



INTERNAL AUDIT DIVISION

REPORT 2017/041

Audit of the operations in Pakistan for the Office of the United Nations High Commissioner for Refugees

There was a need to address control deficiencies in planning and resource allocation, programme monitoring and reporting, partnership management, voluntary repatriation activities, and procurement and vendor management

2 June 2017

Assignment No. AR2016/141/02

Audit of the operations in Pakistan for the Office of the United Nations High Commissioner for Refugees

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the Office of the United Nations High Commissioner for Refugees (UNHCR) operations in Pakistan. The audit covered the period from 1 January 2015 to 30 September 2016 and included a review of: (i) planning and resource allocation; (ii) programme monitoring and reporting; (iii) partnership management; (iv) voluntary repatriation; (v) distribution of non-food items (NFIs); (vi) recruitment and vacancy management; (vii) procurement and vendor management; and (viii) security and staff safety.

The UNHCR Representation in Pakistan had effective controls in place for distribution of NFIs and warehouse management, as well as hiring of local staff. The Representation also took prompt action to ensure staff compliance with mandatory security training requirements following weaknesses identified during the audit. However, the Representation needed to address shortcomings in programme planning, programme monitoring and reporting, partnership management, and voluntary repatriation activities. In addition, there was a need to improve management supervision and oversight arrangements over procurement and vendor management.

OIOS made five recommendations. To address issues identified in the audit, the Representation needed to:

- Update its livelihoods strategy based on a socio-economic baseline assessment and market assessment and clearly identified beneficiary targeting criteria, and establish a monitoring plan for directly implemented activities at Sub Office Quetta;
- Allocate roles and responsibilities with clear targets for implementing the recommendations raised in the lessons learnt exercise on the Refugee Affected and Hosting Area Programme, and conduct an impact assessment of the Programme;
- Sign project agreements before the start of the project year, conduct a capacity assessment of existing livelihoods partners, and undertake an analysis to establish the cost-effectiveness of entrusting procurement to partners in all locations;
- Develop detailed standard operating procedures for managing and following up on complaints related to fraud, corruption and abuse in voluntary repatriation activities; and
- Ensure that procurement is initiated as per the approved procurement plan, the prescribed bidding times are systematically respected, and established contract management procedures are followed.

UNHCR accepted the recommendations, has implemented two of them, and has initiated appropriate action to implement the remaining three.

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Audit of the operations in Pakistan for the Office of the United Nations High Commissioner for Refugees

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the operations in Pakistan for the Office of the United Nations High Commissioner for Refugees (UNHCR).

2. The UNHCR Representation in Pakistan (hereinafter referred to as the 'Representation') commenced its operations in 1979. The Representation supports the host government in implementing the Afghan Management and Repatriation Strategy and facilitating the voluntary return of Afghan refugees remaining in Pakistan to return safely to their home country.

3. The Representation deals with the world's largest protracted refugee population. As of October 2016, there were 2.3 million persons of concern in Pakistan, including 1.4 million Afghan refugees, 8,596 asylum seekers from other nationalities, and 0.9 million internally displaced persons (IDPs). Sixty-seven per cent of the persons of concern live outside refugee and IDP villages. UNHCR records indicate that, since March 2002, it has facilitated the return of approximately 3.9 million registered Afghans from Pakistan. The Representation facilitated the return of 381,275 Afghan refugees during 2016.

4. A Representative at the D-2 level heads the Representation's operations and reports to the Director, Bureau for Asia and the Pacific. At the time of the audit, the Representation had 260 posts of which 25 (10 per cent) were vacant. The Representation has a Country Office in Islamabad, Sub Offices in Peshawar and Quetta, and Field Units in Islamabad, Kohat and Timergarah, Dalbandin, Chaman and Loralai. There is also a satellite office in Karachi. As at 30 September 2016, the security level for Islamabad was 3 (moderate), whereas in Peshawar and Quetta it was 4 (substantial) due to the volatile security situation.

5. The Representation had total expenditure of \$64.2 million in 2015. In 2016, its budget was reduced to \$46.7 million due to the changing operational context in the country, and it incurred expenditure of \$32.0 million in the nine-month period ending 30 September 2016. The Representation worked with 61 partners in 2015 and 40 in 2016. The total expenditure of these partners amounted to \$33.7 million in 2015, which accounted for 76 per cent of the Representation's programme related expenditure. For 2016, it budgeted \$19.7 million for implementing through partners (65 per cent of its operational budget).

6. Comments provided by the Representation are incorporated in italics

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over UNHCR operations in Pakistan.

8. This audit was included in the 2016 risk-based work plan of OIOS because of the risks associated with the complexity of operations, volatility of security situation, and prevalence of corruption in Pakistan.

9. OIOS conducted this audit from October 2016 to January 2017. The audit covered the period from 1 January 2015 to 30 September 2016. Based on an activity-level risk assessment, the audit covered

higher risk processes and activities pertaining to the operations in Pakistan, which included: planning and resource allocation; programme monitoring and reporting; partnership management; voluntary repatriation; distribution of non-food items (NFIs); recruitment and vacancy management; procurement and vendor management; and security and staff safety.

10. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical reviews of data from Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system, and performance data from FOCUS, the UNHCR results-based management system; (d) sample testing of controls using stratified sampling techniques; (e) visits to the Representation's offices in Islamabad, Peshawar and Quetta, a warehouse in Peshawar, and nine partners implementing UNHCR projects; and (f) physical observation of activities at a Voluntary Repatriation Centre in Peshawar.

III. OVERALL CONCLUSION

11. The Representation had effective controls in place for distribution of NFIs and warehouse management, and hiring of local staff. The Representation also took prompt action to ensure staff compliance with mandatory security training requirements following weaknesses identified in this regard during the audit. However, the Representation needed to address shortcomings in programme planning, programme monitoring and reporting, partnership management, and voluntary repatriation activities. In addition, there was a need to improve management supervision and oversight arrangements over procurement and vendor management.

IV. AUDIT RESULTS

A. Planning and resource allocation

The Representation needed to address shortcomings in programme planning

12. The UNHCR Programme Manual requires the Representation to: carry out participatory needs assessments with age and gender diversity considerations; establish goals and objectives and related resource requirements for the operations based on identified priorities; design protection and operational strategies in alignment with UNHCR's global strategic priorities and thematic strategies; and put in place measures at the planning stage for facilitating subsequent monitoring of programme interventions and objectives.

13. The Representation prepared annual operations plans for 2015 and 2016 that were aligned with the global strategic priorities and based on an assessment of the needs of the population of concern. The operations plans defined indicators and targets as well as resource requirements for achieving them. The Representation also prepared a multi-year (2015–2017) protection strategy in October 2015 and updated it in February 2016. The protection strategy provided guidance for identifying areas for protection interventions and for preparing standard operating procedures on key protection issues. A multifunctional mission from UNHCR headquarters visited Pakistan in April–May 2016 to review the Representation's protection strategy. The Representation had started implementing the recommendations raised by the mission team.

14. Pakistan was one of the 13 UNHCR pilot countries for the 2013-2017 Global Sexual and Gender-Based Violence (SGBV) Strategy. The Representation developed a country-level SGBV strategy and a five-year planning and prioritization matrix for protection interventions. The two documents outlined general priorities, advocacy partnership and coordination mechanisms, data collection and analysis tools,

and community empowerment interventions. The Representation also took a number of other actions to implement the strategy and to improve the overall humanitarian response to SGBV in Pakistan. However, OIOS observed that the Representation did not develop a multi-year training plan on SGBV despite this being a priority initiative for 2016 and 2017. It also did not prepare the terms of reference of the SGBV working group established in 2015 and ensure that the working group was meeting regularly. Whilst the audit was in progress, the Representation prepared a work plan for 2017 outlining various activities for the SGBV working group, prepared a multi-year training programme and convened a meeting of the working group on 24 November 2016. In view of the prompt actions taken by the Representation, OIOS did not make a recommendation in this regard.

15. OIOS review of the Representation's programme planning procedures further indicated the following shortcomings, which were due to inadequate prioritization of the required control measures:

- The Representation's livelihoods strategy was not supported by a socio-economic baseline assessment, a market assessment, and beneficiary targeting criteria.
- The Sub Office in Quetta implemented programme activities worth \$1.7 million in 2015 and 2016 through direct implementation but did not put in place a plan for monitoring these activities.

16. As a result of these control deficiencies, there was a risk that the Representation would not be targeting the most vulnerable persons of concern through its livelihoods programme and that its direct programme interventions would not be adequately monitored.

(1) The UNHCR Representation in Pakistan should: (i) update the livelihoods strategy based on a socio-economic baseline assessment and market assessment, and clearly identified beneficiary targeting criteria; and (ii) establish a monitoring plan for directly implemented activities at Sub Office Quetta.

UNHCR accepted recommendation 1 and stated that the Representation had: (i) completed the socio-economic assessment, market analysis and value chain analysis, and was updating the livelihoods strategy; and (ii) developed monitoring plans for directly implemented activities in 2017. Recommendation 1 remains open pending receipt of the updated livelihoods strategy containing beneficiary targeting criteria.

B. Programme monitoring and reporting

There was a need to strengthen arrangements over monitoring, reporting and impact assessment of the Refugee Affected and Hosting Area Programme

17. For enhancing host community acceptance of Afghan refugees in Pakistan, the Representation implemented 63 projects worth \$12.3 million in 2015 and 51 projects totalling \$8.9 million in 2016 under the Refugee Affected and Hosting Area (RAHA) Programme. The projects related mainly to construction of educational and health facilities, improvement of infrastructure, and promotion of livelihoods opportunities. The Representation was required to put in place appropriate arrangements to monitor the performance and impact of the Programme.

18. The Representation established a quality control system over construction activities and undertook regular financial and performance monitoring and external audits of the projects. OIOS review of the Representation's management of the Programme, however, indicated the need to address the following weaknesses:

- A lessons learned exercise of the Programme, carried out in 2015, made recommendations to improve monitoring and reporting controls over the projects under the Programme, but the Representation did not allocate roles and responsibilities with specific target dates for the actions needed to implement the recommendations.
- An impact study had not been conducted to assess social cohesion between refugees and host communities and the achievement of the RAHA Programme objectives.

19. The above weaknesses happened because the Representation did not: (a) give adequate attention to implementation of the recommendations raised in the lessons learned exercise; and (b) make arrangements for conducting an assessment of the impact of the RAHA Programme (although the Representation stated that it was planning to conduct an impact study in 2017). As a result, the Representation was exposed to the risk of not fully achieving the objectives of the Programme.

(2) The UNHCR Representation in Pakistan should: (i) allocate roles and responsibilities with clear targets for implementing the recommendations raised on programme monitoring and reporting in the lessons learned exercise on the Refugee Affected and Hosting Area (RAHA) Programme; and (ii) conduct an impact assessment of the RAHA Programme.

UNHCR accepted recommendation 2 and stated that the Representation had allocated roles and responsibilities according to operational needs and functional competencies of staff and prepared monitoring plans for the RAHA projects while the impact assessment of the Programme would be conducted and completed in 2017. Recommendation 2 remains open pending receipt of the report on the impact assessment of the RAHA Programme.

C. Partnership management

There was a need to ensure timely signing of project agreements, conduct a capacity assessment of livelihoods partners, and establish the cost-effectiveness of entrusting procurement to partners

20. In line with UNHCR Enhanced Framework for Implementing with Partners, the Representation is required to: (i) select or retain partners through a multi-functional Implementing Partnership Management Committee to ensure that the process is carried out with adequate due diligence and in a timely manner; (ii) sign project agreements before commencement of the project year; and (iii) monitor the implementation of project activities through a risk-based approach.

21. During the audit period, the Representation established three separate Implementing Partnership Management Committees in the Country Office Islamabad and the two Sub Offices in Peshawar and Quetta. In 2015, the Representation signed 79 Project Partnership Agreements worth \$32.9 million with 61 partners, while in 2016 it had 50 agreements for \$19.3 million with 40 partners. The agreements were not signed before the commencement of the project year. In 2015, the Representation concluded 63 (80 per cent) agreements between January and February 2015 while two agreements were signed as late as July 2015. Similarly, in 2016, it concluded 37 (74 per cent) agreements between January and February 2016 while seven agreements were signed as late as July 2016.

22. For implementation of the 2015 projects, the Representation retained its existing partners from 2014 after a detailed desk review done by the three committees. For the 2016 projects, a detailed performance evaluation of all partners was undertaken. However, the Representation did not undertake an assessment of whether its existing livelihoods partners had the required capacity to implement livelihoods activities on UNHCR's behalf, and it had also not conducted an institutional mapping exercise to identify additional partners for livelihoods projects.

23. Although Sub Office Peshawar conducted a cost-benefit analysis in 2015 to assess the comparative advantage of entrusting procurement to partners, it did not consider the financial impact of value added tax on procurement. Since the partners were not entitled to claim value added tax, the Representation could have saved money by procuring some of the goods and services itself, instead of designating the procurement to partners.

24. All three offices developed and implemented risk-based project monitoring plans in agreement with the partners during both years under audit, but OIOS observed some weaknesses in the Representation's financial monitoring activities. For example, one of the partners at Sub Office Quetta paid \$15,000 in 2015 and 2016 to three institutions for providing educational and health services to persons of concern without signing agreements with the service providers, and it therefore did not know what services to expect from these institutions. However, whilst the audit was ongoing, the Representation took immediate corrective action and signed agreements with the respective service providers. In order to strengthen the monitoring process, it also prepared a list of minimum required documentation to be reviewed at the partner's premises during the verification activity. OIOS therefore did not raise a recommendation in this regard.

25. The Representation stated that the above shortcomings were due to the size and complexity of the operations in Pakistan with a large number of partners. It had also been subject to frequent rotation and turnover of staff. However, in the opinion of OIOS, the Representation also needed to strengthen supervisory controls to ensure project agreements are signed in time, undertake capacity assessments of its existing livelihood partners and perform an analysis of cost effectiveness of entrusting procurement to partners. Otherwise, the Representation would be at a risk of not being able to achieve the objectives of the projects implemented by partners.

(3) The UNHCR Representation in Pakistan should: (i) sign Project Partnership Agreements before the start of the project year; (ii) conduct a capacity assessment of its existing livelihoods partners; and (iii) undertake a thorough analysis to establish the cost-effectiveness of entrusting procurement to partners in all locations.

UNHCR accepted recommendation 3 and stated that for 2017 the Representation had signed 43 project agreements of which 28 were signed in December 2016 and January 2017 and the rest were signed by March 2017. Delays happened due to late granting of work permissions to some partners by the Government authorities, prolonged negotiations with partners and re-validation of RAHA project sites. The Representation also stated that it planned to conduct a capacity assessment of existing (and potential) livelihoods partners after updating the livelihoods strategy, and would soon initiate a comprehensive assessment of the cost-effectiveness of entrusting procurement to partners. Recommendation 3 remains open pending receipt of evidence of the completed capacity assessment of the livelihoods partners and the results of the assessment of partners' comparative advantage to procure using UNHCR funds.

D. Voluntary repatriation

There was a need to develop procedures for managing and following up on complaints related to fraud, corruption and abuse in voluntary repatriation activities

26. The UNHCR Framework for Durable Solutions requires the Representation to develop an action plan and adequate procedures for implementation of voluntary repatriation activities to ensure that: (a) the return is voluntary; (b) the host government assumes the primary responsibility of the welfare of

returnees; (c) the age and gender diversity mainstreaming approach is applied in all voluntary repatriation activities; d) the repatriation activities are carried out efficiently; and (e) coordination with the authorities and other United Nations offices is effective.

27. The voluntary repatriation activity increased in Pakistan in the third quarter of 2016. Sub Office Peshawar, which had facilitated voluntary repatriation of only 4,918 persons from January to June 2016, arranged voluntary return of 296,365 Afghan refugees in the four-month period from July to October 2016. Smaller numbers were repatriated from Quetta. The Representation implemented several initiatives, including legal and protection interventions, to ensure success of the voluntary repatriation. The legal and protection interventions were in the form of meetings with the Government authorities for advocating restraint from harassment and detention of returnee refugees, awareness campaigns in media, and Shura sessions with Afghan elders for promoting voluntary repatriation. The Representation invited a Senior Repatriation Officer from UNHCR headquarters on a short term mission to oversee the repatriation activities in Sub Office Peshawar, opened a new voluntary repatriation centre in Azakhel near Peshawar in September 2016, and developed standard operating procedures for the management of operations at all its voluntary repatriation centres. Sub Office Quetta developed in September 2016 a contingency plan for voluntary repatriation which envisaged a worst case scenario of 200 to 300 refugee families repatriating on a single day. As the repatriation rate increased to more than 300 families in October 2016, the Sub Office took further action to revise the contingency plan in November 2016, in order to ensure it could process 600 families under a double shift arrangement.

28. However, OIOS noted that there was further scope to improve controls over the voluntary repatriation programme as follows:

- Sub Office in Peshawar did not document a contingency plan in anticipation of the drastic increase in repatriation numbers. There was therefore a risk that the Sub Office could face disproportionate pressure on its voluntary repatriation centres, making it difficult to ensure timely and efficient assistance to refugees interested in voluntary repatriation. During the course of audit, however, the Representation developed a Voluntary Repatriation Operations Plan which included contingency plans for the Sub Offices in Peshawar and Quetta and reflected details of budget and procurement requirements to implement those plans. OIOS therefore did not raise a recommendation in this regard.
- The Representation did not put in place adequate arrangements for record-keeping and safeguarding of the voluntary repatriation forms at the voluntary repatriation centres. This exposed it to the risk of fraudulent or incorrect voluntary repatriation grant payments. However whilst the audit was still ongoing, the Representation prepared standard operating procedures for management and safekeeping of voluntary repatriation forms at the voluntary repatriation centres. Hence, no recommendation is raised in this regard.
- There was no formal mechanism, including standard operating procedures, delineating the procedure to be followed for identifying, managing and following up on complaints related to fraud, corruption and abuse in voluntary repatriation. This exposed the Representation to reputational risks. Whilst the audit was ongoing, the Sub Office in Peshawar installed a complaint box in its office and initiated an inquiry on three alleged cases of abuse. To deal with these alleged cases, the Representation did not have detailed standard operating procedures for identification and follow up of the allegations of fraud in voluntary repatriation across its operations in Pakistan.

29. The main reason for the cited weaknesses was the lack of prioritisation of the control responses needed to address risks related to voluntary repatriation activities, especially in relation to fraud risks.

(4) The UNHCR Representation in Pakistan should develop detailed standard operating procedures for managing and following up on complaints related to fraud, corruption and abuse in voluntary repatriation activities.

UNHCR accepted recommendation 4 and stated that the Representation had developed standard operating procedures for managing fraud and abuse in voluntary repatriation activities. Based on the action taken and documentation provided by UNHCR, recommendation 4 has been closed.

E. Distribution of non-food items

The Representation had satisfactory arrangements for distribution of NFIs and warehouse management

30. UNHCR policies and guidelines on management of warehouses and distribution of NFIs require the Representation to: (a) conduct a needs assessment of the beneficiaries with age and gender diversity considerations; (b) prepare distribution plans; (c) monitor and supervise the distribution processes; (d) reconcile the records related to receipt and issuance of NFI stock; and (e) ensure safe and efficient warehouse operations while maintaining accurate records of all NFI inventory movements.

31. During the period under review, the Representation distributed NFIs worth \$4.6 million. OIOS reviewed 20 distributions for an aggregate value of \$850,000 (18 per cent of the total distributed amount) and discussed the distribution mechanisms with programme and supply staff. The review indicated that before planning each distribution, the Representation's field teams verified the figures on returnees and estimates of their needs provided by the Government Returns Task Force. The partner associated with the NFI distributions prepared onsite reports and obtained signatures/ thumb impressions of the beneficiaries which were countersigned by the partner's staff, including a field engineer and a community representative, and by a Government representative. The Representation's field staff conducted frequent visits to distribution sites for verifying the distribution procedures. The Representation had also developed a tool for online reporting of the distributions and reconciliation of the stock. OIOS concluded that the Representation had satisfactory arrangements for monitoring and reporting of NFI distributions.

32. The Representation had two warehouses located in Peshawar and Quetta. As of the July 2016 stock report, the total value of NFIs in the warehouses was \$4.5 million, consisting of tents, bed sheets, blankets and household items. OIOS inspected the warehouse in Peshawar, reviewed inventory records and conducted a physical recount by selecting a sample of items of the inventory from location to book and book to location and found the inventory to be in order. The Representation had taken several steps to improve the security of the warehouse and quality and safety of store records such as shipping documents, stock registers and inventory verification reports. It had also implemented the recommendations raised in a report of the Inspection Service of the Inspector General's Office regarding adequate security lights in the compound of the warehouse. The warehouse had adequate storage space, pallets and bin cards over each inventory item. In view of the above, OIOS concluded that the Representation had adequate and effective controls over warehouse management.

F. Recruitment and vacancy management

Controls over hiring of local staff were in conformity with the policy and procedures for the assignment of locally recruited staff

33. The UNHCR policy and procedures for the assignment of locally recruited staff require the Representation to effectively deploy staff with the right skills and at the right time, and put in place appropriate vacancy management and competitive recruitment processes that meet these requirements.

34. OIOS reviewed the implementation of existing recruitment procedures at the Representation by selecting a sample of 10 recruitment cases in Islamabad, Peshawar and Quetta, and held discussions with senior management, human resources staff and members of the Assignment Committee. The Representation's Enterprise Risk Management risk register identified recruitment of local staff as a high risk area. To address this risk, the Representation maintained a vacancy tracking system and announced vacancies internally and externally to ensure transparency. It administered written tests to shortlisted candidates using codes on answer sheets to keep their identities secret, and held competency based interviews of the candidates who had passed the written tests. The Assignment Committee reviewed the final recommendations of the programme managers to ensure transparency and fairness of the process. The Representation's Human Resources Unit provided regular reports to senior management on the hiring process and vacancy positions. In view of the measures adopted by the Representation, OIOS assessed the controls over hiring of local staff as satisfactory.

G. Procurement and vendor management

The Representation needed to strengthen management supervision arrangements over procurement and contract management

35. The Representation is required to comply with UNHCR procurement rules and procedures, which include: (a) establishing an effective vendor management system; (b) preparing an annual procurement plan according to the identified needs; (c) initiating timely procurement activities in accordance with the procurement plan to facilitate transparent and competitive procurement; (d) ensuring adequate oversight over procurement activities and award of contracts by the relevant committees on contract.

36. OIOS reviewed the minutes of the Representation's Vendor Review Committee and 10 vendor files, and noted that the Vendor Review Committee met regularly and evaluated 242 vendors during the period under review. The Representation also maintained vendor files with the required information such as registration forms, contact and bank account details. OIOS concluded that the Representation had effective controls over the vendor evaluation and registration process.

37. OIOS also reviewed the Representation's annual procurement plans and 37 purchase orders for a total of \$11.2 million out of the total procurement value of \$17.0 million in 2015 and 2016. This included 18 cases pertaining to waivers from competitive bidding, which showed that the Representation had submitted adequate justifications to the relevant committees on contracts for not undertaking competitive procurement in all cases. However, the following weaknesses were observed in procurement and contract management:

- The Representation procured goods and services for \$8.6 million (63 per cent of the total procurement volume for the year) in the last quarter of 2015, which was not in line with the timelines indicated in the approved procurement plan. This created unnecessary pressure on the Supply Unit.
- In eight cases worth a total of \$587,756, the Representation gave a response time for the invitation to bid of between 10 and 21 days instead of four to six weeks as required, thus limiting competition. In five of these eight cases, only two to three bidders responded which reduced the opportunities for buying quality goods and services at economical rates.
- Sub Office Peshawar renovated a guest house at a total cost of \$44,865 which it occupied for a period of only nine months from August 2014 to April 2015 at a rent of \$17,660. The Representation's Local Committee on Contracts had instructed the Sub Office to share the

renovation costs with those United Nations agencies who utilised the facility, but the Representation did not recover rent of \$40,268 from three United Nations agencies. The renovation of the guesthouse therefore did not provide value for money for UNHCR.

38. The main reason for these control deficiencies was that the Representation had not established adequate management supervision controls over procurement and contract management. As a result, it could not ensure that it was getting best value from the procurement of goods and services.

(5) The UNHCR Representation in Pakistan should put in place appropriate management supervision arrangements to ensure that: (i) procurement is initiated as per the approved procurement plan; (ii) the prescribed bidding times are systematically respected; and (iii) established contract management procedures are followed, including for lease contracts.

UNHCR accepted recommendation 5 and stated that the Representation had prepared a sourcing plan for 2017, which was being revisited on a quarterly basis so that it remained relevant and up-to-date. The plan would help in ensuring that all sourcing actions were initiated timely and prescribed bidding times were observed by requiring budget owners to provide the Supply Unit with their requirements at the beginning of every quarter. A checklist to facilitate contract management had also been put in place. Based on the action taken and documentation provided by UNHCR, recommendation 5 has been closed.

H. Security and staff safety

The Representation took prompt action to ensure staff compliance with mandatory security training requirements

39. In accordance with the United Nations Security Management System, the Representation has the primary responsibility for implementing Minimum Operating Security Standards (MOSS) and monitoring staff compliance with mandatory training requirements. United Nations Department of Safety and Security (UNDSS) is responsible for providing oversight over compliance with MOSS. The Representation is required to conduct an annual MOSS compliance self-assessment survey of all its offices. UNDSS further encourages UNHCR offices to conduct safety and security surveys for facilities with 50 or more personnel, especially those located in moderate to high security level areas.

40. During the audit period, the Representation enhanced arrangements for safety and security of its staff and installations by: (a) conducting an annual self-assessment of MOSS compliance in the Country Office and the two Sub Offices; (b) conducting regular fire drills; (c) preparing plans for mass casualties, fire safety and crisis management; and (d) installing grills and shatter resistant film on the ground floor and first floor office windows. The Representation had also implemented all recommendations raised in facility safety and security surveys conducted in 2015 and 2016 except for one recommendation pertaining to guest houses in Quetta and Loralai for strengthening security around the compounds, which was under way. It spent \$1.8 million on security related procurement in 2015 and 2016, and invested in staffing resources by deploying three international and eight national security staff.

41. However, in spite of repeated reminders by the Representation, 28 staff in Sub Office Peshawar did not renew their mandatory training course certificates on Basic Security in the Field and Advanced Security in the Field. Furthermore, the Representation did not arrange training on Safe and Secure Approaches in the Field Environment for 36 staff although this was an essential requirement given the difficult security situation in Pakistan.

42. Whilst the audit was still ongoing, the Representation established procedures for ensuring staff compliance with the mandatory safety and security training requirements and followed up to ensure that all staff undertake the required online trainings. It also arranged training courses on Safe and Secure Approaches in the Field Environment in coordination with UNDSS for 31 out of the 36 remaining staff. The other five staff were nominated for subsequent training sessions. Based on the prompt action taken, OIOS did not raise a recommendation in this regard.

V. ACKNOWLEDGEMENT

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

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the operations in Pakistan for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1.	The UNHCR Representation in Pakistan should: (i) update the livelihoods strategy based on a socio-economic baseline assessment and market assessment, and clearly identified beneficiary targeting criteria; and (ii) establish a monitoring plan for directly implemented activities at Sub Office Quetta.	Important	O	Submission to OIOS of updated livelihoods strategy containing beneficiary targeting criteria.	31 October 2017
2.	The UNHCR Representation in Pakistan should: (i) allocate roles and responsibilities with clear targets for implementing the recommendations raised on programme monitoring and reporting in the lessons learned exercise on the Refugee Affected and Hosting Area (RAHA) Programme; and (ii) conduct an impact assessment of the RAHA Programme.	Important	O	Submission to OIOS of the report on the impact assessment of Refugee Affected and Hosting Area Programme.	31 December 2017
3.	The UNHCR Representation in Pakistan should: (i) sign Project Partnership Agreements before the start of the project year; (ii) conduct a capacity assessment of its existing livelihoods partners; and (iii) undertake a thorough analysis to establish the cost-effectiveness of entrusting procurement to partners in all locations.	Important	O	Submission to OIOS of evidence of the completed capacity assessment of the livelihoods partners and the results of the assessment of partners' comparative advantage to procure using UNHCR funds.	31 December 2017
4.	The UNHCR Representation in Pakistan should develop detailed standard operating procedures for managing and following up on complaints related to fraud, corruption and abuse in voluntary repatriation activities.	Important	C	Action completed	Implemented

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or 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 UNHCR in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the operations in Pakistan for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
5.	The UNHCR Representation in Pakistan should put in place appropriate management supervision arrangements to ensure that: (i) procurement is initiated as per the approved procurement plan; (ii) the prescribed bidding times are systematically respected; and (iii) established contract management procedures are followed, including for lease contracts.	Important	C	Action completed	Implemented

APPENDIX I

Management Response

Management Response

Audit of the operations in Pakistan for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1.	<p>The UNHCR Representation in Pakistan should:</p> <p>(i) update the livelihoods strategy based on a socio-economic baseline assessment and market assessment, and clearly identified beneficiary targeting criteria; and</p> <p>(ii) establish a monitoring plan for directly implemented activities at Sub Office Quetta.</p>	Important	Yes	<p>Assistant Livelihood Officer</p> <p>Programme Officer</p>	<p>October 2017</p> <p>Completed and shared with OIOS in February 2017</p>	<p>Following completion of the Socio-Economic Assessment and Market Analysis, as well as the Value Chain Analysis, the process of updating the Livelihood Strategy is underway. The updated strategy is expected to be finalised by end of October 2017.</p> <p>Monitoring plans for directly implemented activities in 2017 have been developed.</p>
2.	<p>The UNHCR Representation in Pakistan should:</p> <p>(i) allocate roles and responsibilities with clear targets for implementing the recommendations raised on</p>	Important	Yes	Senior Coordinator (RAHA).	Completed and shared with OIOS in April 2017.	Monitoring plans for RAHA projects have been established. Mechanisms have also been put in place to systematically document

⁵ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

⁶ Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or 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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Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	<p>programme monitoring and reporting in the lessons learnt exercise on the Refugee Affected and Hosting Area (RAHA) Programme; and</p> <p>(ii) conduct an impact assessment of the RAHA Programme.</p>			Senior Coordinator (RAHA).	December 2017	<p>and review the findings of the monitoring missions. Roles and responsibilities have been allocated to UNHCR, as well as other relevant actors in RAHA programme.</p> <p>Preparations are underway for the Impact Assessment of RAHA programme to be contracted during 2017. The office is currently reviewing a few options related to other organisations who are interested in such an assessment. The assessment is provisionally expected to be completed by end of December 2017.</p>
3.	<p>The UNHCR Representation in Pakistan should:</p> <p>(i) sign Project Partnership Agreements before the start of the project year;</p>	Important	Yes	Senior Programme Officer	Completed and shared with OIOS in April 2017.	<p>In 2017, the Representation has so far signed forty three Project Partnership Agreements (PPAs). Twenty eight PPAs (65%) were signed in December and January 2017. Three PPAs (7%) were signed in February and ten (23%) in March. Delays in signing of PPAs (beyond end January) are due to factors not wholly within the control of UNHCR. These (factors)</p>

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	(ii) conduct a capacity assessment of its existing livelihoods partners; and			Assistant Livelihood Officer	December 2017	<p>are mainly matters related to validity of Allowed to Work Status granting by authorities and prolonged resource negotiations with partners who (due to the nature of their work/legal mandate) are our only option. In addition, the PPAs related to RAHA require re-validation of sites for updated and accurate information to be included in the PPA. Based on the above explanations provided, we feel that the operation has undertaken all adequate and potential measures to mitigate the impact of the finding and to address this recommendation.</p> <p>Once the livelihood strategy is updated, the Representation will conduct a capacity assessment of existing (and potential) partners to implement livelihood activities- as guided/driven by the updated strategy.</p> <p>The Representation plans to undertake a comprehensive assessment of the cost-effectiveness of entrusting procurement to partners, taking into account all factors that may</p>

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	(iii) undertake a thorough analysis to establish the cost-effectiveness of entrusting procurement to partners in all locations.			Senior Supply Officer Senior Programme Officer Senior Project Control Officer	September 2017	impact on efficient and effective delivery of protection and assistance to our persons of concern. To prepare ourselves for this process, we requested UNHCR Global Learning Centre to facilitate a workshop for UNHCR Pakistan staff- on all matters related to delegation of procurement and partner capacity assessment, as well as for our partners- on UNHCR procurement procedures and requirements. The workshops were conducted from 15th to 17th March 2017. The actual assessments will be carried out as from June 2017 - in readiness for the comprehensive partner selection exercise that the Operation will undertake for the next four year cycle (2018-2021).
4.	The UNHCR Representation in Pakistan should develop detailed standard operating procedures for managing and following up on complaints related to fraud, corruption and abuse in voluntary repatriation activities.	Important	Yes	Senior Repatriation Officer	Completed and shared with OIOS in April 2017.	The recommendation has been closed by OIOS.
5.	The UNHCR Representation in Pakistan should put in place	Important	Yes			

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	<p>appropriate management supervision arrangements to ensure that:</p> <p>(i) procurement is initiated as per the approved procurement plan;</p>			<p>Senior Supply Officer</p> <p>Senior Programme Officer</p> <p>Senior Admin/Finance Officer</p> <p>Senior Supply</p>	<p>June 2017</p>	<p>The Representation has a 2017 sourcing plan in place, which comprehensively captures the material requirements (and related budgets) as well as a sourcing strategy for the required goods/services. In addition, the budget owners are required to periodically review the plan - so as to determine whether changes to the plan are needed, in light of prevailing operational and funding circumstances. This will ensure that the sourcing plan, as the authorised reference point for initiating sourcing actions, remains relevant/up to date. The 2017 original Sourcing plan has been shared with OIOS. The plan is currently undergoing the aforementioned periodic review and an updated version will be ready by end of June 2017.</p> <p>As per the Representation's operating procedures on procurement, respective budget owners are required to provide</p>

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	(iii) established contract management procedures are followed, including for lease contracts.			Admin/Finance Officer	July 2017	<p>This (repository) has been shared with OIOS. Further, in order to facilitate compliance with contract management/administration best practice, the Representative issued a directive for the maintenance of information/documentation that will ensure that UNHCR's interest are not put at risk by any contractual/operational arrangements with third parties (or lack thereof). In addition, the Representation developed a checklist to facilitate the required reviews and due diligence on current/prospective agreements that the Representation has signed/plans to sign with third parties. The Representative's note and sample contract reviews (based on check list) have been shared with OIOS.</p> <p>With regards to the guest house cost share amounts owed by some UN Agencies; follow-up will continue to be made. A note for the file and relevant documents has been shared with OIOS.</p>