, no project financial monitoring visits were performed by the Representation to assess the reliability of the partners accounting and budgetary controls and to test-check expenditure transactions. Also, monitoring of project staff against UNHCR-

funded posts could be improved.

Supply Management

- The Representation entered into contracts for direct mail administration in connection with private fundraising activities for more than US\$ 73,000 without competitive bidding and without seeking approval of Local Committee on Contracts.
- The review of asset management showed the need to regularly update the information forwarded by the Representation to the Asset Management Unit at UNHCR Headquarters.

Security and Safety

- UNHCR Greece generally complied with UN security and safety requirements. However, the 1995 contract with a security company needs to be reviewed to reflect changes in the approaches to security issues during the last few years.

Administration

- In the areas of administration and finance, the UNHCR Representation in Greece generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating properly during the period under review. However, improvement and strengthening of internal controls were required over financial signing authority, cash management, reporting of cases to the LAMB and payments in connection with medical evacuation.

August 2005

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I. INTRODUCTION

1. From 11 to 18 April 2005, OIOS conducted an audit of UNHCR's Operations in Greece. 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 Athens and of two implementing partners.
2. This was the first OIOS audit conducted in Greece. A UNHCR Inspection Mission took place in May 2003. Internal control weaknesses were noted over the implementing partners' performance monitoring.
3. UNHCR in Greece is pursuing two main goals. The first goal is to ensure that the principle and institution of asylum are upheld in a manner that meets high international standards in terms of legislation and practice. The second goal is to seek Greece's continued financial and political support to UNHCR's refugee programmes, commensurate with its ability as a developed country.
4. In Greece, an estimated 13,000 persons are refugees and asylum seekers. Approximately 4,500 asylum applications were officially registered in 2004 compared to 8,200 persons in 2003. However, as many as 50,000 asylum-seekers are reported to await registration by the competent authorities. The number of asylum applications lodged by the nationals of Iraq was the largest and represented 20 per cent of all applications in 2004. There was also a substantial number of asylum-seekers originating from African countries, notably Sudan and Somalia, as well as from Central and Eastern European countries.
5. 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 18 April 2005. A summary of preliminary findings and recommendations was shared with the Representative in April 2005, on which comments were received in May and June 2005. A draft audit report was sent to the Representative and the Director of the Bureau for Europe in July 2005, on which comments were received in July 2005 and reflected in the final report. *OIOS would like to commend the Representation for an extensive work on the implementation of the recommendations contained in the summary of the preliminary findings and recommendations, as well as in the draft report. The Representative has accepted all of the audit recommendations made in the final report and is in the process of implementing them.*

II. AUDIT OBJECTIVES

6. 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

7. The audit focused on 2003 and 2004 programme activities under projects 03&04/AB/GRE/LS/400 with expenditure of almost US\$ 700,000. Our review concentrated on the activities implemented by the Greek Council for Refugees – expenditure of US\$ 310,000; the Social Work Foundation – expenditure of US\$ 167,000. We also reviewed activities directly implemented by UNHCR with expenditure of US\$ 214,000.

8. The audit reviewed the administration of the Representation in Greece with administrative budgets totalling US\$ 381,000 for 2003 and 2004 and assets with an acquisition value of US\$ 279,000 and a current value of US\$ 19,000. As at December 2004, there were seven staff: two international and five national.

9. 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.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Review of Implementing Partners

(a) Greek Council for Refugees (GCR)

10. For GCR, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements. OIOS assessed that internal controls of GCR were generally in place. However, OIOS identified areas where improvements were required.

11. UNHCR Greece was not informed by GCR on the changes in personnel, which occurred during a particular year. Hence, it was difficult to reconcile the work months which should have been used for the UNHCR work in accordance with the budget with the actual work months, for which staff had been paid. When staff was financed for full time UNHCR work, there was no assurance that staff fully funded by UNHCR actually worked full time on UNHCR-related activities. *The Representation stated that it would undertake twice-yearly reviews and verification exercises of GCR's SPMR to ensure the linkage of financial monitoring with performance monitoring. The 2005 FOBS Budget for the GCR sub-project already included clear reference to individual functional lines for project staff, the percentage funded by UNHCR, as well as the monthly and overall financial compensation allocated under the project.*

12. The physical check of the non-expendable equipment against the listing attached to the Sub-Project agreement for 2004 showed that four portable computers out of five were missing. Further queries revealed that one of them had been stolen in 2001 and another two in 2003, but this was never reported to UNHCR. No documents clarifying the circumstances under which the computers had disappeared were provided to us. *The Representation indicated that GCR had been requested to provide a report clarifying the circumstances under which the computers disappeared. The matter would be discussed at the forthcoming twice-yearly verification visit at GCR, planned in August 2005, and was expected to be completed before end of 2005.*

(b) Social Work Foundation (SWF)

13. Our review of the substantive activities showed that for the same activity “Subsistence/emergency needs”, different figures appeared in the Sub-Project Description and the Work Plan for 2004. An attempt to reconcile these figures with the Final Narrative SPMR did not produce positive results. *The Representation stated that, following the change in the reporting lines, Programme/Project Control staff were now reporting directly to the Deputy Representative responsible for protection and performance monitoring of implementing partners with a view to ensure a more holistic and comprehensive approach.*

14. In 2004, SWF took a unilateral decision to use the unspent funds, which emerged because of the closure of the Children’s Tutorial Centre, for the increase of staff salaries by Euro 3,500 (US\$ 4,642). UNHCR was informed of this move on ex-post facto basis during the presentation of the Final SPMR to the Representation. During the auditor’s visit, SWF was unable to reconcile the unspent funds with the raise in salaries and allowances and provide supporting documents. Also, it was bringing up unilaterally the percentage of UNHCR financing of posts although posts were co-financed by other agencies. *The Representation indicated that in June 2005, the Social Work Foundation (SWF) had submitted supporting documents and information to justify the use of savings (Euro 3,500) to cover the increase of staff costs under the 2004 sub-project, to the satisfaction of the Representation.*

15. In order to verify the accuracy of the financial information reported in the SPMR, we checked the expenditure details for the refugee women self-sufficiency project (EVA project), which was one of the biggest expenditure items after personnel costs of the project. Our review of the 2004 general ledger showed that expenditures of Euro 2,565 (US\$ 3,402) or nearly 44 per cent of the overall expenditures for the EVA project could not be reconciled with the SPMR. In the absence of the general ledger entries, verification of supporting documents could not be performed. *The Representation indicated that in accordance with the audit recommendation the amount had been recalculated and Euro 2,765 had been recovered from SWF with their agreement as supporting documents could not be identified to substantiate the charge.*

B. Other Programme Issues

16. International Social Services (ISS) had been one of the implementing partners of UNHCR Greece until the end of 2002. As of April 2005, an amount of Euro 40,545 still remained with ISS as UNHCR funded termination indemnity fund. According to a report of the Greek audit authorities dated 31 March 2004, an amount of Euro 36,300 was withdrawn from the fund by ISS and used for other purposes. Further, ISS informed the Representation that one of its former staff had initiated legal action against ISS claiming the payment of termination indemnities. No bank statements concerning the termination indemnity fund have been received by the Representation since January 2001.

Recommendation:

- The UNHCR Representation in Greece should request ISS to provide missing statements and replenish the UNHCR funded termination indemnity fund. It should also obtain from ISS a confirmation that there are no outstanding

liabilities and request the reimbursement of the fund balance of up to Euro 40,545 (US\$ 53,700) together with accrued interest (Rec. 01).

The Representation agreed with the recommendation. By UNHCR letter of 25 May 2005, ISS had been again requested to replenish the fund, including accrued interest to date, provide bank statements, and inform whether a court decision has been reached regarding the legal action of the former ISS staff member. On 21 July 2005, ISS replied that it recognized the obligation to replenish the Termination Indemnity Fund at the earliest possible time, and that the outcome of the legal action by the former employee is expected after September 2005. On 28 July 2005, UNHCR requested ISS to replenish the Fund latest by end September 2005 and to reimburse the balance of the Fund to UNHCR, latest by year end 2005. LAS Geneva is also aware of the situation and will provide further guidance if necessary. Pending the outcome of this matter, OIOS keeps this recommendation open in its database.

17. Financial monitoring visits to the Implementing Partners should take place twice a year, including one in-depth review. In 2003 and 2004, no financial review visits were performed to check the transactions and performance of GCR and SWF. The Representation did not establish jointly with IPs an annual monitoring and reporting schedule/plan. Also, IPs did not provide to the Representation complete information on project staff, its salaries and allowances. *UNHCR Greece indicated that it would ensure in-depth financial monitoring reviews and verification exercises with IPs twice a year, starting in July 2005. As regards information on salaries and allowances of project staff, in June 2005, the Social Work Foundation provided UNHCR with copies of staffing tables, brief job descriptions, copies of staff contracts and information on salaries and allowances, to the satisfaction of the Representation. The Greek Council for Refugees also provided the Representation with salary information of project staff funded by UNHCR. However, UNHCR observed that the monthly payments do not correspond with the figures provided in the FOBS Budget. In addition, the GCR is still to provide the Representation with copies of organigramme, job descriptions and of staff contracts. The matter is expected to be completed before the end of 2005.*

C. Supply Management

18. In 2004, the Representation entered into contracts for more than US\$ 73,000 for direct mail administration in connection with private fundraising activities without competitive bidding and without seeking the approval of the Local Committee on Contracts. Another company was awarded a series of contracts for fundraising and public information activities exceeding US\$ 33,000 again without following proper procurement procedures and without the approval of the LCC. OIOS found that in 2004, the LCC was not convened at all. OIOS recommended that the UNHCR Representation in Greece should ensure that proper bidding procedures are followed, that any purchases reaching the respective limits for the Local Committee on Contracts or the Headquarters Committee on Contracts be submitted to them. Also, the feasibility of concluding frame agreements should be reviewed. *The Representation agreed with the recommendation, which had been implemented with immediate effect. The Representation notified the HQs Committee on Contracts of a series of contracts entered into for Private Sector Fundraising activities in 2004 and 2005 with a single vendor in excess of US\$ 100,000. The Committee on Contracts at Headquarters took note of these payments. Further, the Representation, with the support of SMS Geneva, prepared a request for*

proposals (RFP) in order to formally tender remaining activities for 2005 and was drafting a frame agreement for repeated activities over a multi-year period. Internal training on bidding procedures has been provided by the Representative to all staff so as to apprise them of procurement guidelines and procedures.

19. The review of asset management showed the need to regularly update the information forwarded by the Representation to the Asset Management Unit of SMS. For example, the list provided for our review showed active assets for one IP, that UNHCR Greece was no longer working with. *The Representation indicated that in June 2005, two MSRP focal points received training at UNHCR HQs on the new asset management component of MSRP and have thus become acquainted with the new software, so as to prepare updated reports for the office, for its two implementing partners, and clear up old data concerning its ex-third implementing partner, for completion by year end.* OIOS also raised the issue of proper reporting of cases to the Local Asset Management Board. *UNHCR Greece indicated that for GCR, there was a need to confirm in writing that it had performed a physical inventory of UNHCR-purchased assets, with each asset duly checked as either active or inactive, and to produce a formal letter stating the reasons for the write-off of any assets. The matter would be completed before the end of 2005.*

D. Security and Safety

20. UNHCR Greece generally complied with UN security and safety requirements. However, the Security Services contract for the UNHCR Greece was concluded ten years ago, in 1995. In view of the changes in the approaches to security issues, which have occurred during the last decade, OIOS suggested that the Representation review the contract. *UNHCR Greece indicated that it had revised and renewed the existing security contract, taking into account the results of the regionalization exercise of UNHCR offices in Europe and the efforts currently being undertaken by the Representation to identify alternative office premises.* OIOS also noted that the issue of UNHCR Greece being fully MOSS compliant will be discussed with the Security Management Team in August 2005.

E. Administration

21. In the areas of administration and finance, the UNHCR Greece generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating properly during the period under review. However, the delegation of financial signing authority was not up-to-date, nor was it properly documented. *The Representation stated that authorization forms had been shared with UNHCR Headquarters and the financial signing authority for relevant staff members had been reflected in MSRP Security Access.*

22. The Representation had not assigned roles and responsibilities for the receipt of donations in cash, which amounted to US\$ 6,000 in 2004. *The Representation commented that existing practices would be thoroughly reviewed with a view to establishing a completely new control system for receipt of cash donations that would address deficiencies of the past.*

Recommendation:

- The UNHCR Representation in Greece should complete the review of internal controls for receipt of cash donations, design a proper system and document it (Rec. 02).

The Representation agreed with the recommendation and stated that a new PSFR Officer would review the internal controls, and the Representation would implement new procedures, latest by the end of October 2005. Pending the implementation of new system, OIOS keeps this recommendation open in its database.

23. The auditor reviewed a medical evacuation case of a spouse of a staff member (Index No. 675643) evacuated to Paris from Athens. In May 2004, 13 nights were reimbursed at 100 per cent of the DSA rate for Paris. However, in the absence of the hotel bills DSA should have been paid at 50 per cent of the applicable rate. OIOS recommended to obtain hotel receipts or recover the overpayment of US\$ 1,755. *The Representation agreed with the recommendation and recalculated the payments made in connection with the MEDEVAC. An overpayment of Euro 1206 was identified and recovered from the staff member.*

V. ACKNOWLEDGEMENT

24. I wish to express my appreciation for the assistance and cooperation extended to the auditor by the staff of UNHCR and its implementing partners in Greece.

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