



Office of Internal Oversight Services

## INTERNAL AUDIT DIVISION

# AUDIT REPORT

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## UNHCR operations in Bangladesh

There is an urgent need for a host country agreement and to determine whether over 200,000 self-settled Rohingyas should be considered as persons of concern

28 June 2010

Assignment No. AR2009/141/03

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United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES - BUREAU DES SERVICES DE CONTRÔLE INTERNE  
INTERNAL AUDIT DIVISION - DIVISION DE L'AUDIT INTERNE

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

DATE: 28 June 2010

REFERENCE: IAD: 10-

00536

FROM: Fatoumata Ndiaye, Director  
DE: Internal Audit Division, OIOS

*fatou*

SUBJECT: **Assignment No. AR2009/141/03 - Audit of UNHCR operations in Bangladesh**  
OBJET:

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendations 4, 5, 7, 10 and 11 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining 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 high risk (i.e., recommendations 1, 2 and 8), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. T. Alexander Aleinikoff, Deputy High Commissioner  
Ms. Erika Feller, Assistant High Commissioner (Protection), UNHCR  
Ms. Janet Lim, Assistant High Commissioner (Operations), UNHCR  
Mr. Kasidis Rokanakorn, Director, Bureau for Asia and the Pacific, UNHCR  
Mr. J. N. Wetterwald, Regional Representative, Thailand, UNHCR  
Mr. Craig Sanders, Representative, Bangladesh, UNHCR  
Ms. Claire Ouerghi, Officer-in-Charge, DFAM, UNHCR  
Ms. Linda Ryan, Senior Policy Advisor, DFAM, UNHCR  
Ms. Maha Odeima, Audit coordinator, UNHCR  
Mr. Nicholas Birch, Audit Coordinator Assistant, UNHCR  
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit  
Mr. Moses Bamuwanye, Chief, Oversight Support Unit, Department of Management  
Mr. Byung-Kun Min, Special Assistant to the USG-OIOS

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## INTERNAL AUDIT DIVISION

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### 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).*

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### CONTACT INFORMATION

**DIRECTOR:**

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,  
e-mail: [ndiaye@un.org](mailto:ndiaye@un.org)

**ACTING DEPUTY DIRECTOR:**

Gurpur Kumar: Tel: +1.212.963.5920, Fax: +1.212.963.3388,  
e-mail: [kumarg@un.org](mailto:kumarg@un.org)

**CHIEF, GENEVA AUDIT SERVICE:**

Christopher F. Bagot: Tel: +41. 22. 917. 2731, Fax: +41. 22 .917. 0011,  
e-mail: [cbagot@unog.ch](mailto:cbagot@unog.ch)

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## EXECUTIVE SUMMARY

### Audit of UNHCR operations in Bangladesh

The Office of Internal Oversight Services (OIOS) conducted an audit of the Office of the United Nations High Commissioner for Refugees (UNHCR) operations in Bangladesh. The overall objective of the audit was to assess the adequacy and effectiveness of arrangements for programme management, supply chain management and implementing partners in UNHCR Bangladesh. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS concluded that the effectiveness of UNHCR operations in Bangladesh could be enhanced by signing a host country agreement, which would formally define its relationship with the Government of Bangladesh as well as its privileges and immunities and clarify its Value Added Tax status. The relationship with the Government of Bangladesh is currently governed by an exchange of letters and a Memorandum of Understanding, which have not been updated.

OIOS also noted an issue dealing with a self-settled group of some 200,000 Rohingyas living alongside the local communities in the same area. This group has been growing since the repatriation of Rohingyas to Myanmar in 1993. Unlike their camp-based counterparts, these Rohingyas have not been recognized in official UNHCR statistics as persons of concern and therefore have not benefited from UNHCR assistance and protection. Given their growing number and reports of exploitation, there is an urgent need for UNHCR to make a determination as to whether they should be recognized as persons of concern and included in UNHCR's protection agenda in Bangladesh.

Other issues that arose during the audit were the need to enhance the procurement capacity by training and recruiting dedicated supply staff, as local procurement accounted for 57 per cent of the programme activities. Action was also needed to update asset management records and to ensure that a physical inventory of assets was conducted at least once a year and properly documented.

The UNHCR Representation in Bangladesh has taken prompt action to implement the recommendations in this report. Following the audit, a point scoring system for procurements incorporating technical and financial aspects in the tendering system was established and competitive bidding introduced to all procurements. The Representation has also taken steps to include a dedicated supply staff for the operations in 2011.

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## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Office of the United Nations High Commissioner for Refugees (UNHCR) operations in Bangladesh. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The main objectives of the Bangladesh operations were to promote and implement a comprehensive plan of action to attain durable solutions for refugees from Myanmar and to ensure protection of camp-based refugees and improve their self-reliance. UNHCR currently assists 28,000 Rohingya refugees from Myanmar living in the two camps in the southeastern district of Cox's Bazaar. The Representation in Bangladesh has also continued promoting refugee law and human rights protection of urban refugees.
3. In December 2008, general elections in Bangladesh led to a peaceful transfer of power from the interim government to a democratically elected government. Although it is not a signatory to the 1951 Convention, the Government of Bangladesh, whose policies towards refugees have grown progressively more favourable, has strengthened its relations with UNHCR.
4. In the period covered by the audit, the Representation procured goods and services totaling \$5.2 million of which some \$4.4 million was local procurement mostly incurred at the sub-office level in Cox's Bazaar.
5. As at November 2009, the asset records show a total of 1,146 items with purchase cost of \$1.7 million and current value of \$319,000. The UNHCR workforce in Bangladesh composed of 31 regular staff (eight Professional and 23 General Service staff) and 30 United Nations Volunteers.
6. Comments made by the UNHCR operations in Bangladesh are shown in *italics*.

## II. AUDIT OBJECTIVES

7. The objective of the audit was to assess the adequacy and effectiveness of arrangements for programme management, supply management and implementing partners in UNHCR Bangladesh.

## III. AUDIT SCOPE AND METHODOLOGY

8. The audit, which took place from 14 to 26 November 2009, reviewed the programme activities in 2007 and 2008. The review of programme management focused both on projects implemented directly by UNHCR and on the activities implemented by the Ministry for Food and Disaster Management (MFDM) and the Technical Assistance Incorporated (TAI). The review also included the Representation's monitoring of implementing partners.
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9. The audit methodology comprised: (a) review of policies and procedures, administrative guidelines and data available from Managing for Systems, Resources and People (MSRP) enterprise resource planning software, (b) interviews with responsible personnel; (c) analysis of applicable data; (d) physical verification and assessment of the effectiveness of controls; and (e) observations and verification of processes, as appropriate.

## IV. AUDIT FINDINGS AND RECOMMENDATIONS

### A. Programme management

#### Need to determine whether self-settled Rohingyas should be recognized as persons of concern

10. UNHCR's statistics of its beneficiaries in Bangladesh show a total of 28,350 camp-based refugees. UNHCR has not yet recognized as persons of concern over 200,000 self-settled Rohingyas who steadily returned from Myanmar after the repatriation exercise in 1993 and live outside the camps alongside the local communities in Cox's Bazaar. This group of persons has started to become the centre of attention as a result of its sheer number and difficulties they have experienced. They are reported to face additional insecurities due to their lack of legal status and they are left out of the development and humanitarian agenda, exposing them to serious protection problems.

11. UNHCR is required under its mandate to pursue protection, assistance and solutions for refugees. UNHCR does not currently consider, as falling under its mandate, any Rohingya who came after the initial 1991/1992 influx and subsequent repatriation and who was not admitted into the camps.

12. There is an urgent need for UNCHR to determine whether to recognize and protect self-settled Rohingyas since there have been reports of their exploitation and sexual harassment. Without proper legal documents, these people have not had proper recourse to protection from UNHCR or the government. There was a risk that UNHCR's reputation could be compromised by this situation.

#### **Recommendation 1**

**(1) The UNHCR Representation in Bangladesh should, in consultation with UNHCR Headquarters and as a matter of priority, determine whether the group of over 200,000 self-settled Rohingyas can be considered as persons of concern.**

13. *The UNHCR Representation in Bangladesh accepted recommendation 1 and stated that the 2009 annual statistics will reflect that there are a government-estimated 200,000 unregistered Rohingyas who are residing outside the camps and who are of concern to UNHCR. In the course of 2010, the*

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*Representation will look into their situation to better identify the profile and number of the population. Priority in this regard is to be given to those currently in makeshift camps near the registered populations. Once the profile and number of the group are more clearly established, a further assessment may be needed to determine the exact number of persons of concern to UNHCR. Recommendation 1 remains open pending submission to OIOS of documentation showing that UNHCR has identified the profile of the unregistered Rohingyas and made an assessment to determine whether they should be considered as persons of concern.*

#### Lack of formal cooperation agreement

14. In contrast to UNDP and UNICEF, UNHCR has no formal cooperation agreement (or country agreement) with the Government of Bangladesh (GOB) to define its activities in the country and its relationship as well as its privileges and immunities such as exemption from taxation. According to UNHCR common practice, UNHCR relationships with governments are formally defined and spelled out in a host country agreement.

15. Currently the relationship between UNHCR and the GOB is governed by an exchange of letters and a Memorandum of Understanding (MoU) signed in May 1993. Although the MoU deals exclusively with the repatriation of refugees from Myanmar, there is a provision for its progressive update in the future.

16. Due to the lack of a host country agreement there are a number of grey areas concerning UNHCR's relationship with the government including the question of Value Added Tax (VAT), which is dealt with later in this report. It also includes other questions on the status, security, immunities and privileges of the UNHCR Representation and its staff.

#### **Recommendation 2**

**(2) The UNHCR Representation in Bangladesh should pursue the signing of a host country agreement with the Government of Bangladesh to formalize the arrangements for its operations in Bangladesh.**

17. *The UNHCR Representation in Bangladesh accepted recommendation 2 and stated that previous UNHCR Representatives have discussed the issue with the government in the past. The newly arrived Representative also raised the issue with the Ministry of Foreign Affairs; however, the discussion was inconclusive. Given the plethora of other UNHCR-Government of Bangladesh issues, UNHCR believes that it may be prudent to pursue this issue in the context of changing circumstances in the refugee programme that would consequently affect UNHCR's own role in the country. Recommendation 2 remains open pending submission to OIOS of documentation showing that, in the context of changing circumstances in the refugee programme that would consequently affect UNHCR's own role in the country, UNHCR has formalized the arrangements for its operations in Bangladesh.*

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Need to create terms of reference for the Administrative/Programme Officer Post

18. There were no clear terms of reference for the post of Administrative/Programme Officer in Dhaka, which was created in July 2009. This was not in line with UNHCR Financial Internal Control Framework and Delegation of Authority Plan underlining UNHCR's core principles of accountability.

19. Having clear terms of reference for the Administrative/Programme Officer in Dhaka is important because most of the programme work is done at the sub-office that has a full-fledged Programme Officer who reports to the Representative. The programme component of the administrative/programme function in Dhaka therefore has more limited scope but needed to be properly defined in order to avoid overlap of functions. The Representation agreed that the current setup had potential pitfalls and welcomed a situation where the responsibilities and accountability in the programme area were clearly defined and established.

**Recommendation 3**

**(3) The UNHCR Representation in Bangladesh should ensure that clear terms of reference are created for the administrative/programme position in Dhaka, defining the post's reporting structure, duties and responsibilities in the context of the overall programme in Bangladesh.**

20. *The UNHCR Representation in Bangladesh accepted recommendation 3 and stated that clarification of the reporting lines between the Programme Officer Cox's Bazaar and Administrative/Programme Officer Dhaka have already begun as part of the recent Country Operation planning process. The terms of reference of the Administrative Programme Officer in Dhaka will be based on the programme activities performed at Sub-Office Cox's Bazaar and at the Regional Office Dhaka level. At the same time, an important factor for the overall programme coordination and implementation in Bangladesh will be the timely recruitment and arrival of a new Programme Officer in Cox's Bazaar, tentatively due by the end of June 2010 at the latest. The implementation date is set in light of the expected arrival of this new staff member in order to allow management to tailor reporting lines and division of roles/responsibilities based on skills/strengths of the staff. Recommendation 3 remains open pending submission to OIOS of a copy of the terms of reference for the administrative/programme position in Dhaka.*

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## B. Supply management

### **(i) Issues relating to procurement and projects implemented directly by UNHCR**

#### Internal controls over procurement

21. The Representation was systematic in sending procurement cases that exceeded its limit of \$150,000 to the Headquarter Committee on Contracts. It conducted regular site visits to monitor construction activities in its procurement of construction services and visited suppliers to assess their production capacities. The Representation also maintained very good documentation on the background work conducted and on the prevailing market situation for items being procured to support the minutes of the Local Committee on Contracts. These controls helped to mitigate some of the procurement weaknesses identified and presented below.

#### Need for proper technical evaluations

22. No proper technical evaluations were done for many of the procurement undertaken, with tenders being ranked mainly on financial basis. The UNHCR Manual recommends the establishment of a point scoring system with a 50/50 or 60/40 weighting for simple proposals for technical and price components respectively and a 70/30 weighting for more complex proposals, such as construction. In most of the tenders reviewed, OIOS found that technical criteria were not adequately evaluated, nor were they sufficiently considered with the financial criteria to facilitate the ranking and selection of suppliers.

23. In the 2009 procurement of 70 shelters for 100,885,536 Bangladeshi Taka (BDT), equivalent to \$1,472,781, the comparative table used for the evaluation of tenders focused mainly on the price criterion. Both technical and financial criteria should have been considered, evaluated and scored in the final recommendation of suppliers. In the absence of a proper technical evaluation, there was no assurance that UNHCR obtained best value for money in this procurement.

24. In February 2008, in the construction of sheds, the most expensive supplier was awarded 15 of the 34 sheds to build, while the second lowest bidder, who was financially sound and was the best contractor in a 2007 shelter construction, only awarded four sheds. Five other suppliers with lower prices offers were not considered. A proper point scoring system evaluating and scoring each supplier on technical and financial criteria would have made this selection more objective and transparent.

#### **Recommendation 4**

**(4) The UNHCR Representation in Bangladesh should ensure that, in line with Chapter 8 of the UNHCR Manual, a proper point scoring system is established which evaluates**

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**both the technical and financial components of each tender under consideration.**

25. *The UNHCR Representation in Bangladesh accepted recommendation 4 and stated that after the debriefing with OIOS, a proper point scoring system had been introduced to all tenders from 1 January 2010. Based on the action taken by UNHCR, recommendation 4 has been closed.*

Need to request waivers where competitive bidding procedures are not possible or practical

26. Chapter 8 of the UNHCR Manual requires competitive bidding to be used or a waiver request to be made explaining the financial regulations and rules 105.16(a) on why competitive procedures were not required. A request for a waiver can be used in case of lack of a competitive marketplace, the need to standardize equipment, or the procurement of identical products and services that have been previously competitively obtained within a reasonable period of time. The UNHCR Representation did not comply with this rule. Market surveys were often used to replace competitive bidding procedures. In most cases, informal market surveys were done without requests for waiver. The Representation attributed these weaknesses to not having a dedicated supply staff in Bangladesh. For example:

- In July 2008, informal market surveys were used to inform the Local Committee on Contracts (LCC) that prices for kerosene and eggs had increased. On the basis that prices in the market had increased as shown by the market survey, the LCC selected suppliers it had previously used and approved the proposed price increases made by the suppliers. A total of \$34,458 was paid for kerosene and \$28,992 for eggs. No request for waivers was made. Furthermore, price alone should not have been the sole determinant for selection. A comparative table evaluating technical criteria such as supply capacity, delivery times, past experience, etc. should have been evaluated and scored for the purposes of final selection of supplier.
- In November 2008, the Representation procured 54 Solar Photo Voltaic street lights for the camps costing \$60,176 from a particular supplier. A market survey concluded that this was the only producer in the market, while other suppliers were mere marketing agents of the same product. Again, no waiver request was made. After confirming that these items are not available from SMS, the Representation should have requested a waiver of competitive bidding.

**Recommendation 5**

**(5) The UNHCR Representation in Bangladesh should ensure that, in line with Chapter 8 of the UNHCR Manual, it uses competitive bidding procedures for all procurement. Where competitive bidding is not possible or practical, a**

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**waiver request should be made explaining the reasons why competitive bidding procedures were not required.**

27. *The UNHCR Representation in Bangladesh accepted recommendation 5 and stated that competitive bidding has been introduced in all procurement cases. Waivers will be obtained from the appropriate committee on contracts if competitive bidding is not possible or practical. Based on the action taken by UNHCR, recommendation 5 has been closed.*

More time needs to be given to suppliers for the submission of tenders

28. According to the UNHCR Manual, vendors are given a timeframe of 10 to 14 days to prepare and submit an offer for simple tenders and four to eight weeks for complex tenders. Many of the tenders such as construction tenders are large and complex, which therefore required more time to allow more vendors to submit to prepare and submit tenders.

29. Many of the tenders reviewed by OIOS, particularly in 2009, showed that vendors were given only six days or one week to submit tenders. For instance, for the procurement of 70 shelters in January 2009, amounting to BDT100,885,536 (\$1,472,781), the invitation to bid was advertised on 12 January 2009 with the deadline for submissions set for 20 January 2009. In the 2009 procurement of compressed rice husks for \$278,249, the invitation to bid was advertised on 31 December 2008 and the deadline given for submissions was 6 January 2009.

30. The Representation explained that often the items were required at very short notice but agreed that improved planning would enable them to give more time to suppliers to prepare quality bids. The Representation has committed to ensuring that sufficient time is given for the submission of tenders in compliance with the UNHCR Manual. Therefore, no recommendation is made.

Need for vendor database

31. Despite the significance of local procurement, there was no vendor database. The Representation explained that some suppliers are known to the office and, in other times, the office conducts market surveys to determine potential suppliers or use an open tender. Chapter 8 of the UNHCR Manual provides for a database of qualified and registered vendors to be maintained. This enables field offices to prepare a shortlist of vendors and to use the method of limited tendering, which is UNHCR's preferred tendering method.

**Recommendation 6**

**(6) The UNHCR Representation in Bangladesh should establish a database of qualified and registered vendors with a view to improving the efficiency and effectiveness of its procurement activities.**

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32. *The UNHCR Representation in Bangladesh accepted recommendation 6 and stated that a database of qualified and registered vendors is being prepared and will be completed by 30 June 2010. Recommendation 6 remains open pending submission to OIOS of documentation showing that a database of qualified suppliers has been established.*

Supply function needs to be enhanced with dedicated and well-trained supply staff

33. In spite of the significant amount of procurement undertaken by the Representation, it does not have dedicated supply staff. In OIOS' opinion, the weaknesses noted above can be attributed partly to the absence of a dedicated supply staff at UNHCR in Bangladesh and the lack of appropriate guidance from the Regional Office in Bangkok, which also does not have any supply staff.

34. OIOS also noted that procurement is currently done by staff from the programme and administration units who were not trained on procurement matters.

**Recommendation 7**

**(7) The UNHCR Representation in Bangladesh should ensure that dedicated supply staff are appointed and that all staff involved in procurement are trained on UNHCR procurement rules and regulations.**

35. *The UNHCR Representation in Bangladesh accepted recommendation 7 and stated that the percentage of projects implemented directly by UNHCR has been increased during the last three years due to shelter replacement and construction activities in the camps. It was part of the UNHCR strategy to improve the basic living conditions of refugees. Most of these activities were implemented directly by UNHCR due to lack of competent/experienced implementing partners in Cox's Bazaar. In addition, the Government of Bangladesh has allowed only very limited number of NGOs to work in the camps. The percentage of direct implementation will decrease in the future as most of the planned shelter and construction activities are now completed. The Representation also indicated that the entire procurement process is done with the close supervision of the programme officer and the relevant staff have been adequately trained on procurement. For example, the current Logistics Assistant attended training on UNHCR supply chain management in 2008 in Kuala Lumpur, logistics and international commercial terms training in Budapest in 2009 and warehouse management training conducted by WFP in 2009. However, the point is well noted and at least one regular supply chain post is envisaged in the 2011 Bangladesh staffing structure. Based on the explanation provided and the action taken by UNHCR to have at least one regular supply chain post in the 2011 staffing structure, recommendation 7 has been closed.*

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Representation's VAT status needs to be clarified

36. There is conflicting information on the Representation's VAT status. While the sub-agreements signed with the GOB state that UNHCR is exempt from paying VAT, in practice the Representation pays VAT for most programme related activities. It only receives exemptions on limited administrative purchases such as plane tickets. The Joint-Secretary of the Ministry for Food and Disaster Management confirmed that based on the sub-agreement, UNHCR should not pay VAT. As the sub-agreements are vetted by the National Revenue Board of the Ministry of Finance prior to signing, the government is therefore bound to comply with VAT exemption provisions.

37. In April 2008, however, the VAT Policy and Budget Office of the Government of Bangladesh turned down UNHCR's application for VAT exemption for locally procured medicines, stating that the government was discouraging VAT exemptions in order to achieve its revenue targets. The lack of a formal cooperation agreement between UNHCR and the Government of Bangladesh makes the situation more difficult as this agreement usually provides for UNHCR's tax-exempt status.

**Recommendation 8**

**(8) The UNHCR Representation in Bangladesh should, with the help of the Ministry for Food and Disaster Management, seek clarification from the Government of Bangladesh on the issue of the Value Added Tax exemption.**

38. *The UNHCR Representation in Bangladesh accepted recommendation 8 and stated that UNHCR will pursue the issue of the Value Added Tax exemption together and in consultation with other UN agencies that participate in the Operations Management Team. The UN Country Team (UNCT) decision on this matter will be followed.* Recommendation 8 remains open pending submission to OIOS of documentation showing that the issue of exemption from Value Added Tax has been resolved.

**(ii) Asset management**

Need to conduct and document regular physical inventory

39. According to Chapter 8 of the UNHCR manual, a physical inventory should be conducted at least once a year and a final report prepared within four weeks of the physical inventory of assets. There was no evidence that physical inventories of assets were conducted in 2007 and 2008. According to the Assets Focal Point in Dhaka, there was a physical verification in 2008. However, the report could not be found. As a result, the asset management system was not up-to-date, and a number of assets could not be traced to the asset listing.

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## **Recommendation 9**

**(9) The UNHCR Representation in Bangladesh should ensure that a physical inventory is conducted as soon as possible and at least once a year, and the asset management records are updated accordingly.**

40. *The UNHCR Representation in Bangladesh accepted recommendation 9 and confirmed that a physical verification was conducted in June 2008. Physical verifications were also performed in August 2009 and after the audit in December 2009. Recommendation 9 remains open pending submission to OIOS of documentation of work done to update the database in December 2009.*

### More consistency needed in the signing of right of use agreements

41. According to Chapter 8 of the UNHCR Manual on asset management, Right of Use (ROU) agreements should be signed with implementing partners for assets in their custody. The purpose of these agreements is to retain ownership of the assets with UNHCR while giving the partners the right to use them for UNHCR-funded projects. ROU agreements had not been systematically prepared for the entire period covered by the audit. At the time of the audit, only one partner out of six had signed ROU agreements and there was no evidence of follow-up with the remaining partners. Failure to sign ROU agreements may lead to potential dispute over ownership of assets and possible loss to UNHCR.

## **Recommendation 10**

**(10) The UNHCR Representation in Bangladesh should put in place procedures to ensure that the Right of Use agreements are signed with implementing partners in a systematic manner.**

42. *The UNHCR Representation in Bangladesh accepted recommendation 10 and stated that all Right of Use agreements with partners for 2010 were signed in January 2010 and attached to the sub-agreements. Based on the action taken by UNHCR, recommendation 10 has been closed.*

### C. Review of implementing partners

#### **(i) Ministry for Food and Disaster Management**

##### Need to address weaknesses in procurement

43. The Ministry for Food and Disaster Management (MFDM) was UNHCR's largest implementing partner in Bangladesh, accounting for \$2.6 million or over half of the total expenditures by implementing partners between 2007 and 2009. MFDM was responsible for general project management, general health, human waste control, water systems operations and family support services. Some weaknesses in the MFDM procurement procedures needed to be

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addressed, particularly with regard to the application of selection criteria and documentation of decisions taken.

44. Although the selection criteria were well defined, in a number of cases they were not consistently or properly applied. In project 2008/AB/BGD/CM/201, where MFDM spent BDT57.5 million (\$845,600) for the construction of 192 shelters, the price criterion was not consistently applied. While the lower price should have scored higher points, OIOS observed that a supplier scored the maximum points for pricing, while another supplier with a cheaper quote scored less.

45. In evaluating suppliers' legal documents (contractor's license, VAT certificates, income tax clearance certificates and bank solvency certificates), most suppliers received points for licenses that had long expired. As a result, although only contractors with up-to-date licenses should be considered for selection, two selected suppliers had expired contractors licenses.

46. In a tender for the supply of medicines, the suppliers were evaluated by comparing the percentage discounts instead of the price of items. The percentage discounts should not have been used as a criterion since high discounts do not mean better (net) prices as this depends on the initial asking prices of each supplier.

#### **Recommendation 11**

**(11) The UNHCR Representation in Bangladesh should discuss with the Ministry for Food and Disaster Management how UNHCR could assist in ensuring that its procurement rules are adhered to particularly with regard to the selection of suppliers, and that the decisions taken are properly documented.**

47. *The UNHCR Representation in Bangladesh accepted recommendation 11 and stated that the selection criteria in question was discontinued in January 2009 and a proper point scoring system has been established and introduced giving due consideration to technical and financial components.* Based on the actions taken by the Representation in the related recommendations (i.e., 4 and 11), recommendation 11 has also been closed.

#### **(ii) Technical Assistance Incorporated**

##### Need to be give suppliers more time for the submission of tenders

48. Technical Assistance Incorporated (TAI) was UNHCR's second largest implementing partner in Bangladesh with expenditures of \$1 million for the audited period. In project AB/BGD/CM/201, TAI was responsible for community development, primary education and project management, and for recreational activities and educational construction activities in project AB/BGD/CM/203. TAI generally complied with UNHCR rules and regulations. However, some weaknesses were found in the tendering procedures.

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49. Under project 2008/AB/BGD/CM/201, BDT4.3 million (\$63,500) was spent on the procurement of soap comprising nine different soap components. TAI gave only six days for vendors to submit bids and explained that it was in a hurry in this procurement. OIOS' review of a number of other cases revealed that TAI gave only about six days to one week for vendors to prepare and submit tenders. TAI agreed to pay more attention to the time given for this purpose. Therefore, no recommendation is made.

## V. ACKNOWLEDGEMENT

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

## STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
1	The UNHCR Representation in Bangladesh should, in consultation with UNHCR Headquarters and as a matter of priority determine whether the group of over 200,000 self-settled Rohingyas can be considered as persons of concern.	Governance	High	O	Submission to OIOS of documentation showing that that UNHCR has identified the profile of the unregistered Rohingyas and made an assessment to determine the exact number of persons of concern	Not provided
2	The UNHCR Representation in Bangladesh should pursue the signing of a host country agreement with the Government of Bangladesh to formalize the arrangements for its operations in Bangladesh.	Governance	High	O	Submission to OIOS of documentation showing that, in the context of changing circumstances in the refugee programme that would consequently affect UNHCR's own role in the country, UNHCR has formalized the arrangements of its operations in Bangladesh	Not provided
3	UNHCR Representation in Bangladesh should ensure that clear terms of reference are created for the administrative/ programme position in Dhaka defining the post's reporting structure, duties and responsibilities in the context of the overall programme in Bangladesh.	Operational	Medium	O	Submission to OIOS of a copy of the terms of reference for the administrative/ programme position in Dhaka defining the reporting structure and duties and responsibilities in the context of the overall programme in Bangladesh	31 July 2010
4	The UNHCR Representation in Bangladesh should ensure that, in line with Chapter 8 of the UNHCR Manual, a proper point scoring system is established which evaluates both the technical and financial components of each tender under consideration.	Compliance	Medium	C	Action completed	Implemented
5	The UNHCR Representation in Bangladesh should ensure that, in line with Chapter 8 of the UNHCR Manual, it uses competitive bidding procedures for all procurement. Where competitive bidding is not possible	Compliance	Medium	C	Action completed	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
	or practical, a waiver request should be made explaining the reasons why competitive bidding procedures were not required.					
6	The UNHCR Representation in Bangladesh should establish a database of qualified and registered vendors with a view to improving the efficiency and effectiveness of its procurement activities.	Compliance	Medium	O	Submission to OIOS of documentation showing that a database of qualified suppliers has been established	30 June 2010
7	The UNHCR Representation in Bangladesh should, given the importance of procurement activities, ensure that dedicated supply staff are appointed and that all staff involved in procurement are trained on UNHCR procurement rules and regulations.	Operational	Medium	C	Action completed	Implemented
8	The UNHCR Representation in Bangladesh should with the help of the Ministry for Food and Disaster Management, seek clarification from the Government of Bangladesh on the issue of the Value Added Tax exemption.	Operational	High	O	Submission to OIOS of documentation showing that the issue of exemption from Value Added Tax has been resolved	Not provided
9	The UNHCR Representation in Bangladesh should ensure that a physical inventory is conducted as soon as possible and, at least once a year, and the asset management records are updated accordingly.	Compliance	Medium	O	Submission to OIOS of documentation of work done to update the asset management database after the audit in December 2009	Not provided
10	The UNHCR Representation in Bangladesh should put in place procedures to ensure that the Right of Use agreements are signed with implementing partners in a systematic manner.	Compliance	Medium	C	Action completed	Implemented
11	The UNHCR Representation in Bangladesh should discuss with the Ministry for Food and Disaster Management how UNHCR could assist in ensuring that its procurement rules are adhered to	Compliance	Medium	C	Action completed	Implemented

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<b>Recom. no.</b>	<b>Recommendation</b>	<b>Risk category</b>	<b>Risk rating</b>	<b>C/O<sup>1</sup></b>	<b>Actions needed to close recommendation</b>	<b>Implementation date<sup>2</sup></b>
	particularly with regard to the selection of suppliers, and that the decisions taken are properly documented.					

<sup>1</sup> C = closed, O = open

<sup>2</sup> Date provided by UNHCR in response to recommendations