



UNHCR

United Nations High Commissioner for Refugees
Haut Commissariat des Nations Unies pour les réfugiés

Memorandum

UNHCR

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To/A: Mr. Christopher F. Bagot, Chief, Geneva Audit Service, Internal Audit Division, OIOS

From/De: Mr. David Neill Wright, Representative, UNHCR Pakistan

File Code/Dossier: EO/0026/13

Subject/Objet: **Assignment no. AR2012/141/03 - Audit of UNHCR Programme Implementation in Pakistan through Implementing Partners**

Date: 04 February 2013

1. Reference is made to the above subject in response to your confidential letter Reference IAD: 13-03931 dated 11 January 2013.
2. The UNHCR Pakistan Operation confirms acceptance of the audit results and has taken steps to continuously strengthen compliance and meet the UNHCR standard rules and regulations of the programme management and implementation of the UNHCR Pakistan operations.
3. We are submitting the current status of the 7 audit recommendations as of 31 January 2013 enumerated in Appendix 1 together with the relevant supporting documents.
4. The Representation requests closure of the four audit recommendations, Nos. 2, 4, 5, and 7.
5. The Representation will closely monitor the progress and completion of Recommendation Nos. 1, 3, and 6 ensuring compliance with the OIOS audit recommendations, and request the closure of the on-going recommendations when the actions are completed.
6. Thank you and best regards.

CC: Mr. Alexander Aleinikoff, Deputy High Commissioner, UNHCR
Ms. Erika Feller, Assistant High Commissioner (Protection), UNHCR
Ms. Janet Lim, Assistant High Commissioner (Operations), UNHCR
Ms. Kumiko Matsuura-Mueller, Controller and Director, Division of Financial and Administrative Management, UNHCR
Mr. Kaisidis Rochanakorn, Director, Bureau for Asia and Pacific
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Ms. Joan Allison, Bureau for Asia and Pacific, UNHCR
Ms. Maya Ameratunga, Deputy Representative, UNHCR Pakistan
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Mr. William Suson, Internal Auditor for Pakistan Operation, OIOS

AUDIT RECOMMENDATIONS
Audit of the UNHCR Programme Implementation in Pakistan through the Implementing Partners
OIOS Assignment No. AR2012/141/03 – Reference IAD: 13-03931 dated 11 January 2013
As of 04 February 2013

Rec. no.	Recommendation	Critical/ Important ²	Accepted? (Yes/No)	Title of responsible individual or Section(s)	Implementation date	Client comments	Supporting Documents Attached
1	<p>The UNHCR Representation in Pakistan should implement procedures to monitor compliance with donor conditions.</p> <p><i>Recommendation 1 remains open pending receipt of procedures outlining how the Representation will monitor compliance with donor requirements.</i></p>	Important	Yes	External Relations, Programme BOI/SO Peshawar	Initiated 30 Nov 2012 and will be fully implemented upon approval from LCC	<p>Ongoing</p> <p>The Representation is cognizant of the audit recommendation ensuring the compliance to the donor requirements.</p> <p>One of the donor requirements was to ensure that the donor representative is invited and participated in the meeting with regards to the implementation of the project funded by SFD, i.e. procurement of the services of a contractor to construct the two-room shelter projects.</p> <p>In a meeting on 30 Nov. 2012, a detailed discussion on the procurement process was held at the BOI, with the SFD representative (assigned at SO Peshawar) participation. The SFD representative reviewed and assessed the procurement process for the SFD funded two room shelters. The SFD provided their inputs, and a subsequent approval and confirmation as per facsimile referenced TD-2012/1862 dated December 05, 2012 (<i>refer to Annex 1</i>).</p> <p>The Representation also ensured that the UNHCR procurement standard procedures were adhered from the start of the formal tendering processes, advertising for bids proposals, bids opening, tabulation of offers, and technical and financial evaluation conducted by the field offices through LCC approval.</p>	<p>Annex 1</p> <ul style="list-style-type: none"> SFD Facsimile No. TD-2012/1862 dated 05Dec.2012.
2	<p>The UNHCR Representation in Pakistan should require the government implementing partner in Balochistan to complete construction of its allocated 500 shelters and comply with its obligation to provide UNHCR with accurate</p>	Important	Yes	SO Quetta Programme, and Project Control	July 09, 2012	<p>Completed: Recommend closure of this audit observation</p> <p>Completion of the 500 shelters:</p> <p>The Government partner, PDMA, has completed its 500 allocated shelters albeit with relatively minor shortfall (15 latrines and 17 kitchens) and the unspent funds have been returned to UNHCR (<i>refer to Annex 2</i>).</p> <p>The shelters which could not be verified by CAMEOS, due to the expiry of their contract in April 2012, were subsequently verified through a systematic approach by the UNHCR</p>	<p>Annex 2 -</p> <p>Photocopy of refunded cheque to UNHCR from PDMA, amounting to PKR 782,730.</p>

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

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	<p>periodic monitoring and evaluation reports on the progress of shelter projects in accordance with the memorandum of understanding.</p> <p><i>Recommendation 2 remains open pending receipt of the Representation's inspection report on the 500 completed shelters and the monitoring and evaluation reports due from the IP.</i></p>					<p>SOQ MFT (Multi-Function Team) in July, whereby 30% of shelters were selected randomly for verification and found to be correct. <i>(Copy of the MFT report was submitted in the Oct. 10, 2012 submission to OIOS. Pls. refer to Annex2 of the said submission.)</i></p> <p>Monitoring and evaluation reports due from PDMA: The original MOU in 22 July 2011 signed between PDMA and UNHCR <i>(refer to Annex 3)</i> explicitly mentioned the role of the PDMA to conduct and provide an accurate periodic monitoring and evaluation report to UNHCR on the status of the shelter project construction in the Province of Balochistan.</p> <p>PDMA was unable to perform its monitoring role as it lacked the financial and human resources to conduct the monitoring and evaluation activities. Project funds were not provided for this activity.</p> <p>The CAMEOS services contract ended in April 2012 before the actual completion of all the shelter construction. The report was submitted by CAMEOS to SO Quetta in April 2012 (reflecting ongoing work). <i>(This report was already submitted by the Pakistan Representation to OIOS in the first response dated 10 October 2012. Pls. refer to Annex 3 of the said submission)</i></p> <p>The Representation suggests closure of this audit recommendation in light of the same requirement as in Recommendation 3.</p>	Annex 3 – Signed MOU between PDMA and UNHCR dated 22 July 2011.
3	<p>The UNHCR Representation in Pakistan should identify and take action on the discrepancies between the completion reports prepared by the consultant and the implementing partners and strengthen the monitoring of the remaining shelters in Balochistan.</p> <p><i>Recommendation 3 remains open pending receipt of the Representation's comprehensive inspection report on the completion of shelters and the resolution of discrepancies.</i></p>	Important	Yes	SO Quetta Programme, and Project Control	April 2013	<p>On going</p> <p>The Representation is still reviewing the reports from the IP, CAMEOS, and SO Quetta MFT to reconcile the records on file. This would also involve obtaining independent confirmation from different stakeholders.</p> <p>As reported earlier, the timing and the security issues in the Balochistan Province have been the constraints from inception through completion and project closure of the shelter projects. Therefore, the time that will be required to expand inspection beyond the 30% already done is expected to be 1 month, security conditions permitting.</p>	

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4	<p>The UNHCR Representation in Pakistan should put in place controls for addressing fraud and corruption in compliance with UNHCR guidelines.</p> <p><i>Recommendation 4 remains open pending receipt of documentation showing the implementation of fraud and corruption controls at the Representation.</i></p>	Important	Yes	All sections from BOI, FUI, SOQ, SOP	Dec. 2012	<p>Completed: Recommend closure of this audit observation</p> <p>The provision in the Section 5 – Fraud and Corruption Risks of IOM049/2008 FOM 051/2008 dated 24 June 2008, stipulated that the fraud and corruption risks are considered in the three main categories: personnel risks, structural/physical risks, and operational/financial risks. This particular section has no clear procedures and templates guiding the field offices in the efficient and cost-effective implementation of the fraud and corruption controls mitigating the identified risks for each main category. UNHCR HQ clarification would be very important to guide the field offices to put effective controls to combat the alleged fraud and corruption practices, and ensure harmonization across all offices.</p> <p>The Pakistan Representation is implementing the fraud and corruption controls, and strengthened the monitoring of such fraud and corruption control mechanisms. In meeting this objective, the field offices (1) established the complaint mechanism within the refugee camps operation management following the guidelines and templates; (2) established the IP selection and performance review committees and its guidelines and templates; (3) established the grievance committee comprised of identified field staff (local and international); and (4) created the multi-functional team approaches within offices to review/assess the IP processes on procurements, project personnel recruitment, and conduct the field project and financial monitoring/verification which guidelines and procedures have been embedded in the harmonized standard IPFMR Verification templates, (refer to Annex4).</p> <p>At the UNHCR offices, the Representation ensured transparency in personnel hiring, obtaining accurate personnel data information, and staff compliance to the provisions of the Code of Conduct.</p>	<p>Annex 4</p> <ul style="list-style-type: none"> Implementing Partners Verification Report
5	<p>The UNHCR Representation in Pakistan should review the existing capacity of implementing partners and implement a time-bound capacity-building plan based on the results of the review.</p> <p><i>Recommendation 5 remains open pending receipt of a capacity-building plan based on</i></p>	Important	Yes	Multi-Functional Team from BOI, FUI, SOQ, SOP	01 Jan. to 31 Dec. 2013	<p>Completed: Recommend closure of this audit observation</p> <p>The IP needs have been identified in different ways. One, in the countrywide conduct of the annual review of the Partner's Performance led by the IPSMC (MFT) in each field office prior to entering into agreement for a new programme year, as well as prior to entering into new agreements with existing partners for the regular projects including the partners for the RAHA projects. The review, assessment, and selection for the new prospective partner are also carried out as and when it arises and follows the UNHCR new Partner selection criteria. The capacity-building needs of the existing Partners and its staff are also identified from the observations raised by the external auditors during the audit exercise, and during the monitoring and verification visits by the UNHCR field staff.</p>	<p>Annex 5</p> <ul style="list-style-type: none"> Implementing Partners Capacity-building Plan – 2013 – SO Peshawar 2012 IP Performance Review Process Guidance Note

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	<i>the performance review results.</i>					<p>On all occasions, the partner capacity is identified, analyzed, and assessed during these reviews. The field offices developed the capacity-building needs based on the results of the reviews undertaken focusing on the enhancement of the knowledge, capacity and skills of the Partners and its staff. The guidelines, checklist, and templates of the IP Performance Review conducted at the SO Peshawar office are herewith attached as sample of the capacity building plan for 2013. (<i>refer to Annex 5</i>).</p> <p>The Representation supported the initiatives of the Local Learning Committee whereby the countrywide capacity-building plan was developed in January 2013, which included the participation of the Partners staff to some identified relevant trainings and workshops.</p> <p>In 2012, there were various trainings and workshops conducted/facilitated by the field offices and branch office Programme and Project control sections, i.e. common understanding on RBM, and financial and programme management workshop clearly identifying the roles and responsibilities of the partners in accordance with the signed Partnership Agreement. The Representation Local Learning Committee also developed the countrywide capacity-building plan in 2012 which included some identified staff from the Partners. These activities were carried-out in 2012.</p>	<ul style="list-style-type: none"> on the Use of IP Performance Review Tool Additional guidance on assessment tool Summary results of the 2012 IPs Performance Review 2012 Performance Partner's Performance Review Checklist
6	<p>The UNHCR Representation in Pakistan should review and strengthen oversight of procurement activities of the implementing partners (IPs) to ensure compliance with the UNHCR IP Procurement Guidelines.</p> <p><i>Recommendation 6 remains open pending receipt of the harmonized guidelines and templates on monitoring IP's compliance with UNHCR IP procurement guidelines.</i></p>	Important	Yes	Supply Chain from BOI, FUI, SOQ and SOP	30 June 2013	<p><u>Ongoing</u></p> <p>The Representation is developing the harmonized guidelines and templates for monitoring the IPs procurements in compliance with the UNHCR IP Procurement guidelines.</p> <p>As part of the BOI Supply oversight control mechanism, each office has been assigned a dedicated staff from the Supply section to monitor and to oversee the IP Procurement proceedings. The staff member overlooks and provides guidance to IPs in all major steps of the procurement cycle. This person reviews the tendering documents, participates in the bids opening in an observer capacity, liaises with IPs on any procurement related matters and provides/provided guidance in compliance with UNHCR IP Procurement Guidelines. The involvement of UNHCR in the IP procurement proceedings is mandatory and has been confirmed by the IPs through a signed formal undertaking agreeing to ensure UNHCR's involvement in procurement proceedings in an observatory /advisory capacity. This document constitutes an annex to the Standard Partner Agreement since 2012.</p> <p><i>Refer to Annex 6 - Samples of Partners' signed undertaking to comply with the UNHCR IP Procurement Guidelines, bid opening meeting minutes, and training invitation/agenda.</i></p>	<p><u>Annex 6</u></p> <ul style="list-style-type: none"> PAK-CDP signed undertaking dated 30 Nov. 2012 CWS-P/A signed undertaking dated 04 Dec. 2012 Sample Minutes of Bid Opening of IP ascertaining presence of UNHCR as an observer and guidance on

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							<p>Procurement process to ensure compliance with UNHCR IP Procurement Guidelines</p> <ul style="list-style-type: none"> • Invitation and Agenda of the trainings conducted on financial management and procurement
7	<p>The UNHCR Representation in Pakistan should ensure that 2012 external audit certification is carried out in compliance with UNHCR rules.</p> <p><i>Recommendation 7 remains open pending receipt of documentation showing that 2012 audit certification is carried out in compliance with UNHCR rules</i></p>	Important	Yes	BOI Project Control	Jan. 2013	<p><u>Completed: Recommend closure of this audit observation</u></p> <p>Following the OIOS audit recommendation, the Representation has taken steps to address the audit observations.</p> <ol style="list-style-type: none"> 1. The audit exercise was carried-out in the last quarter in 2012 to cover the financial review of the 17 agreements extended in 2012 for the shelter construction projects that were not completed in 2011. 2. The audit activities that started on 1st Nov. 2012 and completed in 26 Dec. 2012 included the assessments and ratings of the IP internal controls and financial management. The audit reports also provided the risk levels for each audit observation (refer to Annex 7). 3. The structure and content of the auditor's reports were consistent with the auditor's opinion phrases prescribed in the TOR, "presents fairly, in all material respects...etc." (refer to Annex 7). 4. The audit observation related to the audit reports for the government partners submitted by the Government Auditor General to the Representation. The Representation provided the UNHCR TOR-prescribed standard formats of the audit reports, ensuring the body of the audit reports followed the TOR-prescribed formats on Qualified and Disclaimer audit reports. Having provided all required standard documents to the government auditors, they continued to use the government prescribed standard format for reporting the audit results. However, for the upcoming audit of the 2012 government partners, the Pakistan Representation had requested a 	<p><u>Annex 7</u></p> <ul style="list-style-type: none"> • Excerpts of AHLN audit reports for SC, SRSP, and PEHE • EO/0021/2013 dated 30Jan.2013 • Minutes of meetings with UNHCR BOI Project Control Section and BDO Ibrahim & Co. auditing firm on 16Nov.2012, 21Dec.2012, and 23Jan.2013 • Agenda for the Pre-Audit Consultative

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						<p>meeting (<i>refer to item #7 of EO/0021/2013 dated 30 Jan. 2013 in Annex 7</i>) with the Government Auditors with the objectives: to ensure clear understanding of the UNHCR audit TOR, the reporting formats including the relevant templates, and the timeframe of the audit reports</p> <p>The 2012 contract for audit services for the 2012 projects explicitly mentioned the consistency and uniformity of the audit report structure and content following the international auditing standards, and the UNHCR standard guidelines for the annual audit exercise. The external auditor was provided with the relevant matrices to use in completing the audit reports.</p> <p>The Project Control section in the Pakistan Representation undertook a series of meetings with the contracted audit firm and its team of auditors to ensure compliance the the UNHCR TOR-prescribed body, structure and contents of the audit reports; reliable, quality and timely submission of the audit reports; consistent inclusion of the assessment and rating of the Partners internal controls and financial management system; provision of comments and assessment on effective project delivery and resource utilization; and an analysis of the risks level for each observation found during the audit processes.</p> <p>The pre-consultative audit meetings were also carried-out in three locations: Islamabad, Quetta and Peshawar participated by the Partners' Project and Finance staff, the external auditors, and UNHCR staff from the Project Control, Programme and Supply sections, to ensure there is clear understanding of the roles and responsibilities of each stakeholder in the annual audit exercise.</p> <p>The tripartite (Partner, Audit firm, and UNHCR) entry and exit/debriefing meetings were also introduced in the 2013 audit exercise.</p>	<p>meetings on 10Jan2013, 15Jan.2013 and 17Jan2013</p>