



INTERNAL AUDIT DIVISION

OFFICE OF INTERNAL OVERSIGHT SERVICES

AUDIT REPORT

UNHCR Operations in the United Kingdom

29 June 2007

Assignment No. AR2007/121/1

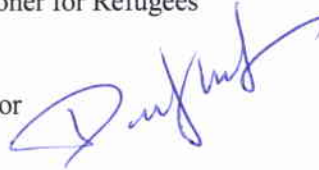
United Nations  **Nations Unies**
INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR
INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE
OIOS · BSCI

TO: Mr. António Guterres
A: United Nations High Commissioner for Refugees

DATE: 29 June 2007

REFERENCE: AUD- (07- 00311)

FROM: Dagfinn Knutsen, Acting Director
DE: Internal Audit Division, OIOS



SUBJECT: **Assignment No. AR2007/121/01 - Audit of UNHCR Operations in the United Kingdom**
OBJET:

1. I am pleased to present the report on the above-mentioned audit, which was conducted in March 2007.

2. In order for us to close the recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.

3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e., recommendations 1, 4, 5, 6 and 7) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

4. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.

cc: Mr. L. Craig Johnstone, Deputy High Commissioner, UNHCR
Ms. Judy Cheng-Hopkins, Assistant High Commissioner, UNHCR
Mr. Colin Mitchell, Controller and Director, DFAM, UNHCR
Ms. Pirkko Kourula, Director, Bureau for Europe, UNHCR
Ms. Bemma Donkoh, Representative, UNHCR Representation in the United Kingdom
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Mr. Byung-Kun Min, Programme Officer, OIOS
Ms. Maha Odeima, Audit Coordinator, UNHCR
Ms. Eleanor Burns, Acting Chief, UNHCR Audit Service, IAD/OIOS

INTERNAL AUDIT DIVISION

FUNCTION

“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).

CONTACT INFORMATION

ACTING DIRECTOR:

Dagfinn Knutsen, Tel: +1.212.963.5650, Fax: +1.212.963.2185,
e-mail: knutsen2@un.org

ACTING DEPUTY DIRECTOR:

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,
e-mail: ndiaye@un.org

ACTING CHIEF, UNHCR AUDIT SERVICE

Eleanor Burns: Tel: +41 22 917 30 28, Fax: +41 22 917 00 11,
e-mail: eburns@unog.ch

EXECUTIVE SUMMARY

Audit of UNHCR Operations in the United Kingdom

OIOS conducted an audit of UNHCR Operations in the United Kingdom in March 2007. The main objectives of the audit were to assess the adequacy and effectiveness of controls to ensure: (a) reliability and integrity of financial and operational information; (b) effectiveness and efficiency of operations; (c) safeguarding of assets; and, (d) compliance with regulations and rules, Letters of Instruction and Sub-Project Agreements. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS assessed the internal controls of the Operation in the United Kingdom by reviewing records relating to the activities implemented during 2005 and 2006 with a total expenditure of \$1.5 million. The operation's system of internal control was assessed as below average. Prompt corrective action is required by management to significantly improve the application of key controls.

The Quality Initiative (QI) Project, i.e., partnering with the UK Government to improve procedures for refugee status determination is an example of a good practice and should be further developed as a model for use in other UNHCR country operations. This would enhance the fulfillment of UNHCR's mandate in Europe. In order to fully staff and subsequently retain personnel, the QI Project would benefit from a separate, multi-year financing agreement with the UK Government providing a more secure funding base. *Since the audit, a three-year grant agreement has been signed.*

The reasons for the high staff turnover should be determined and an exit interview with staff should be routine, with lessons learned acted upon. The Representation should also develop its induction training and knowledge management system.

In the areas of administration and finance, OIOS assessed that internal controls were weak: segregation of duties was not at all times observed, proper certifying, approving and authorizing procedures were not always in place, and financial and cash management procedures were not fully established. The provision of training and/or on-the-job coaching was required to ensure staff become fully conversant with UNHCR's rules and procedures.

The International Maritime Organization is located in government subsidized offices. For UNHCR, the Representation should vigorously pursue this possibility for its offices as it could result in potential savings of \$390,000 over a two-year period.

TABLE OF CONTENTS

Chapter	Paragraphs
I. INTRODUCTION	1 – 4
II. AUDIT OBJECTIVES	5
III. AUDIT SCOPE AND METHODOLOGY	6 – 7
IV. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Programme and project management	8 - 11
B. Human Resources Management	12 - 19
C. Administration and Financial Management	20 - 26
D. Procurement and Property Management	27 – 30
V. ACKNOWLEDGEMENT	31
ANNEX 1 – Actions needed to close audit recommendations	

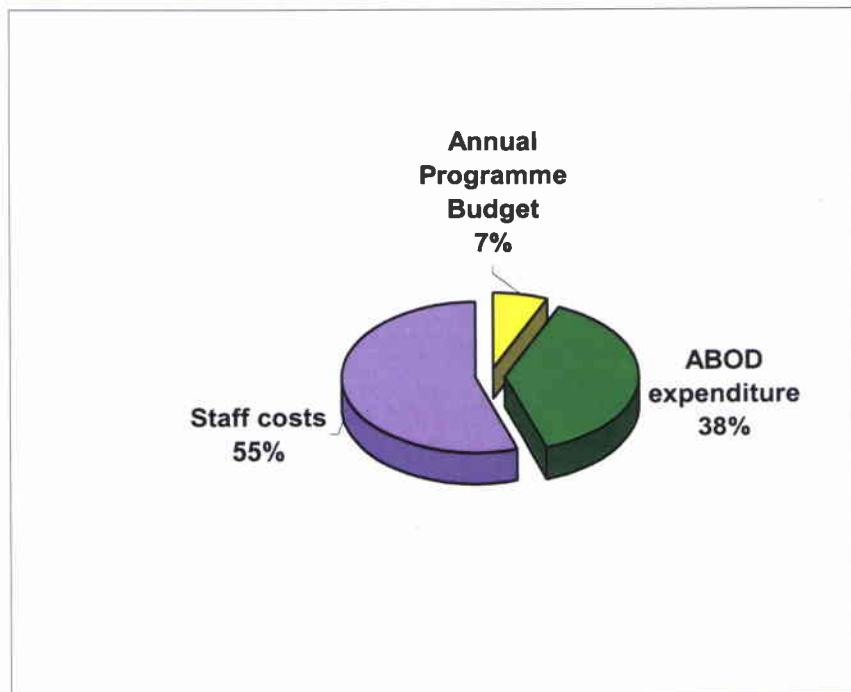
I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of UNHCR's Operations in the United Kingdom (UK) from 19 to 26 March 2007. OIOS reviewed the 2005 and 2006 activities of the Representation.

2. The main activities of the operation are to strengthen asylum in the UK in cooperation with the Government (Home Office). This task involves ensuring that persons who arrive in the UK have access to asylum through the promotion of adherence to refugee protection standards in relation to appropriate border management strategies. UNHCR also supports effective asylum procedures and quality assurance of asylum decision-making. Additionally, UNHCR should maintain the prominence of refugee and asylum issues amongst the UK media and general public, assist the UK Government and strengthen partnerships to develop programmes for durable solutions for refugees in the UK.

3. In 2005 and 2006 a budget of \$4.3 million was allocated, including staffing costs administered by Headquarters, against which expenditure of \$3.5 million was reported. At the time of the audit, the number of personnel working for the operation in the UK was 12. The Representation also had six interns and hired two consultants to perform legal and private sector fundraising tasks.

Figure 1: Expenditure relating to the Operation in the United Kingdom for 2005 and 2006 – Total \$3.5 million



4. Comments made by UNHCR are shown in *italics*.

II. AUDIT OBJECTIVES

5. The major objectives of the audit were to evaluate the adequacy and effectiveness of controls to ensure:

- (a) Reliability and integrity of financial and operational information;
- (b) Effectiveness and efficiency of operations;
- (c) Safeguarding of assets; and,
- (d) Compliance with regulations and rules, Letters of Instruction and Sub-Project Agreements.

III. AUDIT SCOPE AND METHODOLOGY

6. The audit reviewed 2005 and 2006 programme and administrative activities with expenditure of \$1.5 million, as well as assets with an acquisition value of \$188,000 and a current value of \$28,000. The audit methodology comprised: (a) review of policies and procedures, administrative guidelines and analysis of data available from the Management Systems Renewal Project (MSRP) and other sources; (b) interviews with responsible personnel; (c) physical verification, assessment and effectiveness of controls; and, (d) observations and verification of processes, as appropriate.

7. The audit also followed up on OIOS' previous recommendations including the strengthening of internal controls, reimbursement of value-added tax (VAT), competitive procurement of services and payment of expenses paid to interns.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Programme and project management

8. Programme activities in direct financial terms are limited, amounting to about \$0.2 million for 2005 and 2006. There is a considerably larger undertaking under the Quality Initiative (QI) project with the UK Government (Home Office). The QI project, established in 2003, aims to provide assistance to the Home Office in the refugee status determination process through the monitoring of both procedures and the application of refugee criteria. Periodic reports are issued presenting UNHCR's observations and recommendations for improvement. The contribution related to the QI project was \$0.9 million for 2005 and 2006.

9. The financing of the QI project, as part of a larger lump sum contribution from the UK Government resulted in delays in establishing the spending authority. In 2006, the Memorandum of Understanding, negotiated mainly by Donor Relations & Resource Mobilization Service (Division of External Relations) with the Home Office, was finally signed in June 2006. Such delays had created problems attracting and retaining staff, thus making effective implementation difficult. At the time of the audit, only two of the four QI posts

were filled. *A new, three-year grant agreement providing GBP 1 million per year for earmarked UNHCR operations came into effect on 1 April 2007. This agreement specifically allocates a 22.9 per cent portion to fund the operations implemented by the UNHCR Representation in the UK in conjunction with the Home Office. The difficulty of ensuring greater security of tenure for staff employed under these projects derives also from the fact that their appointments fall under fixed-term contracts thus outside the normal Appointments, Promotions and Postings Committee (APPC) procedures.*

10. The QI project, i.e. partnering with the UK Government to improve the quality of asylum decisions through its supervisory and monitoring role, is a good practice that could be further developed and used as a model in other UNHCR country operations. While OIOS is aware of similar projects in a few other country operations such as Austria, the almost product-like quality of the project in the UK differentiates it from other such projects. It would provide a basis for further 'product' development in the area of assisting in improving the quality of the refugee status determination process. In OIOS' opinion, a standard 'product' or module, which could be used in various operations, would be an effective way of increasing the fulfilment of UNHCR's mandate in Europe.

Recommendation 1

(1) The UNHCR Bureau for Europe, as part of a longer-term strategy, should further develop the concept of the Quality Initiative project whereby UNHCR is more actively involved in supervising and making recommendations to improve government procedures and their application of refugee criteria. The development of a standard module, available to be used in various operations, would be an effective way of increasing the fulfilment of UNHCR's mandate in Europe.

11. *The UNHCR Bureau for Europe accepted recommendation 1 and stated that it has incorporated quality decision-making as an important priority amongst its Regional Strategic Objectives and has encouraged offices to pursue various mechanisms to monitor and provide recommendations on the quality of first instance asylum decision-making. Documents relating to the Quality Initiative in the UK have been shared widely with all offices.* OIOS maintains the recommendation, as it believes that a more structured approach, embedding the observed product-like quality of the QI project yet maintaining the flexible structure required for different mechanisms and national structures in countries could enhance the refugee status determination process. Recommendation 1 remains open pending more detailed plans from the Bureau for Europe in this development work.

B. Human Resources Management

12. The office had a high turnover in staff. In April 2007, the longest serving General Service staff member had been employed for less than two years.

In addition, the Representation relies heavily on interns to do research and daily routine work.

13. OIOS found that some of the reasons for the high turnover included pull factors such as higher salary scales from external opportunities to the push factors of the perceived insecure contractual arrangements and difficult personal relations within the office.

14. In order to address some of the staffing issues relating to internal problems, the UNHCR Staff Welfare Section hired a consultant to work with the staff at the end of 2006 and beginning of 2007. While OIOS understood that the consultant would provide teambuilding for staff and management and management coaching, the main emphasis was on the latter, and very little was done on teambuilding. This in OIOS' opinion was a critical area required for management and staff to work together more effectively. From the interviews held as part of the audit, OIOS found that there had been no significant change to the working environment and the outcome of the consultant's work was therefore not entirely constructive. Nonetheless, there was a more positive working environment.

15. The recruitment of staff to vacant posts had taken a long time. For example, the two posts of Senior Protection Clerk and the post of Administration/Finance Clerk were unoccupied for many months during 2006. Also, with the high turnover of staff, there was often no proper hand-over of responsibilities and/or staff remaining with a good institutional knowledge of the operations. Overall, this made it a challenge for newly recruited staff and the effective implementation of the activities.

16. OIOS is aware that the Representation does induction training for staff and interns. The training however was not standardized, and if this was done, it would ensure that comprehensive training is given and it would result in efficiencies due to the frequent rotation of interns. Also, consideration should be given to further develop the provision of induction training in cooperation with non-governmental organizations (NGOs), particularly due to their knowledge of specific refugee issues in the UK. OIOS also noted that knowledge, e.g. about cases and exchanges with different interest groups accumulated by interns and staff was not methodologically filed so that it could be easily retrieved when needed.

Recommendations 2 and 3

(2) The UNHCR Representation in the United Kingdom, due to the high turnover of staff and a relatively high number of interns, should further develop its induction training for new staff members and develop its knowledge management system to ensure information is properly retained and easily retrievable. For induction training purposes, the use of NGOs, due to their knowledge of specific refugee issues in the UK, should be further explored.

(3) The UNHCR Representation in the United Kingdom, in order to determine and document the recurring reasons for the high staff turnover, should conduct exit interviews and act upon any lessons learned.

17. *The UNHCR Representation accepted recommendation 2 and stated that it would further look into the issue to see how the current introduction process might be improved and consider the issue of NGO involvement in filling whatever knowledge gaps that may exist. The Representation is also updating an induction kit for interns.*

18. *The UNHCR Representation accepted recommendation 3 and stated that guidance has been obtained from Headquarters for exit interviews and a questionnaire has been adopted for this purpose, pending the issuance of the comprehensive policy guidance by the Headquarters.*

19. Recommendations 2 and 3 remain open pending results of the development initiatives and receipt of documentation showing that they have been implemented.

C. Administration and Financial Management

20. The administrative team was new, with the Administration/Finance Assistant and Clerk joining UNHCR in August/September 2006. Additionally, at the end of 2005 after the implementation of MSRP, the Administration/Finance Assistant who had been trained was posted to Geneva as a MSRP trainer. OIOS found that at the time of the audit, staff members still lacked the necessary UNHCR and MSRP experience and were not fully conversant with UNHCR's rules and procedures. OIOS assessed that overall internal controls were weak and administrative procedures were not to the required standard. The following was noted:

- Segregation of duties was not at all times observed and proper certifying, approving and authorizing procedures were not always in place.
- Financial and cash management procedures were not fully established: there was no petty cash system (*has been applied for with Treasury*), blank cheques were not properly safeguarded (*this issue was addressed during the audit*), individual contributions were not promptly recorded in MSRP (*awaiting instructions from Financial Resources Service*), bank reconciliations were not up-to-date (*awaiting recording of contributions*) and pending receivables and liabilities had not been cleared.
- Travel claims were not certified, and the original travel documents were not attached to the payment vouchers.

21. In the area of information and communication, access to international calls was not restricted and procedures to recover personal phone calls were not firmly established. OIOS was also of the view that computers should be upgraded, as only one desktop registered in the asset list was within the four-year defined lifespan. *The UNHCR Representation informed that proposals for the upgrading of computers during 2008 were not accommodated by the Bureau for*

Europe. Furthermore, access to the server room should be limited for security reasons. *Quotations are being solicited to erect a suitable frame to ensure a safe and secure storage area for the office computer server.*

22. Asset records had not been updated for some time, and OIOS' testing revealed that 6 out of 14 computers were not bar-coded. A Local Asset Management Board had not been established.

23. As a high priority, the administrative team needs to ensure that sound administrative procedures are in place, and adequate on-the-job coaching is provided to enable the staff responsible to become more conversant with the rules and procedures. Also, considering the limited number of staff, there is a need to make sure that staff are familiar with most administrative functions so that there is adequate back-up during periods of leave. The Bureau for Europe should also provide regular support and guidance through periodic monitoring visits to ensure processes and procedures are improved.

Recommendations 4 and 5

(4) The UNHCR Representation in the United Kingdom should ensure that internal controls in administration and financial management are strengthened and administrative procedures are fully complied with. Considering the turnover of staff, on-the-job coaching should be provided to ensure staff are fully conversant with UNHCR's rules and procedures.

(5) The UNHCR Bureau for Europe should ensure through periodic monitoring visits that internal controls have been strengthened to address deficiencies such as the lack of segregation of duties, inadequate certifying, approving and authorizing procedures, as well as the lack of sound financial and cash management procedures, in order to provide UNHCR management with reasonable assurance that objectives are achieved.

24. *The UNHCR Representation accepted recommendation 4, and stated that progress has been made and efforts are being intensified to implement the recommendation. The Representation appreciates the financial support mobilized by the Bureau for Europe for the training of new administrative staff in financial issues. However, longstanding appeals for similar support from the Division of Human Resources Management to administer training to staff have not yielded results due to budgetary constraints.*

25. *The UNHCR Bureau for Europe accepted recommendation 5 and stated that it will continue regular monitoring visits by desk officers, protection officers as well as visits by the administration.*

26. Recommendations 4 and 5 remain open pending further details of the measures taken to ensure adequate training and guidance has been provided to staff to ensure they are fully conversant with UNHCR's rules and procedures.

D. Procurement and Property Management

27. OIOS found no evidence that services such as travel, telephone, cleaning, and couriers had been selected competitively. Also, OIOS observed that an individual who carried out cleaning services did this without a contract. To obtain best value for money and to comply with UNHCR's procurement guidelines, regular reviews of service contracts should be made. Also, to minimize the burden of administration, consideration should be given to cooperating with other UN entities in London, in particular the International Maritime Organization (IMO).

28. OIOS observed that unlike IMO, UNHCR was not located in Government subsidized offices. As UNHCR does not have a host country agreement in which there might be a clause for premises provided by the UK government, UNHCR has to negotiate this issue separately. OIOS understands that space in the IMO building may be available. If this move went ahead, there are potential savings of \$390,000 over a two-year period, which equals 35 per cent of the current administrative budget. Also, in accordance with the memorandum 'Renewal of Office Lease Agreements and Consideration of Property Purchase' from the Controller's office dated 6 November 2006, the Representation needs to conduct a cost analysis to determine the cost effectiveness of purchasing rather than leasing property.

Recommendations 6 and 7

(6) The UNHCR Representation in the United Kingdom should conduct regular competitive bidding for services to ensure best value for money. With the aim of saving money, consideration should be given to cooperating with the International Maritime Organization for the procurement of services.

(7) The UNHCR Representation in the United Kingdom should continue to vigorously pursue the possibility of moving to Government subsidized offices, possibly with the International Maritime Organization, in view of the potential savings to UNHCR of \$390,000 over a two-year period, or 35 per cent of the current administrative expenditure. Also, in accordance with guidance from the Controller's office, a cost analysis should be conducted to determine the cost effectiveness of purchasing rather than leasing property.

29. *The UNHCR Representation accepted recommendation 6 and stated that a review of services is underway and is planned to be completed by the end of 2007. Recommendation 6 remains open pending receipt of documentation evidencing the procurement process for service contracts.*

30. *The UNHCR Representation accepted recommendation 7 and stated that a meeting with the Secretary General of IMO has been requested to re-visit UNHCR's previous exploration of the prospect of sharing accommodation. The Representation pointed out that the apparent assumption underlying this recommendation, as to UNHCR's access to rent-free office accommodation through IMO may not be borne out in its entirety, as it not yet clear whether vacant office space will be available and what rental or service charges IMO may seek to levy on UNHCR. Recommendation 7 remains open pending the results of further negotiations with IMO.*

V. ACKNOWLEDGEMENT

31. We wish to express our appreciation to the Management and staff of UNHCR in the United Kingdom for the assistance and cooperation extended to the auditors during this assignment.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	O	Receipt of the plans by the Bureau for Europe to develop a standard module to provide guidance to enhance Government's procedures and their application of refugee criteria for the refugee status determination process.	Not provided
2	O	Receipt of documentation outlining the changes made to the induction training provided to new staff and interns, as well as the document management system established.	Not provided
3	O	Receipt of a sample of the interviews conducted and what action has been taken based on information obtained.	Not provided
4	O	Receipt of documentation detailing what measures have been taken to ensure that staff members are conversant with and comply with UNHCR rules and procedures.	Not provided
5	O	Receipt of sample reports of the monitoring/training missions undertaken.	Not provided
6	O	Receipt of documentation showing that competitive bidding exercises have been conducted for the procurement of travel, telephone and cleaning services.	31 December 2007
7	O	Result of negotiations with IMO and the Government to obtain subsidized office premises.	Not provided

1. C = closed, O = open

2. Date provided by UNHCR in response to recommendations.

UNITED NATIONS



OIOS Client Satisfaction Survey

Audit of: UNHCR Operations in the United Kingdom

(AR2007/121/01)

	1	2	3	4	5
By checking the appropriate box, please rate:	Very Poor	Poor	Satisfactory	Good	Excellent
1. The extent to which the audit addressed your concerns as a manager.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The audit staff's understanding of your operations and objectives.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Professionalism of the audit staff (demeanour, communication and responsiveness).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The quality of the Audit Report in terms of:					
• Accuracy and validity of findings and conclusions;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Clarity and conciseness;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Balance and objectivity;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Timeliness.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The extent to which the audit recommendations were appropriate and helpful.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The extent to which the auditors considered your comments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Your overall satisfaction with the conduct of the audit and its results.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please add any further comments you may have on the audit process to let us know what we are doing well and what can be improved.

Name: _____ Title: _____ Date: _____

Thank you for taking the time to fill out this survey. Please send the completed Survey as soon as possible to: Mr. Dagfinn Knutsen, Acting Director, Internal Audit Division, OIOS, Room DC2-518, United Nations, New York, NY 10017. You can also send it via e-mail (knutsen2@un.org) or by fax (+1-212-963-2185).