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OIOS AUDIT OF UNHCR OPERATIONS IN KENYA

Auditors:

Ide Ahmed
Alpha Diallo
Krishna Menon



Office of Internal Oversight Services
UNHCR Audit Service

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EXECUTIVE SUMMARY

In August and September 2004, OIOS conducted an audit of UNHCR Operations in Kenya. The audit covered activities with a total expenditure of US\$ 34 million in 2002 and 2003. Exit Conference Notes were shared with the Representative in September 2004, on which comments were received by October 2004. *The Representative has accepted most of the recommendations made and is in the process of implementing them.*

Overall Assessment

- OIOS assessed the UNHCR Operation in Kenya as above average. Overall, it was well run, and although some weaknesses in the application of internal controls were identified, the weaknesses concerned were not sufficiently critical to compromise the overall system of internal control.

Programme Management

- For the eight partners reviewed, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-agreements.
- Project financial and performance monitoring was adequately performed, although Sub-Office (SO) Kakuma could improve.
- The internal controls, reporting and monitoring procedures of the micro-credit scheme managed by the partner Don Bosco needed to be improved. *With the appointment of a UNV Micro-Finance Officer, the Representation expects the situation to improve.*

Supply Management

- The procurement function was assessed as satisfactory, however, internal controls over procurements at the SOs needed to be improved. A number of large purchases were made, but were not being approved by the Local Contracts Committee. If such an approval is to be delegated to the SOs proper authority needs to be established. *The Representation is taking action.*
- Asset management continues to be a concern with internal controls assessed as less than satisfactory. No physical inventory had been carried out since 2002 and the values of assets were not correctly recorded on AssetTrak. Also, eight pieces of VHF equipment was recorded

with an acquisition value of about US\$ 6.2 million instead of US\$ 40,000, overstating the value of assets by that amount. *The Representation acknowledged OIOS' concerns and action has been initiated to improve asset management.*

Security and Safety

- All UNHCR staff in Kenya had completed the basic security training. Security improvements have been introduced including shatter resistant film, additional radio equipment, perimeter security and a mail/package scanner. Further improvements are envisaged.

Administration

- In the areas of administration and finance, the UNHCR Representation in Nairobi generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review. At the SOs, however, internal controls over financial and cash management needed to be strengthened. *Corrective action was promptly initiated.*
- For staff provided with accommodation in Dadaab, from January 2002 until May 2003, a deduction of only 12.5 per cent was made instead of 25 per cent from their SOLAR payments. DHRM approved this on the basis that the accommodation was sub-standard and shared. Although this has now been corrected, it is not clear why DHRM approved this when the instructions are clear and explicit.
- A staff member accompanying her spouse on Medical Evacuation (MEDEVAC) received both SOLAR and DSA even though the absence from the Special Operations Area was charged to annual leave. While this is in compliance with the present instructions, in OIOS' opinion this does not seem correct. *DHRM have referred this matter to the policy section for clarification. OIOS intends to review the rules and procedures for MEDEVAC in 2005.*
- Some errors and misinterpretations of the rules and procedures of the Medical Insurance Plan (MIP) were noted. Also, the Representation was unable to enforce the principle of reimbursement on the basis of reasonable and customary fees, as the standard price lists available did not realistically reflect the actual costs incurred by UN staff members. *The Representation is communicating with the Joint Medical Service at UNON to resolve the issue and obtain a price list that reflects standard medical fees and other costs in Kenya.*

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I. INTRODUCTION

1. From 23 August to 20 September 2004, OIOS conducted an audit of UNHCR's Operations in Kenya. 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 UNHCR Representation in Kenya and its Sub-Offices (SO) in Dadaab and Kakuma and of eight of its implementing partners.
2. The previous audit was conducted by OIOS in January 2001. The audit focused on a review of 2000 administrative and financial activities of the Representation in Nairobi as well as selected programme activities. OIOS recommended that the internal controls over financial and asset management be strengthened. Also, programme management required to be strengthened; the distribution of cash allowances of nearly US\$ 400,000 was not properly planned and supervised, difficulties were encountered in retrieving basic programme documents and project financial monitoring was weak.
3. The refugee operation in Kenya consists mainly of refugees from Somalia, Sudan and Ethiopia. The two main camps are at Dadaab and Kakuma, situated near the Somalia and Sudan borders respectively. Refugees are assisted under Care and Maintenance projects, with essential services provided such as water, sanitation, health, shelter and education. In addition, assistance is provided to refugees in urban areas and needy asylum seekers awaiting a decision on their status.
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 20 September 2004. Exit Conference Notes outlining the audit findings and recommendations were shared with the Representative in September 2004. The comments, which were received in October 2004, are reflected in the final report. *The Representation 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; and,
 - Compliance with regulations and rules, Letters of Instruction and Sub-agreements.

III. AUDIT SCOPE AND METHODOLOGY

6. The audit focused on 2002 and 2003 programme activities under projects 02&03/AB/ZAM/CM/200, 02&03/AB/KEN/CM/201, 02&03/AB/KEN/CM/202, 02&03/SB/KEN/CM/234 and 02&03/AB/KEN/CM/251, with expenditure of US\$ 29 million. Our review concentrated on the activities implemented by CARE Kenya (CARE) - expenditure of US\$ 4.8 million; GOAL - expenditure of US\$ 2 million; World Vision International Kenya (WVK) - expenditure of US\$ 1.7 million; National Council of Churches of Kenya (NCCCK) - expenditure of US\$ 0.8 million; Lutheran World Federation (LWF) - expenditure of US\$ 2.8 million; Medecins Sans Frontiers Belgique (MSF) - expenditure of

US\$ 1.7 million, GTZ - expenditure of US\$ 2.9 million and International Rescue Committee (IRC) - expenditure of US\$ 1.2 million. We also reviewed activities directly implemented by UNHCR with expenditure of US\$ 8 million.

7. The audit reviewed the administration of the Representation at Nairobi and SOs Dadaab and Kakuma with administrative budgets totalling US\$ 4.7 million for 2002 and 2003 and assets with an acquisition value of US\$ 15.4 million and a current value of US\$ 650,000. The number of staff working for the UNHCR Operation in Kenya was 153. This included staff on regular posts, United Nations Volunteers and project staff.

8. The audit followed up on a long standing recommendation made in the 2001 OIOS audit with regard to payments made to staff of the Government of Kenya for a registration and screening exercise for which adequate supporting documents were not available at that point in time. This issue has now been satisfactorily closed.

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

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Review of Implementing Partners

10. For the eight partners reviewed, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-agreements.

11. Audit certificates had been received for 2002 sub-projects for all partners. For 2003 sub-projects, with the exception of four partners (GTZ, CARE, WVK and the National Refugee Secretariat) all certificates were received and unqualified opinions were expressed. The closure of sub-project 03/SB/KEN/CM/234(c) was dependent on an amicable resolution of differences between UNHCR and WVK over the access road construction, which is outlined in more detail below.

(a) GTZ

12. Since 2002, GTZ had used the accounting software WINPACCS. While the system was assessed as generally satisfactory for UNHCR reporting purposes, some problems were experienced in the migration of data from WINPACCS to the AMS system (a DOS-based integrated module in WINPACCS for tracking UNHCR project expenditure). The replication under sub-project 03/AB/KEN/CM/201 (g) resulted in duplication of some transactions overstating expenditures by US\$ 14,300. *The Representation has formally requested GTZ to refund US\$ 14,300.*

13. Under sub-project 03/AB/KEN/CM/201 (g), GTZ recorded disbursements of about Euro 29,500 (US\$ 35,400) under the salary budget line. The nature of the charges could not be ascertained or explained. The amounts related to expenditure recorded by GTZ's Headquarters, but there were no documents supporting the charges at the local level. These expenses resulted in a budgetary overrun of some US\$ 20,000 for the salary budget line. *The Representation has requested GTZ to substantiate the disbursements.*

Recommendation:

- The UNHCR Representation in Kenya should request GTZ to refund some US\$ 49,700. This relates to an overcharge of US\$ 14,300 resulting from duplication of expenditure transactions during the migration process from WINPACCS to the AMS and from unsubstantiated amounts totalling Euro 29,534 (US\$ 35,400), which were charged to sub-project 03/AB/KEN/CM/201(g\$ for expenses incurred at GTZ Headquarters, but could not be supported or explained by GTZ Kenya (Rec. 01).

14. OIOS assessed that the staffing resources allocated by GTZ for procurement activities were insufficient. Only one individual was vested with the responsibility of the procurement process, i.e., preparing quotation requests, receiving proposals, selecting and awarding the contracts, signing/issuing of purchase orders, receiving goods, etc. Although the Finance Manager approved the purchase order, the lack of segregation of responsibilities highlighted a potential risk and was a serious weakness in internal control. Moreover, OIOS noted that competitive purchasing was not always undertaken. For example, a truck costing US\$ 35,000 was not competitively procured and proper supporting documentation such as a purchase order and invoice were not available. OIOS recommended that appropriate action be taken to strengthen internal controls and to ensure goods are procured competitively. *The Representation took action and advised GTZ to strengthen internal controls and ensure procurement is undertaken competitively.*

15. In July 2003, GTZ received an invoice from Action Contre la Faim (ACF) of nearly US\$ 22,700 for the purchase of milk. The invoice included a compulsory bond of US\$ 5,657, which represented an advance to the Kenyan Customs. This amount is reimbursable once the goods are cleared through customs. Due to an oversight, GTZ has still not recovered the amount or credited it to the sub-project. *The Representation has requested GTZ to pursue the recovery.*

(b) CARE Kenya

16. CARE charged some US\$ 6,800 (for the years 2002 and 2003) for part of the cost of installing their standard international accounting software. Also, OIOS understands that CARE intends to impose a similar annual charge until the cost of the software is fully amortised. OIOS considers that these costs should be covered under the 5 per cent Headquarters support costs and recommended a recovery. *The Representation agreed with OIOS and has already requested CARE to refund the amount.*

17. CARE charged over Ksh 4.1 million (US\$ 51,000) to the 2003 sub-project for staff benefits such as pension, severance pay and life insurance, which were additional to those normally paid under Kenyan labour law; such benefits were not paid by other implementing partners. Also, the accrued severance payments were subsequently disbursed, as an additional payment equivalent to one-month's salary to employees at the end of the year. OIOS questioned why UNHCR provided a budget for this expenditure as it did not relate to true termination benefits and other partners were not provided with such a budget provision. In OIOS' view if a partner wants to provide additional benefits to its staff then the cost should be funded from their sources. *The Representation agreed and assured OIOS that for 2005, UNHCR's contribution towards salaries and benefits will be in compliance with the Kenya labour law.*

(c) World Vision Kenya

18. WVK were responsible for implementing two sub-projects for which most of the expenditure was for infrastructure construction for the camps in Kakuma.

Angelina Jolie School – cost of implementation US\$ 230,000

19. Prior to initiating the contracting process, no cost estimates had been prepared against which the bids received could be assessed and evaluated. Therefore, there were no benchmarks to allow WVK and UNHCR to negotiate the most advantageous terms. The bids received ranged from Ksh. 18.5 million (US\$ 230,000) to Ksh. 54.2 million (US\$ 678,000) and the completion period from 34 to 108 weeks. The contract was eventually signed in December 2003 with the lowest bidder. At the request of WVK, the contractor agreed to reduce the construction period from 34 weeks to 16 weeks. This was unrealistic and the building was only completed in September 2004, some five months after the due date. No penalty was imposed, as the delay was not entirely attributable to the contractor.

Access Road for Kakuma camp – cost of implementation US\$ 250,000

20. In May 2003, WVK prepared the bill of quantities (BOQ) for a 5.8 km access road. According to WVK, the BOQ prepared by them remained with the Representation for some four months, without any positive action being taken to implement the project. The Representation had initially decided to directly implement the project, but the competitive bidding exercise was unsuccessful and it was decided that responsibility for the project revert back to WVK. Separately, the Kenyan Ministry of Roads, Public Works and Housing was requested to prepare an estimate based on the BOQ, and they calculated the cost at Ksh. 15.4 million (US\$ 193,000). Despite this benchmark, a contract was awarded by WVK (albeit the lowest offer received) to a company for Ksh. 20 million (US\$ 250,000). The contract was signed in December 2003 with works to be completed within 16 weeks. WVK was fully aware of the cost differential, but made no attempt to question the overall cost or of some of its components. For example, the Ministry's quotation for a small drift on the Fuji Academy road was Ksh 1.4 million (US\$ 17,500) against that offered of Ksh 3.9 million (US\$ 49,000) by the successful supplier, an increase of 278 per cent.

21. The BOQ prepared by WVK contained numerous errors that went undetected, even though technically qualified persons in UNHCR, the Ministry and WVK had reviewed them. The main error was regarding the extent of the backfill for the excavation done at the site, which was only detected by the contractor when the works started. As UNHCR were present at the meetings with the contractor where this problem was discussed, WVK understood that they had UNHCR's approval to remedy the shortcomings in the BOQ. WVK therefore verbally authorized the contractor to do the variation works at a cost of Ksh. 4.1 million (US\$ 51,000). No written contract or formal variation order was issued. As a result of this and as no written approval was sought from UNHCR, the Representation has refused to accept the additional work as legitimate project expenditure. The Representation requested a refund of Ksh. 4.4 million (US\$ 55,000), the cost of the works. It was clear that some errors in judgement were made. WVK should not have authorized the substantial increase contract value contract without formal approval from UNHCR. Also considering the value involved WVK should have formally documented the substantial variation. On the other hand, UNHCR were kept fully informed of the situation, but did not act proactively or effectively

when the problems were brought to their attention. SO Kakuma, in particular, failed to provide adequate levels of supervision and monitoring of WVK's work to ensure that problems were promptly dealt with and satisfactorily resolved.

22. The Representation engaged Societe Generale de Surveillance (SGS) to review and estimate the work done. Unfortunately, the results were not satisfactory and the estimates provided were unreliable. A technical joint UNHCR/WVK assessment has just recently been completed and the results drafted by UNHCR. The assessment has yet to be endorsed by WVK. OIOS understands that in the meantime, the contractor has taken legal action with regard to the work done which has not been paid for. This is therefore a very contentious issue that needs to be urgently resolved.

23. WVK made the decision to authorise the variation works in good faith, and if the additional works had not been done, the road would have become impassable during the rainy season and hence been a poor investment by UNHCR. In OIOS' opinion, little purpose would be served by unnecessarily prolonging the matter and protracted legal problems could adversely affect UNHCR's relations with its partner. Action is now required to resolve the issue amicably as there was fault and miscommunication on both sides.

B. Other Programme Issues

24. OIOS assessed that project financial and performance monitoring at the Representation was competently performed, though this function required improvement SO Kakuma.

25. The Micro-credit scheme managed by the partner Don Bosco required closer monitoring and supervision. OIOS calculated that from the first 128 loans issued only 33 had been fully repaid, and repayments of some Ksh. 800,000 (US\$ 10,000) were outstanding on the balance of the loans. The rate of repayment was poor and given this and the low internal generation of funds, the scheme is unlikely to become self-sustaining and will be dependent on fresh injection of capital. Internal controls over the management and monitoring of the scheme were assessed as weak. A separate bank account for the scheme had not been opened and consequently funds were intermingled with other project funds, which meant that the value of the revolving fund was not known.

26. Standard reports for monitoring the scheme had not been properly designed to ensure accountability. The reports submitted lacked transparency and did not adequately reflect the activities being undertaken. Moreover, Don Bosco was unable to provide key information such as the number and volume of non-performing activities. Proper monitoring and verification procedures had not been implemented and there was a lack of information on the beneficiaries of the scheme; some of them had absconded after receiving loans. OIOS appreciates that follow up visits were being undertaken, but these were not sufficiently effective to ensure the loans were repaid. The applicable interest rate was some 3 per cent per month applying the reducing balance method. This was an exceptionally high rate of interest and in OIOS' view this needs to be reviewed. *The Representation stated that the reporting and monitoring formats have improved since a new Micro-Finance Officer has been assigned and that it was expected that systems and procedures would be further enhanced. Closer attention would be given to selecting beneficiaries and the high interest rate would be reviewed.*

C. Supply Management

(a) Procurement

27. During 2003 and 2004 (till July) the Representation carried out procurements valued at some US\$ 4.84 million. The procurement activities by the Representation were assessed as satisfactory. However, internal controls over the procurement activities of the SOs required to be improved. Although the policy was that procurement was centralised in Nairobi, OIOS noted that SOs were undertaking significant purchases without any authority or proper approval procedures. OIOS recommended to consider delegating some of the procurement activities to the SOs and to clarify the delegation and the applicable purchasing thresholds. *The Representation accepted OIOS recommendation to request the Controller to establish a Local Contracts Committee at the SO level with appropriate delegated authority and financial responsibility.*

(c) Fuel management

28. From January 2003 till July 2004 the Representation purchased fuel valued at some US\$ 1.2 million. Fuel management at the SOs was generally satisfactory, but there was scope for improvement.

29. The underground tanks at SO Dadaab had not been correctly installed and were tilted to one side, therefore, it was not possible to accurately measure the quantities of fuel available. Regular discrepancies of up to 1,000 litres were noted between the quantities reported in the ledger and the quantity in hand per the dipstick. OIOS recommended that the matter be resolved so that fuel can be adequately monitored and controlled. *The Representation agreed to take action.*

30. At SO Kakuma there were persistent reports of short deliveries that apparently resulted due to the use of a defective dipstick. This has now been replaced. OIOS recommended that for enhancing controls a fuel flow meter be used to record deliveries. This has now been implemented. Monthly reports on fuel usage were prepared and regularly sent to Nairobi. Nonetheless, the reports were not effectively used to identify any unusual trends or discrepancies that required follow-up.

(d) Warehouse management

31. OIOS assessed that adequate procedures were established over inventory and warehouse activities. The average volume of stock in the warehouse had been significantly reduced (67 per cent) due to concerted efforts in mid-2004 to dispose of old and obsolete items. Nonetheless, the exercise should have been initiated earlier, and if this had been done it could have resulted in annual savings of about US\$ 8,000. *The Representation will continue the disposal of old stock and will transfer empty containers to locations where they can be put to gainful use.*

32. Five new vehicles were parked in the warehouse compound. Three of them had been there for more than 18 months, awaiting transfer to the Government of Kenya (GOK). The delay resulted as the Tax Authorities were insisting on payment of duty even though the police department would use the vehicles. The matter has since been sorted out and the vehicles will be transferred shortly to GOK. Also, two land cruisers acquired in early 2004

will be transferred to the partner before the end of the year.

(d) Asset Management

33. Asset management continues to be a concern with internal controls assessed as less than satisfactory. No physical inventory had been carried out since 2002 (but recently initiated) and the values of assets were not correctly recorded on AssetTrak. Also, six pieces of VFH equipment was recorded with an acquisition value of US\$ 999,999 instead of the correct value of about US\$ 5,000 each. Two Codan receivers were shown with an acquisition value of US\$ 99,999 each. For these eight items alone, the asset acquisition value was overstated by some US\$ 6.2 million. Such major discrepancies involve the risk of distorting UNHCR's financial statements. *The Representation stated that physical verification of assets was initiated in July 2004 and that the time consuming process of correcting values and data on AssetTrak had started.*

Recommendation:

- The UNHCR Representation in Nairobi should complete the physical inventory of assets, started in July 2004, and should verify and correct, as required, AssetTrak data to ensure asset values are not grossly over- or understated (Rec. 02).

D. Security and Safety

34. Security and safety arrangements at the UNHCR offices in Kenya appeared in line with current procedures. All UNHCR staff in Kenya had completed the basic security training and several other trainings had been carried out in 2003. Shatter resistant film has been installed and other measures such as radio equipment, perimeter security and a mail/package scanner have been put in place. Further improvements will be implemented with the installation of CCTV cameras, protective lighting and anti-ramming barriers.

E. Administration

(a) Financial Management

35. The Representation generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review. At SO Dadaab, the delegation of authority charts had not been updated since February 2001, with staff members wrongly exercising financial signing authority. Also internal controls over financial and cash management needed to be strengthened. *The Representation has improved internal controls and the delegation of authority charts are being updated.* For SO Kakuma, advances were not timely cleared, with operational advances of Ksh 4 million (US\$ 51,420) taken in May 2004 but still recorded as a receivable in September 2004. Cash payments exceeded the threshold authority on numerous occasions. *The Representation stated that the receivables were being reviewed for clearance and that the petty cash limit would be respected.*

(b) SOLAR payments

36. SOLAR payments for international staff were inconsistently applied and were non-compliant with UNHCR rules and procedures. For staff provided with accommodation in

Dadaab, from January 2002 until May 2003, a deduction of only 12.5 per cent of the SOLAR rate was made instead of 25 per cent. This was done on the approval of DHRM at Headquarters, as the accommodation was sub-standard and shared. The decision was taken in June 2002 and retroactively applied from 1 January 2002. In OIOS' opinion such a decision was incorrect and the Representation and DHRM wrongly interpreted the rules. OIOS is aware of the poor living conditions in Dabaab, but SOLAR is a living allowance and not a hardship allowance and should have been treated as such. *The Representation stated that they had reverted to a deduction of 25 per cent as soon as they realized the mistake.* OIOS is not insisting on a recovery at this stage, but the matter has been raised again with DHRM at Headquarters to ascertain the reasons why entitlements were favourably interpreted to the advantage of some staff even though the instructions are explicit.

(c) SOLAR and DSA during MEDEVAC

37. OIOS noted that a staff member who accompanied her spouse on two MEDEVACs lasting 15 days and 22 days respectively was in receipt of both SOLAR and DSA even though the absence from the SOA was charged to annual leave. While this is in compliance with the present instructions, it does not seem correct that a staff member on annual leave can receive both SOLAR and DSA. In OIOS' view only one entitlement, i.e. DSA or SOLAR, should be paid. *The Representation concurred with OIOS' view as being prima facie reasonable and agreed to take up the matter with DHRM. DHRM have since referred this matter to the policy section for clarification.* OIOS intends to review the rules and procedures of MEDEVAC in 2005.

(d) Payment of DSA for in-country MEDEVACs

38. OIOS noted that DSA payments to locally recruited staff under MEDEVAC were not consistently applied. When local staff are medically evacuated within the country of recruitment only actual hotel expenses can be reimbursed up to 50 per cent of applicable DSA. In the absence of hotel receipts, no DSA payments can be made. OIOS noted two overpayments of some Ksh. 212,080 (US\$ 2,650), in one case no hotel receipts were provided and in the other DSA was not restricted to the actual amount paid to the hotel. OIOS is not insisting on recovery of the overpayments since they were authorized by the Representation, but recommended that responsible staff is made fully aware of UNHCR's rules and procedures with regard to MEDEVAC so that errors do not continue. *The Representation agreed to apply the correct rates with immediate effect.*

(e) Medical Insurance Plan

39. OIOS assessed that the processing of MIP claims were generally in compliance with UNHCR's procedures and MIP Guidelines, although some errors were noted and some amounts reimbursed were at the incorrect rate. However, internal controls over the reimbursement of claims to ensure they were reasonable and customary for the duty station needed to be strengthened. There was no standard list of hospitals, pharmacies and doctors to where MIP participants were recommended to seek treatment, or standard prices against which to assess the reasonableness of the claims.

40. The Representation did have a copy of 'Fees Guidelines for Medical/Dental Practitioners', released in April 2004 by the 'Medical Practitioners and Dentists Board'. This contained a comprehensive list of charges for various ailments and procedures, which in

OIOS' opinion would serve as a good benchmark for reimbursement of claims. OIOS observed, however, that amounts reimbursed were not in line with the estimated fees, sometimes almost 100 per cent more. No effort was made to apply the guidelines, and as some claims did not clearly indicate the medical procedure undertaken it was difficult to assess if the amount paid was reasonable and customary. *According to the Representation the 'Medical Practitioners and Dentists Board' guidelines have been repudiated as unrealistically low by two leading health service providers, namely the Nairobi and Aga Khan Hospitals. Until the matter is resolved, the Representation proposes to continue with the practice of reimbursing actual costs.*

41. OIOS discussed this issue with the Chief of the Joint Medical Service at UNON and learnt that they too faced a similar problem, and were consulting UN Headquarters on the matter. The UNON Joint Medical Service estimated that UN staff are routinely charged 2-4 times the normal fees by most doctors, and that the two main hospitals, Nairobi and Aga Khan, because of their prominence and dominant position, had considerable power in influencing key decisions. The UN agencies are greatly dependent on services provided by these hospitals. It was UNON's view that a common stand among UN agencies was required to ensure that favourable financial arrangements were made. The concept of reasonable and customary costs is an important benchmark in deciding eligible reimbursements and therefore, it is important that standard fee guidelines are established.

Recommendation:

- The UNHCR Representation in Nairobi should work closely with the Joint Medical Service at UNON and other UN agencies in obtaining and applying consistent and standard fee guidelines so that the concept of reasonable and customary reimbursements can be enforced (Rec. 03).

(g) Administrative procedures at SO Kakuma

42. Overtime payments were not always in accordance with UNHCR rules and procedures. Prior approval was not always obtained; there were frequent inaccuracies in its calculation and inconsistencies in the rate payable in comparison to overtime payments at Nairobi. Therefore, within the same country operation, divergent practices were followed. *The Representation agreed that overtime would be regulated in accordance with the rules and procedures.*

43. The logbooks maintained for administration vehicles were not reliable; the mileage and destinations were not clearly recorded, numerous alterations were made, no details of fuel consumption was documented, and carry forward balances were incorrectly stated. The number of inaccuracies was substantial and OIOS was concerned that no supervisory review was conducted. OIOS noted that over 30,000 kms run by various vehicles were not recorded which included for one vehicle an unexplained difference of 20,000 kms. *The Representation will undertake periodic reviews to ensure integrity of the logbooks.*

V. ACKNOWLEDGEMENT

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

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