



INTERNAL AUDIT DIVISION

OFFICE OF INTERNAL OVERSIGHT SERVICES

AUDIT REPORT

Audit of UNHCR Operations in Colombia

18 July 2007

Assignment No. AR2007/151/01

United Nations  **Nations Unies**
INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR
INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE
OIOS · BSCI

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

DATE: 18 July 2007

REFERENCE: AUD-7-5:7 (07- 023 42)

FROM: *for* Dagfinn Knutsen, Director
DE: Internal Audit Division, OIOS

fatunf

SUBJECT: **AR2007/151/01 – Audit of UNHCR Operations in Colombia**
OBJET:

1. I am pleased to present the report on the above-mentioned audit, which was conducted in January 2007.
2. Based on your comments, we are pleased to inform you that we will close recommendations 1, 2 5, 8, 9, 11, 13, 14, and 17 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e., recommendations 3, 10, 12 and 18), in its annual report to the General Assembly and semi-annual report to the Secretary-General.
4. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.

cc: Mr. L. Craig Johnstone, Deputy High Commissioner, UNHCR
Ms. Judy Cheng-Hopkins, Assistant High Commissioner, UNHCR
Mr. Colin Mitchell, Controller and Director, DFAM, UNHCR
Mr. Philippe Lavanchy, Director, Bureau for the Americas, UNHCR
Mr. Julio Roberto Meier, Representative, UNHCR Representation in Colombia
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Ms. Maha Odeima, Audit Coordinator, UNHCR
Ms. Eleanor Burns, Acting Chief, UNHCR Audit Service, IAD, OIOS

INTERNAL AUDIT DIVISION

FUNCTION

“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).

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EXECUTIVE SUMMARY

UNHCR Operations in Colombia

The Office of Internal Oversight Services (OIOS) conducted an audit of UNHCR Operations in Colombia in January 2007. The major objective of the audit was to assess the adequacy and effectiveness of controls to ensure: (a) reliability and integrity of financial and operational information; (b) effectiveness and efficiency of operations; (c) safeguarding of assets; and, (d) compliance with regulations and rules, Letters of Instruction and Sub-Project Agreements. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS assessed the internal controls of the Operation in Colombia by reviewing records related to the activities implemented during 2005 and 2006 with a total expenditure of \$12.5 million. The operation's system of internal control was assessed as above average. Overall, it was well run, and although some weaknesses in the application of internal controls were identified, no issues came to our attention to indicate that the weaknesses concerned were sufficiently critical to compromise the overall system of internal control.

For the three partners reviewed, reasonable assurance was obtained that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements. Project financial and performance monitoring was adequately performed but could have been better documented. Many partners received contributions from other sources, but this was not quantified and reported on to allow a more informed decision-making process.

UNHCR was signing two project agreements; one with the implementing partner and the other (a tripartite agreement) with the partner and local counterparts. OIOS was of the opinion that the Sub-Project Agreement was the definitive programme instrument irrelevant of any other agreements entered into. OIOS recommended that responsibilities under the different agreements be clarified to ensure clear lines of accountability. Based on OIOS' recommendation, the signing of tripartite agreements has been discontinued.

The Representation has made significant efforts to develop performance indicators for assistance to internally displaced persons, but further development is required to ensure the impact of the projects can be properly quantified and measured. OIOS was informed that workshops on this will take place in 2007.

Considering the decentralization of the operation in Colombia, as well as the upgrade and/or creation of new field offices, there was a need to ensure there are well-structured processes to manage human resources. Further training and guidance was required to enhance the knowledge and application of rules and procedures.

The recruitment of staff was not always transparent and compliant; decisions to hire consultants and interns under temporary assistance without a break in service were contrary to UNHCR rules and procedures.

To augment regular staffing levels, United Nations Volunteers (UNVs) and consultants were hired, representing 45 per cent of the workforce. OIOS questioned the over-reliance on UNVs and found that they conducted core UNHCR functions and had supervisory responsibilities contrary to UNHCR's policy.

In 2006, four UNHCR field offices were assessed as only partially minimum operational safety standards (MOSS) compliant. A follow-up assessment will be conducted in 2007. The roles and responsibilities for security between the Representation in Colombia and the UN Department of Safety and Security should be further clarified to mitigate any risk of gaps in security issues.

The current staffing structure and level should be reviewed to enable the Representation to competently perform its functions. There is a risk that diverting staffing resources to local fundraising will allow neither programme nor fundraising activities to be carried out most effectively. Failure to properly report on earmarked funds to donors may negatively impact UNHCR relations with its donors.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of UNHCR's Operations in Colombia from 10 to 31 January 2007. OIOS reviewed the 2005 and 2006 activities.

2. Colombia continues to experience a large-scale, complex internal armed conflict involving the State, paramilitary organizations and guerrilla groups. In addition, there are organized crime gangs and narcotics traffickers, which have links to the guerrilla and paramilitary groups. Violent crimes and violations of human rights remain high. There is no indication that a definitive solution to the conflict is at hand and the number of the Colombians seeking protection, both inside the country and abroad, continues to grow. Most of UNHCR activities are related to the internally displaced persons (IDPs) affected by the conflict. UNHCR estimated the number of beneficiaries of UNHCR programmes in Colombia in 2006 to be at 265,000.

3. Until 2006 UNHCR operations were centrally managed from Bogotá, although most UNHCR activities take place in three border areas, far from the capital. In order to be closer to its beneficiaries and the population affected by the conflict, the Representation is in the process of decentralizing its operations. The Operations Review Board (ORB) recently approved a structure of 12 offices in 2007: 8 field offices, 3 sub-offices and the office of the Representation in Bogotá.

4. In 2005 and 2006 expenditure incurred was \$12.5 million excluding staffing costs administered by Headquarters. At the time of the audit, the number of personnel working for the operation in Colombia was 88. This included staff on regular posts and United Nations Volunteers (UNVs) and consultants. Staff on regular posts represented 55 per cent of the UNHCR workforce in Colombia.

5. Comments made by UNHCR are shown in *italics*.

II. AUDIT OBJECTIVES

6. The major objective of the audit was 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-Project Agreements.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit reviewed 2005 and 2006 programme activities under projects 05 and 06/AB/COL/LS/450 and 06/SB/COL/LS/438 with expenditure of \$12.5 million and made visits to the following implementing partners' offices: Opción

Legal (OL); Acción Social (AS); and, Secretariado Nacional de Pastoral Social (SNPS). OIOS reviewed the administration of the office of the Representation in Bogotá and Field Offices (FOs) Apartado and Barranquilla with administrative budgets totalling \$2 million for 2005 and 2006 and assets with an acquisition value of \$1.7 million and a current value of \$735,000.

8. The audit methodology comprised: (a) a review of policies and procedures, administrative guidelines, data available from Management Systems Renewal Project (MSRP), UNHCR's legacy system and its asset management system; (b) interviews with responsible personnel; (c) analysis of applicable data; (d) physical verification, assessment and effectiveness of controls; and, (e) observations and verification of processes, as appropriate.

9. The audit also followed up on OIOS' previous recommendations which included the administration of UNVs, and tax exemption for implementing partners.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Programme Issues

Audit Certification

10. The Representation had complied with UNHCR's audit certification process. Audit certificates with unqualified opinions were expressed in all cases and management letters were received. The issues outlined were duly followed-up to ensure the recommendations were implemented. OIOS assessed that the audit work was competently performed and reliance could be placed on the audit certificates issued.

Project Monitoring

11. Financial monitoring was regularly performed and visits to partners were well planned to ensure that all aspects of programme management (asset management, procurement, human resources management, etc.) were covered. Nonetheless, OIOS found that implementing partners' programme files maintained in Bogotá contained only a few records of the project monitoring activities undertaken, and these mainly related to irregularities that were observed. Due to the ongoing decentralization of its operations including the delegation of programme activities, there should be a central repository of information to facilitate the Representation's monitoring and supervision responsibilities.

12. OIOS' field visits to Barranquilla, Apartado and Soacha showed that regular performance monitoring was undertaken by the UNHCR programme staff. OIOS was of the opinion however, that given IDP activities are mainly protection oriented, it is essential that UNHCR protection and community service staff be involved in project monitoring and their contribution duly reported on.

Establishment and verification of performance indicators

13. Significant efforts had been made in developing performance indicators related to IDP assistance. Further improvements were initiated in 2006, however improvements were still needed since the achievement of project objectives was not always easily measured. For example, while attendance at meetings could be calculated, the achievement of their objectives could not be quantified or the impact measured. There was also insufficient evidence that data provided to UNHCR from implementing partners was verified to provide assurance that project implementation was on target and its level of implementation matched that reported by the partner. The Representation informed OIOS that present standards and indicators developed by Headquarters are of little use in Colombia since many of them were designed for IDPs living in camps, which is not the case in Colombia. Support from Headquarters has been sought on this issue.

Selection of projects and identification of Local Counterparts

14. OIOS found that when a project and its implementer, such as Local Counterparts (LCPs), have been approved, the documentation on the qualifications (legal and financial capacity, etc.) of the partner was made on the basis of instructions from Bogotá. It was not clear however how LCPs were identified and selected to implement projects, as this was not documented. In OIOS' view, due to the difficulty in finding NGOs, which are free from the influence of militias and can work with government authorities, there is a need to properly document the selection process. The Representation stated that the assessment and selection of LCPs was a participatory process conducted within each field office under the supervision of the Representative or the Deputy Representative. The Representation also mentioned that in accordance with UNHCR's Strategy for Colombia, projects with several LCPs, which are local state institutions, are part of the institutional capacity building process to grant protection to IDPs.

Allocation of 2007 budgets

15. The introduction of MSRP created difficulties in recording the budget allocated to each local project implemented by either UNHCR partners or by LCPs. The recording of detailed budgets was extremely time-consuming (entering the initial budget was estimated at more than 300 hours). As a result, for most of the local projects, the Representation recorded all budgets on one single line against 'other commercial contracts and services'. Following a request for assistance made by the Representation during the audit, various units at UNHCR Headquarters have worked to assist the Representation in resolving the issue. Subsequent to the audit, the Programme Unit revised the MSRP accounts: all projects are now divided into different budget lines. This will facilitate the monitoring of actual expenditure against budget and provide more useful management information.

Recommendations 1 to 5

(1) The UNHCR Representation in Colombia should ensure that financial monitoring is properly documented and records of results are maintained on file.

(2) The UNHCR Representation in Colombia should ensure that the results field monitoring visits are properly documented and filed, and UNHCR Protection and Community service staff participate in the monitoring process and systematically document the results.

(3) The UNHCR Representation in Colombia with the assistance of the Division of Operational Services should improve the performance indicators related to internally displaced persons' programmes to allow better and more standardized measurement of projects, as well as mechanisms to verify (on the basis of the performance indicators) the progress reported by implementing partners.

(4) The UNHCR Representation in Colombia should ensure that proper records of the selection process of Local Counterparts are kept on file either at the field office level or in Bogotá.

(5) The UNHCR Representation in Colombia should stop using the 'other commercial contracts and services' account as a generic account by charging expenditure to the appropriate general ledger account. This will improve the monitoring of actual expenditure against budget and provide more meaningful management information.

16. *The UNHCR Representation accepted recommendations 1 to 5 and had taken several steps to implement them. Considering the information provided recommendations 1, 2 and 5 have been closed.*

17. *For recommendation 3, the UNHCR Bureau for the Americas further explained that workshops on the development of standards and indicators covering IDPs are planned for July 2007. This training will be an opportunity to raise the issue with the Division of Operational Services and to begin the process to develop a set of standards and indicators more appropriate for IDPs living outside of camps or special settlements. Recommendation 3 remains open pending receipt of documentation supporting the improvement of standards and indicators adapted for the protection work carried out in Colombia*

18. *For recommendation 4, the UNHCR Representation indicated that the Programme Unit would prepare criteria to select Local Counterparts by October 2007. Recommendation 4 remains open pending a copy of the criteria developed for the selection of LCPs.*

B. Review of implementing partners

19. For the three partners reviewed, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements. OIOS assessed that the internal controls of the partners reviewed were generally in place and operating effectively during the period reviewed.

Implementing partners' contributions from other sources

20. Most UNHCR's partners in Colombia had other funding sources, and UNHCR provided funds for only a part of the activities related to assistance to IDPs. However, the contributions that the partners received from other donors were not systematically reported to UNHCR. OIOS was informed that in most cases this information was filtered to UNHCR through its informal relations with donors.

21. The UNHCR Bureau for the Americas confirmed that for the future, in the case of co-funding of projects, it will be mandatory for all partners to disclose funding information. The terms of reference of the external auditor's review will be updated to include a verification of this as part of their audit.

Recommendation 6

(6) The UNHCR Representation in Colombia should ensure that partners report to UNHCR the contributions received from other sources which are used on UNHCR funded sub-projects. In order to reinforce this and obtain valid figures on other contribution sources, the Representation should verify the partners' declaration in the course of financial monitoring. The external auditors' terms of reference should be revised to include a review of partners' other contribution sources.

22. *The UNHCR Representation accepted recommendation 6 and have informed the local external auditors to review the funding arrangements of implementing partners. The Programme Unit in Colombia will request implementing partners to give a formal declaration in case of any co-funding of projects. Recommendation 6 remains open pending confirmation that the terms of reference of the local external auditors have been revised to systematically include a review of partners' other contribution sources.*

Implementing partners' human resources management

23. Given the large staffing and consultancy budget provided to the implementing partner, OL (representing 50 per cent of its expenditures), OIOS reviewed its human resources management procedures. OIOS assessed that sound recruitment procedures were in place and adequate personnel files were maintained. Improvements were required however with regard to attendance records and performance management. OL relied on UNHCR's field staff for the

information on staff attendance and did not have an appraisal system to monitor individual performance. While OL informed OIOS that staff performance was measured against the performance of the project on which they had worked on, there was no reference or documentation of this in the personnel files.

24. The observations found by OIOS may be similarly applied to other implementing partners. The Representation therefore should review human resources as part of project monitoring.

Recommendation 7

(7) The UNHCR Representation in Colombia should request Opción Legal and all other implementing partners to maintain attendance records for field employees and consultants and to properly measure and document staff performance.

25. *The UNHCR Representation accepted recommendation 7 and stated they will ask implementing partners to maintain attendance records and establish a proper mechanism for measuring staff performance.* Recommendation 7 remains open pending receipt of further details on the measures taken to improve implementing partners' human resources management.

Opción Legal

26. The Sub-Project Agreements with OL included projects: (a) implemented directly by OL; (b) UNHCR administered projects for which OL was the umbrella agency; and, (c) projects with governmental institutions. In 2006, OL implemented 73 UNHCR administered projects representing 68 per cent of their total projects. For these projects, Tripartite Agreements, stating the financial rules and procedures applicable were signed by UNHCR, OL and the LCPs. There were two types of agreement (Type A or B) with differing responsibilities for OL and LCPs.

27. OIOS considered that a legal opinion should be sought on UNHCR's responsibilities under the tripartite agreements, as the Sub-Project Agreement signed between OL and UNHCR is the definitive programme instrument. Subsequent to the audit, from July 2007, the Representation has discontinued signing the tripartite agreements.

28. Irrespective of the agreement, (type A or B) UNHCR staff authorized all OL expenditures before payment was made. The Representation explained that it considered these procedures necessary given the protection orientation of the projects, which warranted UNHCR's direct involvement in the monitoring of activities. While all payments were approved, OIOS found that UNHCR and OL had differing interpretations of what 'approval of expenditure' meant. UNHCR field staff considered that it was to confirm that activities corresponding to the report or invoices submitted had been implemented. OL understood it was 'full' approval and it gave OL the 'green light' to pay the amount and record it as sub-project expenditures. Considering that OL relies strongly on a pre-payment

approval received from UNHCR, it is important to clearly specify in writing what is the purpose and scope of the payment control performed by UNHCR, as well as the associated roles and responsibilities of UNHCR field staff. The Representation stated that OL has the staffing resources to financially administer a large number of projects and UNHCR has delegated the financial project administration to OL. UNHCR continue to approve spending to ensure the proper implementation of protection projects in line with UNHCR's mandate.

29. In OIOS' discussions with the Bureau for the Americas, the Director agreed that it was necessary to support OL in performing more financial monitoring of the UNHCR administered projects. There was also a need to strengthen the capacity of some LCPs' to develop their administrative capacity.

Recommendations 8 to 10

(8) The UNHCR Bureau for the Americas should discontinue entering into Tripartite Agreements with Opción Legal and local counterparts, as the Sub-Project Agreement must be the definitive programme instrument delineating the responsibilities of implementing partners.

(9) The UNHCR Representation in Colombia should clarify the purpose of the approval given by its staff prior to Opción Legal making a payment and recording the expenditures of Local Counterparts.

(10) The UNHCR Representation in Colombia should, without excluding the direct supervision of protection activities, strengthen Opción Legal's monitoring capacity. Opción Legal should be more involved in the financial monitoring of Local Counterparts, and ensure more effort in making them financially and administratively responsible for the activities they undertake.

30. *The UNHCR Bureau for the Americas accepted recommendation 8 and the UNHCR Representation accepted recommendations 9 and 10. On review of the action taken and the information provided, recommendations 8 and 9 have been closed. For recommendation 10, the UNHCR Representation stated that a component of implementing partner monitoring and management will be included in the next training workshop organized by the Programme Unit in June 2007 and Programme staff will then train OL and other partners in September 2007. Recommendation 10 remains open pending conformation that action has been taken to strengthen OL's project monitoring capacity.*

Acción Social

31. For the purpose of implementing UNHCR funded projects, UNHCR and AS, a governmental institution, had created Unidad Técnica Conjunta (UTeC); the implementer of the sub-project. UTeC supports the actions taken by AS and

helps UNHCR beneficiaries to have access to services in the areas of health, registration, education and community services among others.

32. In 2004, UNHCR signed (and it renewed yearly) an agreement with UNDP and AS covering UNDP's management of UNHCR project funds. UNDP maintained accounting records on behalf of AS that was comprised of projects funded by the Government and projects funded by UNHCR. In OIOS' discussions, it was found that UNHCR and AS faced difficulties in working with the United Nations Development Programme (UNDP), as follows:

- UNDP did not provide financial data specific to UNHCR funded projects;
- UNDP maintained their records in US dollars although instalments and payments were in Pesos making the reconciliation of the requests for payment cumbersome for AS employees and exposing UNHCR to exchange rate losses;
- UNDP charged a flat rate of 3.5 per cent of the total expenditure for making a payment, which was disproportionate to the services provided. For instance the unit cost per transaction varied from \$40 to \$50, which is more than double the rate established in the current UNDP Universal Price List; and,
- UNHCR had to advance to UNDP the annual expected expenditures.

33. OIOS questioned why UNHCR had to pay advance instalments to a UN sister agency, and was informed that this was in accordance with the agreement between the Government and UNDP. The Government would only pay its contribution upon UNDP receiving UNHCR's contribution. Given the difficulties in working with UNDP, the Representation proposed to UNDP to renegotiate the agreement on the basis of the advice given by OIOS.

Secretariado Nacional de Pastoral Social

34. SNPS, an NGO which is part of Caritas/CRS is active in the ten regions of Colombia divided in 76 sub-regions (dioceses). SNPS currently implements 160 projects in Colombia. For these projects, UNHCR only contributes to SNPS existing activities, which in 2005 and 2006 amounted to \$1.3 million.

35. Over the last five years, there was a significant increase in the number and financial value of projects where SNPS was working with LCPs having limited or no previous experience with UNHCR. This was challenging. OIOS found that some LCPs had difficulties in complying with UNHCR requirements and meeting project submission deadlines. One of the main challenges was the volume of administrative work; the signing of local agreements was time consuming and due to delays there often had to be budget adjustment and project amendments. Overall, OIOS found that SNPS' monitoring of projects was competently done and regular visits to project sites were undertaken.

C. Human Resources Management

36. Due to the expansion of the programme in Colombia and the introduction of a more decentralized approach to the operation as compared to the traditionally centralized management, there are some potential risks that should be addressed to ensure the effective implementation of the programme. For instance, several new posts have been created and the new staff will need training and on-the job coaching. The level of responsibilities will increase due to the growing number of projects and additional tasks (both protection and programme) delegated to field managers. As a result of these potential risks, OIOS focused on human resources.

Staff recruitment process

37. OIOS' review of staff recruitment revealed several instances where it was not conducted in accordance with the established rules. Personnel files were not properly maintained and there were significant delays in formalizing decisions taken. The Representation explained that the backlog and delays in personnel administration were mainly due to the lack of human resources. During 2005 and 2006, there was only one Human Resource Assistant for 53 staff in 12 locations. The request for an additional post submitted in 2005 was successful only in 2007 when a new post for a Human Resources Clerk was approved.

38. OIOS found that UNHCR's rules had been misinterpreted and consultants and interns were recruited to regular posts without a break of service. For example, four consultants were appointed as National Officers immediately after the last consultancy contract. The decision was taken after consultation with Headquarters, but the wrong advice was given. Additionally, there were inaccuracies in the recruitment of two other former consultants; one was recruited immediately against a post, and the other had not been approved by the Bureau and hence not submitted to the Appointments, Promotions and Posting Board (APPB)¹. Despite this, and without considering the second ranked candidate and justifying its decision, the Representation appointed the consultant as a National Officer and re-advertised the post a year later. The former consultant being the incumbent of the post was again recommended and the decision endorsed by the APPB.

39. In January 2007, the Representation recruited two former national UNVs as General Service staff without conducting interviews. Subsequent to the audit, the Representation conducted interviews with the short listed candidates for the two posts and prepared the necessary interview reports for submission to the Appointments, Promotions and Posting Committee (APPC)². The Representation pointed to the lateness of the ORB decision for Special Budget funded posts and

¹ The APPB is established to advise the High Commissioner and/or designated officials of the High Commissioner on appointments, postings and promotions of internationally recruited staff members at the P-1 to D-1 levels and of National Professional Officers.

² The APPC is charged to make recommendations to the Deputy High Commissioner or the High Commissioner's Representative affecting staff at the General Service category.

stated that there was not sufficient time to interview and select the candidates for posts created from 1 January 2007.

Recommendation 11

(11) The UNHCR Representation in Colombia, with the support of the Bureau for the Americas, should strengthen its human resources management. Appropriate measures should be taken to ensure that all officials involved in recruitment are familiar with UNHCR rules and policies.

40. *The UNHCR Representation accepted recommendation 11 and stated that those involved in recruitment are now fully familiar with the UNHCR rules and policies. The Bureau for the Americas will review its capacity to further assist the Representation with a training mission before the end of 2007. Recommendation 11 remains open pending confirmation that additional training has been provided to the staff involved in the recruitment process in Colombia.*

Insufficient human resources

41. In 2005 and 2006, the field and sub-offices were not properly staffed and there was an over reliance on the use of UNVs. There was an imbalance of regular staff versus UNVs. For instance, as of January 2006, the number of approved posts (other than drivers) in the eight field duty stations was 13 regular posts against 17 UNVs. Such a ratio does not allow the required level of supervision of UNVs, as foreseen in UNHCR's policy. It was also observed that UNVs were performing UNHCR core functions; a UNV was acting Head of Office in Barranquilla. Furthermore, given the responsibilities of some of the offices, the grade of the staff should be re-considered. For example, Pasto was headed by a P-2 and Bucaramanga by a National Officer. The field office in Barrancabermeja was managed by one staff member at the G-4 level.

42. The Representation also heavily relied on consultants, who were recruited for extended periods of time. During 2005 and 2006, four consultants had contracts exceeding eleven consecutive months and two of them had been engaged for more than 24 months. In addition, the functions performed did not correspond to the definition of consultancy services and instead were performing routine UNHCR functions. This was substantiated by the fact that in 2007, they were recruited as UNHCR staff members. OIOS was informed by the Representation that the assignments for the consultants were initially envisaged to be of short-term nature. After a few months, the Representation realised that the assignments required continuous follow-up and UNHCR needed these services for a longer term. The difficulty in creating new posts under the Annual Budget had left the Representation no choice but to continue to hire consultants.

D. Post Implementation of MSRP

Implementation of MSRP in Colombia

43. Version 2 of MSRP was used by UNHCR Colombia. The training however was on version 1 as the relevant training module had not yet been finalized. As a consequence the training was not fully effective due to the differences between versions 1 and 2. OIOS is of the opinion that the implementation of the version 2 of MSRP should have been deferred. Nonetheless, despite the initial confusion this created, staff members were able to use MSRP in their day-to-day work.

44. OIOS found that although UNVs were given access rights and their names appeared on the Delegation of Authority Plan (DOAP), no training was provided to them. The current policy of excluding UNVs from attending MSRP training when they are delegated functions in MSRP should be revised as it could result in costly mistakes. In OIOS' view as long as the duties delegated to UNVs are in compliance with the established policies, the Division of Financial and Administrative Management (DFAM) should ensure that adequate training is provided to allow UNHCR personnel to carry out their duties effectively.

Recommendation 12

(12) The UNHCR Representation in Colombia, with the support of the Division of Financial and Administration Management, should ensure that United Nations Volunteers delegated functions in Management Systems Renewal Project (MSRP) (within the required UNHCR policy on the use of United Nations Volunteers) obtain the necessary MSRP training.

45. *The UNHCR Representation submitted MSRP training requirements to DFAM for all staff who have not previously attended a MSRP workshop including UNVs. The training should take place in September/October 2007.* Recommendation 12 remains open pending confirmation that MSRP training has been provided to UNVs.

Delegation of Authority Plan (DOAP)

46. The Financial Internal Control Framework (FICF) empowers senior managers to create DOAP to sub-delegate authority for their areas. MSRP has on-line tools to control the system's access in MSRP in accordance with the roles and delegation of authority. For Colombia, individuals had been assigned conflicting roles such as the responsibility to both prepare and approve bank reconciliations, which is allowable on an exceptional basis if approved by the Chief of Finance, DFAM. OIOS found that the Representation should have better monitored staff members with conflicting roles by generating a compliance report available in MSRP. The Representation was not aware of this report.

Recommendations 13 and 14

(13) The UNHCR Representation in Colombia together with the Division of Financial and Administration Management should ensure that the rules for the roles of Delegation of Authority Plans are adhered to. All exceptions should be justified in writing and approved by the Chief, Finance Section, Division of Financial and Administration Management and properly filed.

(14) The UNHCR Division of Financial and Administration Management should assist the Representation in retrieving from Management Systems Renewal Project (MSRP) reports for monitoring the application of Delegation of Authority Plan and to identify any discrepancies between the functions actually performed and authorized.

47. *The UNHCR Representation accepted recommendations 13 and 14 and provided evidence that they have been implemented.* Recommendations 13 and 14 have been closed.

E. Supply Management

Procurement by implementing partners

48. For the three partners reviewed, OIOS assessed that the procurement procedures were in accordance with UNHCR procurement rules. All of them had a procurement committee in Bogotá, maintained minutes of the meetings and obtained pro forma invoices or conducted a formal bidding exercise when required. As observed by OIOS in 2003, however, purchases by all partners except AS, was subject to a 17 per cent sales tax. Despite several attempts, UNHCR had not been successful in obtaining a tax waiver for its partners. To reduce the financial impact, in 2006, UNHCR directly procured some assets (computer and electronic equipment) on behalf of partners. In spite of this, computers and other electronic equipment were purchased in 2005 and 2006 costing Colombia Peso 380 million (\$172,000). OIOS suggested that the partner, AS take action on obtaining a tax exemption as this government institution has the capacity to certify that purchases made by UNHCR partners are for humanitarian purposes.

Recommendation 15

(15) The UNHCR Representation in Colombia should request Acción Social to take action to obtain a tax waiver for other UNHCR implementing partners since this government institution has the capacity to certify that items purchased by UNHCR's implementing partners are made for humanitarian purposes.

49. *The UNHCR Representation accepted recommendation 15 and indicated that they have requested the Ministry of Foreign Affairs to take direct and effective action with the tax authority regarding a tax exemption for implementing partners. An answer from the Ministry is still expected. Recommendation 15 remains open pending the outcome of whether or not implementing partners obtain a tax exemption.*

F. Security and Safety

50. In 2006, the UN Department for Safety and Security (UNDSS) assessed four UNHCR field offices (Barrancabermeja, Bucaramanga, Cúcuta and Pasto) as partially minimum operational safety standards (MOSS) compliant. UNDSS will follow up on the status of the recommendations during its forthcoming assessment at the end of 2007.

51. The roles and responsibilities between the Representation in Colombia and DSS on security issues should be further clarified. UNDSS stated that they were responsible for taking action for security incidents and the UNHCR security focal point was responsible for: administrative aspects; security clearance; and, training. The UNHCR security focal point however received incident reports directly from staff members and had not reported all of them to UNDSS. From 44 security incidents in 2005 and 2006 only 20 had been reported to UNDSS. As explained by the security focal point, this was due to a lack of resources.

Recommendation 16

(16) The UNHCR Representation in Colombia should ensure that in security and safety related matters the role of UNHCR and the UN Department of Safety and Security are clear, properly coordinated and communicated to staff. Measures should be taken to strengthen the capacity of the Representation on staff security and safety issues.

52. *The UNHCR Representation accepted recommendation 16, and stated that the roles and responsibilities with UNDSS should be further clarified. The Representation indicated that an interagency security mission planned for June 2007 to Colombia should consider relations between UNDSS and individual agencies' security teams. Recommendation 16 remains open pending further details of the measures taken to clarify the role of UNDSS and UN Agencies, including UNHCR operating in Colombia.*

G. Administration

53. In the areas of administration and finance, the UNHCR offices in Colombia generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review. Payments and disbursement records were adequately supported and financial records were well kept and up-to date.

Plan for restructuring process

54. In November 2006, the Representation in Colombia received approval for its restructuring plan including the decentralization of operations and the delegation of human resources and other administrative activities. Since then, the Representation has taken steps to establish new offices and has started recruiting staff. OIOS found however that there was no comprehensive plan of action for the restructuring exercise. This is important to ensure a comprehensive list of tasks is established, as well as the expected timelines and those responsible for taking action. This will enable the restructuring exercise to be better managed and monitored.

Recommendation 17

(17) The UNHCR Representation in Colombia should establish a plan of action in order to more effectively manage the restructuring process.

55. *The UNHCR Representation accepted recommendation 17 and have issued relevant instructions.* Taking into consideration the action taken recommendation 17 has been closed.

H. Fundraising

56. In 2006, the Representation raised funds locally for its supplementary programme. OIOS found that the Representation was highly involved in the fundraising procedures consisting of: (a) contacting prospective donors to identify sources of funds; and, (b) preparing project proposals and reporting on the activity to the Division of External Relations (DER) at Headquarters or UNHCR's office in Brussels (dealing with ECHO funding).

57. Although the fundraising activities were successful, there are risks associated with it mainly due to a lack of staffing capacity. Fundraising involves not only the administrative part of project submissions and reporting, but also responding to various ad hoc requests from donors. This is time consuming, and at the time of OIOS' mission, the Programme Unit staff spent more than one third of their time on fundraising and donor relation activities. This is set to increase the more successful local fundraising becomes not only in reporting to donors but also in the increase in programme activities and the associated workload this will generate. OIOS suggested that fundraising be separated from the programme unit to ensure more focus on these individual functions.

58. Through OIOS' discussions, with the Representation and the Bureau, there was an opinion that there was insufficient support and guidance from Headquarters to fulfil its responsibilities towards the donors; lack of adaptability of UNHCR fundraising procedures for local fundraising; absence of appropriate training for field staff involved in fundraising activities and the necessary relations with donors; and, difficulties in communication with DER due to unclear roles and responsibilities of the field versus Headquarters. These issues

are not strictly related to the Representation in Colombia and therefore should be dealt with centrally.

Recommendation 18

(18) The UNHCR Representation in Colombia, with the support of the Bureau for the Americas, should modify the structure of the office to separate fundraising activities from the programme unit to ensure both activities can be more focused on their prime objectives.

59. *The UNHCR Representation accepted recommendation 18, and indicated that as first step in implementing OIOS' recommendation, an External Relations Officer post was created in 2007 for the above purpose and the incumbent is expected to take his/her function as of July 2007. Recommendation 18 remains open pending receipt of further details on the modifications to the structure and functions of the Office of the Representation to ensure both fundraising and programme activities are focused on their prime objectives.*

V. ACKNOWLEDGEMENT

60. I wish to express my appreciation for the assistance and cooperation extended to the auditors by the staff of UNHCR and implementing partners in Colombia.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	C	Action completed	Implemented
2	C	Action completed	Implemented
3	O	Receipt of documentation supporting improved standards and indicators for internally displaced persons.	Not provided
4	O	Receipt of criteria for the selection of Local Counterparts.	October 2007
5	C	Action completed	Implemented
6	O	Receipt of revised terms of reference of the local external	Not provided
7	O	Receipt of details of the measures taken to improve implementing partners' human resources management.	Not provided
8	C	Action completed	Implemented
9	C	Action completed	Implemented
10	O	Receipt of details of the action taken to strengthen Opcion Legal's monitoring	September 2007
11	C	Action completed	Implemented
12	O	Confirmation that MSRP training has been provided to UNVs.	October 2007
13	C	Action completed	Implemented
14	C	Action completed	Implemented
15	O	The decision of the government to exempt UNHCR partners from the payment of tax on goods procured for humanitarian purposes.	Not provided
16	O	Establishment of measures taken to clarify the roles and responsibilities of UNHCR and UNDSS.	Not provided
17	C	Action completed	Implemented
18	O	Receipt of details on the modifications and structure of the programme and fundraising activities.	Not provided

1. C = closed, O = open

2. Date provided by UNHCR

UNITED NATIONS



OIOS Client Satisfaction Survey

Audit of: UNHCR Colombia

(AR2007/151/01)

	1	2	3	4	5
By checking the appropriate box, please rate:	Very Poor	Poor	Satisfactory	Good	Excellent
1. The extent to which the audit addressed your concerns as a manager.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The audit staff's understanding of your operations and objectives.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Professionalism of the audit staff (demeanour, communication and responsiveness).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The quality of the Audit Report in terms of:					
• Accuracy and validity of findings and conclusions;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Clarity and conciseness;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Balance and objectivity;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Timeliness.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The extent to which the audit recommendations were appropriate and helpful.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The extent to which the auditors considered your comments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Your overall satisfaction with the conduct of the audit and its results.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please add any further comments you may have on the audit process to let us know what we are doing well and what can be improved.

Name: _____ Title: _____ Date: _____

Thank you for taking the time to fill out this survey. Please send the completed Survey as soon as possible to: Mr. Dagfinn Knutsen, Director, Internal Audit Division, OIOS, Room DC2-518, United Nations, New York, NY 10017. You can also send it via e-mail (knutsen2@un.org) or by fax (+1-212-963-2185).