



Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT (2013/011)

Audit of UNHCR Programme implementation in Pakistan through implementing partners

Overall results relating to effective programme implementation through implementing partners were initially assessed as partially satisfactory. Two recommendations have been implemented; implementation of five important recommendations remains in progress.

**FINAL OVERALL RATING: PARTIALLY
SATISFACTORY**

**27 February 2013
Assignment No. AR2012/141/03**

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AUDIT REPORT

Audit of UNHCR Programme implementation in Pakistan through implementing partners

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations High Commissioner for Refugees (UNHCR) Programme implementation in Pakistan through Implementing Partners (IPs).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. Established and opened in 1979, the Representation had a budget of \$172 million in 2011 and \$176 million in 2010 and total expenditures of \$148 million and \$162 million in 2011 and 2010, respectively. In 2011, the Representation allocated \$74 million or 58 per cent of the total operating level budget of \$148 million for shelter projects for internally displaced persons (IDPs); \$16 million or 11 per cent for refugee-affected hosting areas (RAHA) projects; and \$10 million for the population, profiling and verification (PPV) exercise. As at 30 June 2012, the actual workforce comprised of 268 regular posts: 42 Professional (D and P level), 36 National Officers, 190 General Service and Field Staff and 44 Temporary Assistance (TA). The Representation is composed of the branch office at Islamabad, sub-offices at Quetta and Peshawar, and eight field units.
4. In 2011, the Representation worked with 90 IPs (59 in 2010) to implement projects totaling \$121 million (\$62 million in 2010) or 82 per cent of the total programme budget of \$148 million.
5. Comments provided by UNHCR Pakistan are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

6. The audit of UNHCR programme implementation in Pakistan through implementing partners was conducted to assess the adequacy and effectiveness of the UNHCR Pakistan's governance, risk management and control processes in providing reasonable assurance regarding **effective use of IPs to implement the Pakistan programme**.
7. This audit was included in the 2012 annual work plan in agreement with the Bureau for Asia and rated as higher risk due to the significant expenditures and operational complexity.
8. The key control tested for the audit was **project management**, which for the purpose of this audit OIOS defined as providing reasonable assurance that there is accurate and complete monitoring and reporting of project activities carried out by IPs and that they are carried out in compliance with UNHCR policies and procedures.
9. The key control was assessed for the control objectives shown in Table 1.

10. OIOS conducted this audit from May to June 2012. The audit covered the period from 1 January 2011 to 31 March 2012.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

12. The UNHCR Pakistan’s governance, risk management and control processes examined were assessed as partially satisfactory in providing reasonable assurance regarding **effective use of IPs to implement the Pakistan programme**. OIOS made seven recommendations to address issues identified in the audit. For project management, the Representation had: (a) ensured the strengthening of audit arrangements for carried over shelter projects; (b) improved risk assessment in the management of IPs; (c) improved IP financial control arrangements; (d) strengthened compliance by external auditors of IP projects in respect of structure and content of auditor’s reports; and (e) strengthened asset and inventory management.

13. However, more efforts were necessary to ensure that procedures are designed and implemented to monitor compliance with donor conditions and for the monitoring and evaluation of 2011 shelter projects in Baluchistan. The Representation should also carry out a structured fraud risk assessment to strengthen the fraud and corruption framework as required under IOM no. 049/2008. Under IP management: the Representation needed to undertake a country-wide review of performance of 90 IPs and implement a capacity-building plan; and also monitor IP procurement process.

14. The initial overall rating was based on the assessment of key control presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of five important recommendations remains in progress.

Table 1: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective use of IPs to implement the Pakistan programme	Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Project management

Inadequacies in monitoring of donor funding of \$7.1 million were being addressed

15. Under a memorandum of understanding (MOU), the Saudi Fund for Development (SFD) agreed to provide funding of \$7.1 million for shelter projects for internally displaced persons in the Federally Administered Tribal Areas and Baluchistan. However, at the end of programme cycle, the Representation

was unable to charge the cost of implementing the one room shelter projects to the SFD agreement in view of the non-fulfillment of the following donor conditions: (a) invitation of qualified contractors through advertisement in newspapers to bid for the two projects; (b) submission to SFD of the evaluation of offers received, bid tabulation and recommendation of the best technical, financial and performance offers in accordance with the proposed implementation plan; and (c) submission to SFD of periodic progress reports during the implementation of the projects. As a result, an opportunity was lost to use the funds intended for the beneficiaries who were in need of shelters in 2011, which carried a reputational risk for UNHCR. In their letter dated 4 April 2012, the Representation asserted that the inability to use the funds was the result of a misunderstanding in communication rather than any divergence from procedures. The costs of the shelters were eventually charged against the funds received from the Government of Japan, and to the unearmarked contributions for floods in 2011. According to the Representation, the \$7.1 million from SFD was going to be used in 2012 for the two-room shelter projects.

(1) The UNHCR Representation in Pakistan should implement procedures to monitor compliance with donor conditions.

The UNHCR Representation in Pakistan accepted recommendation 1 and stated that it is cognizant of the need to ensure compliance with donor requirements. One of the donor requirements was to ensure that the donor representative is invited and participated in the meetings to review the implementation of the project funded by SFD, i.e. procurement of the services of a contractor to construct the two-room shelter projects. In a meeting on 30 November 2012, a detailed discussion on the procurement process was held at the the Representation with the SFD representative (assigned at Sub Office 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 5 December 2012. 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 Local Committee on Contracts (LCC) approval. OIOS appreciates the action taken by the Representation to comply with SFD funding conditions relating to competitive bidding and submission of progress reports. To prevent a recurrence of non-fulfillment of donor conditions, procedures need to be put in place for reviewing and monitoring donor conditions on a regular basis. Recommendation 1 remains open pending receipt of procedures outlining how the Representation will monitor compliance with donor requirements.

Action was underway to ensure completion of shelter project

16. On 22 July 2011, UNHCR and a government IP in Baluchistan entered into an MOU for the implementation by different IPs of 8,550 one-room shelter projects in Baluchistan. The shelter projects were to be completed by 31 December 2011 with a liquidation period of up to 31 January 2012, which was subsequently extended up to 31 March 2012. A request for further extension was denied and projects pertaining to 17 IPs were carried over to 2012 under new agreements. In accordance with the MOU, the government IP was vested with responsibilities for: (a) selection of partners and identification of project sites and beneficiaries; and (b) monitoring and evaluating progress of shelter construction and authority to stop the work and recommend cancellation of shelter allocation if other IPs failed to deliver according to specifications. In addition, the government partner was given the responsibility as an IP for constructing 500 shelters under a separate IP agreement.

17. As the government IP was unable to provide monitoring and evaluation reports, the Representation engaged a company as consultant to monitor the progress of shelter projects including

those implemented by the government IP. In Baluchistan, reports showed that there were marked discrepancies in the completion of shelter projects between those reported by IPs and the consultant as shown in table 2. A discrepancy between shelters claimed as completed was identified for the government IP that reported a 90 per cent completion for 500 shelters it was entrusted, which differed from the consultant's reported completion of 24 per cent. The Representation cited the tough environment as the factor that limited the monitoring, i.e., denial of access to shelter projects and the insecure environment.

Table 2: Discrepancy of shelters reported by 21 IPs and the consultant

	Room	Kitchen	Toilet
Per IP summarized weekly reports as at 18 April 2012	8,040	8,040	7,898
Per consultants report of 19 April 2012	6,915	6,564	5,483
Over reporting by IPs	1,125	1,476	2,415

(2) The UNHCR Representation in Pakistan should require the government implementing partner in Baluchistan to complete construction of its allocated 500 shelters and comply with its obligation to provide UNHCR with accurate periodic monitoring and evaluation reports on the progress of shelter projects in accordance with the memorandum of understanding.

(3) 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 Baluchistan.

The UNHCR Representation in Pakistan accepted recommendation 2 and stated that the government partner, had completed its 500 allocated shelters albeit with relatively minor shortfall (15 latrines and 17 kitchens) and the unspent funds returned to UNHCR. The shelters which could not be verified by the consultant, due to the expiry of their contract in April 2012, were subsequently verified through a systematic approach by the UNHCR sub-office Quetta multi-function team in July, whereby 30 per cent of shelters were randomly selected for verification and found to be correct. . Based on the action taken by the Representation, recommendation 2 has been closed.

The UNHCR Representation in Pakistan accepted recommendation 3 and stated it is still reviewing the reports from the IP, the consultants, and sub-office Quetta multi-function team to reconcile the records on file. This would also involve obtaining independent confirmation from different stakeholders. The timing and the security issues in the Baluchistan 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 per cent already done is expected to be one month, security conditions permitting. Recommendation 3 remains open pending receipt of the Representation's comprehensive inspection report on the completion of shelters and the resolution of discrepancies.

Audit arrangements for carried over shelter projects were reviewed and strengthened

18. Audit certificates for 2011 projects did not cover expenditures incurred on 21 sub-projects that could not be completed within the year and for which the liquidation period was extended into 2012. As a result, the external audits of the 17 sub-projects that were not completed in 2011 covered only the project's partial expenditures incurred in 2011 and excluded those carried over into 2012. This is

inconsistent with UNHCR guidelines, which state that audit firms should cover the audit of cash receipts and disbursements up to the liquidation period. The Representation acknowledged the importance of extending the external audit activity to cover the 2011 projects that were extended into 2012 and stated that the UNHCR-contracted external audit firm will audit carried over partially completed projects by December 2012. In view of the action taken, no recommendation is raised.

Controls for addressing fraud and corruption were being put in place

19. Due to the decentralized operational setup of the Representation, coupled with factors such as the operating context and insecure environment, the Representation was exposed to fraud and corruption risks. There were red flags or activities vulnerable to fraud such as the possible misrepresentation by IPs in the weekly reporting of physical progress of completed shelters in Baluchistan. In addition, seven of the eight IPs visited had no feedback and complaint mechanisms to serve as an avenue for fraud identification and prevention. One IP included in the Implementing Partner Financial Monitoring Report (IPFMR) undisbursed amounts as expenditures, which were subsequently reversed. Such events pointed to the need for robust anti-fraud measures at the Representation and within its area of responsibility. Also, at the time of the audit, the Representation had not submitted to UNHCR Headquarters the lists of staff eligible for the UN Financial Disclosure Programme and staff who undertook the Annual Code of Conduct Refresher Session.

(4) The UNHCR Representation in Pakistan should put in place controls for addressing fraud and corruption in compliance with UNHCR guidelines.

The UNHCR Representation in Pakistan accepted recommendation 4 and stated that the provision in Section 5 (Fraud and Corruption Risks) of IOM no. 049/2008 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. 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 comprising 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. 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. OIOS thanks the Representation for the actions taken, but UNHCR guidelines require that managers are expected to put in place the appropriate controls to prevent fraud and corruption, and in particular: (i) identify the types of risks to which activities within their area of responsibilities are exposed; and (ii) assess the identified risks, select risk-avoidance options, design and implement cost effective prevention and control measures. Recommendation 4 remains open pending receipt of documentation showing the setting in place of fraud and corruption controls at the Representation based on the structured fraud risk assessment in respect of personnel, structural/physical, and operational/financial risks.

Steps were underway to improve management of IPs

20. Due to the lack of a comprehensive risk assessment, IPs assessed as suitable for partnering with UNHCR were subsequently assessed as unsuitable and abandoned the shelter project during implementation. This was due to inadequate assessment of risk factors such as political and bureaucratic risks the IP would face in the districts; shortage of IP professional staff and inadequate experience in handling contractual issues. At the time of this report, the Representation acted on the issue raised and harmonized IP risk assessment and selection procedures and created standard templates for IP selection, which it implemented in September 2012. In view of the action taken, no recommendation is raised.

21. The Representation was unable to identify IPs whose capacity needed development due to the lack of a structured and holistic performance evaluation of 90 IPs implementing projects totaling \$118 million. There were indications of 23 IPs who needed capacity building in areas such as project, procurement and financial management, i.e., 17 IPs had not completed the projects in 2011; one IP backed out and had returned the Rs23.9 million (\$267,000) out of the Rs25.3 million (\$283,000) unspent balance; and five out of 20 IPs reviewed had qualified audit opinions.

(5) 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.

The UNHCR Representation in Pakistan accepted recommendation 5 and stated that the IP needs have been identified in different ways. Annual review of the IP's performance led by the multi-function team in each field office was conducted prior to entering into agreement for the new programme year, as well as prior to entering into new agreements with existing partners for regular projects including the IPs for the RAHA projects. Further the review, assessment, and selection for new prospective partner are also carried out as and when it arises and follows the UNHCR new IP selection criteria. The capacity-building needs of the existing IPs 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. On all occasions, the IP 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 IPs and its staff. The UNHCR Representation in Pakistan 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 IPs staff to some identified relevant trainings and workshops. 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 results-based management, financial and programme management workshop clearly identifying the roles and responsibilities of the IPs 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 IPs. These activities were carried out in 2012. Recommendation 5 remains open pending receipt of a capacity-building plan based on the performance review results Representation-wide (not only of sub-office Peshawar with only 30 IPs evaluated but also for the remaining 60 IPs) demonstrating a clear linkage of the capacity-building plan with the results of the performance reviews.

IP financial control arrangements were reviewed and strengthened

22. There were instances of non-compliance with the sub-project agreements, for example: (a) one IP used single entry manual accounting system instead of double entry, while its ledgers and cashbooks were not properly maintained, which affected its capacity to accurately report on project expenditures; (b) bank

records were not reconciled regularly in one IP; (c) there was inappropriate reporting of expenditures by an IP, which was subsequently corrected; and (d) two IPs did not maintain separate interest-bearing bank accounts for UNHCR funds. The Representation stated that effective October 2012 the Programme and Project Control Units used the harmonized financial and project verification monitoring and reporting tools developed by Sub-Office Peshawar, conducted trainings on financial management and procurement for IPs, and followed up any residual or emerging issues during financial verification exercises. The Representation also redeployed project control staff commensurate with the workload for monitoring and verification activities. In view of the actions taken, no recommendation is raised.

Monitoring of IP procurement processes was not fully effective

23. Of the eight IPs reviewed, only one was pre-qualified to undertake procurement using its own procurement rules, while the rest needed to follow the UNHCR IP procurement rules. A review of compliance with IP procurement guidelines indicated that; (a) two IPs procured 12 solar powered water pumps (\$194,509) and 13 solar energy systems (\$56,730) without competitive bidding; (b) one IP did not perform technical evaluation of the procurement of 600 shelter kits valued at Rs.23.31 million (\$272,313); (c) four IPs had evaluation criteria that were not specific; and (d) handling and treatment of bids were not adequately controlled in four IPs. Therefore, the Representation was exposed to risk of not obtaining the best value for money in respect of its IP procurement activities in areas of competitive bidding, technical evaluation, and handling and treatment of bids.

(6) 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.

The UNHCR Representation in Pakistan accepted recommendation 6 and stated that it is developing the harmonized guidelines and templates for monitoring the IP procurement activities in compliance with the UNHCR IP Procurement guidelines. As part of the Branch Office Islamabad Supply Chain Management unit's oversight control mechanism, each sub- and field office has been assigned a dedicated staff from the Supply Chain Management unit to monitor and to oversee the IP procurement proceedings. The staff member reviews the tendering documents, participates in the bid opening in an observer capacity, liaises with IPs on any procurement related matters and provides 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 IP through a signed formal undertaking agreeing to ensure UNHCR's involvement in procurement proceedings in an observer/advisory capacity. This document constitutes an annex to the Standard Partner Agreement since 2012. Recommendation 6 remains open pending receipt of the harmonized guidelines and templates on monitoring IP's compliance with UNHCR IP procurement guidelines.

Action taken to ensure IP external audit reports are in compliance with UNHCR guidance

24. The external audit reports submitted by the auditing firms on behalf of the Representation were not in full compliance with the requirements for such reports set out in UNHCR rules. The following areas of non compliance were noted in the review of 20 out of 92 (22 per cent) external auditors reports: (a) inconsistencies in the structure and content of external audit reports; (b) except for one external audit report, the other 19 did not include an assessment and rating of the IP internal controls and financial management; (c) the external audit reports did not provide comments and assessment on effective delivery of project services and resource utilization; and (d) three external audit reports showed high risk audit findings but had unqualified opinions. The Representation therefore lacked the right information to make informed decisions on whether UNHCR funds were properly accounted for by IPs.

(7) The UNHCR Representation in Pakistan should ensure that 2012 external audit certification is carried out in compliance with UNHCR rules.

The UNHCR Representation in Pakistan accepted recommendation 7 and stated that the audits conducted on 1 November to 26 December 2012 included the assessment and rating of the IP financial management, and provided risk levels for each audit observation. The structure and content of the auditor's reports were consistent with the UNHCR-prescribed opinion paragraph, i.e., "present fairly, in all material respects". Despite UNHCR's provision of the TOR-prescribed structure and content of the auditors reports, the government auditors continued to use the government-prescribed format. For 2012 audit, the UNHCR Representation in Pakistan requested in a meeting with the government auditors to use the UNHCR-prescribed format and the timeframe for the audit reports. The contract for audit services for 2012 projects explicitly mentioned the consistency and uniformity of the structure and content of the auditor's report, including the provision of relevant matrices to use in completing the auditor's reports. The Project Control unit severally met with the contracted external audit firm and its auditors to ensure compliance with the prescribed UNHCR-prescribed structure and content of the auditor's report, reliable, quality and timely submission of auditor's reports, inclusion of assessment and rating of IP internal controls and financial management, provision of comments and assessment on effective project delivery and resource mobilization, and analysis of risk level for each audit observation to be uncovered. The Project Control unit also conducted pre-consultative audit meetings in Islamabad, Peshawar and Quetta with participants from the IP project and finance staff, external auditors, UNHCR Project Control staff, Programme staff, and Supply Chain Management unit staff to ensure clear understanding of the roles and responsibilities in the annual audit exercise. Based on the action taken by UNHCR Pakistan, recommendation 7 has been closed.

Provisions on asset management in the IP agreement were strengthened

25. Standard conditions in IP agreements provide that assets and special items provided in-kind or financed by UNHCR shall remain the property of and shall be returned to UNHCR upon completion of the sub-project unless otherwise agreed upon in writing. As at 31 December 2011, the Representation recorded 269 assets costing \$5.4 million that were held by IPs. Of the total, 138 items of assets valued at \$2.4 million (44 per cent) were tested. Non-compliance with UNHCR rules was identified, such as: (a) absence of Right of Use Agreement (ROU) on UNHCR assets for the year 2012 and continued possession of UNHCR assets by former IPs despite project completion; (b) inventory reports of assets and special items were not complete and reconciled for two IPs; (c) no indications in the vehicle logbooks of two IPs that use of vehicles was periodically checked; and (d) the commodity tracking system on the receipts from UNHCR and distributions to beneficiaries of non-food items (NFIs) and materials for one room shelter projects was not fully implemented. Corrective measures were instituted by issuing ROUs in 2012 to IPs. The first phase of asset verification in 2012 was completed and reports compiled. The Supply Chain Unit would resolve the observed discrepancies within 2012. Effective September 2012, IPs in Peshawar were required to submit to the Representation completed receiving and distribution forms for the shelter materials and NFIs. The review of logbooks on IP-held UNHCR vehicles was covered during UNHCR quarterly financial verifications. In view of the actions taken, no recommendation is raised.

Arrangements for managing inventory were strengthened

26. The Representation conducted and submitted to UNHCR Headquarters physical verification of inventories in November and December 2011. However, the manner in which the exercise was carried out did not result in an inventory report that was complete, accurate and done in a transparent manner. For example: (a) physical verification was not fully documented to provide a description of the exercise, problems faced and resolved, and lessons learned; (b) accurate counting of some inventories was not

possible as they were unsystematically stacked; (c) there were discrepancies between the count and MSRP quantities; and (d) issuance of stocks under the first-in, first-out (FIFO) method was not consistently applied. In addition, there were issues needing appropriate action by the Representation in respect of the determination of reasonable stock levels and physical safeguards of inventories. For instance, (a) there were over and under stocking of inventories for both NFIs and medicines; and (b) safeguarding of inventories was not adequate, i.e., opening and closing of locked warehouses not logged, the Quetta warehouse lacked adequate security and majority of the NFIs were placed in open premises exposed to the elements. To address the issues, the Representation required sub-offices to comply with the need for proper stacking and strict adherence to the principle of FIFO. The discrepancies were acted upon and submitted to the Local Asset Management Board (LAMB) for review and approval. All inventories were stored in a closed warehouse. The year-end verification was completed and final reconciliation report was targeted for completion within 2012. In view of the actions taken, no recommendation was raised.

IV. ACKNOWLEDGEMENT

27. OIOS wishes to express its appreciation to the Management and staff of UNHCR Pakistan for the assistance and cooperation extended to the auditors during this assignment.



Mr. David Kanja, Assistant Secretary-General
Office of Internal Oversight Service

STATUS OF AUDIT RECOMMENDATIONS

Audit of UNHCR Programme implementation in Pakistan through implementing partners

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNHCR Representation in Pakistan should implement procedures to monitor compliance with donor conditions.	Important	O	Receipt of procedures outlining how the Representation will monitor compliance with donor requirements	30 June 2013
2	The UNHCR Representation in Pakistan should require the government implementing partner in Baluchistan to complete construction of its allocated 500 shelters and comply with its obligation to provide UNHCR with accurate periodic monitoring and evaluation reports on the progress of shelter projects in accordance with the memorandum of understanding.	Important	C	Action completed	Implemented
3	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 Baluchistan.	Important	O	Receipt of the Representation's comprehensive inspection report on the completion of shelters and the resolution of discrepancies	30 April 2013
4	The UNHCR Representation in Pakistan should put in place controls for addressing fraud and corruption in compliance with UNHCR guidelines.	Important	O	Receipt of documentation showing the setting in place of fraud and corruption controls at the Representation based on the structured fraud risk assessment in respect of personnel, structural/physical, and operational/financial risks.	30 June 2013

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.

³ C = closed, O = open

⁴ Date provided by the Representation in response to recommendations.

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
5	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.	Important	O	Receipt of a capacity-building plan based on the performance review results Representation-wide (not only of sub-office Peshawar with only 30 IPs evaluated but also for the remaining 60 IPs) demonstrating a clear linkage of the capacity-building plan with the results of the performance reviews.	31 December 2013
6	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.	Important	O	Receipt of the harmonized guidelines and templates on monitoring IP's compliance with UNHCR IP procurement guidelines	30 June 2013
7	The UNHCR Representation in Pakistan should ensure that 2012 external audit certification is carried out in compliance with UNHCR rules.	Important	C	Action completed	Implemented