

RESPONSE AND IMPLEMENTATION OF RECOMMENDATIONS
Assignment No. AR2010/141/01 – Audit of effectiveness and efficiency of implementation
of project activities in UNHCR operations in Pakistan

Para no.	Recommendation	Risk category	Risk rating	Accepted (Yes/No)	Implementation date	Client Comments
12	The UNHCR Division of Human Resources Management should assist the Representation in Pakistan, in filling vacant Professional posts.	Human Resources	High	Y	30/04/2011	- Implemented. - All vacant posts were prioritised in a special Joint Review Board (JRB) and, as a result, all Professional staff have been appointed to the vacant posts.
16	The UNHCR Representation in Pakistan should comply with the approved overall policy framework for Pakistan (October 2009) and Chapter 4 of the UNHCR Manual, and undertake a review of the existing capacity of national Implementing Partners (IPs) and develop and implement a plan for capacity building of these IPs based on the results of the review.	Strategy	High	Y	31/10/2011	- Implementation in progress. - Assessments have been carried out by the Sub Office in Peshawar and Quetta to review existing strengths and weakness of the partners working in the KPK and Balochistan provinces respectively. A similar exercise is planned for the end of May for IPs working in Punjab and Sindh. - Based on review findings, a number of capacity building trainings covering areas of protection, project planning and implementation, monitoring and reporting, financial management and procurement have been identified and a comprehensive plan is being prepared. - Meanwhile, training/orientations on some of the identified areas have been implemented. Many IPs were invited for training during which extensive sharing of information in relation to UNHCR's policy priorities, objectives, and results-based programming was discussed. - IPs were also trained in project planning and proposal writing along the lines of RBM principles, target setting, beneficiary selection criterion, etc. IPs were also made familiar with MRSP and FOCUS related reporting formats, financial management, asset management and staffing. - Training/orientation on procurement and 'UNHCR IP procurement guidelines' have been provided to IPs undertaking major procurement (above US\$ 100,000).
20	The UNHCR Representation in Pakistan should comply with the guidance provided in the IOM-FOM 003/2009, "Pre-selection Checklist for UNHCR Implementing Partners" and establish multi-functional Implementing Partners (IPs) Selection Committee for assessing and selecting new IPs. The Representation should also use the	Compliance	Medium	Y	02/2011	- Implemented. - A multi-functional team has been established in each location comprising members from different section (such as protection, programme, field, community services) and staff of different levels. The Representation has started to carry out IP assessment and selection, within the multi-functional team framework.

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	information obtained in filling the IP checklist to adapt its programme monitoring and develop appropriate IP capacity building activities.					
24	The UNHCR Representation in Pakistan should put in place procedures to evidence that financial and performance programme monitoring activities performed are adequately documented in the Programme files to support the signing of the quarterly Implementing Partner Sub-Project Monitoring Report.	Operational	Medium	Y	15/07/2011	<ul style="list-style-type: none"> - Implementation in progress. - All offices (Country Office, Sub Offices and Field Office) will henceforth carry out monitoring within the multi-functional team framework and will submit a verification report upon completion of the exercise. The sub-project monitoring reports will be signed off by the authorized staff only after reviewing the progress, as evidenced by the verification report. The adequacy of documentation will further be cross-checked when instalment payment is processed.
26	The UNHCR Representation in Pakistan should undertake a review of the use of multi-functional teams to assess Implementing Partner performance by sub office Peshawar to determine the cost effectiveness of the application for other locations in the Pakistan operation.	Operational	Medium	Y	30/05/2011	<ul style="list-style-type: none"> - Implementation in progress. - The multi-functional team established in each location (refer comment # 20) will also carry out performance monitoring of partners.
29	The UNHCR Representation in Pakistan should seek support from UNHCR Headquarters to develop a plan for remote monitoring of project activities.	Operational	Medium	Y	30/08/2011	<ul style="list-style-type: none"> - Implementation in progress. - The Afghanistan and Iraq experiences have been sought and provided. Each office will commence GPS and photo recording of project activities for monitoring /documentation purposes when the required equipment is available. - The Representation and the Bureau will also take into consideration the findings of UNHCR Policy Development and Evaluation Service's review of how operations in Pakistan and Afghanistan have adapted to operating in insecure environments. This report is currently under preparation.
33	The UNHCR Representation in Pakistan should put in place procedures to follow up on all recommendations contained in external auditor management letters, and ensure all Implementing Partners (IPs) submit an action plan to resolve the audit recommendations and document the action taken by UNHCR and the IPs to improve IPs internal controls.	Operational	Medium	Y	30/06/2011	<ul style="list-style-type: none"> - Implementation in progress. - For systematic and timely follow-up on audit matters with IPs, focal persons have been designated in each location. The respective Sub/Field Offices will make periodic follow-up with partners in their respective locations to resolve the outstanding recommendations and report to the Representation on action taken by Sub/Field Offices and the IP on a monthly basis. - The Representation's Project Control Unit will consolidate

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						the report from Sub/Field Offices, review progress on a monthly basis as well as provide technical support to the Sub/Field Offices, as required.
35	The UNHCR Representation in Pakistan should verify the validity and correctness of the expenditure reported as a grant of \$382,000 by IP Chief Commissioner Afghan Refugees (CCAR).	Operational	Medium	Y	30/06/2011	<ul style="list-style-type: none"> - Implementation in progress. - The Representation has followed up with CCAR by letter (see Annex 1) and has not yet received a formal response. - By 15 May 2011, if there is no progress, the Representation will commence joint verification procedures by deploying staff to each location. - If the locations are not accessible due to security reasons, UNHCR will seek the services of an independent audit team for the verification of expenditure by 15 June 2011.
40	The UNHCR Representation in Pakistan should develop a monitoring plan of procurement procedures executed by Implementing Partners (IPs) involved with transitional shelters. This plan should include the delegation of procurement to IPs over \$100,000 being reviewed and approved by the Local Contracts Committee before signing the sub-project agreement as required by the IP Procurement Guidelines. In its decision to delegate these procurement activities to IPs, the Representation should consider the impact of the 17 per cent Value Added Tax.	Operational	High	Y	01/04/2011	<ul style="list-style-type: none"> - Implemented. - UNHCR HQs deployed a Supply Officer (procurement) to assist the Representation in reviewing IP procurement procedures and training IP staff on procurement. Training was conducted for all existing partners (with delegated procurement of \$100,000); adequacy of procurement procedure was jointly assessed with IPs. - To ensure adequate monitoring of the IP procurement, the Representation put in place additional measures, viz: <ul style="list-style-type: none"> -All IPs have been provided with UNHCR IP guidelines. IPs not pre-qualified for procurement are required to confirm in writing that they agree to follow UNHCR IP guidelines. - UNHCR participates in all major procurement processes, including opening of bids, comparison and final award of the contract. -Prior to selection of new IPs, a risk assessment is carried out by a team applying the standard UNHCR check list. - Proposals for the delegation of IP procurement are reviewed by the LCC before signing of the sub-project, and approved only if the above process is duly completed and is also seen to be the best operational option. - A plan/check list has been developed for monitoring of IP procurement (pre and post award of the contract) which will be carried out by UNHCR team under multi-functional structure. (See Annex 2)
42	The UNHCR Representation in Pakistan should investigate the circumstances prevailing when the Field Security Advisor authorized the additional work to be carried	Governance	Medium	Y	30/08/2011	<ul style="list-style-type: none"> - Implementation in progress. - A written request has been submitted to the former Field Security Advisor and his response is awaited. The Head of DESS has also been asked to assist to enable the

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	out and determine whether there was any financial loss to UNHCR and whether anyone should be held accountable for this loss.					Representation to follow-up for settlement of this case.
44	The UNHCR Representation in Pakistan should undertake a review to establish the reason for the use of the local frame agreement for the purchase of kitchen units and determine whether anyone should be held accountable for the loss incurred of around \$350,000. The review should also establish whether any changes to procedures are needed to deal with emergencies.	Operational	Medium	No		<ul style="list-style-type: none"> - Recommendation noted. - The explanation below outlines the circumstances. The reported loss is calculated (as shown below) to be \$259,152.12. - It is submitted that the purchase decisions made in the context of an emergency needs to balance financial frugality with the timely provision of life saving assistance considering delivery time, cost, historical delays in clearing specific country of origin goods and the speed of local procurement and the quality of goods supplied. - As mentioned in the audit observation a total of 223,407 kitchen sets were purchased from M/S Dogar Trading Corporation from June 2009 until December 2010 @ \$17.30 per set (unit cost as per Local Frame Agreement) at a total cost of \$3,864,941.10. It is not clear how the figure of \$3,432,440 is obtained when 223,407 kitchen sets are procured @ \$17.30/set. - The cost per kitchen set under International Frame Agreement is \$13.80 FOB Mumbai, India excluding transportation and inspection. The cost of transportation is calculated 15% and the inspection cost is calculated at 2% per set which has to be added to FOB price. Therefore, the actual landed cost per set from International procurement would be as follows: <ul style="list-style-type: none"> - FA price (FOB Mumbai) = \$13.80 Add 17% extra (15% transportation + 2% inspection charge) = \$16.14 - Difference between the two highest prices = \$1.16 per set (i.e. \$17.30 - \$16.16) - If all kitchen sets were procured from International FA it would have cost us \$3,605,788.98 (i.e. 223,407 sets x \$16.14) whereas from the Local FA it has cost us \$3,864,941.10. The difference is \$259,152.12. - The above should be taken into consideration while calculating the difference.

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						<p><u>Other points to be noted:</u></p> <ul style="list-style-type: none"> - As all the International Frame Agreement holders are from India, it would have been next to impossible to order kitchen sets from the FA holders due to the relationship between the two countries and we would not have been able to deliver during the emergency. Just to give an example, last year it was very difficult to clear one consignment of life saving drugs simply because they were made in India although they were supplied by suppliers in other countries. - The setup time required by the Indian company is 2 weeks. The delivery capacity is calculated 5,000 Kitchen Sets per week. - The 223,407 kitchen sets were purchased in 8 different dates, meaning 16 week would have been required as a setup time and 45 week would have been required for the delivery of Kitchen Set to FOB Mumbai. While an estimated 4 weeks including customs clearances would be needed here in Pakistan. The total delivery time required for 223,407 kitchen sets would approximately be around 65 weeks (16 (set up) +45 (delivery capacity) +4 (transit) in total. - On the other hand M/s Dogar Trading Corporation has a delivery capacity of 15,000 sets per week with a setup time of 06 days on average while in emergencies he was able to reduce the setup time to zero day and the delivery capacity was increased to 20,000 set per week. - Taking an average of 15,000 / week with a setup time of 6 days M/S Dogar Trading Corporation completed the order for 223,407 kitchen sets in 23 weeks. Six days of set up time is taken for 8 times as the purchase was made at 8 different times. The delivery by this supplier is far better then that of International FA holders.
46	The UNHCR Representation in Pakistan should put in place measures for the periodic conduct of performance reviews of vendors as per UNHCR Manual, chapter 8 and additional guidance provided by IOM-FOM/45/2010 Revision: Vendor Registration Process. The measures should include the practice to be used in emergencies.	Compliance	Medium	Y	30/06/2011	<ul style="list-style-type: none"> - Implementation in progress. - By the end of March 2011, a separate file for all suppliers (with Frame Agreements and other frequently used suppliers) exceeding a contract value of \$5,000 (a threshold requiring formal tendering) has been established. The file contains suppliers' verification reports, delivery records, inspection records and non-compliance on contract clauses (POs etc), as applicable. - The local frame agreements for all NFI suppliers expire on 31 May 2011. A detailed review of all local frame agreement

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						suppliers will be carried out upon contract expiry. The Representation's Supply Unit has advertised for establishment of new Frame Agreements for NFIs. Once agreements are established, quarterly review of the vendors will be conducted.
50	The UNHCR Representation in Pakistan should, with the assistance of the Bureau for Asia and the Pacific and Legal Affairs Section approach the UN Country team to pursue the possibility of joint discussions with the Government of Pakistan on the issue of taxes on old and new vehicles, in relation to the Cooperation Agreement on the procurement of duty free vehicles.	Compliance	Medium	Y	31/06/2011	<ul style="list-style-type: none"> - Implementation in progress. - A request for refund of sale tax has been sent to the Ministry of Foreign Affairs for 6 Toyota Corolla cars locally purchased in 2010. (See Annex 3) In future, prior authorisation from the Ministry will be requested. - The Bureau and Legal Affairs Section will ascertain the issues and assist the Representation in consultations with the UNCT in Pakistan regarding a coordinated approach to the Pakistani authorities on the issue of taxes imposed on the procurement of UN vehicles.
53	The UNHCR Representation in Pakistan should produce Local Contracts Committee (LCC) minutes that comply with IOM/04/2008 – FOM/04/2008, and send the LCC minutes immediately after approval to the Secretary of the Committee on Contracts at Headquarters.	Compliance	Medium	Y	02/2011	<ul style="list-style-type: none"> - Implemented. - In line with suggestions, new LCC minutes have been drafted in compliance with IOM/04/2008-FOM/04/2008 and all minutes (irrespective of whether CoC approval needed or not) will be sent to CoC after the minutes are signed by the Chairperson and Secretary.
58	The UNHCR Representation in Pakistan should conduct a physical count of assets and inventories in warehouses and update the records for assets and inventories in the Management Systems Renewal Project. Any losses identified should be appropriately accounted for.	Operational	Medium	Y	10/02/2011	<ul style="list-style-type: none"> - Implemented. - In accordance with the exceptional deadline granted to the Pakistan Operation by DESS, the physical verification of Property, Plant and Equipment as well as the inventory count was carried out and relevant reports submitted to HQ on 10 February 2011. (See Annex 4) - MSRP records are completely updated for all warehouses stock. - Extension of the Right of Use (ROU) agreements with IPs is being implemented, which is based on the outcome of the physical verification of assets,
63	The UNHCR Representation in Pakistan should identify the most suitable option to address the issue of warehouse management. As part of this exercise, any decision to outsource should include an evaluation of the capacity of any Implementing Partner (IP) or service provider and Standard Operating Procedures (SOPs) on warehouse	Strategy	High	Y	31/03/2011	<ul style="list-style-type: none"> - Implemented. - As of 1 February, UNHCR has taken over the management of the central warehouses from the IP (SRSP). UNHCR has hired two experienced staff for the warehouse and plans to deploy one additional staff member in an effort to improve the efficiency, effectiveness, management and supervision of the warehouse operations. - Flow charts for the development of SOPs are complete, bin cards, GRNs etc are in use. (See Annex 5)

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	management and record keeping in line with UNHCR manual (chapter 8, Section 4, Warehouse Management) should be developed and provided to the IP or warehouse management service provider.					
65	The UNHCR Representation in Pakistan should determine whether there was negligence for not having insurance and establish whether anyone should be held accountable for losses arising because of the absence of insurance.	Governance	Medium	Y	31/03/2011	- Implemented. - Warehouse has been insured with Global Insurance Company (Hughwood) which has a Global Frame Agreement with UNHCR HQ. - The case was reviewed by the LAMB in its meeting dated 10 February 2011 and endorsed for write off. The case has been further submitted to the HAMB for decision. (See Annex 6)
67	The UNHCR Representation in Pakistan should, in order to comply with the IOM-FOM/060/2010 ensure that supply unit completes the physical count and physical verification of Property, Plant and Equipment assets, identifies the discrepancies and establishes an up-to-date opening balance at the cut off date.	Operational	High	Y	10/02/2011	- Implemented. - The reports on the physical count of PPE Assets (Property Plant and Equipment) have been submitted to HQ SMS on 10 February 2011 in compliance with IOM/FOM060/2010. (See Annex 4)
70	The UNHCR Representation in Pakistan should ensure that assets, Non Food Items and other Serially Tracked Items damaged, lost or destroyed by the floods are submitted to the Local Asset Management Board for writing off and subsequent disposal.	Compliance	Medium	Y	30/06/2011	- Implementation in progress. - The case for items destroyed due to floods has been endorsed by LAMB for write off in its meeting No 01/2011 held on 10 February 2011. The case has been submitted to HAMB for final decision. The decision is still awaited from HAMB. (See Annex 6)
72	The UNHCR Representation in Pakistan should ensure that the necessary measures are taken to ensure that the Local Asset Management Board meetings are held at least on a quarterly basis as required by UNHCR Manual, Chapter 8.	Governance	Medium	Y	31/05/2011	- The Representation will ensure at least quarterly meetings of LAMB in future or earlier when needed.
74	The UNHCR Representation in Pakistan should put in place a mechanism to comply with the rules on asset management requiring the signature of Right of Use agreements with Implementing Partners for the use of Property Plant Equipment UNHCR assets.	Compliance	Medium	Y	28/02/2011	- Implemented. - Based on physical count of assets, all ROU agreements with IPs were extended for year 2011. (See Annex 7)

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76	The UNHCR Representative in Pakistan, as Authorizing Officer should designate Serially-Tracked Items (STIs) stockholders in the offices under its authority and ensure that the procedures are in place for administration of STIs such as bar-coding, recording and updating records.	Operational	Medium		30/06/2011	- Implementation in progress. - UNHCR Representative in Pakistan is assigning the overall responsibility of STIs in terms of bar-coding, recording and updating records in MSRP to Supply Sections. However the IT and Telecom will still remain the Stockholders for IT and Telecom Items and Administration Section for items stored in their custody.
78	The UNHCR Representation in Pakistan should review and amend the Delegation of Authority Plan (DOAP) to ensure compliance with the UNHCR Financial Internal Control Framework. In particular: <ul style="list-style-type: none"> • Split the roles of requisition approver and PO approver; • Take the vendor approver role away from the one Finance staff member, who is also voucher preparer and technical approver; • Reduce the number of persons assigned the role of PO match manager in BO Islamabad; and, • Implement controls to prevent payment approvers from approving payments to themselves. 	Financial	Medium	Y	28/02/2011	- Implemented. - The DOAP has been revised and approved by HQs in line with OIOS recommendations. (See Annex 8)
84	The UNHCR Representation in Pakistan should seek advice from the Division of Information Service Technology on data backup and recovery and when Implementing Partners involved in the implementation of Information Technology projects should be requested to prepare and submit Disaster Recovery and Business Continuity plans.	Information resources	Medium	Y	15/04/2011	- Implemented. - Disaster Recovery and Business Continuity (DRBC), with the shift of the PPV server to the Country Office, standardized back-ups (son-father-grandfather, which are daily back-ups that get backed up again every Saturday. The system involves 6 hard drives (son), and then the weekend back-up (father), 4 times per month and the monthly back up (grandfather) ensures the data is never lost. This cycle gets repeated every month. Audit logs record when/who accessed them. - The UNHCR also has all source codes for the PPV interactive data-entry software, so will be able to maintain and update the software as needed. - The Representation nevertheless in future will seek HQ advice, as may be required, for technical assistance. The creation of a comprehensive Information Security Policy (including Disaster Recovery and Business Continuity plans) will be one of the primary responsibilities of the future

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						incumbent of the newly created Senior ICT Security Officer position in DIST.