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**AUDIT OF UNHCR OPERATIONS IN LIBYA**

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**AUDIT OF UNHCR OPERATIONS IN LIBYA (AR2005/131/07)**

**EXECUTIVE SUMMARY**

In October 2005, OIOS conducted an audit of UNHCR Operations in Libya. The audit covered activities with a total expenditure of US\$ 1.5 million in 2004 and 2005. A draft report was shared with the Director of the Bureau for CASWANAME and the Chief of Mission in April 2006, on which comments were received by May 2006. *The Bureau and the Chief of Mission have accepted most of the recommendations made and are in the process of implementing them.*

Overall Assessment

- OIOS assessed the UNHCR Operation in Libya as average, it was adequately run but although the majority of key controls were being applied, the application of certain important controls lacked consistency or effectiveness. In order not to compromise the overall system of internal control, timely corrective action by management is required.

Programme Management

- For the two partners reviewed, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements. Improvements were needed over the maintenance of accounting records for cash disbursements and compliance with UNHCR procurement procedures.
- Further efforts were required to ensure programme management reaches an acceptable level of conformity to UNHCR's rules and procedures. Financial monitoring was not performed on time and was not documented. For instance, it took UNHCR five months after the termination of a partnership to question the validity of expenditures charged to the project. The selection of partners was not sufficiently transparent, and frequent changes of the partners had a negative impact on the cost and performance of projects. Some of the complications that OCM referred to in its reply to OIOS were due to an inadequate understanding of programme management.
- The low rate of implementation of projects was partly due to the lack of the capacity of partners. The support provided in terms of logistics (no vehicle was provided) and administrative equipment was insufficient to ensure the smooth implementation of the projects. The involvement of UNHCR in capacity building was almost nonexistent despite the fact that the partners had no previous experience in implementing UNHCR activities.
- Financial and human resources were not sufficient to cover the basic needs of UNHCR beneficiaries. *The Bureau indicated that a mission will be conducted to determine budget requirements and the required level of capacity building of partners.*

- A Programme Assistant without adequate supervision carried out the closure of the Somali Compound. Several weaknesses in procedures were noted, in particular there was not sufficient evidence that payments totalling US\$ 36,500 were made to genuine UNHCR beneficiaries. The beneficiary list was prepared and modified without the approval of the Assistance Advisory Committee, payments were made to persons to whom the status of refugee had been denied, and some payments were recorded as paid by UNHCR, but this was not the case. A detailed report on this activity by the responsible Chief of Mission has never been done.
- The refugee statistics were not accurate. The figures, previously maintained on Excel were downloaded into RICSS in 2003 without being verified for accuracy. They may have been inflated since the distinction between active and non-active refugee cases had not been made and all the individual cases were not supported by an open file. Moreover, RICSS was not operational in 2005 due to the absence of staff to run it. *OIOS was informed that since the installation of proGres, the data transferred to the system is being verified by a newly hired UNV.*

#### Supply Management

- OIOS assessed that the procurement procedures were weak. There was no designated focal point, a register of commercial contracts has not been maintained and the procurement files did not provide evidence that proper competition had been conducted.
- Most of the assets were fully depreciated and should be replaced to make the office more effective and operational. In view of the implementation of MSRP, the procurement of new computers and communications facilities were required.
- AssetTrak had not been updated since the end of 2004. The LAMB meetings were held sporadically with the last minutes dated October 2003. Also, without any authority, the Field Programme Assistant proceeded to transfer ownership of assets that were no longer required due to the closure of the Somali Compound.

#### Security and Safety

- Due to several security incidents, the Government provided the services of armed security guards for the UNHCR office. A mission by a UN Regional Security Officer in April 2005 recognized that UNHCR is more at risk than most of the other UN agencies working in Libya. In spite of this, most of the recommendations made had not yet been implemented. *OCM indicated that they have sought advice from Headquarters on various security issues.*

#### Administration

- In the areas of administration and finance, the Office of the Chief of Mission in Libya generally complied with UNHCR's rules, policies and procedures, and controls were operating effectively during the period under review. Some improvement and strengthening of internal controls were required over financial management.

June 2006

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## I. INTRODUCTION

1. From 15 to 27 October 2005, OIOS conducted an audit of UNHCR's Operations in Libya, which was the first OIOS' audit of UNHCR in Libya. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. OIOS reviewed the activities of the UNHCR Office of the Chief of Mission (OCM) in Libya and its implementing partners Al-Wafa and Libyan Society for Safe Childhood (LSSC).

2. Approximately 12,000 refugees are registered with UNHCR in Tripoli, the majority are Palestinians followed by Somalis, Sierra Leoneans, Iraqis and a few from other African and Arab countries. The refugee population in Libya is mostly urban-based in Tripoli, spontaneously settled with the local population and residing in rented accommodation. Arab and African nationals with valid travel documents were permitted to obtain employment. UNHCR's assistance was aimed at self-reliance including job placement, vocational training, apprenticeships and micro-credit agricultural schemes.

3. Libya has not signed the 1951 Convention relating to the status of refugees and its 1967 Protocol. Given that a legal framework and administrative structure to deal with refugees and asylum seekers to determine refugee status have not yet been established, UNHCR is providing the whole range of services in Protection. UNHCR conducted the Refugee Status Determination (RSD) for all asylum seekers except for Palestinians and Liberians who are recognized on a *prima facie* basis.

4. 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 27 October 2005. A Summary of Preliminary Findings and Recommendations was shared with the Chief of Mission in October 2005. The findings and recommendations were also discussed with the previous Chief of Mission and officials of the Bureau for CASWANAME in November 2005. In addition, a draft of the report was shared with the Director of the Bureau for CASWANANE and the present Chief of Mission in April 2006. The comments, which were received in May 2006, are reflected in the final report. *The Office of the Chief of Mission has accepted most of the audit recommendations made and is in the process of implementing them.*

## II. AUDIT OBJECTIVES

5. 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
- Compliance with regulations and rules, Letters of Instruction and Sub-Project Agreements

### III. AUDIT SCOPE AND METHODOLOGY

6. The audit focused on 2004 and 2005 programme activities under projects AB/LBY/CM/200 and AB/LBY/RP/370 with a budget of US\$ 1.3 million. Our review concentrated on the activities implemented by Al-Wafa - expenditure of US\$ 238,700 for 2005; and, LSSC with budget/expenditure amounting to US\$ 357,000. We also reviewed activities directly implemented by UNHCR with expenditure of US\$ 217,000.

7. The audit reviewed the administration of the Office of the Chief of Mission in Tripoli with administrative budgets totalling US\$ 218,000 for the years 2004 and 2005 and assets with an acquisition value of US\$ 98,000 and a current value of US\$ 25,000. The number of staff working for the UNHCR Operation in Libya was eight. This included staff on regular posts (one international, and five nationals) and two United Nations Volunteers.

8. 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

9. For the two partners reviewed, Al-Wafa and LSSC, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements. OIOS' observations are common for both partners, as although they were two different legal entities, the same personnel were used to implement the UNHCR sub-project, and LSSC's accounting records were kept in Al-Wafa premises.

10. Audit certificates with unqualified audit opinions were received for all partners including those for which an audit certificate was not required, i.e. sub-projects implemented by local NGOs or government organizations with expenditure of less than US\$ 100,000.

#### (a) Al-Wafa/LSSC

11. Al-Wafa used a manual accounting system, which was mainly a cashbook where expenditures were recorded by budget line to facilitate reporting to UNHCR. Although Al-Wafa maintained a separate bank account for the UNHCR's project, all payments were made in cash. The internal controls over cash were lax; it was not kept in a safe and there was no proper accounting record of cash on hand. It was only in January 2005 that Al-Wafa started using spreadsheets to record cash withdrawals. While OIOS appreciated the efforts made to improve the accounting of expenditures, we cautioned against the use of spreadsheets as an accounting system as they are not sufficiently secure, and data can easily be altered. OIOS recommended that UNHCR Libya request Al-Wafa to maintain a cashbook journal. *Action has been taken and the partner is now using a new developed Cashbook Journal.*

12. The internal control procedures for payments were not satisfactory. For example, the payment voucher (PV) did not always identify the beneficiary, there were no supporting documents to check the validity of invoices for medical services, and the global invoices from the pharmacy did not always agree to the corresponding individual invoices. Moreover, the beneficiaries did not sign that they had received the medicines. OIOS recommended that UNHCR request Al-Wafa to modify the PV to include both the name of the beneficiary and the description of expenditures, as well as better document the controls over payments. *OCM have assisted the partner in developing a new PV form providing the name of the beneficiary and the description of the expenditure.*

13. Contrary to UNHCR requirements, beneficiary cards had not been used since 2002 despite the need to have a single source detailing assistance provided to each beneficiary. OIOS recommended that Al-Wafa use beneficiary cards to record all types of assistance provided. *The partner has already started using beneficiary cards in addition to an electronic database to record the assistance provided to refugees and other persons of concern.*

14. Financial assistance was not paid on a monthly basis, which was in line with normal procedures. There were five payments per year and the first took place only at the end of March or early April (covering the period from January to March). This happened, as the partner did not have sufficient funds to make the payments, and none was received prior to signing the Sub-Project Agreement. This cash flow problem resulted due to a misunderstanding of UNHCR's programme management procedures. OCM had requested the partners to reimburse unspent balances in early January instead of using them to initiate current year activities. OIOS could not establish why there was such a delay in signing the Sub-Project Agreement since Headquarters issued the LOI in good time.

(b) Procurement

15. OIOS assessed that the procurement procedures were not satisfactory. Al-Wafa was given a budget for procurement of goods and services exceeding US\$ 20,000 per year. Al-Wafa was not pre-qualified to conduct procurement on behalf of UNHCR nor was it requested to apply the UNHCR IP Procurement Guidelines. The procurement of goods and services was mainly related to the purchase of tool kits and medical services. According to the Al-Wafa Project Coordinator, a price comparison was made on information received verbally, but it was not documented. Moreover, Al-Wafa stated that competitive selection of medical services was not made as all the clinics applied similar rates. OIOS recommended that Al-Wafa adhere to UNHCR procurement procedures and select suppliers on a competitive basis. The selection process should be adequately documented. *OCM indicated that they gave ad hoc training to Al-Wafa to assist them in complying with UNHCR IP Procurement Guidelines. The selection of medical clinics has been made according to UNHCR procedures.*

16. Al-Wafa could not provide documents supporting the procurement of goods to be distributed by UNHCR to asylum seekers living in detention centres. Al-Wafa explained that the transactions were made directly by UNHCR through its service provider and it was subsequently recorded as Al-Wafa's transactions. OIOS recommended that this practice stop, as it is not appropriate for a partner to record UNHCR direct expenditures. These expenditures should be recorded by UNHCR's books of account, as it is directly responsible for them. *OCM denied that they were directly responsible for the procurement.* OCM were unable to provide any documentary evidence of the partner's sole involvement in these transactions. OIOS noted that in some other cases, there was evidence that OCM intervened in activities delegated to partners,

indicating an unclear understanding of its supervision and monitoring role.

(c) Salaries

17. Contrary to good practices and common employment laws, Al-Wafa staff working on the UNHCR sub-project, did not have employment contracts. *OCM stated that Al Wafa confirmed that all staff hired under the project had valid contracts.* OIOS would like to highlight that evidence of this could not be provided during the audit. In addition, reference was made in the management letter issued by the external auditor for the 2004 project that the partner had not paid social contributions to the Government. When OIOS raised this issue during the audit, Al-Wafa indicated that its employees were paid higher salaries but no allowances to cover any participation in social benefits. *OCM agreed with Al-Wafa that it is the responsibility of employees to pay such contributions and not the employer.* OIOS is not fully satisfied with this response, particularly as it contradicts the findings of the external auditor. Further efforts are required by OCM to ensure that project staff funded by UNHCR have proper employment contracts and are complying with the local employment law. OCM should also caution Al-Wafa that any penalties that may arise for the non-payment of employer's contributions to social benefits would not be funded by UNHCR.

**Recommendation**

- The UNHCR Office of the Chief of Mission in Libya should obtain evidence that project staff funded under the UNHCR sub-project have proper employment contracts with Al-Wafa. These contracts should also clearly state that it is the responsibility of the individual to ensure compliance with local employment law with regard to taxes and social benefits (Rec. 01).

18. *The Bureau stated that OCM has already started the demarches to clarify this issue. In addition, the ToR of a mission from Headquarters will review this issue.*

**B. Other Programme Issues**

(a) Inadequate planning and budgetary procedures

19. For the period covered by the audit, the rate of implementation of the projects was generally low, especially for the repatriation project where expenditures corresponded to 10 per cent and 40 per cent of the budgets for 2003 and 2004 respectively. For Care and Maintenance, the expenditures for 2004 represented only 65 per cent of the initial budget, which was explained by the former Chief of Mission by the closure of the Somali compound in September.

20. The budget for financial assistance of sub-project 05/AB/LBY/CM/200 was established for 225 persons but only about 135 persons were assisted. *The former Chief of Mission explained that the budget was established on the basis of a needs assessment however the partner did not have the capacity to fully implement it.* OIOS is concerned that a budget and sub-project objectives were established without due consideration of the capacity of the partner and its implementation constraints. OIOS sees this practice corresponding to a built-in contingency reserve in the budget. OIOS believes that if a more realistic budget is requested for the Care and Maintenance projects, more funds would be available to cover durable solution activities for refugees.

21. The support and resources provided to Al-Wafa from UNHCR was not sufficient to ensure the smooth implementation of the project. While Al-Wafa was responsible for providing a wide range of services, it had to operate from a single-room office. Moreover, sufficient office equipment was not provided nor was a project vehicle, which was necessary to make visits to beneficiaries and hence perform its tasks effectively. *The Chief of Mission highlighted the fact that the UNHCR beneficiaries needed more assistance in regard to durable solutions. Based on the Chief of Mission's discussions with various embassies, people of concern to UNHCR in Libya expected more support from UNHCR, which UNHCR cannot provide due to the current lack of resources. Contrary to this, the Bureau stated that the low level of implementation correlated to the level of request of assistance by refugees and not so much on the managerial capacity/will of UNHCR staff.*

### **Recommendation**

- The UNHCR Office of the Chief of Mission in Libya with assistance from the Bureau for CASWANAME should improve the effectiveness of the operation in Libya, with emphasis on durable solutions, either by further capacity building of partners, training of staff or an increase in resources to ensure that an adequate level of assistance is provided to UNHCR's beneficiaries (Rec. 02).

22. *The Bureau is considering a mission by the Senior Desk officer to determine the changes required in the budgets, building the capacity of the partners and/or increasing the level of assistance, as well as tapping possible sources for additional resources for the project. However, within UNHCR's present economic constraints, the resources available both for programme implementation and creation of any additional posts are limited. In this context, the auditor's recommendation would be difficult to implement.* OIOS appreciates the present financial constraints nonetheless considerable efforts are required to ensure the operation in Libya becomes more effective in achieving, at least to an acceptable level, UNHCR's objectives.

#### (b) Relationship with implementing partners

23. The relationship with UNHCR's implementing partners was unclear, as OIOS noted that their responsibilities changed on an annual basis. Until 2003, UNHCR's partnership with Al-Wafa was under the Care and Maintenance project. In 2004, these responsibilities were transferred to LSSC and in 2005 they were reverted back to Al-Wafa. Despite the 'administrative' changes, the staff members of the sub-project team remained the same since 2003 irrespective of the name of the partner, even though they were different legal entities. The decision for change and the subsequent reasons were not documented. Moreover, prior to signing the first Sub-Project Agreement with LSSC, it was not evident that efforts had been made by OCM to ensure it had the required capacity to implement a sub-project. In OIOS' view, the selection of partners was not transparent and should have been better documented. OCM did not comment on OIOS concerns with regard to the unclear relationship with its partners.

#### (c) Lack of understanding of budgetary and programme management procedures

24. OCM in managing project 05/AB/LBY/RP/370 for the repatriation of 30 persons, made a chain of errors and applied a number of inconsistent steps, which in OIOS' view was due to the lack of understanding of UNHCR budgetary procedures. In February 2005, a Sub-Project Agreement was signed with Al-Wafa allocating to the partner an amount of US\$ 39,000. No

provision for this had been made in the LOI. Because of this, the instalment was incorrectly charged to a sub-project established for activities to be directly implemented by UNHCR. OCM did not immediately inform the Desk on the reallocation made nor did it later on when the Bureau issued a draft amendment to the LOI for the transfer of these funds to another project. Subsequently, OCM requested Al-Wafa to convert to Libyan Dinars the amount received in US dollars and to consider it as an instalment for sub-project 05/AB/LBY/CM/200 (a). Given that such practice is not compatible with FOAS, OIOS recommended that with the assistance of the Desk adjustments be made to FOBS and FOAS data. *OCM stated that this was discussed with the Desk for action.*

(d) Closure of the Somali Compound

25. Several weaknesses were noted in the closure of the Somali Compound that was done by the Field/Programme Assistant in September 2004. As part of the closure procedures cash payments were provided to individuals and their families to leave the Compound. OIOS was concerned as to the validity of the payments made, as there was insufficient evidence that they were made to genuine UNHCR beneficiaries. The weaknesses observed mainly related to a lack of internal controls over the distribution of cash payments and its subsequent reporting. For example, there was a lack of segregation of duties, inadequate authorization and approval procedures, poor documentation of transactions and an absence of proper supervision.

26. A total of LD 47,500 (US\$ 36,500) was paid to beneficiaries, and this amount was not provided for in the LOI. The beneficiary list was prepared by OCM, but it remained unclear by whom or on what basis. During the distribution, the initial list was modified without evidence of this being approved. Contrary to normal practices in UNHCR Libya, the approval of the Assistance Advisory Committee was not sought. OCM could not explain why many beneficiaries were listed as having received no payment and why some payments were made to persons to whom the status of refugee was denied by UNHCR and no refugee file existed.

27. The lump sum payments of assistance to residents of the Compound were recorded as paid by the partner, LSSC but these were made directly by UNHCR. The identity of the person(s) responsible for making the payments to the beneficiaries was unknown. They did not sign the distribution list, highlighting a significant internal control weakness.

28. The former Chief of Mission, who was absent at the time of the closure, was not aware of the circumstances surrounding the establishment of the list of beneficiaries and the distribution of cash. He did not supervise the activity nor had he reviewed the adequacy of the procedures that were followed on return to the office a few days later. He addressed a memorandum to the Desk on 26 September 2004 referring to the smooth closure of the Compound mentioning that a complete report would be issued. This was not done. *In response to OIOS' audit recommendation, OCM only referred to the statement made by the Programme Assistant during the audit mission, and no additional information was provided.* OIOS still considers the comments made by the Programme Assistant as incomplete, confusing and even contradictory. In OIOS' opinion, considering the seriousness of the audit findings and that assurance cannot be obtained that UNHCR funds were appropriately used and paid to targeted beneficiaries, the former Chief of Mission should as indicated in his memorandum to the desk properly report on this issue.

## **Recommendation**

- The UNHCR Bureau for CASWANAME should request that the former Chief of Mission, who was ultimately responsible and hence accountable for the supervision of the closure of the Somali Compound and the criteria established in the selection of beneficiaries paid a cash allowance, properly report on the procedures taken and provide the necessary supporting documentation to evidence that only eligible persons received payment (Rec. 03).

29. *The former Chief of Mission submitted an extensive reply providing detailed background information on the Compound itself and describing the procedures followed for its closure.* OIOS takes note of the information received, but would like to highlight that the former Chief of Mission's comments, although consistent with that provided by the UNHCR Programme Assistant, do not include the expected documentary evidence that there was adequate supervision over the activities undertaken. In OIOS' opinion, considering the former Chief of Mission's absence during the process, it is his responsibility to verify a *posteriori* compliance with the existing rules and procedures and ensure that only genuine UNHCR beneficiaries were assisted. OIOS considers that the former Chief of Mission has not provided adequate evidence that project objectives were achieved and only genuine beneficiaries received assistance.

### (e) Inadequacy of financial monitoring

30. Although the SPMRs submitted by the partners were approved by the Field/Programme Assistant, there was no record of the financial monitoring performed. There was no documentation of monitoring visits of the partners' books of account and no formal recommendations were made to improve their activities. OIOS acknowledges that there was regular, almost daily, exchange of information between UNHCR and the partners nonetheless there was no systematic review of the partners' accounting and project records. For instance, the first review of the Ministry of Health's (MoH) records was five months after the end of the partnership. In a letter addressed to the MoH, UNHCR expressed doubts on the validity of assistance provided to beneficiaries and the charges made to UNHCR. Despite this, UNHCR approved the SPMR with the mention "No comment". OIOS recommended that OCM establish procedures for the financial monitoring of its partners. *OCM stated that the Programme Assistant was instructed to carry out regular verification and monitoring of partners records and a note for the file would be prepared to better document the exercise.*

### (f) Statistics on refugees and asylum seekers

31. The registration system, RICSS was only implemented in Libya at the beginning of 2003. The opening figures of 11,500 were taken from an Excel spreadsheet that was previously used for compiling the statistics. At the time of the transfer of data to RICSS the figures were not verified, and the distinction between active and non-active refugees was not made. In addition, as there were not refugee files for all 11,500 ICs it is likely that double recording occurred.

32. Since the beginning of 2005, although the data was in the system, OCM was not able to generate any reports, as there was no staff members properly trained on the system. The responsible for RICSS was discontinued at the end of 2004, leaving the office without the necessary expertise. OIOS recommended that OCM update the refugee and asylum seekers

statistics. *OCM stated that with the assistance of Headquarters, proGres has been installed and all refugee data has been migrated to the new system. A UNV has been recruited to undertake assignments related to data entry and statistics. OCM has started a verification exercise to determine the active registered caseload and subsequently update records. OCM is hopefully that by the end of 2006, they will be able to report a reliable figure of the refugee population.*

(g) Audit certification

33. For the selection of an audit firm for 2004 a bidding process did not take place because according to the Senior Administrative Assistant the number of qualified audit firms in Tripoli was too low to make the process effective. The selected firm therefore was the one suggested by UNDP. OIOS recommended that OCM properly document the justification of the selection of the audit firm, and that an adequate briefing be given to the selected auditors regarding UNHCR's rules and policies since weaknesses were observed in this regard. *OCM reconfirmed that they were having some difficulties competitively selecting an audit firm due to the limited number based in Tripoli. For 2006, OCM have sent letters to some new firms seeking offers, but so far, no replies have been received. OCM will continue to chase the matter. A prior briefing will be provided to the audit firm selected.*

C. Supply Management

(a) Procurement procedures

34. OIOS assessed that the procurement procedures in place were weak and no focal point had been designated. OIOS found that a register of commercial contracts was not maintained and all relevant documents in the procurement cycle were not found on file. Although some information was available, it did not provide sufficient evidence that three offers had been received when required. According to the Senior Administrative Assistant, three offers were usually obtained, but only the offer received from the successful bidder was kept on file.

35. With regard to the activities related to the repatriation of refugees, the purchase of flight tickets was increasing considerably. OIOS noted that only one travel agency was generally used. In its selection there was no evidence that a comparison of prices and services offered was made. OIOS recommended that OCM modify its practices to adhere to UNHCR rules and procedures for procurement. *OCM stated that the Senior Administration Assistant was designated as focal point for procurement. An improved documentation system has been established, where the required three bids are recorded and filed. With regard to the travel agencies, two companies have been selected and approved by the local contracts committee. The selection will be reviewed in six months for the sake of transparency and in an attempt to obtain better prices/offers.*

(b) Use of service providers

36. OCM used a service provider for security services and to procure supplies and administrative services in instances where the supplier requested to be paid in advance or in cash. No documentation could be provided to OIOS that the cost of services invoiced by the service provider corresponded to the lowest market price available. In addition, the service provider charged an administrative fee of 13 per cent (15 per cent in 2004) for each transaction. There was also no evidence that the service providers were selected competitively. *OCM indicated that with the present opening in the economy, the situation has slightly improved.*

OIOS suggests therefore that the need for such services should be reduced.

(c) Asset management

37. At the time of the audit, most of UNHCR assets in Tripoli were fully depreciated, especially the computer equipment. To be functional and more effective, most of the equipment needed to be replaced including photocopiers, office furniture and light vehicles. In view of the implementation of MSRP, the need for new computers and communication facilities was of particular importance. OIOS recommended that the budget for 2006 be revised accordingly.

38. AssetTrak had not been updated since the end of 2004, mainly as the contract of a national UNV responsible for IT was terminated. Moreover, although a LAMB was established in 2002 and meetings were occasionally held, the last minutes available were dated October 2003. OIOS noted that LAMB approval was not sought in some cases, namely for the transfer of ownership of UNHCR assets on the closure of the Somali Compound. In this case, the Field/Programme Assistant signed the agreement for the transfer of ownership instead of the Chief of Mission.

39. Medical furniture and equipment handed over to UNHCR by the MoH at the end of the partnership in May 2005 were still stored in UNHCR premises waiting for distribution to a clinic providing services to refugees. OIOS recommended that once approved by the appropriate asset management board, OCM transfer its ownership to a clinic or a hospital providing services to UNHCR beneficiaries.

40. *OCM stated that computers have been purchased and some office equipment has been replaced. The assets inventory has been updated. A LAMB meeting was convened and relevant measures have been taken with regard to old equipment and the transfer of ownership to NGOs and clinics.*

D. Security and Safety

41. After several security incidents the Government was requested to provide round the clock service of armed security guards at the Office of the Chief of Mission. A mission by a UN Regional Security Officer was carried out in April 2005. The mission report recognized that UNHCR is more at risk than most of the other UN agencies working in Libya, and it indicated that the office was not MOSS compliant. Equipment needed to be purchased including a generator, smoke detectors, fire extinguishers and a CCTV camera and recorder, as well as shatter resistant films for the windows. Apart from the installation of the CCTV camera and recorder none of the recommendations for the new equipment and the enhancement of security measures have been implemented. *The OCM indicated that the need for equipment to ensure MOSS compliance had been communicated to Headquarters on several occasions. The Chief of Mission also indicated he has sought security advice from Headquarters on various issues such as training for staff, VHF communication and security measures over the area assigned for interviews. The Bureau stated that the budget for security arrangements has been planned for 2007, considering the move of the office to new premises within a few months time.*

E. Administration

42. In the areas of administration and finance, the Office of the Chief of Mission generally complied with UNHCR's regulations, rules, policies and procedures, and controls were operating

effectively during the period under review.

(a) Financial management

43. Our review of OCM's financial records revealed several financial management deficiencies. In addition to recurrent coding and other accounting technical errors, the verification of price and performance was not always adequate and properly documented and was often carried out by non-UNHCR staff. The deficiencies identified was due to a combination of factors such as the lack of training given to the newly appointed Senior Administrative Assistant, weaknesses by the Approving Officer function and insufficient monitoring by the Division of Finance and Supply Management and the Bureau. *OCM reiterated the need to have proper training on finance, administration and human resources issues for the newly appointed administrative assistant.*

44. OCM has been working independently from UNDP since 2002. As a result the Chief of Mission has both certifying and approving functions as the only international staff member in the office. OIOS noted that payments to the Chief of Mission were certified and approved by him. OIOS would like to highlight that such a practice is not in accordance with the UNHCR rules and instructions, and constitutes a serious weakness in internal controls. In this case, approval from the desk at Headquarters should be sought. Moreover, contrary to UNHCR instructions on the Delegation of Signing Authority, there was no monitoring performed by another office or by Headquarters. *OCM was expecting advice from the Bureau on these issues. The Chief of Mission suggested that as a temporary measure, pending the arrival of the assigned Protection Officer, the Finance Assistant perform certifying functions.* No information was provided as to whether FRS had been requested to sanction this. It is the responsibility of the Chief of Mission to initiate such a request and to seek the support of the desk.

(b) Cash management

45. Petty cash is currently in Libyan Dinars with a ceiling of LD 200 (US\$ 150). To facilitate the financial operations and reduce the number of transactions made through the service provider and simplify the payment of grants paid to repatriates, OIOS recommended that the ceiling of the petty cash in Dinars be increased and a petty cash in US Dollars be authorized. According to the reply received, it seems that the Chief of Mission has not yet submitted the relevant request to FRS.

(c) Human Resources Management

46. The decision to terminate the contracts of four national UNVs at the end of 2004 was not justified by budgetary constraints and in OIOS' view was taken without appropriate measures to ensure the smooth continuation of their assigned responsibilities. This decision had a negative impact on many aspects of the operation since the recruitment of two new national UNV only took place in August and September 2005.

47. Training of staff was required for all sectors of activities including administration, finance, programme, protection and language. OIOS suggested that this could be done through workshops and/or on-the-job training. During the training, special attention should be given to the filing of documents, which was a significant problem in the office.

### **Recommendation**

- The UNHCR Office of the Chief of Mission in Libya, in conjunction with the Bureau for CASWANAME, should ensure that UNHCR staff members in Libya are conversant with UNHCR's basic rules and procedures. Adequate training and assistance should be provided (Rec. 04).

#### (d) Communication costs

48. There were currently only two lines for all types of communications (telephone, fax, internet, etc.). The office did not have access to UNHCR Intranet, and only one of the computers has the possibility of Internet connection. *OCM indicated that action has been taken to provide the office with a digital line and 256 Internet speed connectivity shortly after OIOS' mission, which was necessary for MSRP implementation.*

#### (e) Rental of premises

49. The current office premises did not adequately accommodate all staff. The office space was not convenient, not well maintained and the lighting was inadequate. In addition the area for the interviews with asylum seekers and refugees was not acceptable. *OCM stated that after the audit, the landlord requested an increase in rent of about 100 per cent, which was unjustified. Following consultations with Headquarters, a decision has been taken to move to other premises at the end of the current lease in July 2006. Resources are required however to implement this, which are not available under the current financial constraints. According to the present market price, it will be difficult if not impossible to rent new premises within the already approved allocation under the 2006 ABOD. The office of the Chief of Mission has sought Headquarters support in this respect.*

## **V. ACKNOWLEDGEMENT**

50. 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 Libya.

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