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AUDIT OF UNHCR OPERATIONS IN CAMEROON

Auditor:
Alpha Diallo



Office of Internal Oversight Services
UNHCR Audit Service

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EXECUTIVE SUMMARY

In June 2005, OIOS conducted an audit of UNHCR Operations in Cameroon. The audit covered activities with a total expenditure of US\$ 1.6 million in 2003 and 2004. A summary of preliminary findings and recommendations was shared with the Representative in June 2005, on which comments were received by July 2005. *The Representative has accepted the recommendations made and is in the process of implementing them.*

Overall Assessment

OIOS assessed the UNHCR Operation in Cameroon 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 implementing partner reviewed, Croix Rouge Camerounaise (CRC), reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-agreements.
- There was a need for CRC to design and implement an effective accounting system for the recording of and reporting on UNHCR project expenditures. CRC only maintained notebooks showing cash receipts and payments, with no analysis of the expenditure. In the absence of ledgers, the financial reports (SPMRs) were prepared on the basis of manual but documented calculations of the various payment vouchers, which allowed the reconciliation of the final SPMRs. Budgetary controls were found to be deficient, with numerous budgetary overruns, often in excess of 100 percent of the relevant budget lines. *The Representation indicated that assistance would be provided to CRC to implement an automated accounting system, and to strengthen budgetary controls.*
- OIOS assessed that project financial monitoring was adequately carried out.

Supply Management

- UNHCR procurement procedures were generally adhered to, but there was a need for the Representation to establish a Local Committee on Contracts (LCC). OIOS identified various instances of procurement that would have required approval by an LCC. *The Representation has now established an LCC.*
- The Representation needed to update the AssetTrak system, and carry out a physical inventory of its assets, most of which had either been disposed of, or re-deployed elsewhere. In addition, several assets were recorded with incorrect book values, given that no depreciation was

calculated though most of the assets had been procured years back. *The Representation indicated that a physical inventory has now been conducted and that the data is being consolidated and updated.*

Security and Safety

- OIOS noted that no Minimum Operational Security Standards (MOSS) had been developed for Cameroon. Hence, no benchmark was available to measure UNHCR's compliance with UN security requirements. OIOS assessed that access controls to UNHCR office premises were lax, with metal detectors often not put to use, though available. Also, the UNHCR office was not equipped with basic security devices such as smoke/fire detectors, there were no evacuation drills and the UNHCR vehicle used for in-country travels was not equipped with any communication device. *The Representation explained that a recent report from DSS had found UNHCR Cameroon MOSS compliant, but that further security enhancement was being implemented.*

Administration

- In the areas of administration and finance, the UNHCR Representation in Cameroon generally complied with UNHCR's regulations, rules, policies and procedures. However, some improvement and strengthening of internal controls were required.
- The Representation had not implemented the UNHCR Delegation of Financial Signing Authority; consequently proper segregation of duties was not achieved. In various instances, the Representative authorized/approved payments to himself. *The Representation is taking action in this regard.*
- The Representation did not comply with UNHCR's guidelines and procedures for the payment of Extended Assignment Grant. Consequently, a staff member was over-paid some US\$ 5,000, which has been recovered as a result of the audit.
- Rental and salary advances, totalling some US\$ 50,000 were granted to international staff members, without adhering to the relevant rules. *The Representation explained that the rules had been misinterpreted and that these would be complied with in the future.*

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I. INTRODUCTION

1. From 20 to 28 June 2005, OIOS conducted an audit of UNHCR's Operations in Cameroon. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. OIOS reviewed the activities of the UNHCR Representation in Cameroon and of its implementing partner CRC.
2. OIOS' previous audit of UNHCR in Cameroon was conducted in 1991 while the last inspection took place in 1995.
3. The UNHCR Office Yaounde was re-opened in early 2003 following an influx of refugees, estimated at some 41,000, and originating from neighbouring countries, such as Chad, CAR, Nigeria and DRC. Health coverage was provided for the whole refugee population, as well as direct assistance to the most vulnerable refugees. UNHCR's aim was to better tailor the assistance provided thus far to respond more effectively to the health, education and vocational training needs of the most needy.
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 28 June 2005. A summary of preliminary findings and recommendations was shared with the Representative in June 2005. Furthermore, a draft of this report was shared with the Representative and with the Director of the Bureau. The comments received are reflected in the final report. *The Representative has accepted 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 2003 and 2004 programme activities under projects 03 & 04/AB/CMR/CM/200, with expenditure of US\$ 1.6 million. Our review concentrated on the activities implemented by Croix Rouge Camerounaise (CRC), a local NGO implementing partner, - expenditure of US\$ 0.6 million. We also reviewed activities directly implemented by UNHCR with expenditure of US\$ 0.6 million.

7. The audit reviewed the administration of the Representation with administrative expenditure totalling US\$ 0.4 million for the years 2003 and 2004 and assets with an acquisition value of US\$ 0.8 million and a current value of US\$ 0.2 million. The number of staff working for the UNHCR Operation in Cameroon was 10.

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

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Review of CRC

9. For CRC, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the sub-agreements.

10. An audit certificate covering the 2003 sub-project was available, with an unqualified opinion.

11. OIOS found that CRC had no accounting system in place for the recording of and reporting on UNHCR project expenditures. Cash payments were manually recorded in notebooks, with no analysis of the expenditure. The SPMRs were prepared on the basis of manual calculations of the various payment vouchers. In addition, no budget monitoring system was in place, which resulted in numerous budgetary overruns, often in excess of 100 percent of the budget line. The final SPMRs were, however, reconciled to the results of the manual calculations made for each budget line.

12. OIOS assessed that the monitoring of payments was not always adequate. For example, in the area of medical referrals, which accounted for over 25 percent of the 2003 project budget, the expenditure was not verified/certified prior to payment. Consequently, inaccuracies were noted in some invoices, sometimes resulting in an over-payment. Also, proper segregation of duties was not achieved, as key incompatible functions were exercised by the Accountant, including record keeping, bank reconciliation, petty cash custody, cash payments, etc. with no supervisory verification and approval. OIOS advised that strong supervisory controls should be implemented, including documented cash verification.

B. Other Programme Issues

13. OIOS assessed that project financial monitoring was generally well performed. Project visits were carried out, and monitoring reports were available. OIOS assessed, however, that the Representation was heavily involved in the day-to-day filing of CRC's project supporting documentation and report preparation, which in our view risks to blur the distinction between self-implementation and implementation by partners. In addition, the lack of basic accounting system compounded with weak internal controls should have been noted by the Representation, and corrective actions taken accordingly. *The Representation explained that it does not involve itself in the day-to-day management of CRC, but that given that CRC was its only implementing*

partner, it ensured that funds were adequately managed through regular financial monitoring visits. The Representation also indicated that an accounting firm would install an automated accounting system at CRC.

C. Supply Management

(a) Procurement

14. UNHCR procurement procedures were generally adhered to, though some improvement was required. A Local Committee on Contracts (LCC) had not been established since the re-opening of the UNHCR Office in 2003, though various instances of local procurement would have required approval by an LCC. This was the case for instance for a contract of some US\$ 62,000 awarded in December 2003 for the drilling of wells, or for schools materials also procured in December 2003 for some US\$ 22,000, with no evidence of any competitive bidding.

15. For those instances where competitive bidding was carried out, the requests for quotations did not give clear specifications of the goods, which resulted in offers of dissimilar items. For example, a generator was procured in November 2003 for some US\$ 15,000. The Request for Quotation did not specify the type, make, and power of the generator. Consequently, the offers received were either for 9, 11, or 13 kva depending on the supplier, which did not allow their evaluation in a consistent manner.

16. *The Representation explained that, while no LCC had been established since the re-opening of the UNHCR Office in 2003, the selected suppliers came from the UNDP's vendor database. The Representation further indicated that an LCC is now in place, and that the UNHCR procurement procedures would be adhered to in the future.*

(b) Asset management

17. The AssetTrak system was not up to date. The current asset data pertained to assets existing prior to the closing of the UNHCR Office in Cameroon in 2002, which included assets in the custody of former implementing partners no longer in the country. Further, no physical inventory was carried out in 2003 and in 2004. OIOS found that the reported net book values of those assets recorded in the AssetTrak system were inaccurate, as no depreciation had been calculated though most of the assets were procured several years back.

18. OIOS also found that the Representation had not established a Local Asset Management Board (LAMB). In one instance, the Office took the decision to repair an accident vehicle at a cost of over US\$ 3,000. Such a case normally falls under the authority of the Headquarters Asset Management Board (HAMB). According to the rules and procedures governing the Asset Management Boards, in the case of accidents, repair costs in excess of US\$ 3,000 are authorized by the HAMB or the RAMB. *The Representation explained that it has now conducted a physical inventory of its assets at the various sites, and that the asset data is being consolidated. Regarding the repair cost over the vehicle authorised threshold of US\$ 3,000, the Representation explained that no authorisation was sought from HQs given that the initial cost estimate of the repair was less than the threshold. It added that a LAMB has now been established.*

D. Security and Safety

19. No Minimum Operational Security Standards (MOSS) had been developed for Cameroon, though a security assessment was carried out; hence compliance with MOSS could not be assessed. OIOS noted, however, that the physical security of the UNHCR office needed some improvement. There was only one common entrance to the office for both staff and refugees, and access controls were lax, despite serious recent security threats by refugees, which involved extensive damage to UNHCR' assets. Though the security guards were equipped with metal detectors, these were often not put to use.

20. OIOS also noted that the current office premise had no perimeter fence and that the walls were very low and could easily be jumped over. OIOS did not obtain evidence that a security assessment had been carried out prior to moving to the new premises. *The Representative explained that the FSA had orally approved the office building.* Further, the Office was not equipped with smoke/fire detectors, there were no evacuation drills, and the only UNHCR vehicle used for in-country travels was not equipped with a Codan radio, despite frequent reported attacks. *The Representation explained that plans have been made to enhance the security of the office premises, and that this would be taken into account in the August 2005 budgetary revision. The Representation subsequently indicated that, though it was declared MOSS compliant in the July 2005 DSS Report, it is aware of the fact that UNHCR Security Standards are not fully complied with. It further indicated that funds have now been obtained to enhance security.*

E. Administration

21. In the areas of administration and finance, the UNHCR Representation in Cameroon generally complied with UNHCR's regulations, rules, policies and procedures. There was a need, however, to strengthen internal controls.

(a) Delegation of authority chart not available

22. The UNHCR Delegation of Financial Signing Authority, IOM 67/2000 & FOM 69/2000, dated 9 September 2000 had not yet been implemented. The Representative authorized/approved his own entitlements, including travel claims, claims for hospitality costs, extended assignment grant, etc. Similarly, a United Nations Volunteer managing the UNHCR Antennae in the field prepared, authorized and approved his own travel authorization and travel claims, with no involvement by the Representation Office. OIOS recommended that proper administrative and financial procedures be implemented to strengthen internal controls.

23. *According to the Representation, prior to the closure of the UNHCR Office in Cameroon in 2001, the Delegation of Authority chart had been prepared/signed and submitted to then Regional Office in Abidjan. The Representation indicated that it would re-print those documents and submit them to Treasury.* However, OIOS wishes to point out that the said document does no longer reflect the current incumbent positions and signatures, and would need to be updated. Also, the concept of the delegation of financial signing authority should not be confused with that of bank signatories. The Representation should refer to the specific provisions contained in IOM 67/2000 & FOM 69/2000, dated 9 September 2000 for further clarifications. *OIOS is concerned that the staff of UNHCR Cameroon is operating without proper delegation of financial authority and urges the Representation to regularize the situation.*

Recommendation:

- The UNHCR Representation in Cameroon should comply with the relevant provisions of IOM 67/2000 & FOM 69/2000, dated 9 September 2000 on the UNHCR Delegation of Financial Signing Authority, and prepare the delegation of authority chart, which reflects the current positions, titles and associated responsibilities (Rec. 01).

(b) Extended Assignment Grant

24. In April 2003, an international staff member (index #659354) received a 30-day assignment grant upon arrival at his new duty station in Yaounde. In May 2003 the staff member received DSA totalling some US\$ 8,200 for an additional 30-days as extended assignment grant. The payment was, however, calculated at the full DSA rates, instead of 60 percent of the applicable DSA rate, restricted to the actual hotel cost. In June 2003, the staff member again obtained an additional 20-day DSA extended assignment grant, totalling some US\$ 3,300 despite the fact that the extension had not been approved by UNDP. According to SAMM, Section 3.18.6 "The amount of DSA payable during the extended period will be equivalent to the actual cost of hotel accommodation but not to exceed 60% of the applicable DSA rate. Payment of the extended DSA will be subject to presentation of receipted hotel bills". While no hotel receipts were available to justify the payment, OIOS calculated that, on the basis of the then applicable hotel fare, the staff member was over-paid some US\$ 5,000. OIOS also calculated that, in the absence of proper supporting documents, the staff member would have to reimburse a total of US\$ 11,500.

25. *The Representation explained that UNDP approved the extension of stay of the staff member in a hotel, and that while the hotel invoices could not be found, a certificate had been obtained from the hotel confirming the duration of the stay. The Representation further indicated that the staff member has reimbursed the over-payment of US\$ 5,000. Evidence of the reimbursement and hotel certificate has been submitted to OIOS.*

(c) Rental advances

26. The rules for granting rental advances to international staff were not always adhered to. A staff member obtained a ten-month rental advance (over US\$ 9,000) while the lease agreement only required a three-month advance payment (some US\$ 2,800). There was no justification for the additional periods, and no evidence of payment to the landlord. Also, a rental advance was made for the payment of a two-month deposit (US\$ 1,900). According to IOM/43/97 Amendment # 1 dated 17 September 1997 "Rental deposits are not considered rental advances. If rental deposits exceed two months rent, a rental advance may be given only for the difference in excess of two months, i.e. the total of the rental deposit less two months". In addition, OIOS noted that the Representative approved his own rental advance (some US\$ 23,000). Although the approval of rental advances was delegated to the field, in OIOS' view, this did not imply that the Representative could approve his own advances. *The Representation stated that the advances were timely reimbursed by the concerned staff, and indicated that the errors made in interpreting the rules on rental advances have been noted, and that relevant rules would be complied with in the future.*

V. ACKNOWLEDGEMENT

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

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