

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UN WOMEN COUNTRY OFFICE

IN

AFGHANISTAN

Report No. 1439
Issue Date: 9 December 2015

(REDACTED)

Table of Contents

Executive Summary	i
I. About the Office	1
II. Good practices	1
III. Audit results	1
A. Programme activities	2
1. Programme and project management	2
2. Partnerships and resource mobilization	3
B. Operations	5
1. Procurement and supplies management	5
2. General administration– travel management	7
3. Information and communication technology	8
4. Safety and security	9
Definitions of audit terms - ratings and priorities	11

Report on the Audit of UN Women Country Office in Afghanistan Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UN Women Country Office in Afghanistan (the Office) from 31 August to 17 September 2015. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, monitoring and reporting);
- (b) gender coordination (gender mainstreaming in development programming);
- (c) programme activities (programme and project management, partnerships and resource mobilization); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security, UNDP support to office).

The audit covered the activities of the Office from 1 January 2014 to 30 June 2015. The Office recorded programme and management expenditures of approximately \$11.2 million in 2014 and \$4.3 million for the first six months of 2015. The last audit of the Office was conducted by OAI in 2012.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **satisfactory**, which means, "Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity."

Good practice

The Office has designed, documented and implemented a comprehensive annual work planning process, which serves as an efficient management tool that assigns proper costing to all details of the Development Results Framework, including the operational and staffing resources required for the year.

Key recommendations: Total = 6, high priority = 1

The six recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 1, high priority, and Recommendation 2, medium priority); (b) effectiveness and efficiency of operations (Recommendation 5, medium priority); and (c) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendations 3, 4 and 6, medium priority).

For high (critical) priority recommendations, prompt action is required to ensure that UN Women is not exposed to high risks. Failure to take action could result in major negative consequences for UN Women.

The high (critical) priority recommendation is presented below:

Unrealistic programme targets and low programme delivery (Issue 1)

As at 31 August 2015, the Office had only delivered 20 percent of its planned \$19.9 million programme. Several factors, which were partly beyond the control of the Office, contributed to the low delivery, including changes in government counterparts, the security situation in the Country and the inadequate capacity of implementing partners. Considering the operating environment, the audit conclusion was that the Office had developed overly ambitious programme targets, which would not be achievable within the operating context.

Recommendation: The Office should identify and implement measures to maximize its total programme delivery by: (a) redefining its programme planning to ensure that all targets are formulated using the key principles of Results Based Management that requires, among others things, the careful formulation of specific, measurable, attainable, realistic and timely (SMART) results within the planned period; (b) reviewing the programme delivery of each project on a quarterly basis to identify and document reasons for low performance and implement mitigating actions on a timely basis; and (c) developing and implementing a process that requires budget revisions and rephasals to be undertaken only after analysis of the project performance, the root causes for non-delivery, and a comprehensive analysis of the reasons for the budget revision.

Implementation status of previous OAI audit recommendations: Report No. 982 dated 11 April 2013.

Total recommendations: 9

Implemented: 9

Management comments and action plan

The Country Representative accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



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I. About the Office

The Office, located in Afghanistan (the Country), was going through a period of political, security, and economic transitions at the time of the audit. The Government and the UN Country Team (UNCT) were working in partnership under the UN Development Assistance Framework (UNDAF) 2010 -2013, which was extended to 2014. The Government had not yet approved the new UNDAF proposed by the UNCT, in particular the clusters related to Justice/Rule of Law and Governance. The Office's Strategic Note and Annual Work Plan were aligned with the proposed UNDAF.

The Office was under the leadership of the Country Representative who was assisted by a Deputy Representative. During the audit fieldwork, the Office had a total of 78 personnel comprised of 6 international and 14 local staff, 51 service contract holders, and 7 contractors under special service agreements. The programme staff members were organized under three thematic areas, namely the following pillars: ending violence against women; coordination and advocacy; and political and economic empowerment. The Office recorded programme and management expenditures of approximately \$15.5 million from 1 January 2014 to 30 June 2015.

II. Good practices

Annual work plan process. The Office unilaterally improved its annual work planning process by preparing a work plan for each programme pillar, which was integrated into one unified work plan for the entire Office. The plan had all the components necessary for programme management, including detailed and summarized procurement plans, quarterly targets, budgets including staffing costs and responsible staff, and source of funds with listings of donors and partners. In addition, the Office documented the integrated planning process by means of a detailed guidance note for its staff.

Gender coordination. The Office had initiated the establishment of an online database that should facilitate coordination and information sharing of all gender-related activities in the Country.

III. Audit results

Satisfactory performance was noted in the following areas:

- (a) Gender coordination (gender mainstreaming in development cooperation): The Gender Working Group as well as the Gender Donor Coordination Group were established and chaired by the UN Women Country Representative and were functioning well.
- (b) Operations (finance, human resources, leave management, asset management and UNDP operational support to the Office): No reportable issues were raised for these operational areas.

OAI made one recommendation ranked high (critical) and five recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

High priority recommendation:

- (a) Identify and implement measures to maximize programme delivery (Recommendation 1).

Medium priority recommendations, arranged according to significance:

- (a) Improve the process of reporting to donors (Recommendation 2).
[REDACTED]
- (c) Comply with the requirements of the 'Programme and Operations Manual' by reconsidering its procurement strategy and increasing supervision over procurement transactions (Recommendation 3).
- (d) Strengthen management of travel and comply with travel policy (Recommendation 4).
[REDACTED]

The detailed assessment is presented below, per audit area:

A. Programme activities

1. Programme and project management

Issue 1 Unrealistic programme targets and low programme delivery

UN Women managers are responsible for developing, managing and monitoring overall programme delivery at country or regional levels for the achievement of programme outputs and plausible contributions to outcomes.

The overall programme delivery of the Office was only 20 percent (\$3.9 million) of the planned \$19.9 million as at 31 August 2015. In addition, there were six low budget projects that had not incurred any expenditures after being formulated, pending improvement of the provincial security situation.

Several factors outside the control of the Office contributed to the low delivery, including substantial changes in the Government, the security situation, and late submission of the Funds Authorization and Certification of Expenditure forms by implementing partners. Although the Office had intensified monitoring, the actual delivery continued to be substantially less than planned and the Office had already rephased the amount of \$8.5 million of its planned delivery to 2016 through a total of 15 budget revisions performed in 2015.

The audit concluded that the programme targets of \$19.9 million may have been unrealistic or not achievable within the planned timeframe, resulting in unattainable delivery targets and annual rephasing of project budgets in an attempt to achieve the planned outcomes over extended periods. There was no evidence of periodic performance reviews or analysis of the root causes of the low programme delivery.

Unrealistic programme targets, combined with low delivery, may result in the inability of UN Women to meet their objectives in the Country and may entail reputational risks.

Priority	High (Critical)
Recommendation 1:	
The Office should identify and implement measures to maximize its total programme delivery by:	
<ul style="list-style-type: none"> (a) redefining its programme planning to ensure that all targets are formulated using the key principles of Results Based Management that requires, among others things, the careful formulation of SMART results within the planned period; 	

- (b) reviewing the programme delivery of each project on a quarterly basis to identify and document reasons for low performance and implement mitigating actions on a timely basis; and
- (c) developing and implementing a process that requires budget revisions and rephasing to be undertaken only after analysis of the project performance, the root causes for non-delivery, and comprehensive analysis of the reasons for the budget revision.

Management action plan:

As of 31 October 2015, the delivery rate had increased to 50.4 percent of a revised plan of \$16 million. In addition, the following specific actions will be undertaken:

- (a) The Office will implement a very prudent planning, implementation and monitoring policy, procedures and business flows based on the key principles of Results Based Management.
- (b) For the remainder of 2015, the Office has put in practice weekly delivery review meetings to enable programme and operations teams to agree on action points to ensure delivery. For 2016, these programme and operations delivery review meetings will be carried on a monthly basis. In addition, the Office will continue refining its procedures, tools and business flows to allow for smooth delivery.
- (c) The Office will develop and implement the process to ensure thorough analysis of project performance. It will regularize programme/project performance review meetings to make them quarterly and with the presence of relevant programme and operations staff. The purpose of these meetings will be to identify root causes for non-delivery and solutions prior to undertaking budget revisions.

Estimated completion date: January 2016

2. Partnerships and resource mobilization

Issue 2 Delays in reporting to donors

According to the 'Programme and Operations Manual', reporting is the systematic production of periodic written summaries of the programmatic results, the corresponding financial expenditures and the results from monitoring and evaluation activities by which UN Women and its implementing partners are held accountable for programme results and the use of resources. The 'Programme and Operations Manual' further indicates that donor reports are to be prepared in compliance with donor agreements.

The analysis of all 10 donor reports that were due for submission between 1 January 2014 and September 2015, as well as the review of the process of clearance of donor reports, disclosed the following weaknesses:

- A total of 10 donor reports were due for submission between 1 January 2014 and the end of the audit fieldwork. None of these reports had been submitted on time and delays ranged between three and nine months.
- Contrary to the 'Programme and Operations Manual', there were two instances where the requirements for donor reporting (time schedule of donor reports) were not specified in the donor agreements.
- In 6 out of 10 cases reviewed, there were delays associated with the initial submission of the donor reports, to the Regional Office for comments and clearance. In one case, initial submission to the Regional Office was delayed by nine months.

- The donor report clearance process was too prolonged for all reports reviewed, with the initial submission to the Regional Office to the submission of the report to donors ranging between two and six months.

The audit team met with and/or communicated via email with five donors and received feedback on the nature of their relationship with the Office. All donors expressed their dissatisfaction with substantive delays of the reports provided. In addition, there were discussions of the donor reporting process with lead personnel in UN Women headquarters, who indicated that discussions were ongoing with its five main donors on a new approach to harmonizing donor reporting. The audit team was also informed that while the practice of the final clearance of donor reports by headquarters would continue, the overall intent was for one single donor report to be shared with all donors involved.

Delayed reporting to donors may have an adverse impact on the Office's relationship with its funding partners and may result in decreased resources being available to the Office, which could jeopardize the achievement of programme outcomes.

Priority	Medium (Important)
Recommendation 2: The Office, in collaboration with relevant headquarters divisions and units, should improve the process of reporting to donors by: <ul style="list-style-type: none"> (a) establishing and maintaining a detailed donor reporting schedule that records the agreed reporting timeframes for each of its contribution agreements; (b) establishing and implementing mutually agreed timelines between the Office and the Regional Office /headquarters for the clearance of donor reports; and (c) appointing a focal point who will be responsible for monitoring and actively following up on donor reporting timelines and taking mitigating actions as necessary. 	
Management action plan: <ul style="list-style-type: none"> (a) Headquarters has developed and will be piloting from 16 November 2015 a new Donor Agreement Management System (DAMS), which will record all signed donor agreements and reporting milestones as well as send alerts and upload donor reports. Further, the Office has fielded the IT expert from the UN Women Fiji Office who has also developed SharePoint applications for the Regional Office to develop similar applications such as the Milestone Calendar, which sends notifications and alerts for important deadlines. In recognizing that DAMS will be rolled out in 2016, the Office will use its own Milestone Calendar to monitor its actions for meeting the reporting timeframes. (b) The Office will develop a plan of estimated dates of submissions due in 2016 to provide the basis for its communication with the Regional Office and headquarters. The Office's Milestone Calendar will reflect the detailed timeframes for the preparation and reviewing of reports at the Office and Regional Office. (c) As per the existing organogram, the focal point for monitoring and actively following up on donor reporting timelines and taking mitigating actions as necessary is the Programme Management Specialist. This post was vacant from April 2014 to August 2015, which was an important factor in these delays. Through the functional review exercise, the Office will establish a system of 1 focal point and 2 shadows (led by Programme Management Specialist and 2 shadows from local staff) which will ensure 	

the local capacity is able to lead the process when the Office is facing a vacancy in the international post.

Estimated completion date: March 2016

Issue 3 Sub-optimal relationship with donor

UN Women management is required to develop and maintain strategic partnerships for actively communicating and interacting with the donors in order to keep them informed, engaged, advised and interested. Funding agreements between Country Offices and donors also incorporate the expectations for optimal relationships between both parties.

The audit team met with one donor that expressed dissatisfaction with its relationship with the Office related to a \$4.5 million project that was initiated in 2010 and completed in 2012 after two no-cost extensions for an additional one year each. The project was operationally closed in December 2012, but the final project report was not accepted by the donor due to concerns about unilateral substantive changes to the project by the Office, and lack of communication about project changes. As a result, the project had not been financially closed in Atlas (enterprise resource planning system of UNDP) at the time of the audit fieldwork.

The Office made several unsuccessful attempts to finalize the terminal project report. However, at the conclusion of the audit fieldwork, none of the draft terminal reports had been accepted by the donor. Also, the donor had not funded any project/programme of the Office for over five years since the funding of this project.

Following the fieldwork, the Office informed OAI that a meeting had taken place with the donor and there had been positive progress towards resolution.

Comment

OAI is not issuing a recommendation since the Office is actively engaged with the donor as well as the Strategic Partnership, Coordination and Intergovernmental Division in headquarters to resolve this matter.

B. Operations

1. Procurement and supplies management

Issue 4 Non-compliance with procurement guidelines

The 'Programme and Operations Manual' requires the Office to make payments for services received following an open and competitive process that best satisfies the principles of transparency, fair competition and integrity of the sourcing process and ensures that the Office received value for money.

The Office made a payment of \$16,997 on 17 November 2014 for which no services were received. The following weaknesses occurred due to a lack of knowledge of, and adherence to, the corporate procurement policies and procedures:

- The requirement for training consultancy services totalling \$86,990 was never advertised. Instead, the Office engaged in a direct procurement process despite the procedures requirement that all tenders be advertised on the UN Women website. In addition, solicitation methods for services valued between \$5,000 and \$100,000 stipulate that the request for proposals/quotations and terms of reference should be sent to at least five bidders in a manner that, according to the nature and circumstances of the required product, would lead to the most beneficial responses.
- The single sourcing process was not approved by the Acquisition Management Review Committee and the Chief Procurement Officer until two days before the commencement of the training, which then resulted in the cancellation of the training. However, the consultant had already performed certain activities on behalf of the Office despite the absence of a legally binding contract.
- Payment for activities performed by the consultant was supported by a Note to File instead of an invoice or a consultancy contract.

The Office indicated that its procurement personnel had since received procurement training, such as the Chartered Institute of Procurement and Supplies (CIPS) training in the months following the failed procurement. However, despite the training, the Office continued to experience high turnover of its personnel, necessitating frequent trainings to avoid similar weaknesses in procurement.

The Office incurred financial losses of approximately \$17,000 due to the lack of adherence to procurement policies and processes.

Priority	Medium (Important)
Recommendation 3:	
The Office should comply with the 'Programme and Operations Manual', in collaboration with the Regional Office for Asia and the Pacific and the Procurement Unit by:	
(a) reconsidering its strategy for significant procurement transactions and determine the possibilities for having such transactions performed by the Regional Office procurement team or at the headquarters level;	
(b) implementing a procedure for rigorous supervision and monitoring by the Operations Manager and/or Deputy Director; and	
(c) conducting targeted procurement training to all new personnel responsible for performing procurement actions.	
Management action plan:	
(a) The Office will ensure all procurement transactions over \$100 000 as well as those that exceed the Office's Delegation of Authority are submitted to the Regional Office or headquarters as required. The Office will proactively seek guidance from the Regional Office and headquarters on complex transactions as necessary. The Office has already implemented this recommendation.	
(b) The Operations Manager will continue to be involved in the supervision of procurement transactions by providing advice on the relevant procurement strategy in collaboration with the Office buyer while assuring quality control on the adherence with the 'Programme and Operations Manual' instructions. In addition, the role of Office's Finance Unit will be enhanced for implementation of the quality control function. The online help desk tool is currently being developed on the Office's SharePoint site for online checklists for submission of payment/procurement/administrative/human resources requests, to	

help to strengthen monitoring at all levels from requester to supplier as well as senior management.

- (c) The Learning Committee will continue to organize targeted procurement training for all new personnel. In addition, there will be regular refresher trainings organized for all staff twice a year. In the meantime, the Office's buyer is taking the CIPS level 3 training in New York from 2 to 6 November 2015, followed by a one week on-the-job session in the headquarters procurement department.

Estimated completion date: March 2016

OAI Response

OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

2. General administration– travel management

Issue 5 Weaknesses in management of travel

UN Women heads of office are responsible for ensuring that operational procedures are established for duty travel and that control systems exist to follow the policies and procedures contained therein.

The Office had implemented tracking tools (spreadsheets) for international and domestic travel to improve and streamline the management of travel. However, the tools were not being consistently used, which according to the operations personnel, resulted in some confusion as to the responsibilities and processes for completion of travel and use of the tool. Specifically, the audit disclosed the following:

- The air ticket and Daily Subsistence Allowance (DSA) amounts in the tracking spreadsheet were not reconciled to the respective Atlas accounts to ensure the completeness and accuracy of transactions.
- OAI reviewed a sample of eight transactions amounting to \$101,946, or 41 percent of the value of all transactions (\$247,540) charged to account 71605 "International Tickets" and identified two miscoded transactions totalling \$34,124 that should have been posted to account 71615 "International DSA".
- Travel Expense Forms (F-10) had not been submitted for 5 international and 26 domestic travels within two weeks of travel completion as required by the 'Programme and Operations Manual'.
- Contrary to the 'Programme and Operations Manual', travel advances had been made to travellers who had failed to submit claims for two consecutive missions within 60 days of the completion of their mission. For example, in August 2015, travel was processed for one staff member who had four outstanding F-10 travel claims totalling over \$4,000 dated from 2014, while another staff member with F-10s outstanding from February (one) and June (two) of 2015 was given an additional advance amounting to over \$1,100 in August 2015.

On 25 August 2015, during the audit fieldwork, the Country Representative issued a memo to all staff reiterating the need for compliance with travel policies and stating that no further advances would be given for personnel with incomplete prior travel advances.

Lack of compliance with travel policies and procedures may result in the inappropriate or inefficient use of UN Women resources.

Priority	Medium (Important)
Recommendation 4: The Office should strengthen its management of travel and comply with travel policy requirements by: <ul style="list-style-type: none"> (a) communicating the travel policy and procedures through training of all personnel; (b) reconciling the data from the tracking tool to the relevant Atlas accounts on a periodic basis; and (c) monitoring advances to travellers using the tracking tool to avoid additional advances to staff with incomplete F-10 forms. 	
Management action plan: The Office will implement all three recommendations by: <ul style="list-style-type: none"> (a) conducting regular trainings on the travel policy for all staff twice a year; (b) ensuring compliance with month-end closure instructions by reviewing outstanding travel claims and taking corrective measures. Control of the chart of accounts will be further strengthened at three levels with specific instructions on Atlas account coding to the Travel Assistant, Certifying Officers and Approving Officers when preparing travel authorizations, approving vouchers and F10s. (c) developing an online F-10 tracking tool on the Office's SharePoint site that will monitor payments of DSA claims and F-10s. Estimated completion date: February 2016	

3. Information and communication technology

[NOTE: This section has been redacted as it is deemed to contain sensitive information.]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[NOTE: This section has been redacted as it is deemed to contain sensitive information.]

[illegible]

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UN Women is not exposed to high risks. Failure to take action could result in major negative consequences for UN Women.
- **Medium (Important)** Action is required to ensure that UN Women is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UN Women.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.