



Reference: AUD-7-1: 31 (639 /02)

Date: 22 April 2002

To: Mr. Benon Sevan, Executive Director
Office of the Iraq Programme

From: Esther Stern, Director
Internal Audit Division, OIOS

A handwritten signature in black ink, appearing to be 'ES', written over the 'From' field.

Subject: **OIOS Assignment No. AF2002/23/4: Review of Security Council Resolution 986(1995) Programme Activities in Iraq**

1. In March 2002, the Director of OIOS's Internal Audit Division (IAD), and the Chief of IAD's Iraq Programme and Pension Funds Audit Section carried out a fact-finding mission to Iraq. The main objectives of the mission were to: (a) review progress to implement and strengthen the coordination and monitoring of programme activities being implemented under SCR 986 (1995); and (ii) determine constraints faced by OIP and other UN agencies and programmes which may hinder the implementation of their activities in Iraq. We were pleased to learn that overall coordination under the current Humanitarian Coordinator has improved during his tenure and the agencies we had the opportunity to meet, both in Baghdad and Iraq, were satisfied with the cooperation they have received from UNOHCI. However, certain matters, which are set out in this report, give rise to concern and can [endanger the viability of] result in a backward step for the Iraq programme if not given urgent attention by OIP.

2. The recommendations contained in this memorandum are based on a limited review of operations, site visits and interviews and discussions with UN agencies and programme representatives implementing SCR 986(1995)-funded programmes in Iraq. The UN agencies were the UN Office of the Humanitarian Coordinator in Iraq (UNOHCI) (Baghdad and Erbil), the UN Development Programme, UN Habitat, the UN Educational and Scientific Organization (UNESCO), and the World Health Organization (WHO). We were also provided with certain reports and other documentation concerning programme activities in Iraq. I would appreciate receiving your comments concerning these recommendations, including the planned date of implementation for each accepted recommendation, by 31 May 2002. Also, please note that OIOS considers recommendations 002 to 004 and 008 as being of critical importance, and request that you focus your attention on these recommendations.

UNOHCI coordination and monitoring mechanism

3. A key element for the effective functioning and coordination of the humanitarian operation in Iraq is for OIP to ensure that arrangements are in place for the continuity of the operations on the departure of key personnel. A succession plan should therefore be in place in order to avoid gaps in the functioning of the programme and to ensure that the relations with government of Iraq (GOI) authorities and other UN agencies and programmes officials do not suffer as a result. At the time of the review, the Deputy Humanitarian Coordinator (DHC) in Northern Iraq had resigned from his

position and would be departing at the end of April 2002. This could have a serious impact on the operation in the North since the DHC has been instrumental in strengthening the operations in the North over the last two years. Furthermore, there is widespread speculation that the Humanitarian Coordinator (HC) is considering leaving.

4. While we understand that a search has commenced for a replacement of the DHC, a suitable replacement had still not been recruited within weeks of his departure. We consider that an overlap period is essential to ensure a smooth transition of functions to the new DHC. Moreover, we are of the view that the programme cannot afford to lose one, let alone two, key officials within a relatively short period of time without arrangements having been made for an orderly succession. OIP should also take early action to identify suitable candidates and may consider establishing a shortlist of experienced and qualified individuals. OIP's Programme Management Division (PMD) in NY is responsible for providing overall policy guidance and monitoring of activities being conducted by UNOHCI in Iraq. In this regard, we found that PMD officers do not make frequent enough visits to Iraq to review the situation on the ground which, in our view, would not enable them to provide adequate advice to OIP's Executive Director. It may also be an option for OIP, from time to time, to increase visits by PMD staff members to Iraq, which could involve "covering" for absent staff or unfilled posts, in order for them to have up-to-date experience in the field.

5. It also came to our attention that the DHC, located in Northern Iraq, spends a significant amount of his time in Baghdad during the absence of the HC. This could have a significant impact on the operations in the North, especially at the crucial time when the coordinating mechanism is undergoing major changes and staff members rely on the guidance and advice of the DHC. In our view, it may therefore be appropriate to re-establish the post of deputy humanitarian coordinator in Baghdad, which was previously eliminated in order not to dilute the critical functions being performed by the DHC in the North.

Recommendations 1 to 3

OIP should:

- (i) Establish a succession plan for key officials in UNOHCI to ensure that the programme is not seriously affected due to the planned or sudden departure of such officials from Iraq (AF02/23/4/001);
- (ii) Consider re-establishing the post of deputy humanitarian coordinator in Baghdad in order not to rely on the DHC in Northern Iraq to perform this function since his services are needed on a full time basis in the North (AF02/23/4/002); and
- (iii) Ensure that PMD staff members in NY make frequent field visits to Iraq in order for them to become familiar with the situation in Iraq so that they are in a better position to provide policy guidance and advise the OIP Executive Director (AF02/23/4/003).

6. Resettlement projects normally involve the construction of housing and essential services for internally displaced persons (IDP). It is essential that in these types of projects there is coordination by the various UN agencies to provide essential complementary services such as electric power, water and sanitation, schools, primary health centres, etc. However, we were informed that such facilities are often not provided when required and that there was no specific mechanism in place to coordinate activities of agencies to ensure that they were provided. For example, in a prior audit of Habitat operations in Northern Iraq, we found that Habitat was providing high capacity generators to generate electricity and that no attempt had been made by Habitat to request UNDP, that is responsible for the electricity sector, to provide electricity.

Recommendations 4

(iv) UNOHCI should require, in the project documents preparation guidelines being formulated by them, that UN agencies specify in their project documents the need for coordination with other UN agencies to provide complimentary services in order to enable the UN to deliver complete projects that include essential services. (AF02/23/4/004).

7. Locally generated funds (LGF) are generated by UN agencies, in particular FAO that has accumulated a substantial amount of funds from this source. However, there does not appear to be adequate control over the use of such funds. For example, UN agencies are not submitting expenditure reports nor have they informed UNOHCI whether adequate controls are applied to the LGF, including audit jurisdiction. It is our understanding that such funds should form part of the 13 per cent project accounts since they are normally generated from sales of products purchased from 13 per cent account funds such as agricultural inputs and other items. They should therefore be used within the framework of the distribution plan. Hence, OIP/UNOHCI should establish procedures for the use of LGF funds and determine whether they are subjected to same controls and procedures, as are applicable to the normal 13 per cent account including submission of project documents, etc. Since LGFs have now become significant it is essential that appropriate procedures and guidelines be provided by OIP.

Recommendations 5

OIP should establish procedures for the use of LGF, which should include procedures to safeguard the funds and policies on how the UN agencies can use the funds generated in this manner. (AF02/23/4/005).

Resettlement sector and construction activities

8. Habitat is the lead agency in the resettlement sector, which primarily involves the identification of needs of internally displaced persons (IDP) and the construction of housing. However, many other UN agencies are involved in construction activities including WHO, UNICEF,

UNESCO and FAO. We were informed that while UNESCO had been responsible for construction activities in secondary and higher education it had exhausted its allocation of funds for construction in Phase VII and was not in a position to carry out further construction activities pending the outcome of a decision by UNOHCI whether responsibility for this activity should be transferred to Habitat.

9. UNOHCI is in the process of finalizing terms of reference for a study of the construction sector in North Iraq, encompassing all issues related to construction activities such as harmonization of procedures, local capacity assessment, etc. Once completed, OIP plans to engage a consultant for this task. The decision to award construction to UNESCO or Habitat or through some other modality would depend on the recommendations from such a study. However, while we are in agreement with the need for such a study, this will take some time and we are concerned that activities in the higher education sector will lag behind and not be completed on a timely basis.

Recommendations 6

OIP should make an interim decision on construction activities in the higher education sector and allocate partial funds to Habitat for construction pending a final decisions based on the recommendations from the proposed study so that construction work in the higher education sector does not fall behind any further. (AF02/23/4/006).

10. In the resettlement sector, it was ascertained that Habitat and UNOHCI does not have much say in the identification of beneficiaries for IDPs housing projects since often, lists of beneficiaries are only provided by the local authorities (LA) towards the end of the project. This is contrary to good practices since housing resettlement projects should only commence once beneficiaries have been identified and a needs assessment completed. Furthermore, there is little post-implementation monitoring to ensure that the intended beneficiaries are the ones actually occupying these houses.

Recommendations 7 and 8

(i) OIP/UNOHCI, in conjunction with Habitat and the UN Office of Project Services (UNOPS) IDP project, should establish policies to ensure that housing projects for IDPs are only commenced once a list of beneficiaries have been provided by the LAs and Habitat is able to verify that they are qualified for housing (AF02/23/4/007); and

(ii) UNOHCI, through its Field Delegates observation mechanism, should establish an end-user verification system for the houses built by Habitat (AF02/23/4/008).

Joint Humanitarian Information Centre (JHIC)

11. The idea of establishing the JHIC grew out of conclusions endorsed by the participants of an interagency meeting of the Iraq Programme held in New York in October 2000. Subsequently, UNOHCI contracted with UNOPS to establish the JHIC. We were provided with a briefing on the JHIC and a demonstration of how the system worked by the JHIC Coordinator. While the concept appeared sound and is an important tool to consolidate data collected by the UN agencies, the project seemed ambitious and employed sophisticated technology. Several issues concerning the implementation of the plan emerged during the meeting. A critical issue concerns the "buy in" by the UN agencies, which the JHIC is designed to serve.

12. The JHIC Coordinator informed us, and a demonstration of the system showed, that there was still a significant amount of missing data not yet provided by the UN agencies. This data was not only for programme management, such as geographic and demographic data, but also financial information on UN agencies programmes. While the UN agencies had endorsed the establishment of the JHIC, there had been no formal agreements established with them to supply the required data. We also found that in discussions with several of the UN agencies, there did not appear to be overwhelming support for the JHIC. One agency appeared unaware of the JHIC and the services provided by it and another agency complained about the service. All agencies, we met with had also established their own mapping and information database systems and there appeared to be a general reluctance to provide data to the JHIC.

Recommendations 9 and 10

(i) OIP/UNOHCI should formally approach the UN agencies in order to establish an agreement with them to provide new and missing data and to establish a system to regularly update data for the JHIC (AF02/23/4/009); and

(ii) Consideration should be given by OIP/UNOHCI to reassess the data requirements of the JHIC and to determine if there are areas where the data is not essential and can be eliminated in order to simplify the data gathering exercise (AF02/23/4/010).

13. I take this opportunity to thank the management and staff of UNOHCI and OIP for the assistance and cooperation provided to us in connection with this mission.

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