

## Background

The provision of emergency cash assistance (ECA) is a core component of Syria Emergency Response Programme with the current programme with a targeted approach established in 2019. In recognition of the deteriorating situation, based on updated beneficiary data, SFO determined four categories as most vulnerable: i. Female headed households, ii. Elderly persons, iii. Persons with disability and iv. Orphans) who receive more than other less vulnerable beneficiaries.

ECA is managed by Cash Assistance Team (CAS team) and the ECA distribution process is governed by: Standard Operating Procedure for Cash Assistance Programme (SOP) dated 2017; procedures applied by the Field Finance Office (FFO) included in internally developed flowchart; and agreement signed with the respective distribution partners (DP) in 2013.

Distribution takes place over the counter (cash payment) through DPs and in UNRWA's own cash distribution center (Rub-Hall).

During the period under audit over 2.5 million cash distribution transactions were affected, totalling well over US\$ 100 million, with on average close to 420,000 beneficiaries receiving assistance per round.

## What DIOS concluded

DIOS assessed the Emergency Cash Assistance distribution at SFO as "Partially Satisfactory - Some Improvement Needed", which means that "the assessed governance arrangements, risk management practices and controls were adequately established and functioning well but need some improvements to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified

by the audit do not significantly affect the achievement of the objectives of the audited areas. Management action is recommended to ensure that identified risks are adequately mitigated".

The overall rating is mainly due to the findings as discussed below for each of the sub-processes:

Planning of the ECA – DIOS noted that ECA implementation and distribution plan were prepared per guidance, and CAS team and FFO complied with requirements when preparing purchase orders. There is however opportunity to improve the SOP, by updating the same in line with the practices.

Management took prompt action to address DIOS' observation that agreed data security provisions with DPs were not adhered to, agreements with DPs should be renewed, and that cash management at Rub Hall needed improvement. Management has since through competitive selection process, renewed the DP agreements, and started conducting surprise cash counts of the Rub-Hall safe. Consequently, DIOS did not make further recommendation, while closure of the other recommendation on secured transmission of beneficiary data to DPs will be assessed upon receipt of confirmation of control effectiveness.

Execution of the ECA – DIOS observed that though in practice Project Associates (PA) verify eligibility based on required documentation 'on the spot', record keeping for delegation and for payments made in Rub-Hall not consistently maintained. Furthermore, there was no guidance in the SOP on the delegation process and on the PA's verification, both of which are meant to mitigate risks of unauthorized collection.

Although in-country presence is an eligibility criterion in the SOP for ECA, there was no detailed guidance on how to verify this requirement. Consequently, verification of in-country presence was not systematically conducted given the Syrian context, whilst SFO has introduced other measures in practice such as coordination with other UNRWA fields, and additional approval for beneficiaries who did not collect the ECA to mitigate the risks of ineligible distribution (requiring them to be physically present for verification on subsequent rounds).

The FFO performs a three-way match to ensure payment to DPs are accurate however documentation of the CAS team's verification and reconciliation of planned against paid list, and against source data such as RRIS can be enhanced.

With respect to monitoring and closure of the ECA round, CAS team ensures proper documentation on monitoring visits and reports periodically to the field front office during execution to monitor progress. FFO documented detailed steps for closure of distribution round and financial reporting and CAS team complies with the technical reporting requirements per the SOP.

Lastly, overall DIOS noted good practices that detailed flowcharts on controls performed for the process of planning the distribution; payment to the DPs; payment through ATM; closure and reporting of round is utilized.

In a continuous commitment to embrace gender mainstreaming, DIOS reviewed gender-related ECA reporting, confirming that the ECA technical report is appropriately disaggregated, and, specifically reports and highlight relevant gender aspects.

## What DIOS recommended

To address the issues noted, DIOS, made four medium priority recommendations focusing on enhancements to the framework:

- ① SFO should take appropriate measures to limit unauthorized access of data transmitted to the DPs through use of passwords or secure email features such as encryption that is available in Outlook, in compliance with UNRWA Data protection and Disclosure policy.
- ② SFO should incorporate the process for delegation of payment collection in the SOP. Verification conducted by the PA, including relevant record keeping, and alternatives to required documentation, for all distribution channels should also be enhanced and clarified in the SOP.
- ③ SFO should ensure that the risk, impact and response of the current practice of distributing ECA to beneficiaries with regard to the systematic verification of in-country presence eligibility is appropriately assessed to enhance transparency given the Syrian context.
- ④ SFO should take necessary measures to ensure reconciliation of cash assistance planned against amounts paid to beneficiaries, including verification with source data as relevant, is sufficiently documented and appropriately reflected in the SOP.

## What management is doing to address DIOS recommendations

Management accepted the recommendations and has taken action to address them, including renewal of DP contract through competitive selection, password protecting data upon transmission to DPs in the upcoming round, and enhancement of the SOP in several sections (such as delegation, and role of PA).

## Methodology, Approach and Disclosure

DIOS assessed the efficiency and effectiveness of risk management, governance, and internal control processes over specific emergency cash assistance distribution sub-processes of planning the ECA round, execution of ECA round, monitoring the ECA distribution, and closure of the ECA round. The audit also assessed compliance against relevant guidance (SOP).

The approach included inquiries and interviews with relevant staff, reviewing supporting documents, testing transactions for one round on a sample basis, analysis of relevant ECA data for two rounds, and other procedures deemed necessary.

The audit was conducted in accordance with DIOS methodology, which is designed to conform to the International Standards for the Professional Practice of Internal Auditing. It was completed in conformity with the approved work plan and considered the risk assessment exercise conducted prior to the audit. Due to travel restrictions and in consideration of COVID pandemic measures, the audit was conducted remotely from HQ Amman.

Pursuant to OD14, this summary of findings and recommendations including management action taken to address recommendations is made publicly available on the DIOS internet page upon issuance of the report on 7 July 2022.