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Office of Internal Oversight Services
UNHCR Audit Service

MEMORANDUM

AUD/01572/07

8 January 2007

TO: Mr. António Guterres
High Commissioner, UNHCR

FROM: Eleanor T. Burns, Acting Chief,
UNHCR Audit Service
Office of Internal Oversight Services

SUBJECT: Audit of UNHCR Operations in the Islamic Republic of Iran,
(AR2006/131/05)

1. I am pleased to submit the final report on the audit of the UNHCR Operations in the Islamic Republic of Iran, which was conducted in September 2006 by Messrs. N. Grigoriev and T. Ludviksson.

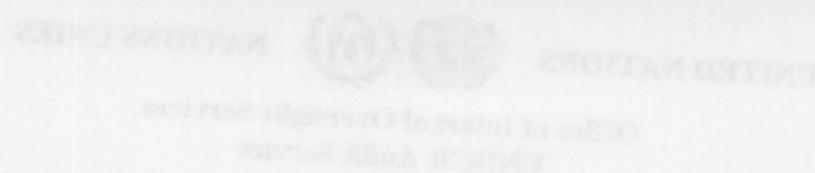
2. A draft of the audit report was shared with the Director of the Bureau for CASANAME, (as previously responsible for the Iran Country Programme) and the Representative in Tehran, whose comments, which were received in December 2006, are reflected in this final audit report.

3. I am pleased to note that all of the audit recommendations contained in the final Audit Report have been accepted and that the Representative has initiated their implementation. I wish to draw your attention to recommendations 01, 02, 04, 05, and 09, which OIOS considers to be of critical importance.

4. I would appreciate if you could provide me with an update on the status of implementation of the audit recommendations not later than 30 April 2007. This will facilitate the preparation of the twice yearly report to the Secretary-General on the implementation of recommendations, required by General Assembly resolution 48/218B.

5. Thank you for your cooperation.

cc: Ms. J. Cheng-Hopkins, Assistant High Commissioner, UNHCR
Mr. C. Mitchell, Acting Controller, DFSM, UNHCR
Ms. J. Lim, Director, Bureau for Asia and Pacific, UNHCR
Mr. S. Bronee, Representative, UNHCR Islamic Republic of Iran
Mr. S. Goolsarran, Executive Secretary, UN Board of Auditors (by e-mail)
Mr. T. Rajaobelina, Deputy Director of External Audit (by e-mail)
Ms. M. Odeima, Audit Coordinator, UNHCR (by e-mail)
Mr. M. Tapiو, Programme Officer, OUSG, OIOS (by e-mail)
Mr. T. Ludviksson, Auditor-in-Charge, UNHCR Audit Service, OIOS



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Office of Internal Oversight Services UNHCR Audit Service

Assignment AR2006/131/05
Audit Report R07/R001

8 January 2007

AUDIT OF UNHCR OPERATIONS IN THE ISLAMIC REPUBLIC OF IRAN

Auditors:

Theodor Ludviksson
Nikolai Grigoriev

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UNHCR Audit Service

AUDIT OF UNHCR OPERATIONS IN THE ISLAMIC REPUBLIC OF IRAN
(AR2006/131/05)

EXECUTIVE SUMMARY

In September 2006, OIOS conducted an audit of UNHCR Operations in the Islamic Republic of Iran. The audit covered activities with a total expenditure of US\$ 20 million in 2004 and 2005. Exit conference notes were shared with the Representative during a meeting held on 6 September 2006. A draft of this report was issued in November 2006 and the comments, received in December 2006, have been incorporated where appropriate.

Overall Assessment

- OIOS assessed the UNHCR Operation in the Islamic Republic of Iran as average, it was adequately run but although the majority of key controls were applied, the application of certain important controls lacked consistency or effectiveness. OIOS recognises that the local working conditions are sometimes difficult to manage, nonetheless in order not to compromise the overall system of internal control, timely corrective action by management is required.

Programme Management

- For only one of the three partners reviewed, could reasonable assurance be obtained that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements.
- BAFIA's expenditures were misallocated, and the accounting processes and control systems were not documented to show how payments were authorized and approved through the Ministry of Economics and Finance. *The Representation is exerting pressure on BAFIA to comply with the UNHCR project period and to strengthen procedures for reporting on UNHCR funds. BAFIA agreed to flow-chart the accounting system and suggested that a control account be established to better monitor UNHCR funds.*
- For the Employees' Co-operative of the Ministry of Interior, Islamic Republic of Iran (COOP), the lump sum budget provisions did not allow meaningful monitoring of actual expenditure. *It is likely that the Representation will discontinue its partnership with COOP in 2007 due to reduced transport needs and the various difficulties encountered.*
- In 2005, although charged as transport expenditure in the SPMR, COOP did not remit US\$ 560,000 to the selected transport company. OIOS recommended that the Representation

substantiate the true cost of transport service to refugees, and either remit the correct amount to the transport company or ensure the amounts are refunded to UNHCR. *The Representation reported that after the monitoring visit a refund of US\$ 157,000 had been received.*

- There were considerably fewer repatriation activities than planned for 2005 and 2006, but the programme had not been downsized in line with the reduced operations. *The Representation has conducted an internal operational review, which has resulted in new key initiatives for implementation in 2007.*
- The established criteria for financial medical assistance (costing US\$ 1.1 million in 2005) were not sufficiently detailed, were not applied consistently and in some cases were not followed. In order to properly monitor this expenditure, medical costs and insurance premiums should be allocated to two separate budget lines. *The Representation stated that the guidelines have been revised and their application has been streamlined and harmonized among the UNHCR offices.*

Supply Management

- There was a considerable level of NFIs in storage. The stocks were initially for the Afghanistan and Iraq emergencies of 2001 and 2003, but were not distributed as planned. A cost-benefit analysis should be conducted to determine the required optimal level of stocks for the region, and whether warehousing should be centrally located. On the basis of the results of the analysis, the Representation in conjunction with the Bureau should develop a contingency policy on stock levels. *The Representation has planned to consolidate the warehouses in three logically convenient locations. A cost benefit analysis will be conducted.*

Security and Safety

- The offices were MOSS complaint, but MORSS requirements had still to be confirmed. Preparations for avian flu and earthquake risk precautions had been completed.

Administration

- In the areas of administration and finance, the UNHCR offices in the Islamic Republic of Iran generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review. Improvement and strengthening of internal controls were required over the handling of cash, the clearing of receivables and the inconsistency of the reimbursement of MIP costs. *Action has already been taken to address the issues raised by OIOS.*

January 2007

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I. INTRODUCTION

1. From 21 August to 6 September 2006, OIOS conducted an audit of UNHCR Operations in the Islamic Republic of Iran. 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 the Islamic Republic of Iran, its Sub-Offices (SO) in Zahedan, Ahwaz and Mashad, its Field Office (FO) in Orumieh and of three of its implementing partners.

2. OIOS' previous audit of UNHCR in the Islamic Republic of Iran was conducted in November 2002. That review focused on programme and administrative activities in 2000 to 2002 covering expenditure of US\$ 12.7 million. OIOS assessed the operation as above average. Improvements were required to implementing partners' accounting systems, project monitoring, the submission of audit certificates and asset management. All previous recommendations had been dealt with and recorded as implemented.

3. According to the most recent registration of refugees carried out in 2005, there were about 940,000 registered Afghan refugees in the Islamic Republic of Iran. These refugees were issued with identity cards that expired in August 2006. The large majority (97 per cent) of Afghan refugees were settled among the local population in towns and villages throughout the country, and only 3 per cent were settled in 7 camps managed by the Bureau for Aliens and Foreign Immigrants Affairs (BAFIA). The number of Iraqi refugees amounts to nearly 54,000 as of 2005. About 91 per cent of these refugees are residing in cities, towns and villages and 9 per cent are settled in 12 camps managed by BAFIA.

4. UNHCR started its operation in the Islamic Republic of Iran during the early 1980s. In recent years, the main aim has been to facilitate the voluntary repatriation of refugees. In 2005, 289,600 Afghans returned home. Of these, 64,000 were assisted by UNHCR compared with almost 380,000 assisted repatriations in 2004. The number of assisted repatriations in 2006 is the lowest since the inception of the Afghan repatriation programme in 2002. About 5,300 Iraqis were assisted by UNHCR to return home in 2005, compared with 12,500 in 2004.

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 on 6 September 2006. Due to specific issues with the governmental implementing partners, audit observations detailing the audit findings and recommendations on two of the partners were issued to the Representative in October 2006. A draft of this report was issued in November 2006 and the comments, received in December 2006 have been incorporated in this final report where appropriate.

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
- Safeguarding of assets

- Compliance with regulations and rules, Letters of Instruction and Sub-Project Agreements.

III. AUDIT SCOPE AND METHODOLOGY

7. While the total value of programme and administrative expenditure was US\$ 38.6 million in 2004 and 2005 the audit focused on programme activities under projects 04&05/AB/IRN/CM/200; 04&05/AB/IRN/RP/370; 04&05/AB/IRN/LS/401; 04&05/AB/IRN/LS/407; 04&05/SB/IRN/RP/333 and also 04/AB/IRN/LS/408 and 04/AB/IRN/LS/409 with expenditure of US\$ 18.9 million. Our review concentrated on the activities implemented by the Bureau for Aliens and Foreign Immigrants Affairs, Ministry of Interior, Islamic Republic of Iran (BAFIA) - expenditure of US\$ 1.8 million; Employees' Co-operative of the Ministry of Interior, Islamic Republic of Iran (COOP) - expenditure of US\$ 9.1 million and Iraqi Refugee Aid Council (IRAQ) - expenditure of US\$ 600,000. We also reviewed activities directly implemented by UNHCR with expenditure of US\$ 7.4 million.

8. The audit reviewed the administration of the office of the Representation in Tehran, SO Zahedan, SO Mashad, SO Ahwaz and FO Orumieh with administrative budgets totalling US\$ 6.1 million for the years 2004 and 2005 and assets with an acquisition value of US\$ 4.7 million and a current value of US\$ 700,000. The number of staff working for the UNHCR Operation in Islamic Republic of Iran was 152.

9. The audit also followed-up on findings and recommendations made in the 2002 OIOS audit regarding accounting records of implementing partner activities and audit certificates.

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

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Review of Implementing Partners

11. For only one of the three partners reviewed could reasonable assurance be obtained that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements. OIOS assessed that the internal controls of IRAC (medical assistance, including referrals under sub-projects 04&05/AB/IRN/RP/370 and 04&05/SB/IRN/RP/333) were generally in place and operating effectively. Some improvements were proposed in the area of procurement, the application of DSA for local travel and improved reporting to the UNHCR Representation in Tehran. OIOS' proposed action was positively received.

12. For the implementing partners BAFIA and COOP, internal controls had still to be improved in the areas of financial reporting, SPMR submission, timeliness and quality of audit certificates and the settlement of outstanding bills to transport companies.

(a) Bureau for Aliens and Foreign Immigrants Affairs, Ministry of Interior

13. OIOS' audit observation issued on 16 October 2006 contained eight recommendations

on BAFIA. While positive actions were reported by the Representation, at the time the draft report was issued, three of the recommendations were not fully addressed.

14. OIOS was pleased to note that the issue of non-submission of audit certificates for BAFIA implemented projects had been positively resolved, but still only submitted after a considerable delay. For instance, the certificates for both 2003 and 2004 were submitted in November and December 2005, and those for 2005 had not yet been submitted despite reminders by the Representation for which the last one was made in November 2006.

15. OIOS considered that the audit certificate process could be improved, as auditors from the Ministry of Economics and Finance conducted the audit. This is the ministry that controls and handles the funds and payments of BAFIA and therefore, the results of this audit cannot be seen as fully independent. The Supreme Audit Institute, the oversight body of the Parliament should be responsible for conducting the audit. The certificates reviewed by OIOS contained only a reference to the instalments and expenditures, and these amounts were normally identical. There were no management letters issued to outline internal control discrepancies or weaknesses identified during the audit, with relevant recommendations.

16. OIOS recommended that the Representation ensure that an independent body such as the Government's highest audit institution conducts the audit of sub-projects. The Representation should also continue to stress the importance of submitting audit certificates in a timely manner and accompanied by a management letter outlining internal control weaknesses and areas requiring improvement. *According to the Representation, UNHCR will initiate a "Tripartite Service Contract" between BAFIA, the responsible Auditing Institution of the Government and UNHCR for audit certification purposes. The government auditing institution would issue the outstanding audit certificates. On 1 November 2006, the Representation sent to BAFIA a letter spelling out the revised UNHCR audit certificate policy pertaining to Governmental partners including the standard and quality of the certificate, as well as the management letter.* OIOS will keep this recommendation open until a commitment from BAFIA has been secured.

Recommendation:

- The UNHCR Representation in the Islamic Republic of Iran should ensure that an independent body such as the Government's highest audit institution conducts the external audit of the BAFIA sub-projects. The Representation should ensure audit certificates are submitted in a timely manner and accompanied by a management letter outlining internal control weaknesses and areas requiring improvement (Rec. 01).

17. The Iranian Government's accounting system did not easily match UNHCR's reporting requirements, making it difficult to reconcile the accounting information provided in the SPMR. In some instances, to assist OIOS, the local BAFIA offices had made lists of vouchers that supported the SPMRs. Such a practice is not sufficient, as the Sub-Project Agreements require UNHCR partners to keep acceptable accounts for all project expenditure and for subsequent financial reporting.

18. For two BAFIA offices, the list of vouchers prepared did not support the SPMR expenditure figures. BAFIA explained that in these instances it was a reporting mistake.

While OIOS appreciates that BAFIA widely supports the refugee programme with Government funds, and other non-UNHCR project expenditures may have been included, OIOS is still of the opinion that misallocation of expenditure should be sorted out prior to submitting the SPMRs to UNHCR and not almost two years later. In order to improve this accounting situation OIOS recommended that BAFIA improve its accounting process and keep all working documents and lists of vouchers that were used for preparing the SPMRs. *The Representation agreed with OIOS and explained that they had liaised with BAFIA for pursuing the issue with the Ministry of Economy and Finance that maintains the financial documentation and accounting records for BAFIA. The Representation further stated that effort in this area continued, and a training session was held in December 2006.* OIOS is aware that this is an old unresolved issue. If the Government accounting standards are not at the required level to meet those of UNHCR, BAFIA should find a solution and keep additional accounts to meet its obligation towards UNHCR under the Sub-Project Agreement. OIOS will keep the recommendation open pending confirmation that BAFIA has improved its accounting and internal control systems.

Recommendation:

- The UNHCR Representation in the Islamic Republic of Iran should request the Bureau for Aliens and Foreign Immigrants Affairs, Ministry of Interior to improve its accounting and internal control systems and procedures, and ensure that the expenditure recorded on the SPMRs are properly supported and can be verified as UNHCR project expenditure (Rec. 02).

19. Within the Iranian Government structure, BAFIA does not have the authority to handle funds, to account for expenditure and make payments. All Government accounting and handling of funds and payments is exclusively controlled and processed by staff of the Ministry of Economics and Finance. In OIOS' opinion, even if this is the case, BAFIA should have a documented accounting process showing how payments are authorized and approved. OIOS had to rely on various oral explanations. *The Representation reported that BAFIA has already agreed, with the assistance of UNHCR, to document and flow-chart the accounting and internal control systems and reporting lines.*

20. As there was not a separate bank account for UNHCR funds, OIOS was unable to review the related bank payments. Considering the unreliability of BAFIA's accounting system for UNHCR purposes, OIOS recommended that a separate bank account be opened specifically for UNHCR funds. *The Representation explained that this matter had repeatedly been brought up with BAFIA. It further suggested that a pool account together with a "Control Account" showing receipts and disbursements of UNHCR funds by sub-project be created in order to continue providing assistance to the persons of concern.* OIOS agrees that the establishment of a "Control Account" may enable payments to be properly tracked, but it depends on the reliability of the overall accounting system used by BAFIA. In any case, compliance with the terms of the Sub-Project Agreement is required. OIOS will keep the recommendation open pending confirmation that either a separate bank account is opened for managing and reporting on UNHCR funds, or the accounting system established enables UNHCR expenditure to be uniquely identified.

Recommendation:

- The UNHCR Representation in the Islamic Republic of Iran should request the Bureau for Aliens and Foreign Immigrants Affairs, Ministry of Interior to comply with UNHCR terms and actively pursue the issue of opening a separate bank account for managing and controlling UNHCR funds, otherwise establish a sufficiently detailed accounting system on order for UNHCR expenditure to be separately identified (Rec. 03).

21. In accordance with UNHCR policy, project duration is from 1 January to 31 December of a given year. BAFIA however used the Iranian calendar as the accounting year, which runs approximately from mid March for 12 months. For example, for the 2004 sub-project, BAFIA continued to record '2004' payments until May 2005. The Representation and the Bureau are aware of this and have tacitly accepted the late submission of SPMRs. In OIOS' opinion, for transparency and a common understanding it would be more practical to explain in the Sub-Project Agreements the Iranian implementation period, i.e., from about 1 April to 31 March of the following year. *The Representation welcomed such a discussion and stated that it had repeatedly communicated to BAFIA to comply with the sub-projects' duration and liquidation period.*

(b) Employees' Co-operative of the Ministry of Interior

22. OIOS' audit observation issued in October contained five recommendations. Taking into consideration the positive actions initiated by the Representation and the information received in response to the draft report, one recommendation remains to be fully addressed. OIOS took note however that *due to the difficulties of working with COOP, it was unlikely that it will again enter into a Sub-Project Agreement with COOP*. Also, considering the reduction in regular repatriation activities and the low level of transport required in 2006, it is doubtful whether UNHCR will need such a sub-project arrangement in the future.

23. According to the Sub-Project Agreement for 05/AB/IRN/RP/370, COOP should process bills presented by its selected transport company within two weeks of receipt and ensure that all monthly accounts are submitted at the end of each month. This did not happen and the payment vouchers at COOP were not supported with invoices from the transport company. In the course of OIOS' review only advances were paid to the transport company. There was no reconciliation made between the manifests (the actual number of returnees) and the payments. OIOS recommended that improved procedures for accounting and reporting on the manifests be implemented for managing UNHCR transport costs. *The Representation agreed that COOP had failed to comply with many basic project requirements; even BAFIA had assisted in previous attempts to improve their SPMR reporting and the related accounts.*

24. COOP had initially entered into a transport contract, but by mid 2005 it changed the contract to another company – a subsidiary of the original selected supplier. This was done without consultation with UNHCR or central BAFIA. It was not clear why the change was made, as it was contrary to the provision of the Sub-Project Agreement whereby UNHCR should be kept informed of such matters. *The Representation later learned that various difficulties with the contractor, such as their demands for "tax payments" on the transport contract had necessitated the contract change to continue the repatriation.*

25. According to the Sub-Project Agreement, COOP should pay the transport company the total amount provided by UNHCR after deducting US\$ 0.50 per returnee to cover their costs. OIOS noted that there were sizable project funds provided by UNHCR that COOP had not yet paid to the transport company. There was no reconciliation done by COOP to determine which period the amount related to. The amount for 2005 was IRR 5.1 billion (US\$ 560,000). In OIOS' opinion, if not fully paid to the contractor for whatever reason, the remaining balance should be refunded to UNHCR. *The Representation explained various aspects of this matter and stated that as a result of a previous monitoring visit, COOP had already refunded IRR 1.4 billion (US\$ 157,000).* OIOS is pleased to note that a significant amount was received, but would reiterate that after the dispute with the contractor has been settled, the Representation should ensure that any unpaid balance is refunded to UNHCR. OIOS will keep the recommendation opening pending confirmation that all unpaid project balances from the UNHCR instalments have been refunded to UNHCR.

Recommendation:

- The UNHCR Representation in the Islamic Republic of Iran should ensure that Employees' Co-operative of the Ministry of Interior comply with the terms of Sub-Project Agreement and transfer to the transport company the total value after deducting the administrative charge of US\$ 0.50 per returnee. In case the amount of US\$ 560,000 outstanding from 2005, or any part of it, has not been paid to the transport company, it should be reimbursed to UNHCR (Rec. 04).

26. OIOS' review identified a need for improvements to the accounting and internal control systems established by COOP in 2005 as compared to 2004. The partner had been using several bank accounts to make payments but OIOS was pleased to note that in October 2005 a separate bank account for UNHCR transactions had been established, based on a recommendation by UNHCR.

27. OIOS noted that transport of returnees to border stations was undertaken by contracted transport companies and the related costs were based on passenger manifests. The various rates payable were established according to distances covered. The project budget for this expense was provided as a lump sum. In OIOS' opinion it should have been distributed against the appropriate budget lines according to location. As a result, it was not possible to review the actual expenditure per location against the budget provision. The SPMRs only reported one lump sum figure representing COOP's charges plus an applied overhead (administrative charge) cost. Consequently, the reported figures were rather meaningless and insufficient for monitoring purposes.

28. COOP needed extensive assistance from the Representation to reconcile the manifests to the number of passengers in order to arrive at the figures for the 2005 sub-projects. Such over-reliance on UNHCR questioned the need to provide an overhead to COOP for administering the contract. OIOS recommended that the Representation ensure that COOP improves its record keeping, and includes manifests listing the number of returnees per location. *The Representation commented that the UNHCR Repatriation database would be reconciled more regularly than in the past with transport manifests for better and easier cost calculations.*

29. OIOS identified that the administrative overhead cost was not calculated in line with the provisions of the 2005 Sub-Project Agreement. In 2004 and previous years the provisions were somewhat different. The 2005 provision indicated that the calculation be based on the number of returnees transported, compared to using the seat capacity per bus for the calculation. OIOS estimated that the two methods of determining the overhead rate resulted in a difference of US\$ 55,000 in 2004 and 2005. To base the calculation on the actual number of returnees rather than the seat capacity of the bus would have created an incentive to maximize the number of passengers per bus. *The Representation stated that it was the responsibility of UNHCR to fill the seats and whether a bus was at a full capacity or not, it required the same attention and administrative overhead and arrangements by COOP. Also COOP was not in a position to influence the capacity of the buses.* OIOS accepts the explanations given, but would remind the Representation that in future the terms of signed agreements with implementing partners should be complied with.

B. Other Programme Issues

30. There were far fewer repatriation activities than planned for 2005 and 2006 for which the UNHCR Programme structure had been designed. This was mainly due to the almost complete stop in 2006 of the Afghan and Iraqi repatriation. While this may have been predicted, as there was a considerable reduction in the number of returnees already in 2005, the Representation did not downsize its programme activities in line with the reduced operations. This is particularly relevant with regard to staff related costs, as well as for rent of office premises, utilities and security costs. Also, the whole set-up of the operation was designed to repatriate thousands of refugees within days, and this had not been the case in 2006. Taking into consideration this new situation, in OIOS' opinion, programme emphasis should have shifted from mass convoy transportation to individual support to refugees.

31. OIOS appreciates that measures were planned by the Representation for readjusting programme needs, but in OIOS' opinion more positive action was required. *The Representation explained that the drastic reduction in repatriation activities had become fully evident after the completion of the 2007 COP, therefore a revision was made in November 2006 and submitted to the Bureau for approval.* OIOS will keep the recommendation open until we have been provided a copy of the new strategy, which has been approved and incorporated in the 2007 LOI.

Recommendation:

- The UNHCR Representation in the Islamic Republic of Iran should, as a result of an almost complete stop of repatriation activities, develop a strategy to downsize the repatriation component of the programme. The plan should include steps to gradually tackle the issues of staff and related costs, rent, utilities, security costs, as well as the change in the direction of the programme with more emphasis towards individual support to refugees (Rec. 05).

32. OIOS noted that some of the Voluntary Repatriation Centres (VRC) had been closed, but in OIOS' view consideration should be given to closing more, as there were hardly any activities in 2006 that required these facilities. It may be relevant to maintain a central VRC, with mobile teams that could visit the main refugee locations for processing those who still

opt for repatriation assistance. *The Representation has confirmed to OIOS that the mobile team concept was further developed and the results will be reflected in the 2007 programme.*

33. The Representation has tried to obtain more information on the caseload through an interview survey to Afghan refugees in July 2006. This gave some indications on the refugees' families, their livelihood in Islamic Republic of Iran, their plans and/or obstacles for returning to Afghanistan. The recent census process by BAFIA merely indicated numbers, without any demographic or other valuable information on the beneficiaries. In OIOS' view, it would be advisable to conduct a similar survey on Iraqi refugees. The information gathering should continue and practical conclusions should be drawn from these surveys to assist in programme development. *The Representation explained that more information gathering was planned on both Afghan and Iraqi refugees.* OIOS will keep the recommendation open pending confirmation that a detailed plan of action has been developed in order to gain more information on the refugee caseloads.

Recommendation:

- The UNHCR Representation in the Islamic Republic of Iran should pursue efforts to gain more information on the situation of the refugees and on the impediments for their return to Afghanistan. A similar survey should be conducted on Iraqi refugees. Practical conclusions should be drawn, and lessons learned from these surveys to assist in the development of programme plans (Rec. 06).

34. UNHCR's general protection mandate had been very much aligned with the repatriation activities. The protection activities are now under revision to ensure that they fully extend to issues such as RSD, mixed marriage situations, work permits and municipal taxes. Some efforts on intensifying mass media and information circulation may still be relevant if the repatriation programme continues. These activities however should be well planned and based on credible estimates and basic information from camps and refugees so that target groups can be identified. *The Representation explained that refugees would continue to have equal access to information allowing them to take informed decisions to return, as well as focusing the revised protection strategy on the remaining caseload.*

C. CISAMAP Programme

35. The Community Integrated Social and Medical Assistance Programme (CISAMAP) is based on an agreement made between UNHCR Headquarters and Hefaz Gostar Ofogh Servicing Company. The contract was entered into in June 2006. In 2005, US\$ 1.1 million was spent on medical and one-time financial assistance within this programme.

(a) Medical referrals and medical related assistance under CISAMAP project

36. OIOS' review of the established criteria for financial medical assistance found that they were not sufficiently detailed and were not applied consistently by CISAMAP and UNHCR staff. In some cases the criteria were not followed.

37. The criteria gave examples but not the full range of cases, and consequently were open to broad interpretations. For example, the criteria included examples such as a person with weak eyesight needing eyeglasses, someone paraplegic needing a wheelchair, and a mentally handicapped child needing therapy. The Doctor in Mashad gave his own interpretation of the

criteria and provided reimbursement of eyeglasses – 100 per cent reimbursement for students up to 17 years old, wheelchair – 100 per cent and mentally handicapped children – 30 per cent of medical bills for children under 14. Against this, in FO Orumieh, expenditures for eyeglasses were not reimbursed as part of medical assistance scheme.

38. The criteria for financial medical assistance contained a list of cases that fell under an ineligible category. This category contained organ transplants such as heart, lung, kidney and liver. However, in 2005 in Mashad, OIOS noted six cases of kidney transplants. In OIOS' opinion the criteria should be followed or, where they lose their relevance, they should be amended and consistently applied by all offices. *The Representation explained that the guidelines had been kept general for professional judgement to meet the humanitarian needs of the refugees, mainly vulnerable cases. The guidelines have been revised and their application has been streamlined and harmonized across the UNHCR offices.* OIOS is pleased to note the action already taken. The recommendation remains open pending confirmation of the implementation of the updated guidelines in 2007.

Recommendation:

- The UNHCR Representation in the Islamic Republic of Iran should clearly define the criteria for financial medical assistance. The Representation should ensure that the criteria are consistently applied without exception by sub-offices and field offices, and ensure that they are sufficiently clear so that doctors do not need to make their own interpretation of the established rules (Rec. 07).

(b) Medical insurance coverage through the Islamic Republic of Iran Government plans

39. The criteria mention that all forms of special diseases, which need permanent medical care and treatment, such as blood dyscrasias, metabolic diseases, chronic kidney and liver diseases shall be covered by medical insurance. For these cases an annual premium of IRR 516,000 (US\$ 55) is paid for each member of the insured family. All family members have to be covered by insurance in accordance with the insurance company regulations. OIOS noted that the criteria did not mention the maximum number of the persons to be covered. Based on our estimations, the possibility to limit the number of insured family members could result in potential savings of up to US\$ 20,000 on an annual basis.

40. OIOS' review also noted that the budget and accounting records for medical assistance included both hospital bills and insurance coverage under the same budget line. Including these two major expenditure items together (insurance coverage component estimated at US\$ 100,000 on an annual basis) made the budgeting and hence, budget control procedures cumbersome and less transparent. *The Representation agreed to create two separate budget lines for the related expenditure items, as well as to continue to appeal to the insurance companies to reduce the premium for refugees.*

(c) One-time financial assistance (OTA) cases

41. OIOS' review of OTA cases found that the reasons for rejection of several cases were neither clear nor properly documented. For example, in FO Orumieh, the Protection Clerk filed a case in the rejected case file without stating the reasons for rejection, although approved by the Head of Office. In OIOS' view, controls over approvals and rejections need to be reinforced. *The Representation stated that in future files will be periodically and*

independently reviewed. As OIOS expects the Representation to fully resolve this matter, a recommendation is not required.

42. The Representation provided general legal services to refugees free of charge. However in Orumieh, legal assistance to a refugee was provided through OTA. As such processing may constitute a double payment, OIOS recommended that the Representation rectify this situation. *The Representation agreed and took up the matter within its Protection Section to avoid overlap in support to refugees.* OIOS has closed this matter as implemented.

D. Supply Management

43. Procurement and logistics were not a significant activity of the programme. Transport of returnees was organized through COOP/BAFIA, and no regular distribution of non-food items (NFI) was made to beneficiaries. OIOS' review of asset management did not identify any major issues at the office of the Representation or other offices visited, but insufficient attention had been given to assets on loan to implementing partners. For example, there was still a need to establish Right of Use Agreements with implementing partners; many of the items in their possession were not bar-coded, and periodic physical verifications to confirm the existence and condition of assets was not done. *The Representation explained that work continues on the update of asset records and the verification of their existence with implementing partners.* OIOS is pleased to note that several measures have been taken to improve asset management, however the recommendation remains open pending receipt of a plan of action for the completion of the work.

Recommendation:

- The UNHCR Representation in the Islamic Republic of Iran should prepare a plan of action to ensure all assets are physically verified, bar coded and entered into MSRP. This should include assets at all locations, which are used by both UNHCR and implementing partners (Rec. 08).

44. The need for warehouse space in Iran has reduced considerably in 2006 with the reduction in refugee assistance. Also, a considerable level of NFI was pre-positioned in the Islamic Republic of Iran in late 2001 to meet the needs of the Afghani repatriation and again in 2003 for the Iraqi emergency preparation. As the items were not fully used, many NFIs such as: 55,000 blankets (valued at US\$ 170,000), 10,300 kitchen sets (valued at US\$ 133,000), 8,000 mattresses (valued at US\$ 44,000) and 600 tents (valued at US\$ 42,000) remained in storage. The total value of stock in 2006 was US\$ 730,000. OIOS observed that although some items were used for assistance programmes, the turnover of other items was very low except when deployed for earthquake relief emergencies, such as to Bam in 2004 and to Pakistan in 2006.

45. In OIOS' opinion to save costs both on warehouse rent and staffing, consideration should be given to either making more use of the items in storage through deployment or consolidating the stocks throughout the country within larger central warehouses and/or the regional positioning of NFI.

46. For the various emergency relief items released for earthquake victims in Pakistan, the Iran programme was "refunded" by the receipt of 1,400 tents valued at US\$ 170,000. It is doubtful that they are needed for the Iran programme, but could be used in other emergency

situations. OIOS considered that stock contingency plans should be made and possible obsolescence of the present items in storage be assessed. A calculation showed that a reduction of stock by 50 per cent could result in savings of US\$ 450,000 if items were used in other operations. In OIOS' opinion, the Representation in coordination with the Bureau for Asia and the Pacific should develop a contingency policy on NFIs stock levels to ensure that only an optimal level is retained. *The Representation stated that the time and opportunity has come to significantly reduce stock items either through usage during natural and manmade disasters or deployment to other UNHCR country offices in the region. It is to be noted that the Representation has sent non-food items to Pakistan, Chad, and to three earthquake stricken areas in Iran in the past two years to assist the people of concern. The Representation has planned to consolidate the warehouses in three logically convenient locations, and agreed to conduct a cost benefit analysis.* OIOS appreciates that some action has been taken to reduce stock levels. However, in OIOS' view, the Bureau should consider the need for a regional stock strategy to meet future needs. OIOS will keep the recommendation open pending confirmation on the strategy developed to ensure the most cost effective pre-positioning of stocks for both the Iran country programme and those country programmes in the region.

Recommendation:

- The UNHCR Representation in the Islamic Republic of Iran should review the need for the non-food items in storage throughout the country, prepare cost-benefit analysis of the use of the various warehouses in Iran. Also, the Representation in coordination with the Bureau should develop a contingency policy on non-food items optimal stock levels. A stock reduction by about 50 per cent could result in savings of US\$ 450,000 (Rec. 09).

E. Security and Safety

47. OIOS verified that MOSS compliance has been confirmed for the offices in the Islamic Republic of Iran. MORSS assessment identified the need to deal with certain concerns to strengthen security in Zahedan, where it is in Security Phase III.

48. Earthquakes are among the major security risks in the Islamic Republic of Iran, and the related risks were covered within the country security plans. Actions on avian flu precautions, lead by WHO in Tehran, were found to be in line with UNHCR requirements.

F. Administration

49. In the areas of administration and finance, the UNHCR offices in the Islamic Republic of Iran generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review. However, strengthening of some internal controls was required as noted below.

50. Improvements in recording and handling of cash were required by FO Zabol and OIOS was pleased to note that immediate action was taken by SO Zahedan to address the issues. In 2004 and 2005, for SO Ahwaz the control over the authorization of advances was not always in place, and a process to document the justification of overtime had not been established. OIOS noted however, with the arrival of the new Head of SO, visible improvements were being made.

51. OIOS' review of the processing of MIP assessed that it was properly managed. Nonetheless, a review of the total per medical claim per location showed an unusually high average amount of reimbursements per participant in Ahwaz by 20 per cent, compared to other UNHCR Offices in the Islamic Republic of Iran. OIOS therefore recommended that the established internal controls be followed and that relevant statistics be reviewed regularly. *The Representation has confirmed that internal controls are followed. The situation in Ahwaz was due to serious medical situations that had arisen that were not in other UNHCR Offices in Iran.* OIOS has closed the related recommendation.

52. MSRP was operational in the Islamic Republic of Iran since late February 2006. A long list of "open items" in MSRP by most of the offices should be reviewed, the differences reconciled, and the outstanding balances cleared. *The Representation stated that it was working actively in cooperation with the Financial Resources Service at UNHCR Headquarters, which is helping them in performing reconciliations.*

V. ACKNOWLEDGEMENT

53. I wish to express my appreciation for the assistance and cooperation extended to the auditors by the staff of UNHCR and implementing partners in the Islamic Republic of Iran.

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