

**UNITED NATIONS**

**Office of Internal Oversight Services  
UNHCR Audit Service**

Assignment AR/2006/131/04  
Audit Report R07/R009

30 March 2007

**AUDIT OF UNHCR OPERATIONS IN EGYPT**

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**AUDIT OF UNHCR OPERATIONS – EGYPT (AR/2006/131/04)**

**EXECUTIVE SUMMARY**

In November 2006, OIOS conducted an audit of UNHCR Operations in Egypt. The audit covered activities with a total expenditure of US\$ 5.2 million in 2004 and 2005. A draft of the report was shared with the Director of the Bureau for MENA and the Representative in January 2007, on which comments were received by February 2007. *The Director and Representative have accepted most of the recommendations and are in the process of implementing them.*

Overall Assessment

- OIOS assessed the UNHCR Operation in Egypt 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 obtained that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements.
- CARITAS made loans to and from UNHCR sub-projects, without adequately disclosing them and without UNHCR's knowledge and prior agreement. The balance of the loan owed to CARITAS or to UNHCR was unknown, as it had not been calculated for several years. *The Regional Representation informed that a system would be established with CARITAS so that transactions to and from the bank account can be properly accounted for.*
- A balance of over US\$ 140,000 was still available in CARITAS' bank account after the submission of the final 2005 SPMR that showed an unspent balance of only US\$ 268. In OIOS' view considering that CARITAS had a separate bank account for UNHCR funds, and by deducting 2006 remittances and disbursements in the account, there should not have been a difference between the two balances. *CARITAS stated that the balance of US\$ 140,000 represented various loans made over several years to pre-finance UNHCR activities that had not been recovered from the UNHCR bank account.* OIOS recommended that a review be conducted to establish whether or not these funds belong to UNHCR or CARITAS. *The Regional Representation will closely monitor the balances in the UNHCR special bank account.*
- OIOS assessed that programme financial monitoring was regularly and satisfactorily carried out,

with monitoring reports available for all partners.

#### Use of UNVs

- Despite the fact that the Regional Representation had been handling what has been considered as “the largest urban refugee population in the world” the office has lacked over the past several years the necessary (regular) UNHCR protection staff to carry out the work effectively. As a result, they have had to heavily rely on national UNVs to deliver essential core protection activities. Most of the national UNVs had no prior work experience, and were hired from universities to occupy sensitive and responsible positions. For years, the number of national UNVs represented from 75 to over 85 per cent of the staff in the Protection Section. OIOS recommended that the Bureau and the Regional Representation re-assess the number of UNVs used in the operation with the aim of replacing them with regular UNHCR staff.
- The Regional Representation has been experiencing a high turnover rate of its national UNVs (over 65 per cent in 2005). This has had a negative impact on the day-to-day administration of the office, with up to 40 per cent of the time spent by the administration section devoted to UNV staffing issues, not to mention the loss of induction programme costs.
- *The Regional Representation stressed that the issue of the use and management of consistently high numbers of UNVs over several years is an issue larger than UNHCR Cairo. The Regional Representation informed that over the past years UNHCR Cairo has in all its submissions for post-creations in the COPs requested the creation of General Service posts to decrease the over reliance on national UNVs. The number of UNVs has gradually reduced to 20 at the beginning of 2007, but the workload still exceeds the capacity of regular posts.*

#### Procurement

- UNHCR procurement procedures were generally complied with. There was a need however to re-assess the competitiveness of the current security company which was selected ten years back, as well as other services. *Action would be taken once the Regional Representation moves to its new offices.*

#### Security and Safety

- According to the UNDP/Field Safety Officer, the office of the Regional Representation was not MOSS compliant. OIOS notes however that the proposed new building would be classed as MOSS compliant once all the recommendations for security enhancements made in the Senior Field Security Advisor’s mission report of July 2006 have been implemented.

#### Administration

- In the areas of administration and finance, the office of the Regional Representation in Egypt generally complied with UNHCR’s regulations, rules, policies and procedures, and controls were operating effectively during the period under review. The areas brought to the attention of the Regional Representation are being addressed.

March 2007

## TABLE OF CONTENTS

CHAPTER	Paragraphs
I. INTRODUCTION	1-4
II. AUDIT OBJECTIVES	5
III. AUDIT SCOPE AND METHODOLOGY	6-8
IV. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Review of implementing partners	9-19
B. Other Programme Issues	20-39
C. Supply Management	40-44
D. Security and Safety	45
E. Administration	46-53
V. ACKNOWLEDGEMENT	54

## I. INTRODUCTION

1. From 19 November to 2 December 2006, OIOS conducted an audit of UNHCR Operations in Egypt. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. OIOS reviewed the activities of the UNHCR Regional Representation in Egypt and two of its implementing partners.
2. OIOS' previous audit of UNHCR in Egypt was conducted in February 2001. That review focused on the 1999 and 2000 programme activities covering expenditure of US\$ 4.4 million. The main audit issues raised were the need to review the policy on urban refugees for the continual payment of financial assistance and assistance to vulnerable irregular movers, to re-design the then programme strategy, and to shift the responsibility for Refugee Status Determination (RSD) to the Government of Egypt. *Reception, Registration and Refugee Status Determination activities are still performed today by UNHCR due to the unwillingness of the government to take over these responsibilities.* UNHCR has still not finalized its Urban Refugee policy. OIOS continues to monitor the status of this policy.
3. In Egypt, UNHCR provides protection and basic humanitarian assistance to the largest urban refugee population in the Middle East: some 20,000 refugees, originating mainly from Sudan (78 per cent) and Somalia (17 per cent). Over the past decades, difficulties continued to persist in the Government of Egypt's willingness and ability to put in place the necessary arrangements for the reception and registration of refugee applicants and the determination of their refugee status. UNHCR has therefore been providing the necessary protection to refugees under its mandate by carrying out registration and RSD, and coordinating with the relevant authorities.
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 3 December 2006. A draft of the report was shared with the Director of the Bureau for MENA and the Representative in January 2007, on which comments were received by February 2007. *The Director and Representative have accepted most of the recommendations and are 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 the 2004 and 2005 programme activities under projects 04&05/AB/ARE/LS/401 with expenditure of US\$ 4.2 million. Our review concentrated on the activities implemented by CARITAS – expenditure of US\$ 2.9 million and Catholic Relief Services (CRS) – expenditure of US\$ 0.9 million. OIOS also reviewed activities directly implemented by UNHCR with expenditure of US\$ 0.3 million.

7. The audit reviewed the administration of the office of the Regional Representation in Egypt with administrative expenditure totalling US\$ 1 million for the years 2004 and 2005, and assets with acquisition costs totalling US\$ 460,000 and current value of US\$ 107,000. The number of staff working for the UNHCR Operation in Egypt was 46. This included staff on regular posts and United Nations Volunteers. There were 4 vacant posts.

8. The audit activities included a review and assessment of internal control systems, interviews with staff, analysis of data and a review of the available documents and other relevant records.

#### IV. AUDIT FINDINGS AND RECOMMENDATIONS

##### A. Review of Implementing Partners and Programme Monitoring

9. For the two partners reviewed, reasonable assurance could be obtained that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements.

10. Audit certificates for 2004 and 2005 were available for all partners, with unqualified opinions expressed.

##### (a) CARITAS

11. CARITAS continued to run two general accounting systems in parallel; one a manual system, the other automated. This was despite a previous recommendation from their external auditors that only one system should be used. Both systems generated the same information for the preparation of UNHCR financial reports, and were operated by the same employee. While the final SPMRs were satisfactorily reconciled to CARITAS' ledgers, OIOS was of the view that maintaining two systems was labour-intensive and not cost effective, and draws unnecessarily on scarce resources that could have been used for other tasks. *CARITAS indicated that it preferred keeping the two systems running in parallel as it helped them ensure the integrity of financial information, while also adhering to local requirements to maintain a manual system.*

12. CARITAS did not comply with the budgetary provisions. According to the Sub-Project Agreement, budgetary transfers by CARITAS were authorized at the 'item' level, which meant that such transfers should not change the total amount under the relevant Sector-Activity level. Under Sector C, however, CARITAS spent LE 105,486 (US\$ 18,500) over the budget. No authorization was sought from UNHCR for this overrun. *The Representation informed that the budgetary overruns were known, and were a result of the emergency that arose in late 2005. Due to administrative and other reasons the Representation was unable to revise the budget. The Representation assured OIOS that there would be regular follow-up to ensure budget amounts are adhered to or the budget is revised in a timely manner.*

13. In 2005 (and in previous years) CARITAS borrowed funds from UNHCR projects to pre-finance its own projects, and/or loaned its funds to UNHCR sub-projects. These loans, however, were not clearly reflected in the ledgers, and had never been reconciled to the loans paid out. Hence, it was very difficult (even impossible) to determine the net balance owed to either party. According to the Assistant Director, CARITAS had thought of doing this in the past but never had the time to do it, but indicated that a reconciliation would be carried out by

the end of 2006. Upon our request CARITAS calculated (using their main office' accounting system) that for 2005 alone, it owed LE 237,161 (US\$ 41,600) to UNHCR and UNHCR owed LE 287,123 (US\$ 50,370) to CARITAS. These calculations were not evidenced by adequate supporting documentation.

14. Similarly, a special UNHCR bank account maintained by CARITAS (and operated on a joint-signatory basis) showed a net credit balance of LE 806,120 (US\$ 141,420) in its bank statement dated 31 March 2006 (after deducting the 2006 instalments and the relevant 2006 project disbursements). The final 2005 SPMR showed an unspent balance of only LE 1,533 (US\$ 268). These two amounts should have been equal since no funds other than UNHCR instalments were deposited into the account. CARITAS explained that the money represented various loans made to UNHCR over the past 15 years, which had never been recovered from the UNHCR bank account. They further indicated that they would draw a cheque for the full balance on the UNHCR account to reimburse CARITAS.

#### **Recommendations:**

- The UNHCR Regional Representation in Egypt should request CARITAS to ensure that all loans made to and from UNHCR sub-projects are clearly recorded in the accounting system, are well documented and all refunds are made in a timely manner to reflect a zero-balance. If such accounting cannot be implemented, the practice should be discontinued (Rec. 01).
- The UNHCR Regional Representation in Egypt should closely monitor balances in the UNHCR special bank account, and ensure that funds totalling US\$ 140,000 genuinely belong to CARITAS (Rec. 02).

15. *For recommendation 01 above, the Regional Representation informed that it agreed to the practice as CARITAS has three offices involved in the implementation of UNHCR projects; assistance programmes in Cairo and Alexandria and CARITAS's headquarters. CARITAS Egypt advances all expenses during the year and they are refunded at the end of each year. The Regional Representation stated that a system would be set-up with CARITAS to ensure loans are clearly recorded and all refunds are made on a timely basis. If such an accounting system cannot be established, CARITAS will be requested to discontinue the practice.* OIOS takes note of the proposed action, and will keep the recommendation open pending confirmation that UNHCR funds can be properly tracked and monitored.

16. *For recommendation 02 above, the Regional Representation will closely monitor the balances in the UNHCR special bank account, and will ensure that funds deposited genuinely belong to UNHCR.* OIOS takes note of the action taken and will maintain the recommendation pending confirmation that these funds totalling US\$ 140,000 belong to CARITAS.

17. Despite the fact that the payments of bi-monthly allowances to refugees were made through the bank, CARITAS kept petty cash on an imprest basis at a ceiling of LE 100,000 (US\$ 17,540). CARITAS explained that the petty cash was to pay vulnerable refugees and those refugees who were not able to present themselves to the bank. The petty cash balance carries insurance coverage of up to LE 100,000 (US\$ 17,540) in case of theft.

18. OIOS noted that the cashbook used to record cash movements did not show any carrying (running) balance following the posting of receipt or disbursement of cash. The cash on hand was only calculated at month-end, and included cheques on hand (instead of cash only). Given that the cash disbursements were often recorded in bulk for a given period, it was not possible to determine whether the petty cash ceiling was complied with. Moreover, there was no evidence of any cash verification, except for a few unannounced cash counts. OIOS recommended that the Regional Representation request CARITAS to maintain adequate cashbooks showing a running/available balance following each cash transaction; cash verifications should also be periodically conducted, with evidence kept on file. *OIOS was informed that in November 2006, CARITAS changed its cash recording system showing the cash balance at the end of each day.* OIOS takes note of the enhancements made. The new procedures (as documented) are satisfactory to enable the daily cash balance to be established. OIOS is of the opinion however that each cash transaction should be separately recorded in accordance with good accounting practices.

(b) Catholic Relief Services

19. OIOS assessed that the internal controls and financial records at CRS were satisfactory. The activities were mainly focused on one line item relating to the provision of education grants to refugee children at primary level and lower secondary level. The SPMRs were satisfactorily reconciled to CRS' ledgers. The expenditure was adequately supported and had been appropriately reviewed and authorized prior to payment.

B. Other Programme Issues

20. OIOS assessed that project financial monitoring and implementation were regularly and satisfactorily carried out, with monitoring reports available for all partners. However, at the Regional Representation there was a need to address various programme and protection issues.

(a) Use of National United Nations Volunteers (NUNVs)

21. UN Volunteers have served a very useful role at the Regional Representation over the past several years. It appears though, that contrary to the original spirit for the use of UNVs, the consistently high numbers hired by the Regional Representation suggest they have been deployed as substitutes for regular staff on a long-term basis. This is contrary to UNHCR's Policy on the Use of UNVs where it states that UNVs "should not be deployed as substitutes for regular staff on a long term-basis."

22. OIOS acknowledges and appreciates that due to the fact that regular posts for staff have not been established, the Regional Representation does not have many options but to hire UNVs. Nonetheless, alternatives need to be more seriously considered and in the short-term there are a number of issues in the areas of recruitment and management of UNVs that should be addressed.

Experience and contractual arrangements of UNVs

23. The availability of a large pool of experts is supposed to be one of the advantages linked to the use of UNVs at UNHCR. OIOS noted, however, that the vast majority of the national UNVs hired for UNHCR in Egypt were university students without any work experience, thus requiring intensive training prior to taking up their assignment. According to the UNV Guidance note (Bonn, March 1998), there are two main National UNV categories:

National UNV specialist, with minimum experience of five years or more, and National UNV field workers, with two years' minimum relevant working experience. This prerequisite working experience, which would qualify them as providers of much needed technical expertise in a given field, had not been adequately taken into consideration when recruiting UNVs to work with UNHCR in Cairo.

24. OIOS met a UNDP/UNV officer in Cairo, who expressed strong reservations on the actual use of UNVs by the Regional Representation, and the abnormally significant turnover rate of UNVs. For example, young inexperienced national UNVs (with no professional maturity) were tasked to perform key functions, such as visiting persons in prisons and conducting interviews there during the events of December 2005. UNDP/UNV in Cairo explained that they were not a human resource office for UNHCR, and the UNV programme is not designed to address the staffing shortage experienced by the Regional Representation. UNVs should not be seen as substitute staff, particularly in such high numbers. UNDP/UNV also stated that they did not have the staffing resources to deal with the administrative procedures of the high number of UNVs required by UNHCR, as well as the high turnover of UNVs experienced by the Regional Representation. UNDP/UNV also pointed out that the UNV programme and the nature of the positions held by UNVs at the Regional Representation (such as registration) are different from and unusual compared with the activities normally undertaken by UNVs.

25. OIOS found that since the beginning of 2006, UNHCR had completely taken over the responsibility for the labour-intensive recruitment process from UNDP (except for advertising the post and the issuance of contracts). Despite UNHCR absorbing most of the administrative work, UNHCR continued to pay a 10 per cent overhead cost to UNDP. This was estimated at about US\$ 16,000 in 2006. OIOS noted that the new arrangement and responsibilities by the Regional Representation had not been formalized in any written official document. Such an informal arrangement is not in accordance with the terms of the MoU between UNHCR and UNDP. It clearly states in paragraph 3.6 "in the event that UNHCR carry out the programme and administrative activities on behalf of UNV/UNDP..... the extent of such activities must be agreed upon between UNHCR and UNV/UNDP and a reduced level of overhead charges to UNHCR should become applicable based upon an agreement of the partners....." The present agreement (if it continues to be the only alternative) needs to be formalized and a reduced overhead rate agreed. OIOS is not in accord with such an arrangement whereby the Regional Representation continues to take on board additional administrative activities. OIOS agrees that the Regional Representation should make the final decision on the individual UNVs to be hired, but UNDP/UNV's responsibilities should be extended beyond advertising the vacancies and issuing contracts. It should include identifying suitable candidates and in setting up interview panels (although a UNHCR staff member could be on the panel). The Regional Representation's responsibility should be limited to providing UNDP/UNV with the required number of national UNVs and the relevant Terms of Reference.

26. OIOS noted that the procedures for the recruitment of UNVs by the Regional Representation had not been formalized. While a draft "SOP for the recruitment of a UNV" was recently developed, this had still not been finalized by the time of the audit. Under the terms of the draft, UNDP/UNV was not required to participate in the interview panel. According to the Programme/Administrative Officer, from her arrival in June 2006 up to November 2006, she had conducted four recruitments of UNVs, and only in one instance did UNDP send someone to attend. This in OIOS' opinion is not correct and a requirement should be made in the SOP that UNDP are systematically involved.

### **Recommendations:**

- The UNHCR Bureau for North Africa and the Middle East in conjunction with the Regional Representation in Egypt should re-assess the number of UNVs used in the operations with the aim of replacing them with staff on regular UNHCR contracts (Rec.03).
- The UNHCR Regional Representation in Egypt should, in their 2007 Letter of Understanding with UNDP/UNV, clarify the respective roles and responsibilities of UNDP/UNV and UNHCR in the recruitment process of national UNVs. The labour-intensive recruitment process should remain the responsibility of UNDP and not UNHCR (Rec. 04).

27. *The Regional Representation stressed that the issue of the use and management of consistently high numbers of UNVs over several years is an issue larger than UNHCR Cairo. Reference was also made to the total number of UNVs engaged in UNHCR and that this had arisen due to the non-creation of regular posts, and the phase out of project staff. OIOS is aware of the number of UNVs engaged in UNHCR and the particular constraints certain operations have had in obtaining the level of regular staff required to implement the activities effectively.*

28. *For recommendation 03 above, the Regional Representation informed that over the past years UNHCR Cairo has in all its submissions for post-creations in the COPs requested the creation of G-S posts to decrease the over reliance on national UNVs. While the number of UNVs has gradually reduced from 27 in [2004] to 22 in 2006, and 20 at the beginning of 2007, it remains a fact that the workload exceeds the capacity of regular posts. OIOS takes note that the number of UNVs has decreased in recent years. OIOS also appreciates that UNHCR's budgetary constraints can result in Representations seeking alternative staffing arrangements. Nonetheless, OIOS is still of the opinion that the operation in Egypt is too reliant on the services of UNVs. OIOS will keep the recommendation open pending confirmation that the number of UNV, as assessed by the Bureau, has been reduced to a reasonable and manageable level.*

29. *For recommendation 04 above, the Regional Representation clarified that they worked in close collaboration with UNDP/UNV, but had taken extra steps to ensure transparency, fairness and objectivity in the nomination process. The Representation took note of OIOS' observation that UNDP/UNV was generally not present during the interview, but interview reports were shared and the final selection of candidates was done in consultation with UNV Cairo. The Regional Representation undertook however to include a clear definition of the respective roles and responsibilities of UNDP/UNV in the recruitment process in the LOU. The planned date for implementation of this recommendation is April 2007. OIOS takes note of the comments and will keep the recommendation open pending confirmation that the Letter of Understanding with UNDP/UNV clarifies the respective roles and responsibilities of UNDP/UNV and UNHCR in the recruitment process.*

### **Breaking of existing UNV Contracts**

30. UNVs serving at the Regional Representation were sometimes offered a regular staff appointment despite the fact that they were still under a UNDP/UNV contract. For example,

for one person, her last UNV contract ran from 1 January through to 31 December 2004, but was subsequently hired by the Regional Representation at the G-S level starting on 1 July 2004. Another person whose last contract was from 1 January through to 31 December 2005 was offered a Fixed Term Appointment contract with UNHCR starting on 1 September 2005. While OIOS appreciated that the selection of those serving UNVs might have been made because of their in-house experience (and training by the Regional Representation) the practice did not comply with the MoU between UNHCR and UNDP/UNV. Paragraphs 4.4 and 4.5 states “UNVs shall not normally be appointed to regular UNHCR posts prior to completion of their contracts with UNV. In circumstances where UNHCR may wish to consider a serving UNV for appointment to a regular UNHCR post, the parties agree, *intra alia*, that there shall be no foreshortening of an effective contract for the purposes of appointing a UNV as a regular UNHCR staff member, without prior agreement between UNV and UNHCR”. OIOS did not obtain any evidence that such agreement was reached with UNDP. OIOS recommended that the Regional Representation comply with the terms of the MoU with UNDP/UNV and refrain as much as possible from foreshortening UNVs contracts to hire them as regular staff. *The Regional Representation justified its position with regard to the hiring of UNVs as regular staff, and stated that in as much as possible, they try to avoid to foreshorten national UNV contracts. Also, the recruitment does not take place without prior consultation with and agreement by UNDP/UNV Cairo.*

#### High turnover rates of national United Nations Volunteers

31. OIOS noted that the Regional Representation had been experiencing a significantly high turnover rate of UNVs. This had a negative impact on the day-to-day administration of the office, as well as on key protection activities. For example, the turnover rate (staff leaving and replaced by new staff) was 64 per cent in 2005 and 32 per cent by October 2006. This resulted in the waste of training costs and time (two weeks paid orientation programme) and increased recruitment costs (new interviews, contracts, etc.). According to the Protection Officer, the high turnover rate (some UNVs leave after only two weeks) has been taking between 30 and 40 per cent of her time, which has been devoted to dealing with departure/hiring issues, following up with UNDP, etc. It takes between one to two months to finalize the hiring of new UNVs. Also, according to the Administrative/Programme Officer about 10 to 15 per cent of her time has been for such activities, not to mention some 5 per cent of the Programme Assistant’s time for the same purpose. This level of involvement is not acceptable and could be detrimental to the effectiveness of the operations in Egypt if not resolved.

32. In their letter dated 22 February 2006, UNDP/UNV informed the Regional Representation that in 2005 alone, it had contributed over US\$ 18,000 in staff time, and that the high turnover rates experienced by the Regional Representation over the past years had resulted in a significant increase “in staff time and administrative transactions to support the operation of UNVs in UNHCR”. Consequently, UNDP/UNV requested UNV Bonn to send an evaluation mission to assess the UNV Programme in UNHCR (Cairo).

33. According to a mission report issued by the joint assessment team in August 2006, one of the main reasons for the high turnover rate was that UNVs, after their training/induction programme, become sought after by other operations, including UNHCR’s. Personal reasons, such as securing permanent employment, family issues, furthering studies, etc., were also considered factors contributing to the high turnover. The team also established that UNHCR developed an expectation of employment from UNVs when it appointed national UNVs to regular local positions resulting in the foreshortening of UNV contracts.

34. With regard to UNVs' expectation to secure permanent employment with UNHCR, OIOS noted that in at least one instance a UNV had served for eight years (from 1997 to 2005) at the Regional Representation and exercised functions not in line with the purpose of UNVs, such as Senior Secretary, Telecommunication operator, etc.). These were clerical and/or purely administrative support functions, and should not have been tasked to UNVs under the UNV Programme mandate. This situation also contravenes UNHCR's policy that UNVs should not be deployed as substitutes for regular staff on long-term basis (maximum incumbency is four years).

**Recommendation:**

- The UNHCR Regional Representation in Egypt should, based on the conclusions of the joint assessment mission, and in conjunction with UNDP/UNV and the UNV focal point at Headquarters, explore new ways/alternatives with a view to reducing the high turnover rate of UNVs. The Regional Representation should also, through proper induction briefings to national UNVs ensure that no false expectations are raised for future preferential career prospects with UNHCR (Rec. 05).

35. *The Regional Representation informed that action has already been initiated to implement the assessment mission's recommendations aimed at reducing the high turnover rate. Also as recommended by OIOS, in the framework of the induction training, briefings will be given to ensure that false expectations are not raised for future preferential career prospects with UNHCR.* OIOS takes note of the action taken and will keep the recommendation open pending confirmation that the recommendations made by the joint assessment mission have been fully implemented to the satisfaction of the parties involved.

**Key protection functions vested on UNVs**

36. OIOS noted that some UNVs had been exercising certain functions (confirmed by their terms of reference) normally performed exclusively by UNHCR's regular staff. For example, the RSD Team Leader was an international UNV, and was responsible to "co-ordinate and supervise the work of Eligibility Assistants carrying out RSD" and to "approve the recommendations on RSD made by Eligibility Assistants". She explained that only more complicated issues, if any, were referred to her supervisor (the Senior Protection Officer). In our view, the responsibility of approving RSD recommendations by a UNV is not in line with UNHCR's policy that states, "the final signing off for decisions on RSD must be taken by UNHCR staff members". Moreover, the national UNVs were working under the supervision of the international UNV, and not directly under the supervision of a UNHCR staff member. This contravenes the relevant UNHCR's policies on the use of UNVs, which states that "UNVs, irrespective of their professional competencies and qualifications, or the functions assigned to them, must work under the direct supervision of UNHCR". We appreciate that the RSD Team Leader reports in turn to a UNHCR international staff member, however, the policy requires that UNVs should be directly supervised by regular UNHCR staff (and not by another UNV). OIOS recommended that the Regional Representation ensure that UNVs work is performed under the direct supervision of UNHCR regular staff. *The Regional Representation stated that as of 1 January 2007, given the recent creation of a further NOA protection post, the team-leader of the Refugee Status Determination team is a regular UNHCR staff member, thereby eliminating a situation in which UNVs are not directly supervised by a regular UNHCR staff.*

### Creation of a UNV pilot project

37. To address the various UNV issues and shortcomings, UNDP/UNV has proposed together with UNHCR to establish a pilot UNV project: a paralegal programme titled “Building capacity among young committed graduates on Human Rights and Refugee law in Egypt”, aiming to build the capacity of up to 20 young committed graduates in Egypt. A roster of UNVs would then be established to serve UNHCR operations in Egypt. The project would entail the appointment of an international UNV (titled Human Resources Specialist), whose post would be located at the Regional Representation (though the position would be financed by UNDP/UNV). The international UNV would be tasked with the recruitment, management and follow up of UNVs, including the establishment of the roster of UNVs.

38. OIOS was concerned, however, that in substance the project was not much different from the present UNV arrangement, and that it is merely the result of UNDP/UNV trying to shift/transfer its administrative responsibilities relating to national UNVs onto the Regional Representation. One of the objectives of the project is to create a “pool of human resources” (20 UNVs). In our view, maintaining a pool or a roster of 20 national UNVs does not, in anyway guarantee that they would be available to serve at UNHCR when need be. It is our understanding that, in fact, these national UNVs would already be working at the Regional Representation under the same conditions as at present; hence OIOS did not see how the creation of this project could address the issue of high turnover, other than having the advantage of clarity and transparency in the actual use of national UNVs. In OIOS’ view this looks very much like a ‘project staff’ arrangement that was phased-out some few years back.

#### (b) Refugee status determination (RSD)

39. RSD for Sudanese nationals was suspended in June 2004 following the peace accord in Sudan. It was initially limited to six months, and then extended a number of times during which the number of asylum-seekers had drastically increased, with an estimated figure of 13,000 Sudanese to date. *The Regional Representation informed that decisions on the continuation of suspension of automatic RSD for Sudanese nationals have been taken in close consultation with Headquarters.* In our view, given the current staffing level, it would be extremely difficult (if not impossible) to carry out fully-fledged RSD, except for limited vulnerable cases. OIOS witnessed some of the daily influx of asylum-seekers (an average of 200 individuals per day according to the Regional Representation). OIOS understands that it takes four to five months from the distribution of the registration forms to actual registration of asylum-seekers. In our view, this is too long a delay, given that the delivery of a residence permit by the Egyptian authorities is dependant upon beneficiaries producing yellow or blue cards. *The Regional Representation explained that this was mainly due to the lack of adequate reception facilities and security. It is expected that this ‘waiting period’ will be significantly reduced with the facilities at the proposed new building. The Deputy Representative further pointed out that most likely, UNHCR would not resume automatic and general individual RSD for Sudanese asylum-seekers registered with UNHCR in Egypt given that they possess a particular legal status under the Four Freedoms Agreement signed between the Arab Republic of Egypt and Sudan in 2004. Asylum-seekers (yellow cards) enjoy the same protection as blue-card holders (no refoulement), allowing each of the two groups to have renewable residence permits of six months. Only in cases of Sudanese asylum-seekers with special needs or protection concerns in Egypt is full RSD conducted.*

## C. Supply Management

### (a) Procurement

40. OIOS assessed that the Regional Representation's procurement procedures were generally satisfactory. A Local Committee on Contracts had been established to deal with cases above US\$ 20,000, and a Local Purchase Committee to deal with small purchases from US\$ 1,500 up to US\$ 20,000. OIOS would question the cost effectiveness of having a Local Purchasing Committee, whereby purchases between US\$ 1,500 and US\$ 20,000 are submitted and approved.

41. There was a need to re-assess the competitiveness of the current security company that was selected about 10 years ago. The service contracts for security had not been reviewed for years (no evidence of review since 1996). This was also the case for cleaning services, maintenance of photocopy machines, etc. *The Regional Representation explained that it was planning to re-tender most of the services currently provided once it moves to the new office premises.*

42. OIOS noted that procurement procedures by the implementing partner, CARITAS were not always evidenced. For example, under payment voucher # 1320, CARITAS procured two computers and a printer for LE 18,900 (US\$ 3,315) from a local supplier. There was no document evidencing the bidding process. CARITAS explained that it had been "instructed" by their regional office to procure from a specified supplier (Global brands). CARITAS indicated that in 2004, it had also been instructed by UNHCR to purchase a photocopying machine from a particular supplier. OIOS appreciates that the Regional Representation may have determined through its procedures the best suppliers, however, instructing partners to use specific suppliers blurs the distinction between direct implementation and implementation by partners. If the Regional Representation was of the opinion that CARITAS did not have the capacity to carry out a transparent competitive bidding process, then the items should have been directly procured by the Regional Representation, and handed over to the partner. For the computers procured, OIOS noted that CARITAS had paid VAT (10 per cent), which could have been saved had UNHCR made the procurement directly. OIOS recommended that the Regional Representation in Egypt refrain from instructing implementing partners to make their procurement from any particular supplier. *The Regional Representation accepted OIOS' recommendation and implemented it immediately.* OIOS appreciates the positive action taken.

### (b) Asset management

43. AssetTrak was generally well maintained and up-to-date, though there was a need to bar-code some items. For example, two of the office' vehicles (a Volvo 940 and a Volvo S60) and TV and video equipment had not been properly registered. *Corrective action for the motor vehicles was taken by the end of the audit.*

44. The Regional Representation informed OIOS that a number of pieces of office furniture at the current office premises actually belonged to the landlord, and that the office was unable to determine which ones. This is because not only were no records taken of the furniture available in the building prior to moving in, but also the lease agreement had made no reference to any furniture belonging to the landlord, making it even more difficult to identify on a reliable basis. OIOS understands that UNHCR is using the landlord's records of his furniture to establish what furniture belongs to UNHCR. A handwritten list is being

compiled and so far 227 items have been identified as belonging to UNHCR. The items belonging to the landlord have yet to be documented and cleared with him. OIOS Recommended that although the new building to which UNHCR will move in February/March 2006 is leased unfurnished, the Regional Representation should ensure that assets presently owned by UNHCR are fully accounted for.

#### D. Security and Safety

45. The Regional Representation was not MOSS compliant. However, it was expected that the proposed new building to which UNHCR will move in February/March 2007 would be MOSS compliant once all the recommendations for security enhancements in the Senior Field Security Advisor's (SFA) mission report dated 10 July 2006 have been implemented. The new location has been security-cleared by UNDSS' Security Advisor. In light of events that led to the refugee demonstrations and shortcomings associated with the existing security arrangements at the current premises, the Regional Representation should ensure that the recommendations made by the SFA are duly implemented at the new premises.

#### E. Administration

46. In the areas of administration and finance, the Regional Representation generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review.

##### (a) Management System Renewal Project (MSRP)

47. The MSRP system was rolled out to the Regional Representation in October 2006. OIOS was informed that there were a number of problems encountered in moving from FMIS to the new MSRP system, although many of them were resolved. Nonetheless, the office was still experiencing a number of recurring problems. This may be due to a misunderstanding by the staff responsible or limitations of the system. For example, the Finance Assistant complained about the need to select and print each and every voucher one at a time, when under FMIS, as many vouchers as needed could be selected and printed in one go. Given the number of payments vouchers (PVs) that have significantly increased in 2006 (up to 30 PVs per week for the repatriation only), the process has proved very time-consuming and inefficient. One another example, while PVs were being processed (on a Sunday, which was a working day in Egypt), a problem occurred in the system, despite a request of assistance made to Headquarters, the MSRP emergency unit informed the Regional Representation that it would need to wait until Monday (working day in Geneva) to sort out the problem. *The Regional Representative explained that Headquarters is planning for 2007 to outpost three regional MSRP posts in Cairo, and it is expected that most of the current problems experienced with MSRP will be resolved.*

48. The Regional Representation informed OIOS that resources have been stretched with the implementation of MSRP. For example, for the Voluntary Repatriation project (Sudanese caseload), the Regional Representation currently processes 30 payment vouchers and cheques per week (from only 10 PVs per week with FMIS). The Regional Representative indicated that he currently signs as many as 55 cheques and vouchers each day. OIOS took note of this, and suggested that such tasks could in part be delegated to another international staff member with designated authority when necessary. OIOS was also of the opinion that, as far as payments to refugees are concerned, and given that there are many, it is not practical to issue a payment voucher and a cheque for each of them. Instead, a single cheque could be issued to

a professional staff member as an operational advance (recorded in a suspense account) for onward distribution and accounting for this advance once payments have been effected (appropriately evidenced on cash payment sheets discharged by the beneficiaries). This has been the practice in many other UNHCR operations, and if sound internal controls are in place it should reduce the administrative burden of the office. *The Regional Representation informed that the new arrangement has impacted positively on the workload and efficiency of the process, and that in fact the endeavours to find an alternative solution had started as early as in November 2006 in consultations with the Finance Section at Headquarters, and that confirmation by OIOS that the practice could be implemented was appreciated.*

49. For several years, the Regional Representation has been consistently experiencing problems with its present bank, as evidenced by the significant number of complaint letters sent to the bank. OIOS had previously raised this issue in its 2001 Audit Report (AR2001/301/02 refers) and had recommended that the Regional Representation conduct a bank survey with a view to obtaining better service. OIOS noted that while a survey was conducted, no report outlining the assessment and recommendations could be found, and that the same bank has continued to be used.

50. The situation has not improved over the years with, for example, the bank not complying with proper cut off dates, errors consistently made in the computation of charges and/or interest, and late issuance of bank statements. In light of these persistent problems, OIOS could not understand why the same bank was still being used, especially given that the Regional Representation was informed that the main UN agencies including UNDP, UNICEF and WHO were all using another bank. In our view, serious steps should be taken to discontinue the use of the present bank. A market survey should be conducted (including consultation with other UN agencies) and a change be considered taking into consideration the plan to move the current office premises from downtown Cairo to the new location (some 40 km away).

**Recommendation:**

- The UNHCR Regional Representation in Egypt should conduct a market survey and consult with other UN agencies in Cairo with the aim of improving its bank services, taking into consideration the move to the new office premises (Rec. 06).

51. *The Regional Representation informed that a survey was conducted in January 2007 and another relevant survey to identify the major banks near the new location of UNHCR's premises. The invitation to bid invitation was sent out to six major and a decision is expected by April 2007.* OIOS is pleased to note the positive action taken and will keep the recommendation open pending confirmation that a new bank has been selected.

52. There was a "dormant" bank account maintained in local currency at MISR International Bank, with a current balance of LE 30,000 (US\$ 6,000). The account had been opened in 2002 and was for the receipt of donations from fundraising activities. These funds relate to donations received in 2003. Since then, there had been no movement recorded on the bank account, except for debits pertaining to bank commissions, etc. OIOS recommended that the Regional Representation re-assess the need to maintain its bank account at MISR International Bank based on activities in the foreseeable future. If no fundraising activities are planned, the account should be closed, with a decision taken on how the balance of US\$ 6,000 could be used. *The Regional Representation informed that the arrival of the Senior*

*Regional Global PUI Officer will result in renewed impetus and efforts in local fund-raising. This may mean that the bank account will become again operational. Meanwhile the Regional Representation will seek Headquarters authorization to use the current available balance of approximately USD 6,000. OIOS takes note of the comments made and is confident that appropriate action will be taken.*

53. The deadlines in 2004 for the submission of monthly accounts were in most cases not complied with, while in 2005 and 2006 none of the submissions were made by the required date of the 10<sup>th</sup> day of the following month. OIOS appreciates that with the introduction of MSRP, this should no longer be an issue, as monthly accounts are now online. OIOS noted that bank reconciliations were often prepared after much delay, attributed to the late receipt of bank statements. For example, the monthly accounts together with the bank reconciliations for March 2006 were only submitted in early May 2006. In line with the recommendation to conduct a market survey of identifying a more suitable bank, the Regional Representation should ensure that one of the criteria to be considered is the obtaining of bank statements on a timely basis.

#### **V. ACKNOWLEDGEMENT**

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

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