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**AUDIT OF UNHCR CONFIDENCE BUILDING MEASURES
FOR WESTERN SAHARAN REFUGEES**

Auditor:

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Office of Internal Oversight Services
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EXECUTIVE SUMMARY

In March 2006, OIOS conducted an audit of UNHCR Confidence Building Measures for Western Saharan Refugees. The audit covered activities with a total expenditure of US\$ 1.2 million in 2004 and 2005. A draft of the report was shared with the Bureau for CASWANAME in April 2006. The comments received in June 2006 are reflected, as appropriate, in this final report. *The Bureau stated that although the recommendations were sensible from a technical point of view, some of them would be difficult to implement or not feasible due to the highly politicised nature of the project limiting UNHCR's standard staffing and implementation arrangements.*

Overall Assessment

- OIOS assessed the management of UNHCR Confidence Building Measures for Western Saharan refugees as average taking into consideration the delicate political situation that poses a constant threat to the sustainability of the programme. In general, the programme was adequately run but the application of certain important controls lacked consistency or effectiveness. In order not to compromise the system of internal control, timely corrective action by management is required.

Programme Management

- OIOS appreciated the sensitive nature and complexity of the operation and the reasons cited for the development of a short-term approach for programme implementation. Also, the little influence that UNHCR has on when the involved parties would reach an agreement to the Plan of Action. Nonetheless, in OIOS' view, if the parties fail to reach an agreement on future plans of action before the beginning of a calendar year, UNHCR should make decisions in timely manner to ensure efficient use of resources. UNHCR should avoid spending significant resources while waiting for an agreement to be reached.
- Many of the documents for 2004 could not be made available. It appears they were not prepared, mis-filed or lost. For 2005 improvements were noted. *The Bureau stated that the filing might not have been at an acceptable level as the field offices are temporary in nature.*
- For the period reviewed, there were no guidelines and procedures to assist field staff in programme execution and monitoring. OIOS was pleased to note that action had recently been taken and local guidelines have been drafted. These still have to be cleared by the Desk.

- As of 8 March 2006, a total of 2,086 persons representing 11 per cent of the total number of registered persons had benefited from family visits. There were still 17,367 persons waiting for a family visit. OIOS estimated that assuming all conditions remain unchanged; UNHCR would need 620 return flights over 12 years for all the registered persons to benefit from the programme. Considering this, OIOS was of the opinion that further efforts could be made to assist as many beneficiaries as possible.

Human Resource Management

- Local personnel were hired under individual contractors' contracts issued by MINURSO, which is not a satisfactory UNHCR contractual agreement. OIOS appreciated that there had already been discussions and consultations by the Desk with DHRM and MINURSO to regularize the staff contracts. The Bureau was of the opinion that regularized staff would not give the required flexibility or staffing efficiencies given the nature of the operation.
- OIOS was of the opinion that the staffing levels should be re-assessed. With flights only twice a week and most of the data-entry now completed, the number of staff should be reviewed. This could result in cost savings to the operation. *Action is being taken by the Bureau to review staffing levels.*
- Human resources management required to be improved, job descriptions were incomplete, roles and responsibilities were unclear and UNHCR's policies and procedures with regard to attendance records, payment of over-time and compensatory time off were not complied with.
- Proper checking-out procedures were not in place for separating staff. A local staff member was separated without settling outstanding liabilities of approximately US\$ 3,500. This mainly consisted of the cost of repairs of an official MINURSO vehicle involved in an accident due to the staff member's negligent conduct, and unpaid private telephone calls and unaccounted petty cash disbursements. This issue should be formally followed-up by the Desk and brought to the attention of the Headquarters Asset Management Board and the Controller to be dealt with.

Financial Management

- Financial management needed to be improved to provide assurance that UNHCR's rules and procedures are complied with. There was no proper delegation of authority, petty cash ceilings had not been established and expenditure was incorrectly recorded.

Monitoring and Reporting

- The integrity of the databases required to be enhanced. OIOS found some discrepancies in the data and one of the databases could not be fully accessed, as the password was lost. Although the Head of Operations has a copy of the original back-up of the final registration list, UNHCR had not backed up the updated databases with information on refugees who had benefited from the CBM flights and the telephone service provided. There was a risk of losing records if the computers were corrupted.

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I. INTRODUCTION

1. From 9 to 15 March 2006, OIOS conducted an audit of UNHCR's Confidence Building Measures (CBM) for Western Saharan refugees. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. OIOS reviewed the activities of the CBM in Laayoune, Western Sahara and Rabouni, Algeria.
2. CBM programme commenced in 2004, and there were no previous reviews by OIOS or the Board of Auditors.
3. The Confidence Building Measures was first initiated in 1999 by the Security Council (S/RES/1238) as part of the preparatory work for the repatriation of Western Saharan refugees to their territory of origin. The repatriation did not take place and the CBM initiatives were shelved. In 2002, the Security Council revived the CBM programme. The authorities of Morocco, the Frente POLISARIO and the Algerian authorities, the country of asylum however, only reached an agreement on how to implement the programme in early 2004. By then, the programme was not linked to any repatriation plans and the primary goal of the programme has evolved to meeting the humanitarian needs of refugee families separated by the conflict, allowing them to communicate and stay in contact while waiting for their final voluntary return to their territory of origin.
4. UNHCR and United Nations Mission for the Referendum in Western Sahara (MINURSO) work in partnership for the implementation of this programme. The Special Representative of the Secretary-General (SRSG) to MINURSO plays an important role in the negotiations with the parties involved. In addition, UNHCR has benefited from MINURSO, receiving logistical support such as provision of weekly flights between locations in Western Sahara and refugees camps in Tindouf; of civil police to monitor movement of visitors during family visits; of medical doctors and nurses accompanying the flights and of communication equipment for telephone services between the refugee camps and locations in Western Sahara.
5. The findings and recommendations contained in this report have been discussed with the officials responsible for the audited activities during the exit conference held in April 2006. A draft audit report was sent to the Director of the Bureau for CASWANAME in April 2006. The comments, received in June 2006 are reflected in this final report.

II. AUDIT OBJECTIVES

6. 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
 - Compliance with regulations and rules, Letters of Instruction and the Memorandum of Understanding with MINURSO

III. AUDIT SCOPE AND METHODOLOGY

7. The audit focused on 2004 and 2005 programme activities with expenditure of approximately US\$ 712,000. Our review concentrated on the activities implemented jointly by UNHCR and MINURSO for facilitating family visits using MINURSO's flights.
8. The audit also included a review of the administration of CBM operations in Laayoune and Rabouni with expenditure totalling US\$ 488,000 for the years 2004 and 2005. At the time of audit in March 2006, there were 35 persons working for UNHCR CBM. This included staff on regular posts, United Nations Volunteers (UNVs), staff on non-standard UNHCR contracts and staff on mission.
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. Programme Management

(a) Planning

10. The continuity of CBM activities is dependent on the co-operation and support from the Moroccan authorities, the Frente POLISARIO and the Algerian authorities, the country of asylum. It is also dependent on the availability of funding for the project, which is under a supplementary programme budget. OIOS is aware of the delicate political situation between the parties involved and this is a constant threat to the sustainability of the programme. For instance, UNHCR was not able to arrange family visits for refugees during the period from September to mid-November 2004 and from January 2005 to late November 2005 because of the delay the parties took to agree on the Plan of Action of the programme.

11. As a result of the nature and complexity of the operation a short-term approach/strategy has been devised for programme implementation. Therefore, even in April 2006, an appeal (although we were informed that it was in-progress) had not been launched for the 2006 and 2007 activities. *The Bureau indicated that the issuance of an appeal was not urgent as they had funds of approximately US\$ 1 million carried forward from 2005. This would finance the programme for the next five to six months.*

12. OIOS appreciates that there was no immediate funding problems for the programme. However, the insecurity of lack of funding, as well as the lack of a medium-term strategy has an impact on staff morale and hence programme implementation. Posts on the staffing table were approved for a period shorter than one year and thus did not attract staff. They were only filled by short-term missions. For example, since 2004, there were seven Heads of Operations/Officers-in-Charge managing the programme. *The Bureau indicated the uncertainties surrounding the programme do not allow UNHCR to establish any medium or long-term strategy. For example, the parties took more than 12 months¹ to agree on the action plan for the second phase. As a result, during the period from January to November 2005, although no family visits were arranged, UNHCR had kept some staff on standby not*

¹ The Bureau stated that the Plan of Action was submitted to the parties in October 2004 but the agreement from all parties was only reached in November 2005.

knowing when the parties would reach an agreement. This clearly demonstrates the difficult position UNHCR is in. OIOS fully understands UNHCR's situation with regard to the implementation of the programme. However, to ensure more efficient use of UNHCR resources, OIOS believes decisions should be made in a timely manner if the parties fail to reach an agreement on future plans of action within the prescribed deadlines. For example, while UNHCR cannot control when the parties will agree on the future plans of action, UNHCR can postpone CBM implementation for a minimum predefined period, thus saving some valuable resources for more efficient use.

Recommendation:

- The UNHCR Bureau for CASWANAME should start the consultation process on programme implementation with the parties early on and determine the latest date approval date that might be obtained to determine if activities could proceed in the forthcoming year. Based on this, the Bureau should take decisions on programme implementation in a timely manner to ensure efficiencies (Rec.01).

13. *The Bureau stated that given the political context within which the CBM have been framed, it is highly questionable that the Bureau would be in a position to dictate to the parties deadlines to ensure "efficient programme implementation." On the contrary, the parties normally dictate deadlines to UNHCR, SRSR and MINURSO.* OIOS appreciates the Bureau's comments but believes that UNHCR could gain some form of control over the use of its resources and programme implementation. UNHCR should try to avoid incurring significant expenditure. For instance, the disagreement among the parties in 2005 stopped the exchange of family visits for over 10 months in 2005. Despite this, UNHCR spent over US\$ 500,000 in 2005 for which about 67 per cent was staffing related costs.

(b) Programme implementation

14. For programme implementation, except for the Plan of Action, there were no guidelines or procedures documented to facilitate its execution and to measure the effectiveness of programme implementation during 2004 and 2005². OIOS noted that with the change of Team Leaders and Heads of Operations, programme implementation differed with regard to the process of selection, verification and finalisation of beneficiaries for family visits. OIOS was pleased to note that in early 2006, the Team Leader in Laayoune had drafted some operating procedures. However, at the time of audit, there were no indications as to who had reviewed and approved them.

15. Similarly, there were no established filing system to ensure the completeness and easy retrieval of programme related documents. OIOS observed that other than the registration databases and forms, the present CBM team could not locate reports and documents for 2004³. Considering the high staff turnover, including the Head of Operations, it is important that the Desk take the initiative to ensure that guidelines and policies are in place for effective and consistent programme implementation. If these are not developed and introduced, it is

² In 2005, the approved period for family visits was during the month of November and December.

³ The present CBM team was not aware that monitoring reports were not prepared in 2004. Staff attendance reports for 2004 could not be located and important documents such as job descriptions were not properly filed.

likely that reports are not prepared, and important documents are misplaced or lost with the departure of staff.

Recommendation:

- The UNHCR Bureau for CASWANAME should ensure that clear guidelines and procedures (including for the filing of documents) are developed for programme implementation in line with the programme strategy. This should ensure more effective and consistent programme implementation and will guide staff assigned to the operation (Rec.02).

16. *The Bureau stated that relevant information such as reports, plan of action, MOU with MINURSO, LOI and project vouchers are properly filed and kept at UNHCR Headquarters in Geneva. Given the “ temporary nature ” of the offices in Laayoune and Rabouni, the filing of management information may not have been at an acceptable level. This condition will improve with the incoming Head of Operations that will be in place for the next six months, giving some stability to field management and project implementation. OIOS is pleased to note that action will be taken to formalize and improve procedures, and will close the above recommendation on receipt of a copy of the approved guidelines and procedures.*

(c) Cost efficiency

17. For family visits, UNHCR had arranged for 80 CBM's return flights (40 return flights from Tindouf and 40 return flights from Laayoune) since the commencement of the programme in March 2004 to 8 March 2006. A total of 2,086 persons have benefited from the family visits' programme. This number represented 11 per cent of the total number of registered persons leaving 17,367 persons eligible for a family visit.

18. In the first phase of the Plan of Action, UNHCR had stated that the number of participants per flight should be between 15 and 20 persons. OIOS observed that in most cases the number of passengers exceeded this, and was pleased to note the initiative taken to re-assess the target upwards to 28. This new target was reflected in the second phase of the Plan of Action. Considering this, OIOS has analysed the utilization of flight capacity against the target of 28.

19. OIOS found that the number of beneficiaries per flight ranged from 18 to 32 persons, and 48 of the 80 flights (60 per cent) had less than 28 beneficiaries (in the first phase and second phase). In addition, during the approved period⁴ of programme implementation, no explanation was documented for the non-scheduling of flights for about six weeks, spread over 2004 to 2005. OIOS estimated that if these flights had been carried out as scheduled and took at least 28 beneficiaries per flight, the total number of beneficiaries would have increased to 2,662 instead of the 2,086. *The Bureau indicated that there were instances when at the last minute beneficiaries pulled-out of the family visit. Also there was a ‘policy’ whereby if the whole family group did not present themselves, the other members were not allowed to travel. Moreover, there were occasions when flights were cancelled, which was out of UNHCR’s control. For example, in March 2006, two CBM flights had to be cancelled due to the visit of the King of Morocco to Laayoune.*

⁴ January 2004 to August 2004, mid November to December 2004 and 25 November 2005 to date.

20. OIOS estimated that assuming CBM flights are on a weekly basis and each flight carried at least 28 beneficiaries, UNHCR would need 620 return flights over 12 years to assist the 17,367 registered persons. Assuming that annual expenditure is approximately US\$ 3.5 million⁵, the programme of family visits would take 12 years to implement at a cost of at least US\$ 42 million. Even a target of assisting 50 per cent is a daunting task. OIOS also noted however that other communication means were used to enable beneficiaries to contact their relatives. According to UNHCR's statistics, the refugees have made approximately 47,000 telephone calls to their families in Western Sahara. OIOS made some suggestions to increase the number of assisted beneficiaries by facilitating family visits between camps and cities by road. *This possibility was ruled out by the Bureau stating security reasons, difficult road and political conditions.*

21. *The Bureau stated that not all of the 17,367 registered refugees are eligible, and this can only be ascertained when UNHCR conducts the verification exercises prior to each CBM flight. Programme sustainability is constantly under threat due to the delicate political relations between the parties, and their co-operation is imperative for the programme implementation. These factors are beyond UNHCR's control and thus, UNHCR is not able to establish any medium or long term planning to clear the backlog of refugees awaiting family visits. However, UNHCR has managed to gradually increase the number of beneficiaries per flight.* OIOS appreciates the constraints UNHCR is facing but considering the percentage of persons not yet assisted by way of family visits and the significant costs involved in implementing the programme, OIOS believes that UNHCR could seek ways to maximise the utilization of MINURSO flights. This may include establishing a firm waiting list of one to two families that are approved by the parties for each CBM flight, to ensure full capacity of the flights in case beneficiaries pull out at the last minute.

(d) Partnership with MINURSO

22. UNHCR and MINURSO have signed a Memorandum of Understanding (MOU) that outlines the terms and conditions for the implementation of the CBM programme for 2004 and 2005. The last MOU of 2005 had expired and the 2006 MOU had not been finalised at the date of the audit in March 2006.

23. Generally, UNHCR and MINURSO are enjoying a good partnership and the terms and conditions in the 2005 MOU were adhered to except for the following:

- (a) UNHCR did not make quarterly advance payments to MINURSO;
- (b) MINURSO had not processed the recruitment of local staff in accordance with the United Nations regulations and rules. MINURSO had issued individual contractors' contracts to UNHCR CBM's local staff as discussed in paragraph 25 below.

Recommendation:

- The UNHCR Bureau for CASWANAME should ensure that the terms and conditions of the Memorandum of Understanding are met if it is found that they are still relevant and can be complied with by both parties (Rec.03).

⁵ Based on 2006 LOIs. The actual costs may be higher if the costs of fuel continue to rise.

24. The Bureau stated that the new MOU is under revision and should be issued by the end of June 2006. OIOS will record the above recommendation as implemented on receipt of a copy of the new MOU.

B. Human Resource Management

(a) Local recruitment

25. There were 28 local staff (not hired under regular UNHCR contracts) working for the UNHCR CBM programme, 9 in Laayoune and 18 in Rabouni. The local staff included 1 administrative assistant, 14 drivers, 4 telephone operators, 4 data entry clerks, 3 night guards and 2 cleaners.

26. In 2004, the local CBM staff in Rabouni were hired under service contracts known as “Contrat de Prestation de Service” issued and signed by the Head of Sub-office in Tindouf. The CBM staff working in Laayoune were hired under individual contractors’ contracts issued by MINURSO on behalf of UNHCR. These contractual arrangements changed in 2005, with all local staff in Rabouni and Laayoune hired under individual contractors’ contracts issued by MINURSO. In 2004, local staff salaries of those with contracts issued by the UNHCR Sub-office in Rabouni were charged to project expenditure, whereas in 2005, all local salaries were charged to Temporary Assistance under the administrative budgets. OIOS also noted that in 2004 entitlements to staff differed dependent on the type of contract staff were hired under.

27. The MOU signed by UNHCR and MINURSO provided that MINURSO recruit local staff for UNHCR in accordance with MINURSO’s regulations and rules. Despite this, individual contractors’ contracts were issued. This type of contract is not appropriate for the type of work and the length of the contract issued. Moreover, OIOS would like to highlight that individual contractors’ contracts are meant for the hiring of persons that services were required “from time to time” and not on a continuous basis. The contract should be limited to six or in special circumstances, nine months in any period of twelve consecutive months. Therefore, in accordance with the UN Instruction (ST/AI/1999/7), the CBM staff’s employment terms and conditions did not meet the criteria of individual contractors.

28. The local staff members were supervised and managed by UNHCR and therefore *de facto* UNHCR employees. Although the conditions of service for individual contractors stated that the organization will compensate the individual contractor or his/her dependents in case of death, injury or illness when performing their contractual services, they did not have standard staff benefits such as annual leave, sick leave, training, pensions and medical benefits.

29. OIOS is aware that DHRM has been consulted and there have been discussions between them and the Desk, as well as with MINURSO on how to regularize the staffing situation. OIOS is also aware that the Bureau is of the opinion that to regularise these staff will not give them the flexibility or staffing efficiencies given the nature of the operation and the uncertainty of how long the programme will run. OIOS appreciates this, but would highlight that under UNHCR’s present rules and procedures this contractual arrangement is not correct. For hiring staff. Even if it is fully delegated to MINURSO and proper staffing arrangements

are established by them, as agreed under the terms of the MOU, UNHCR would still be managing and supervising them. As a result, OIOS would suggest that further consideration be given to regularizing these staff under fixed term appointments. These contracts can be short-term and terminated as and when necessary and may provide the flexibility that the Bureau believes it needs.

30. OIOS was also of the opinion that the staffing levels need to be re-assessed since there were only flights twice a week and most of the data-entry had been completed. This could result in cost savings to the operation. OIOS was unable to assess the adequacy of the level of drivers, as logbooks showing number of hours ‘on-duty’ was not available.

Recommendation:

- The UNHCR Bureau for CASWANAME in conjunction with the Division of Human Resources Management should resolve the contractual issues of the local staff in Laayoune and Rabouni. The Bureau should also assess the staffing levels to ensure it correlates with the present level and type of tasks required (Rec.04).

31. *The Bureau stated that they would send a staff member on mission from UNHCR Headquarters to address this issue.* OIOS is pleased to note that action will be taken to review staffing numbers and arrangements for the programme. OIOS will consider the above recommendation as implemented on receipt of the results of the staffing assessment and confirmation that the contractual arrangements for local staff have been regularised.

(b) Job descriptions

32. Job descriptions and terms of reference for CBM team members were out-dated and/or incomplete. The post of the Head of Operations remained unclassified although it had been created in January 2005. Although some international staff on mission had terms of reference, these documents were not shared with the Head of Operations, who was their direct supervisor. OIOS reviewed the available job descriptions and noted that much work was required to clarify staff roles and responsibilities, as well as assure adequate internal controls were in place. For example, the functions assigned in the job description to the Field Clerk/Finance Assistant defied all good controls for segregation of duties. Furthermore, the title of “Clerk/Assistant” does not conform to UNHCR job classification. More importantly, the functions assigned allowed the incumbent to be responsible for the registration of beneficiaries, to make changes to registration forms, count and update registration statistics, prepare beneficiaries for a family visit, as well as request and distribute cash grants to refugees. These functions are not compatible. This Field Clerk/Finance Assistant was to be supervised by a Senior Desk Officer in the Bureau for CASWANAME and in close collaboration with UNHCR CBM field officer. OIOS shared the Field Clerk/Finance job description with the Senior Desk Officer, Head of Operations in Laayoune and the Team Leader in Rabouni. None of them have seen this job description before. The names and titles of the persons who prepared and approved the job description were not available.

Recommendation:

- The UNHCR Bureau for CASWANAME should clarify the roles and responsibilities of staff working on the Confidence Building Measures programme. Job descriptions and/or terms of reference should be drafted and approved by the CBM Head of Operations and cleared by the Desk and DHRM (Rec.05).

33. *The Bureau agreed to take the necessary corrective action.* OIOS is pleased to note that action will be taken, and will consider the above recommendation as implemented on receipt of revised and approved job descriptions and/or terms of reference for staff working on the CBM programme.

(c) **Level of vacancies**

34. In 2005, there were nine posts on the staffing table, (five professional and four General Service) but these posts remained vacant throughout the year. The professional posts were not advertised in the compendium. Instead staff were assigned on short-term missions to fill the positions. OIOS noted that the Team Leaders based in Laayoune and Tindouf were generally only on mission for periods of two to three months and consequently, the turnover was very high. Also, as mentioned above, since 2004, there were seven Heads of Operations/Officers-in-Charge managing the programme. This has resulted in a lack of leadership and continuity in the management of the programme. *The Bureau indicated that they have identified a staff member as Head of Operations with a commitment to stay until the end of 2006.* OIOS was pleased to note this, but is still of the opinion that to ensure continuity and more effective programme management, the posts in the staffing table should be filled.

Recommendation:

- The UNHCR Bureau for CASWANAME should classify the post of Head of Operations and formally fill the posts on the staffing table to minimise staff turnover, to ensure continuity and more effective programme management (Rec.06).

35. *The Bureau stated they would request MINURSO to issue FTA (fixed term appointments) contracts for one to three months for the staff being paid against existing posts and TA (temporary assistance) contracts for those who are not charged against the post.* OIOS would like to clarify that as stated in paragraph 29 above, even if MINURSO is able to issue FTA contracts to the local staff working for UNHCR, this arrangement was not in conformity to UNHCR rules and procedures. These local recruits are *de facto* UNHCR employees since they are under UNHCR's supervision and management. OIOS would suggest that if this is seen as the only alternative left to UNHCR to hire local personnel, the reasons for this be documented and endorsed by senior management. Nonetheless, OIOS would continue to encourage the issuance of UNHCR's compliant contracts. OIOS will consider the recommendation as implemented upon receipt of confirmation that the post of Head of Operations has been classified and the local staffing contracts have been regularized either by the issuance of regular contracts or the granting of an exemption.

(d) Staff administration

36. The practice of payment of overtime and compensatory time off (CTO) was inconsistent. In 2004, the Head of Operations had authorised overtime and CTO, but due to the contractual status of staff it was not applied across the board. Staff in Tindouf with “Contrat de Prestation de Service” had an entitlement of two days annual leave per month while those in Laayoune with individual contractors’ contract did not receive leave entitlement. OIOS was not able to properly review the adequacy of the payment of overtime or CTO for 2004 as no attendance records were maintained for local staff.

37. The new Head of Operations in 2005 stopped the payment of overtime, and made changes to staff members’ working hours. This meant that CTO was always given in lieu of payment. The arrangements made were informal, and again as attendance records for local staff were not maintained and as office working hours were not properly established it was difficult to confirm the validity of CTO.

Recommendation:

- The UNHCR Bureau for CASWANAME and the Head of Operations should ensure that proper human resources policies and procedures are established locally. Standard office working hours should be put in place, attendance records maintained and entitlements to compensatory time off or over-time payment made in accordance with UNHCR’s rules and procedures (Rec.07).

38. *The Bureau agreed to take the necessary corrective action.* OIOS is pleased to note that action will be initiated. OIOS will consider the above recommendation as implemented on confirmation that office hours have been standardized and entitlements are in accordance with UNHCR rules and procedures.

(e) Separation process

39. The Head of Operations did not ensure that proper checking-out procedures were in place for separating staff. For instance, in late 2005, the Head of Operations was aware of the outstanding claims against a local staff member of approximately US\$ 3,500, mostly for the cost of repairs of an official MINURSO vehicle involved in an accident due to the negligent conduct of the staff member, as well as unpaid private telephone calls and unaccounted petty cash disbursements. Despite this, the Head of Operations authorized the final salary payment of this staff member’s salary of 7,967 MAD (approximately US\$870). Consequently, the staff left without returning the office keys, UN identification card and did not settle any of the above-mentioned claims. The Head of Operations did not report this loss to the Desk. Also in OIOS’ view, although this was not a UNHCR vehicle, this loss should be brought to the attention of the Headquarters Asset Management Board (HAMB), and dealt with accordingly. Moreover, the Controller must authorise the writing-off of cash losses suffered.

Recommendation:

- The UNHCR Head of Operations for Confidence Building

Measures for Western Sahara Refugees should ensure that proper checking out procedures are established for separating staff. The Head of Operations in conjunction with the Desk should bring these losses to the attention of the Headquarters Asset Management Board and to the Controller so that these losses are properly dealt with (Rec.08).

40. *The Bureau agreed to take the necessary corrective action.* OIOS will consider the above recommendation as implemented on receipt of action proposed by the Headquarters Asset Management Board and the Controller on the reported losses.

C. Financial Management

41. Financial management needed to be improved to provide assurance that UNHCR's rules and procedures are complied with and UNHCR assets are safeguarded.

(a) Delegation of authority

42. The addressee of the Letter of Instruction (LOI) was the Deputy Director, Bureau for CASWANAME. No formal authority had been delegated to the Head of Operations in Laayoune, Western Sahara or the Team Leader in Rabouni, Algeria. According to the MOU with MINURSO, "*prior to each new payment, financial reports ... including all necessary supporting documents should be reviewed and certified by the UNHCR Project Manager.*" As UNHCR had not clearly defined and formally assigned the Project Manager mentioned in the MOU, MINURSO processed payments simply based on a memorandum from the Head of Operations. In OIOS' opinion anyone could have signed as the Officer-in-Charge of CBM, as no delegation of signing authority cards or similar document had been given for the authenticity of the signature to be verified.

Recommendation:

- The UNHCR Bureau for CASWANAME should ensure formal delegation of authority is in place. The addressee of the Letter of Instruction should delegate and designate certifying, authorizing and approving functions for the CBM staff. A specimen signature card should be completed and the Desk should formally notify MINURSO of the names of the designated officials (Rec.09).

43. *The Bureau will arrange for the LOIs to be addressed to the new Head of Operations should there be clear indications that the parties would be willing to extend the programme at least until end of 2007.* OIOS will consider the above recommendation as implemented on receipt of conformation that the appropriate delegation of authority documents have been established and copied to MINURSO.

(b) Recording of cash grants

44. OIOS noted that while the Plan of Action for the CBM programme stated that beneficiaries be given cash grants of US\$ 30 to US\$ 150 (dependent on the family size), the

cash grants were distributed in Algerian Dinars. No documentation could be provided to support the exchange rate used for recording purposes. *The Bureau stated that it is more practical for the beneficiaries to receive Algerian dinars as they usually make their purchases in Tindouf, Algeria before travelling to Laayoune or before receiving their families from Laayoune at the refugees' camps.* OIOS would suggest therefore, to avoid unnecessary recording of exchange gains and losses, and in accordance with UNHCR programme management procedures, project budgets be calculated and presented in the currency of expenditure.

Recommendation:

- The UNHCR Bureau for CASWANAME should determine the currency that is most appropriate for the disbursement of cash grants and subsequently make the necessary revision to the criteria and the sub-project budgets. The Bureau should also ensure the controls over the distribution of cash grants be strengthened (Rec.10).

45. *The Bureau agreed to take the necessary corrective action.* OIOS will record the above recommendation as implemented on receipt of confirmation that internal controls over the distribution of cash grants have been strengthened and the currency of disbursement of the cash grant corresponds to the currency of the budgets.

(c) Recognition and recording of expenditure

46. In 2004, the Head of Operations had requested UNHCR Sub-office in Tindouf in many occasions to record disbursements for CBM as receivables at the time of payment. The Head of Office only provided the necessary information to reverse the receivables as expenditure when reminded by the Tindouf Sub-office in August 2004. As a result, expenditure was not recorded on time and the information on the unused budgets was inaccurate. OIOS suggested that the forthcoming mission as referred to above be requested to confirm that adequate controls have been established to ensure that expenditures are recorded in a timely manner.

47. In 2004, UNHCR Finance Section had recorded 2004 expenditure of approximately US\$ 42,000 under the administrative budgets as 2005 expenditure. Moreover, in 2005, UNHCR Finance Section had not recorded and provided for fuel expenditure although there were nine CBM flights during the period from 22 November 2005 to 31 December 2005. On the other hand, UNHCR Finance Section had recorded a cash advance of US\$ 5,500 in December 2005 for payment of cash grants as expenditure. OIOS recommended that the Finance Section ensure expenditures are recorded in the correct accounting year and that advances are not recorded directly to expenditure. *The Bureau agreed to take the necessary corrective action.*

(d) Classification of expenses

48. The UNHCR Finance Section is responsible for classifying and coding CBM's expenditure based on the debit advice and the supporting documents from MINURSO. OIOS found the classification and coding of 2004 and 2005 expenditure to be inconsistent. For example, the payments of cash grants to refugees were coded under three different general

ledger accounts i.e. 612230 “Registration, Tuition, Related Fees”, 612300 “Subsistence, Living, Room And Board Allowance” and 612999 “Unspecified Payment For Individual/Family”. Similarly, the payment of travel costs and travel allowances to UNVs were coded in five different general ledger accounts. As a result, information such as actual cash grants paid could not be easily determined from the financial reports and the financial data was distorted. OIOS recommended that the Finance Section ensure consistent classification of expenditure in accordance with the approved detailed budgets. *The Bureau agreed to take the necessary corrective action.*

(e) Cash management

49. A petty cash ceiling had not been established, and the amounts held and advanced for disbursement (operational advances) was left to the discretion of the Team Leader in Rabouni and Head of Operations in Laayoune. OIOS suggests that the Head of Operations assess the cash needs and request the Finance Section to formally establish the petty cash ceiling. *The Bureau agreed to take the necessary corrective action.*

D. Monitoring and Reporting

(a) Reporting requirements

50. The method of implementation of the CBM programme is unique, with the addressee of LOI in Geneva and the day-to-day management of the operation by the two teams in Laayoune and Rabouni and the partnership with MINURSO. Consequently, standard reporting requirements for UNHCR programmes were not applicable. As a consequence, in OIOS’ opinion the Bureau and the Desk should have established formal reporting requirements to properly and effectively monitor programme implementation. *The Bureau stated that the Desk has established periodic reporting including a report indicating the number of beneficiaries per flight and telephone usage, as well as any incident worth reporting during monitoring visits. Updates are furnished to the Desk on regular basis.* OIOS takes note of the Bureau comments and would suggest that these reporting requirements should be formalized considering the high staff turnover at the field level.

(b) Integrity of information

51. OIOS found that there are two versions of the tables in the database concerning family visits in Rabouni. The statistics reported by CBM were based on a later version but the reports generated from the database were from the earlier version. This has resulted in some discrepancies between the CBM report on statistics and the detail reports generated from the database.

52. OIOS was not able to review the database in Laayoune, because the tables were password protected. The CBM team did not have the password and thus cannot create any other new query and can only print existing reports.

53. The CBM team did not reconcile the statistics in the database against the actual number of beneficiaries travelling based on the final travel manifest from MINURSO. OIOS found that the actual number of beneficiaries travelled differed from UNHCR database in 9 out of a total of 80 CBM flights (representing 11 per cent error rate). The net difference is small i.e.

actual number of beneficiaries who travelled on CBM flights was 2,091 based on MINURSO records as compared to the 2,087 reported by UNHCR. However, the differences for these nine flights ranged from 1 to 7 persons. OIOS takes note that corrective measures have been implemented since the audit.

(c) Backups of critical information

54. CBM has maintained two databases (one in Laayoune and one in Rabouni, Tindouf) to record and monitor the registered refugees, refugees who have benefited from the CBM flights and those who have benefited from the telephone calls. Although the Head of Operations has a copy of the original back-up of the final registration list, UNHCR had not backed up the updated databases with information of refugees who had benefited from the CBM flights and the telephone service provided. As a result, there was a risk of losing the records if the computers were corrupted. *Corrective action has been taken.*

V. ACKNOWLEDGEMENT

55. I wish to express my appreciation for the assistance and cooperation extended to the auditor by the staff of UNHCR and MINURSO.

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