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**OIOS AUDIT OF UNHCR OPERATIONS IN TUNISIA**

Auditors:

Rachel Roy  
Corine Faletto



Office of Internal Oversight Services  
UNHCR Audit Service

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**EXECUTIVE SUMMARY**

In June 2004, OIOS conducted an audit of UNHCR Operations in Tunisia. The audit covered activities with a total expenditure of US\$ 273,000 in 2002 and 2003. Exit Conference Notes were shared with the Honorary Representative (HR) in June 2004 and officials from the Bureau of CASWANAME. *They have accepted most of the recommendations made and are in the process of implementing them.*

Overall Assessment

OIOS assessed the UNHCR Operation in Tunisia 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

- Reasonable assurance could be taken that UNHCR funds spent by the Croissant Rouge Tunisien (CRT) were properly accounted for and disbursed in accordance with the Sub-agreements. Project financial and performance monitoring was adequately carried out, except for a potential conflict of interest that exist when the HR authorizes, on behalf of UNHCR, the financial report (SPMR) submitted by CRT while, as a leading member of the CRT, being actively involved in the management of UNHCR sub-project.
- In the absence of protection post, there is a need for UNHCR Headquarters to provide support and guidance on Refugee Status Determination (RSD) and on beneficiary need assessment.

Security and Safety

- Basic security measures exist in UNHCR, Tunis but decisions from HQ are required on additional security measures (protective glass film, blocking the parking spaces in front of the building, etc.) proposed by UNDP, manager of the building.

Administration

- In the areas of administration and finance, the UNHCR Office in Tunisia generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review. However, some improvement of internal controls was required over delegation of financial signing authority. Action is

required to specify the terms of reference for the HR and to issue job descriptions for all staff members.

- It was unclear which of several versions of the UNDP “Universal Price List ”was applicable for services provided by UNDP under an MOU signed in June 2003. The Division of Financial and Supply Management needs to clarify this issue.

- November 2004-

## TABLE OF CONTENTS

CHAPTER	Paragraphs
<b>I. INTRODUCTION</b>	1-3
<b>II. AUDIT OBJECTIVES</b>	4
<b>III. AUDIT SCOPE AND METHODOLOGY</b>	5-7
<b>IV. AUDIT FINDINGS AND RECOMMENDATIONS</b>	8-36
A. Protection and Programme Issues	8-11
B. Review of Implementing Partner CRT	12-15
C. Supply Management	16-18
D. Security and Safety	19-20
E. Administration	21-36
<b>V. ACKNOWLEDGEMENT</b>	37

## I. INTRODUCTION

1. From 7 to 14 June 2004, OIOS conducted an audit of UNHCR's Operations in Tunisia. The audit was conducted in accordance with the Standards for the Professional Practice of Internal Auditing, promulgated by the Institute of Internal Auditors and adopted by the Internal Audit Services of the United Nations Organizations. OIOS reviewed the activities of the Office of the Honorary Representative (OHR) in Tunisia and of its implementing partner, the Croissant Rouge Tunisien (CRT).

2. Although party to the 1951 Convention and the 1967 Protocol, Tunisia does not have a refugee legislation or a national eligibility body to respond to the asylum applications. As a result, OHR, Tunis carries out refugee status determination (RSD) and provides assistance to asylum seekers and to some UNHCR recognized refugees who have not been provided with a working permit. To provide assistance to vulnerable individual cases, UNHCR works with CRT.

3. The findings and recommendations contained in this report have been discussed with the officials responsible for the audited activities during the exit conference held on 14 June 2004. Exit Conference Notes outlining the audit findings and recommendations were shared with the Honorary Representative (HR) and a draft report was shared with officials from the Bureau of CASWANAME. The comments, which were received on 30 September 2004, are reflected in the final report. *The Bureau of CASWANAME and the Office of the Honorary Representative have accepted the audit recommendations made and are in the process of implementing them.*

## II. AUDIT OBJECTIVES

4. The main objectives of the audit were to evaluate the adequacy and effectiveness of controls to ensure:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and,
- Compliance with regulations and rules, Letters of Instruction and Sub-agreements.

## III. AUDIT SCOPE AND METHODOLOGY

5. The audit focused on 2002 and 2003 programme activities under projects 02/ and 03/AB/TUN/CM/200 with expenditure of US\$ 195,000. Our review concentrated on the activities implemented by CRT - expenditure of US\$ 175,000. We also reviewed activities directly implemented by UNHCR with expenditure of US\$ 20,000.

6. The audit reviewed the administration of the OHR, Tunis with administrative budgets totalling US\$ 78,000 for 2002 and 2003 and assets with an acquisition value of US\$ 71,000 and a current value of US\$ 26,000. There were three local staff currently working in UNHCR, Tunis; the office is headed by an Honorary Representative.

7. The audit activities included a review and assessment of internal control systems,

interviews with staff, analysis of applicable data and a review of the available documents and other relevant records. Given the lack of oversight activities, since there was no reference to any internal or external audit review of the UNHCR operations in Tunisia conducted in the last 15 years, our review was performed in more detail and with the objective to provide guidance and support to the staff.

#### IV. AUDIT FINDINGS AND RECOMMENDATIONS

##### A. Protection and Programme Issues

###### Refugee Determination Status

8. Due to the lack of refugee legislation and eligibility procedure, UNHCR is directly involved in Refugee Status Determination (RSD). During the last decade, UNHCR has explored various alternatives to have professional staff carry out this function. From 1996 to 1998, a Regional Legal Advisor covering Tunisia, Morocco and Libya was assigned to Tunis. He was replaced by a JPO on post until September 2001. A Senior Liaison Officer (Snr LO) was appointed from the end of 2001 to 31 December 2002 when this post was abolished. Since then, the decisions on RSD are taken at HQ.

9. Despite the fact that there was no protection staff in Tunis, HQ did not provide instructions on the procedures to be followed, namely in terms of interviews and records. The Snr Field Clerk (FC) performs the first interviews and submits the request to HQ. However, he is currently on extended mission to Tindouf and no measure has been taken to avoid a backlog in the submission of requests to HQ. *The Bureau of CASAWANAME indicated that a consultant would be recruited for three months in order to clear the existing backlog and train the local staff. It is envisaged that a Protection Officer (P-3) would be soon assigned to Tripoli, who would be asked to perform the interviews of asylum seekers in Tunisia.*

###### Financial assistance

10. While the number of ICs assisted has steadily decreased during the last five years, the average cost per IC is increasing (from US\$ 1,816 in 2001 to US\$ 2,128 in 2003). There was no policy on assistance or established needs criteria. According to OHR, Tunis, several factors were used to determine the amount of assistance; however, these decisions were not documented. Home visits were not performed to assess the adequacy of the assistance provided (assessment of living conditions, financial resources available, resources generated by any professional activities). *In order to improve the documentation of need assessment, an evaluation form is currently used and CRT would be trained to assist UNHCR in performing need assessment.*

###### Project management

11. Although the project was managed directly by or closely supervised by HQ, several errors in the preparation of the implementing instruments were found in terms of currency of the budget, addressee of the LOI, etc. Incorrect instructions from HQ also caused double recording of project expenditures and prevented the closure of the 2003 project. We also observed delays in processing the instalments to CRT at the beginning of the year. In the absence of any unspent balance from previous year's project, CRT had to borrow funds from other sources to pay allowances to UNHCR beneficiaries. More should be done at HQ to

enhance the preparation of implementing instruments and to ensure timely release of instalments.

#### B. Review of Implementing Partner CRT

12. Reasonable assurance could be taken that UNHCR funds spent by CRT were properly accounted for and disbursed in accordance with the Sub-agreements.

13. CRT submitted audit certificates with an unqualified audit opinion. Although the sub-project expenditures did not exceed the equivalent of US\$ 100,000 and an audit certificate was therefore not mandatory, we agree, that in the absence of a full-fledged UNHCR office structure in Tunisia an audit of the UNHCR sub-projects implemented by CRT is useful.

#### Accounting system and internal control system

14. CRT maintained a manual accounting system, which meets UNHCR requirements. Transactions were recorded in the Bank and Cashbook journals and reported to the appropriate General Ledger account, in line with UNHCR budget codes. Payment requests and payment vouchers provided the necessary proof that the controls on authorization of transactions and approval of payments were in place. The supporting documents for payments were properly filled out. The budgetary control system in place allowed monthly comparison of actual expenditures against budget at the budget line level. CRT maintained a separate bank account for UNHCR projects and the bank reconciliation was done monthly. Payments to ICs were made by cheques, which were signed by two persons.

15. OIOS cannot fully assess the project financial management of the sub-project implemented by CRT since there is a potential conflict of interest. In his capacity as a leading member of CRT, the HR is CRT's authorizing officer and bank signatory for the UNHCR sub-project implemented by CRT. At the same time, in his capacity as Head of the UNHCR Office, the HR determines the eligibility and the amount of assistance to be paid to individuals and verifies the SPMR submitted by CRT. To avoid any conflict of interest, the HR should not play an active role in CRT's management of the UNHCR sub-project. Other CRT officials should be designated for authorizing and approving functions.

#### **Recommendation:**

- The UNHCR Honorary Representative in Tunis should no longer be actively involved, on the part of CRT, in the management of UNHCR sub-project implemented by CRT (Rec. 01).

#### C. Supply Management

##### Fleet Management

16. Until the end of 2003, UNHCR purchased fuel coupons from UNDP, which were handed over to the driver without maintaining appropriate records. Therefore there was no control over fuel consumption of UNHCR vehicles. In order to improve the management of fuel, we advised the Snr AC to record the necessary information on a spreadsheet, which measure has been since implemented.

17. Our review on the use of vehicles from 2001 up to June 2004 revealed that logbooks were not always maintained, nor were they adequate; that the UNHCR vehicles were used for private purposes despite the fact that Tunis is an A duty station; and, sometimes the vehicles were driven by a non-authorized person. *The CASWANAME Bureau indicated that special authorisation would be given to the HR for the use of UNHCR vehicle for transportation to/from home/office and measures would be taken to authorise the Snr FC to drive the UNHCR vehicle in the absence of the official driver.*

#### Asset Management

18. The recording of assets at UNHCR Tunis, including the assets at the disposal of the implementing partner, CRT was accurate with the exception of a vehicle transferred to Yemen in 2003 and still shown on the HQ asset list as an active item. OHR, Tunis should ensure that the corrections are recorded at HQ.

#### D. Security and Safety

19. Basic security measures are in place and the staff and consultant in OHR, Tunis have completed the “Basic Security in the Field” training. In order to reinforce security in the UN premises and to follow the instructions of the Secretary General, UNDP has initiated some additional measures. A camera security system is currently being installed and other measures such as preventing parking in front of the UN building, installation of protective glass film are also currently being studied. The costs of these additional measures are estimated at US\$ 3,500 for UNHCR. OHR, Tunis informed the Desk and requested advice on this issue in June 2003. *Following OIOS's recommendation, a request for funds has been addressed to the Emergency and Security Service (ESS). The reply is still pending.*

20. In April 2002, HQ exceptionally authorized the Snr LO to use the UNHCR vehicle and driver for transport to/from home/office for security reasons. This measure was terminated a few months later though UNHCR, Tunis did not receive from UNDP written instructions to stop it. We recommended that UNHCR, Tunis obtain from UNDP a statement on the measures taken in order to close this security case.

#### E. Administration

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

#### Procedures for Financial Transactions

22. UNHCR, Tunis does not operate a bank account. Bank transactions are made through UNDP. The UNHCR certifying and authorizing officer issues a letter for each disbursement together with the original supporting documents. Since 1 January 2004, the Deputy Director of CASWANAME is the certifying and authorizing officer; however, UNDP has not been officially informed of this change. *The Bureau for CASWANAME indicated that in the future, whenever there is a change in signatory, UNDP Tunis would be adequately informed.*

23. Since 2003, payment requests issued by UNHCR Tunis need to be approved by a certifying officer at UNHCR HQ, which has led, on several occasions, to payment delays.

Generally, it took up to five working days, while it should be no more than one or two working days for urgent transactions.

24. In order to reduce the administrative workload at HQ, it would be suitable that the Snr AC should be exceptionally authorized to sign payment requests to UNDP under the ABOD with an appropriate ceiling, with the exception of payments related to temporary assistance, travel, hospitality, overtime and any advances to staff members. To ensure adequate internal controls, it is recommended that OHR, Tunis send on a quarterly basis a list of estimated expenditures under the ABOD in order to obtain prior authorization for disbursements from the Bureau of CASWANAME.

25. In proceeding the payment, UNDP verifies UNHCR' requests to ensure conformity with UN Financial Regulations, but does not check that the correct account code is charged in view of UNHCR specific account codes. We found many cases where more attention should have been given at HQ to detect incorrect coding. For instance, expenditures incurred by UNHCR were charged to the CRT sub-project or were charged to a non-existing sub-project budget line, or project expenditures were charged to the ABOD, etc.

26. The current structure of OHR, Tunis does not allow an adequate segregation of duties. Therefore, alternative control measures should be implemented for instance, a regional mission to ensure that the management of the office is in accordance with UNHCR procedures, rules and regulations. *The CASWANAME Bureau indicated that in the future, either the Desk or the Snr Resources Manager would perform such missions.*

**Recommendation:**

- The Bureau of CASWANAME should consider exceptionally authorizing the Snr Administrative Clerk to sign payment requests to UNDP under the ABOD up to an appropriate ceiling; and, consider alternative control measures, such as regional missions, to compensate for lack of segregation of duties (Rec. 02).

**Control over the ABOD**

27. UNHCR Tunis does not operate FMIS. The ABOD is therefore not prepared under FMIS and no monthly Administrative Budget Control Sheet (ABCS) is prepared. UNHCR Tunis does not receive from HQ an updated and complete breakdown of expenditures under the ABOD at the end of the year. The last information received from HQ on the issue usually dates 12 December, showing the total expenditures according to the IOVs received as of this date. In order to control its ABOD expenditures, the OHR, Tunis should maintain records of payment request submitted to UNDP. HQ should send every year a breakdown of ABOD expenditures to allow UNHCR, Tunis to reconcile its budget records with HQ data.

**UNDP Cost Recovery for Services**

28. On 12 June 2003, UNHCR signed with UNDP a Memorandum of Understanding related to UNDP Cost Recovery for Services at the Programme Country Level. Though it was for the period starting 1 January 2003, it was copied to UNHCR, Tunis only in April 2004. During the audit, we came across three different versions of the "Universal Price List" referring to the same MOU. According to the version sent by UNHCR HQ, a fee of US\$ 11

would be charged per individual transaction, while for automated, recurring or bulk processes the fees would apply only once. Both versions received from UNDP, Tunis indicated a cost of US\$ 15 per transaction but one of them does not refer to recurring or bulk transaction. Given that the agreement has been in effect since 1 January 2003 and that several other UNHCR country operations are concerned, urgent action is required to determine what is the valid basis for determining the changes for UNDP's services.

**Recommendation:**

- The UNHCR Division of Financial and Supply Management should clarify which version of the UNDP "Universal Price List" is applicable to services provided by UNDP for the UNHCR office in Tunisia and other offices operating through UNDP and should inform the UNHCR offices concerned accordingly (Rec. 03).

29. No budget was prepared by UNHCR for Cost Recovery Services in 2003 estimated at US\$ 2,800. UNDP indicated that, according to their records, UNHCR has not yet paid any charges for 2003 and a bill was to be submitted before the end of June 2004. However, according to UNHCR's records, an amount of DT 1,250 (US\$ 985) was paid in June 2003 for "Administrative & Financial Services". UNHCR Tunis should deduct any advance payment made and amend its 2004 ABOD if the 2003 Cost Recovery Service charges cannot be absorbed by the current budget.

30. UNHCR Tunis often deals with small volume transactions, for instance, a US\$ 3 receipt for reimbursement of private calls. According to the Universal Price List, the fee for such a transaction is US\$ 15 or US\$ 11. UNHCR Tunisia should therefore avoid making use of UNDP services for small amounts, for both payments and recoveries by grouping low value receipts or deducting the amount from a payment to the person concerned.

Common Services with UNDP

31. UNHCR and some other UN agencies (UNFPA, FAO, WFP, etc.) are located in a building that the Tunisian Government provides free of charge to the UN, with the exception of maintenance costs. In addition to the maintenance of the building, UNDP provides to the other UN agencies various other services such as reception, security, cleaning, internal communication, etc. The control on these charges is not fully adequate since UNDP does not report on its actual costs. The charges for the users are based on a budget prepared at the beginning of the year. We recommended that the OHR, Tunis request UNDP to provide them with a breakdown of expenditures under common charges agreement in order to ensure that the instalments cover the actual expenditures and that there is no significant overpayment made to UNDP.

Communication costs

32. Since January 2003, UNHCR, Tunis has not made use of the Internet connection. Three of the computers currently in use in UNHCR, Tunis at an annual cost of US\$ 1,600 have unlimited access to Internet. Moreover, UNHCR, Tunis has no access to the UNHCR Intranet despite the need for it. *Following OIOS' recommendation, a request was made to UNDP to reduce to one, the computers with access to Internet. Installation of UNHCR Intranet is in preparation.*

33. The costs for long distance calls have significantly increased from US\$ 900 per year in 2001 to US\$ 5,300 in 2003. It is due to unnecessary charges for connection to SITA in early 2003 and to the fact that since October 2002, the e-mails are sent through a direct phone number at HQ, which is costly. *ITTS informed us that a new version of GroupWise was to be installed in Tunis, which will modify the current GroupWise connection and allow significant savings.* OIOS believes that a review of the GroupWise connection for other UNHCR offices may be warranted to ensure the less costly rate.

#### Medical Insurance Plan (MIP)

34. The MIP for UNHCR, Tunis is administered by UNHCR, Cairo. MIP claims of UNHCR Tunis are sent to RO Cairo for settlement. RO Cairo then issues payment authorization to UNHCR Tunis. OIOS' review of the claims did not reveal any shortcomings. The Bureau of CASWANAME should consider similar arrangements for other offices in the region (e.g. Morocco).

#### Human Resources Management

35. Though the current structure of the Office was established in 1963, the functions of the HR, who is holding a consultant contract, have never been clearly defined. Due to his contractual status, the HR does not have the rights and obligations of a staff member. There was limitation in particular in terms of delegation of financial authority (he is only allowed to confirm price and performance) and management of personnel. He is not authorized to supervise UNHCR staff members and therefore to sign Performance Appraisal Reports (PARs) or related human resources documents such as employment contracts.

36. There was also no job description for the three local staff members and the PARs for 2003 have not been finalized. In view of the current structure of the office, we recommended that the HR prepare draft PARs and send them to HQ where the designated officer will complete and sign them. *Draft PARs have now been submitted to the HQ.*

#### **Recommendation:**

- The UNHCR Bureau for CASWANAME should clarify in writing the terms of reference of the Honorary Representative in Tunisia and ensure that a job description is issued for the three GS staff at the UNHCR office in Tunis (Rec. 04).

## **V. ACKNOWLEDGEMENT**

37. I wish to express my appreciation for the assistance and cooperation extended to the auditors by the staff of UNHCR and implementing partner in Tunisia.

Egbert C. Kaltenbach, Chief  
UNHCR Audit Service  
Office of Internal Oversight Services