INTERNAL AUDIT DIVISION

AUDIT REPORT

UNODC Regional Office for Russia and Belarus

Weaknesses in project planning, monitoring and reporting have resulted in a low rate of project implementation

2 December 2008
Assignment No. AE2008/366/01

United Nations Nations Unies

INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES BUREAU DES SERVICES DE CONTRÔLE INTERNE

INTERNAL AUDIT DIVISION DIVISION DE L'AUDIT INTERNE

TO / A: Mr. Antonio Maria Costa, Under-Secretary-General and Executive Director, United Nations Office on Drugs and Crime

DATE: 2 December 2008

REFERENCE: IAD: 08- 02017

FROM / DE: Dagfinn Knutsen, Director, Internal Audit Division, OIOS

SUBJECT / OBJET: **Assignment No. AE2008/366/01 - Audit of UNODC Regional Office for Russia and Belarus**

1. I am pleased to present the report on the above-mentioned audit.

2. Based on your comments, we are pleased to inform you that we will close recommendations 9, 11, 12 and 13 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.

3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 1, 2 and 3) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Franz Baumann, Deputy Director-General, UNODC/UNOV
Mr. Chris Kirkcaldy, Chief, Financial Resources Management Service
Mr. Alexander Smith, Representative, UNODC Regional Office for Russia and Belarus
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
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INTERNAL AUDIT DIVISION

FUNCTION

"The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization" (General Assembly Resolution 48/218 B).

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EXECUTIVE SUMMARY

Audit of UNODC Regional Office for Russia and Belarus

OIOS conducted an audit of the United Nations Office on Drugs and Crime (UNODC) Regional Office for Russia and Belarus (RORB). The overall objective of the audit was to evaluate the effectiveness of programme management practices and to determine the adequacy of internal controls over administration and financial support services. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The audit focused on projects implemented during the period January 2006 to May 2008. During this period RORB was involved in implementation of six projects with a total budget of $21 million. Eighty percent of this budget was for project RUSJ17.

There were weaknesses in planning and monitoring of projects, including in financial monitoring and reporting of project implementation. RORB did not achieve most of its strategic objectives for the period 2004 to 2007, but in the last year, it has taken steps to address weaknesses in its fund raising strategy and made efforts to increase the level of cooperation with the host government.

The main audit findings were:

- The monitoring and evaluation plan for the project RUSJ17 was weak. No targets were set for expected achievements both in terms of output and coverage. As a result, budgeted amounts for the project were not substantiated and the project implementation rate was low at 3 percent as at June 2008.
- Financial monitoring was not adequate because activity costs, even for individual activities that had significant budgets over $500,000, were not determined and monitored.
- Annual reports put emphasis on the activities undertaken but did not include information on targets set and whether the targets were achieved.
- Contracts of implementing partners were not established in a timely manner, leading to delays in project implementation. In addition, monitoring the implementing partners' activities and use of funds was not effective because the implementing partners were not always required to submit important information such as details and qualifications of project staff and breakdown of major expenditures.

OIOS made a number of recommendations which propose that RORB should:

- Strengthen planning and monitoring of project RUSJ17;
- Establish procedures to strengthen financial monitoring of projects and to improve the quality of annual reports; and
- Prepare annual procurement plans including those for implementing partner contracts.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Office on Drugs and Crime (UNODC) Regional Office for Russia and Belarus (RORB). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The RORB was set up in 1999 in Moscow to assist the Russian and Belarus governments in drug control and dealing with organized crime at national and regional levels.

3. RORB's strategy has been to raise awareness of dangers of drug abuse and to strengthen action against drug trafficking and criminal activities in four main thematic areas: drug demand reduction and law enforcement; countering organised crime, corruption and terrorism; drug abuse and HIV/AIDS prevention; and regional cooperation to combat illicit drug trafficking. Most of the project activities have been in Russia. However, RORB plans to expand its activities to Belarus. At the time of the audit, RORB was in the process of finalizing a programme of cooperation for Belarus for the period 2008 to 2012.

4. RORB has 17 staff members comprising the Representative, three international and 13 local staff. The Representative's post has been vacant since May 2007. An Officer-in-Charge was designated in September 2007.

5. Reported expenditure for the years 2005 to 2007 and budgeted expenditure for 2008 are shown in Figure 1. The significant increase in expenditure in 2007 and 2008 is mainly attributed to the HIV/AIDS project, RUSJ17, with expenditure of $2.3 million in 2007 and budgeted expenditure of $5.2 million in 2008. During the period 2005 to 2008, RORB was involved in six projects with a total budget of approximately $21 million as shown in Table 1.

Figure 1: Total reported expenditure for 2005-2007 and budgeted expenditure for 2008

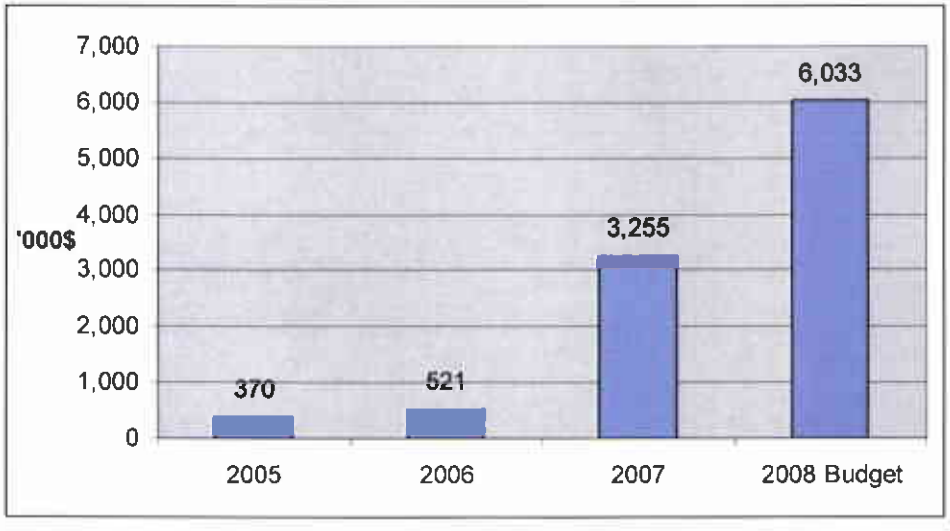

Table 1: Projects implemented from 2005 to 2008

Project	Details	Budget ($)
RUSJ17	Scaling up and improving access to HIV/AIDS prevention and care programmes, for injecting drug users and in prison settings in the Russian Federation; 2006 to 2010.	17,000,000
RUSJ12	Support to HIV/AIDS and drug use prevention programs in Russia; 2006-2009.	1,400,000
RERF77	Diversification of HIV prevention and drug treatment services for drug users in Belarus, Moldova, the Russian Federation and Ukraine; 12 May 2003 to 29 February 2008. This project was completed at the time of the audit.	1,245,800
GLOJ33	The Paris Pact Initiative phase 11: A partnership to counter traffic in and consumption of Afghan Opiates; 29 Jan 2007 to 31 December 2009.	127,700
GLOC54	Network of Youth programmes for the Prevention of Drug Abuse-Phase III; 26 April 2005 to 31 Dec 2009.	762,532
GLOE69	Global assessment program on drug abuse; 19 June 2006 to 31 December 2008.	583,717
	TOTAL	21,119,749

6. Comments made by UNODC are shown in *italics*.

II. AUDIT OBJECTIVES

7. The main objectives of the audit were to:

(a) Evaluate the effectiveness and efficiency of UNODC Russia and Belarus' programme management practices; and

(b) Determine the adequacy of internal controls over administrative and financial support services to ensure that the operations are properly managed in compliance with related United Nations regulations and rules and other administrative instructions.

III. AUDIT SCOPE AND METHODOLOGY

8. The audit focused on activities during the period January 2006 to May 2008. Prior to the field audit, a survey was conducted on RORB's control environment. The results of the survey were considered in the preparation of the substantive audit programmes. The audit methodology comprised:

- Interviews with RORB and UNODC Headquarters (HQ) staff, United Nations Development Programme, Russia (UNDP Russia) staff,

implementing partners and government officials from the Russian Federal Drug Control Service;

- Workshops with staff;
- Field inspection of projects in St Petersburg and Kazan; and
- Review of documents on strategic planning, project, finance and administration.

9. OIOS last audited RORB in 2003/2004 (AE2003/11/1) and issued the final report in April 2004. RORB had implemented all the recommendations made in the 2003 audit. The current audit reviewed the effectiveness of the controls that had been put in place to address the findings and recommendations of the 2003 audit.

10. Two of the projects implemented during the period, GLOJ33 and GLOE69 were global projects that were initiated and managed at UNODC HQ. The total budget for project GLOJ33 was $3 million of which only $127,700 was allocated to Russia and managed by RORB, while GLOE69's total budget was $6 million of which $583,717 was allocated to Russia and managed by RORB. For these two projects, the audit focused on the component of activities carried out in Russia by RORB staff and did not include review of the whole project.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Programme management

Strategic objectives for the period 2004 to 2007 were not achieved, but improvements have been made

11. RORB did not achieve most of its strategic objectives for the period 2004 to 2007, in particular those relating to countering organized crime, corruption and terrorism as well as those relating to drug law enforcement. This was mainly because fund raising activities were not successful despite preparation of various project proposals. RORB project staff explained that donors do not easily fund projects in Russia because it is one of the eight leading industrialized nations. However, it appears that RORB did not effectively tap into funding sources in the country (Russia) as part of its fundraising strategy. Moreover, RORB did not have a mechanism in place to monitor the extent to which the goals and objectives set in the strategic framework had been achieved. Therefore, lessons learnt could not be captured to enable adjustments to be made to strategies. In addition, delays were experienced because RORB implemented projects before submitting the project documents to the host government for review and approval, as required by UNODC management instructions.

12. In the past year, RORB made notable improvements to address these weaknesses. RORB management made efforts to increase the level of consultation and cooperation with the government. As a result, RORB successfully developed a programme of cooperation for the period 2008 to 2012 in partnership with the government and incorporated a fund raising strategy into

it. Further, a monitoring committee comprising representatives from both RORB and the host government is to be established to monitor progress in implementation. At the time of the audit, RORB had prepared and submitted to the government a contract to govern the implementation of the programme of cooperation. RORB also discussed all ongoing projects with representatives from relevant government ministries, and in June 2008 submitted the project documents to the government officials for review.

Planning and monitoring of project RUSJ17 was not effective

13. The main objective of Project RUSJ17 is to improve access to HIV/AIDS prevention and care programmes for Injecting Drug Users (IDUs) and people in prisons. With a budget of $17 million, the project accounts for 80 percent of the budget of all of RORB's current projects. Most implementing partners OIOS met indicated that it is one of the most comprehensive HIV/AIDS programme in Russia that focuses on IDUs. Its success is therefore of critical importance to RORB.

14. Inspection of project activities and discussions with implementing partners showed that the project had made progress in achieving its objectives. However, improvements are needed to address weaknesses in planning and monitoring discussed under items i to iv below in order to maximize the potential impact of the project. These weaknesses were specific to project RUSJ17 and were not present in the other RORB projects.

i. Targets were not set

15. Overall targets in terms of coverage and anticipated outputs were not set. This was mainly because the project was started before all approvals were obtained from the government and the regional authorities. In the first year of the project in 2007, even targets for outputs such as number of training courses to be conducted and number of study tours to be undertaken were not set. Consequently, the basis for budget estimates for this period were not substantiated and documented. The absence of targets also made it difficult to evaluate the project results.

16. Project RUSJ17 staff were aware of this weakness and explained that a planning meeting involving all stakeholders was held in June 2008 to review achievements and plan for the remaining period of the project. In the meetings, implementing partners suggested activities to be undertaken for the remaining period of the project to 2010.

17. However, overall targets are still necessary for effective planning and monitoring and to enhance accountability. The information obtained from the June 2008 planning meeting should be used to set targets for the remaining period of the project. Targets set would be useful as a basis for budget allocation of the remaining funds and work distribution for the remaining period of the project.

18. The project implementation rate was low, 3 percent as at June 2008, partly due to weaknesses in planning. The low implementation rate confirms the need to allocate sufficient time to project activities, in order to ensure that budgeted activities can be undertaken within the budgeted time frame. For example, the consultant who evaluated the Voronezh drug referral scheme indicated that the evaluation would have been more effective if more time had been allowed for implementation and more time allocated for the evaluation process. The need for realistic planning was also raised by one of the implementing partners at the June 2008 planning meeting and is evident in the fact that, at the time of the audit, there were plans to reduce the budget for 2008 since the project activities were behind schedule.

Recommendations 1 and 2

The UNODC Regional Office for Russia and Belarus should:

(1) Review project RUSJ17 and set targets in terms of project coverage and output for the remaining period of the project to improve monitoring and accountability; and

(2) Based on targets set, assess the adequacy of the remaining period of project RUSJ17, and discuss possible extension of the project with the donors in order to maximise the potential impact of the available funding.

19. *UNODC accepted recommendation 1 and stated that the project revision will be processed based on the outcome of the project's mid-term evaluation which will be conducted from December 2008 till February 2009. The revision will include revised targets, outputs and indicators for the remaining period of the project.* Recommendation 1 remains open pending receipt of the targets set for the remaining period of project RUSJ17.

20. *UNODC accepted recommendation 2 and stated that RORB ensures coordination with the substantive units at UNODC Headquarters (Co-financing and Partnership Section (CPS), HIV/AIDS Unit). There are ongoing consultations with the donor (The Netherlands) to determine and agree on a 12-month project extension till 31 December 2011. The proposal for extension will also be formulated based on the outcome of the project's mid-term evaluation.* Recommendation 2 remains open pending receipt of the results of the on-going consultation with the donor regarding possible extension of the project.

ii. Weaknesses in the monitoring and evaluation plan

21. Project RUSJ17 established a monitoring and evaluation plan that included requirements for regular review of substantive and financial reports, preparation of costed work plans and two external evaluations at the middle and at the end of the project. However, the monitoring and evaluation plan was not specific as to the type of consolidated reports to be prepared, who would prepare them, how frequently, and to whom they would be distributed. The project team of four officers did not include a monitoring and evaluation expert or assistant.

22. Regular consolidated reports are essential for effective monitoring of the project because more than 50 percent of the project activities are being implemented through implementing partners. An effective monitoring plan should provide useful information for management at all levels to enable them to monitor performance and take corrective actions. Therefore, the project needs to systematically collect and consolidate the performance indicators from substantive reports submitted by the implementing partners. Furthermore, one of the objectives of the project is "To generate and share strategic information to keep the programme on track and to respond appropriately to the rapidly evolving HIV/AIDS epidemics among injecting drug users and people in prison settings." Such strategic information can be derived from selected information in the regular substantive reports.

23. The indicators were also in some cases general and did not focus on the important parts of the objectives. For example, one of the indicators was stated as, "Annual project progress reports and other strategic information are documented and disseminated." The specific strategic information that needs to be disseminated was not clearly identified. The need to strengthen the project monitoring indicators was also raised by implementing partners in the planning meeting held in June 2008.

Recommendation 3

(3) The UNODC Regional Office for Russia and Belarus should revise project RUSJ17 monitoring and evaluation plan to include specific information on what type of reports will be prepared, how frequently, who will prepare them, and whom they will be distributed to. This exercise could be incorporated in the mid point evaluation of the project.

24. *UNODC accepted recommendation 3 and stated that the planned project revision will include a review of the following sections of the project document: (1) Annex 1 "Logical Framework"; and (2) Section 7 "Monitoring, Reporting, Review and Evaluation". Detailed information on reporting obligations, including on the authority to draft the report and the addressees of the reports, will be highlighted. The project revision will be conducted based on the outcome of the mid-term evaluation.* Recommendation 3 remains open pending receipt of the revised logical framework and revised monitoring and evaluation plan.

iii. <u>The monitoring system used by the main implementing partner may not be sustainable</u>

25. The main implementing partner for RUSJ17, AIDS Foundation East-West (AFEW), set up a monitoring and evaluation system to monitor the achievements of drug referral schemes. One of the implementing partners indicated that they were having difficulties in using the system and that they were concerned about the system's effectiveness and sustainability. The system is centralized and the reports are generated by AFEW centrally. There is a risk that

the drug referral schemes will not develop the capacity to use the system and generate the statistics.

Recommendation 4

(4) The UNODC Regional Office for Russia and Belarus should survey the use of the monitoring system implemented by AIDS Foundation East-West to determine any difficulties faced and make adjustments accordingly.

26. *UNODC accepted recommendation 4 and stated that the service delivery monitoring system implemented by the Netherlands' Non-Governmental Organization "AIDS Foundation East West", a project sub-grantee, will be reviewed by UNODC and the external evaluators as part of the mid-term project evaluation. The delivery monitoring system will be amended as per assessment's requirements.* Recommendation 4 remains open pending receipt of the results of the review of the monitoring system by the external evaluators.

iv. A record of all implementing partners in the project was not maintained

27. The project staff indicated that they regularly visited the project sites in 2007. However, the project had not prepared records of all implementing partners involved, including among others, details of their activities and funding levels to facilitate effective project monitoring. Such records are necessary because the main implementing partners also subcontracted portions of project activities to local non-governmental organizations.

Recommendation 5

(5) The UNODC Regional Office for Russia and Belarus should establish a database of all implementing partners involved in project RUSJ17, by region, to enhance the effectiveness of inspection of project activities. The database should include information such as the nature and aim of the activities, duration, amounts granted and where applicable, details of when substantive reports are due and when they were submitted.

28. *UNODC accepted recommendation 5 and stated the Finance Assistant whose duties include monitoring the project's financial and contractual matters, including compliance with reporting obligations, has been recruited as of 20 October 2008. The database will be set-up and will be updated on a monthly basis.* Recommendation 5 remains open pending receipt of evidence that the database of all implementing partners working on the project has been set up.

Financial monitoring of projects was inadequate

29. Annual work plans were prepared for each project showing the budgeted cost for each activity and in which months the activities were to be implemented. However, the actual expenditure for the activities were not subsequently

determined and reported. Consequently, budget variations of the activity costs were not monitored and explained.

30. Actual expenditures on project activities have not been monitored in the past partly because UNODC has not implemented an activity costing system within its Programme and Financial Information System (PROFI) that would show the actual expenditure on activities. To determine the actual expenditure on activities, additional analysis of the information from PROFI has to be done. RORB indicated that they plan to recruit a finance assistant to perform such functions.

31. Determination of the actual expenditure on the activities would also be difficult because only one project, GLOC54, maintained an audit trail of how the budgeted activity costs were distributed to the accounting codes in PROFI. The audit trail is necessary because the activity costs are sometimes distributed to more than one accounting code in PROFI. For example, the cost of study tours could be allocated to the travel, consultants and meetings accounting codes.

32. Reports on budget variations of activity costs would provide useful information to explain low project implementation rates and would also enhance accountability in the use of finances. This is important especially for big projects such as RUSJ17, which have activities with significant budgeted amounts. Costs of such activities need to be reported for management to determine whether the funds were used efficiently and effectively. Examples of activities are the training activities which had a budget of $506,495 in 2007 and the "activities to improve effectiveness and acceptance of drug treatment service" which had a budget of $1.2 million in 2008.

33. The information on actual costs of activities would also be useful in providing a basis for determination and review of future budgets. Further, since the UNODC annual reporting system does not link the substantive activity reporting to the financial reports, reporting on activity costs budget variations will address this gap.

Recommendations 6 and 7

The UNODC Regional Office for Russia and Belarus should:

(6) Establish a requirement for annual work plans for projects to include details of how the budgeted costs for each activity were allocated to the accounting codes in the Programme and Financial Information System (PROFI); and

(7) Establish procedures that require projects to prepare regular reports that compare the actual costs of activities with budgeted costs. The reports should include explanations for activities where there are significant variances between the budget and actual costs.

34. *UNODC accepted recommendation 6 and stated that the Project Coordinator for RUS/J17 has established the track of activities in PROFI to monitor proper distribution of budgeted costs. All other RORB Project Coordinators were requested to establish a mandatory track of activities of the projects falling under their responsibility.* Recommendation 6 remains open pending receipt of evidence that the track of activities has been prepared for all projects.

35. *UNODC accepted recommendation 7 and stated that the Finance Assistant will track on quarterly basis discrepancies between actual and budgeted costs of project activities and will alert the concerned Project Coordinator(s). An alert brief will accordingly be prepared by the Project Coordinator along with actions to be taken (e.g. Revision of Annual Costed Work plan) and will be submitted to the RORB Representative.* Recommendation 7 remains open pending receipt of a sample of the quarterly reports showing the variances between actual and budgeted costs.

Annual reports did not include performance targets

36. All projects prepared annual reports showing project accomplishments and achievements as required by UNODC management instructions. However, the annual reports did not include information on targets and output indicators that were selected to monitor the activities. The reports put emphasis on the activities undertaken and did not address to what extent the projects achieved their targets and objectives for the year.

37. A comparison of the work plans with the targets revealed that most projects had undertaken the planned activities, but explanations were not always provided where planned activities were not undertaken. For example, project GLOC54 did not undertake most of the planned activities in 2007 because of delays in initiation of the project, yet this information was not included in the annual reports.

38. Readers of the annual reports include senior management at headquarters and member state representatives who may not be in a position to easily compare the reported accomplishments against work plans. These readers need full information in the reports to get a complete picture of the projects' accomplishments.

Recommendation 8

(8) The UNODC Regional Office for Russia and Belarus should require projects to incorporate information on output indicators and targets in its annual reports.

39. *UNODC accepted recommendation 8 and stated that standard mandatory reports (semi-annual and annual reports), and complementary reports as required under the signed donors' funding agreements (EC, USAID), will be amended accordingly.* Recommendation 8 remains open pending receipt

of a sample of annual or semi-annual reports that incorporate information on indicators and targets set for the reporting period.

Need for training on planning, monitoring and evaluation

40. The UNODC Strategic Planning Unit has developed a training guide on planning, monitoring, reporting and evaluation, which was first delivered in 2007 at the UNODC Headquarters in Vienna and various other field offices. One of the UNODC project staff attended the training that was held in Uzbekistan in April 2007. The feedback from the participants in the training was positive and one of the strategies outlined was to offer tailor made trainings for offices or projects.

41. Some of RORB project staff were new and expressed the need for training in planning and monitoring. This audit also identified several weaknesses relating to planning and monitoring which further confirm that RORB would benefit if all project staff took the training.

Recommendation 9

(9) The UNODC Regional Office for Russia and Belarus should arrange for its project staff to take the UNODC training on planning, monitoring and evaluation.

42. *UNODC accepted recommendation 9 and stated that the training work plan for the RORB staff has been developed. RORB staff will participate in the training session organized by the UNODC Strategic Planning Unit (SPU) in December 2008. Consultations between RORB and SPU to plan the training session for RORB Project Coordinators in Moscow in early 2009 are currently ongoing.* Based on the actions taken by UNODC, recommendation 9 has been closed.

Annual procurement plans including those for implementing partners were not prepared

43. Approximately 50 percent of RORB's funds in 2007 were released to implementing partners, most of which were in relation to project RUSJ17. Project RUSJ17 did not establish implementing partners' contracts in a timely manner. At the time of the audit, the second year contracts for two of the main implementing partners had not been established, more than three months after the end of the first year contracts. Also, during 2007, project-related procurement activities such as consultants, training and study tours, were always done a day or two before the start of the meetings or training.

44. Delays in renewal of the implementing partners' contracts slowed down project implementation. Though the actual impact on project implementation could not be determined, this concern was raised by most implementing partners whom OIOS met. Delays in renewing contracts also lead to rushed procurement actions and increase the risk that RORB will not obtain competitive prices.

45. The delays occurred because the project staff did not prepare annual procurement plans and consequently did not always initiate the procurement process in a timely manner. This was mainly because most of the project staff had worked with RORB for less than two years and had no prior experience of UNODC procedures for procurement. Annual planning can now be implemented because most of the staff are aware of the procedures and most of the information needed to prepare the plans are in the project work plans.

Recommendation 10

(10) The UNODC Regional Office for Russia and Belarus should prepare annual procurement plans that include procurement for implementing partners.

46. *UNODC accepted recommendation 10 and stated that the 2009 procurement plan for all RORB projects is being developed and will be completed by mid-December 2008, along with the projects' respective work-plans.* Recommendation 10 remains open pending receipt of a copy of the 2009 procurement plan.

Insufficient requirements in the implementing partners' contracts

47. The 2007 contract for the main project RUS J17 implementing partner, AFEW, did not include requirements for them to submit details of staff working on the projects. This information was provided by the other implementing partners reviewed and is useful for monitoring purposes.

48. Also, the AFEW financial reports did not include a break down of amounts granted to subcontractors nor of procurement and non-expendable equipment. The breakdown of amounts paid to subcontractors is necessary for effective monitoring of all parties involved in the project activities. On the other hand, procurement and non-expendable equipment breakdowns are useful for monitoring the use of funds. In addition, non-expendable equipment needs to be recorded since they remain the property of RORB.

49. Auditing clauses in the contracts with implementing partners were general and did not clearly indicate whether an audit was required. The standard clause stated that "certified financial statements are to be submitted annually and the project should be audited once in its life time." Since RORB has been issuing yearly contracts to the implementing partners even in cases where the project is likely to continue, this clause does not clearly state whether the audits would be carried out every year or once within the two to three years life of the project. As a result, implementing partners did not always incorporate the cost of the audit in their budgets.

Recommendations 11 and 12

The UNODC Regional Office for Russia and Belarus should:

(11) Establish a policy that requires implementing partners' contracts to incorporate the following minimum requirements: (a) details of staff expected to work on the project; (b) requirement for the financial reports to include a breakdown and details of all subcontractors and a breakdown of procurement and non-expendable equipment; and (c) specific requirements for audit; and

(12) Maintain records of non-expendable equipment purchased by implementing partners.

50. *UNODC accepted recommendation 11 and stated that effective September 2008, implementing partners for projects RUS/J12 and RUS/J17 have been requested to submit quarterly financial reports that include details on procurement by type and supplier and details of staff and consultant expenditure. The RORB projects which do not have specific reporting mechanisms as per funding agreement (GLO/C54 - USAID funded) will, effective in the 4th quarter of 2008, require identical quarterly financial reports from their implementing partners. The most recent grants approved for RUS/J17 included clear requirements for audit.* Based on the actions taken by UNODC, recommendation 11 has been closed.

51. *UNODC accepted recommendation 12 and stated that in line with the additional reporting requirement on procurement by type and supplier for the reporting period, the newly-recruited Finance Assistant will maintain records of non-expendable equipment purchased by the implementing partners.* Based on the actions taken by UNODC, recommendation 12 has been closed.

B. Administration

Survey results reflected a positive control environment

52. The results of the control environment survey administered by OIOS were positive, as shown in Table 2.

Table 2: Summary of the results of the control environment survey

Component	Average positive rating
Commitment to Values	90%
Commitment to competence	89%
Management philosophy and operating style	97%
Organization Structure	85%
Assignment of Authority and responsibility	90%
Information and communication	95%

53. Evaluation of the results also showed that most staff had not undertaken mandatory training on sexual exploitation and abuse, harassment in the work place and ethics. The Human Resources Assistant has now established a training plan and is in consultation with UNODC Headquarters regarding the mandatory training. As RORB has taken the necessary steps to address the issue, no recommendation is made.

Staff had not received training on procurement

54. In the risk assessment workshops, most project staff identified the lengthy procurement process as a factor that could hinder the achievement of objectives. They indicated that they spent a lot of time dealing with procurement-related issues, sometimes at the expense of technical work. For example, when organizing for workshops or training, they spent a significant amount of time dealing with procurement for consultants, hotels, etc, sometimes at the expense of preparing for the workshops or training.

55. Interviews with the United Nations Development Programme (UNDP) Russia and RORB staff and a review of a sample of 25 contracts indicated that most of the weaknesses in procurement and lack of clarity on procedures had been resolved. The staff now have a clearer understanding of the procedures and UNDP has also provided clearer instructions on the documentation it requires. In addition, since January 2008, RORB had made several improvements in its procurement procedures. A committee was established to review all procurement cases before submission to UNDP, which led to an improvement in the quality of submissions and compliance with procurement rules. A bid opening committee was also set up and evaluations of technical and financial bids are now done separately.

56. However, staff indicated that they were still unclear about a few procedural issues. These included how many times they had to re-issue invitations to bids in cases where the response rate to the initial solicitation was low and whether long term contracts could be established in cases where project activities are anticipated to run for over one year. The lack of clarity over such issues could be attributed to the fact that the staff had not undertaken any training on procurement, and therefore may not fully understand the reasons for some of the strict procurement rules and regulations. UNDP Russia staff indicated that they would be willing to provide training on procurement related issues, since they had offered such training to some of the other agencies that they serve.

Recommendation 13

(13) The UNODC Regional Office for Russia and Belarus should arrange for a training session on procurement procedures for all staff involved in procurement, to be carried out by the United Nations Development Programme, Russia.

57. *UNODC accepted recommendation 13 and stated that the training plan for RORB now includes local training on procurement. UNODC's request for*

training was acknowledged by the UNDP Operations Manager. UNODC offered its support to UNDP in the development of the training programme. Consultations on the training date/s are currently ongoing. Based on the actions taken by UNODC, recommendation 13 has been closed.

Change in structure raises the need for additional training

58. OIOS agrees with RORB management and staff that the new structure under which administrative staff are allocated specific responsibilities by functional areas is more effective. Before this change, each project had its own administrative assistant who performed all administrative functions. As most of the administrative staff do not have expertise in their new functions, they will need continuous training and support.

59. The UNODC personnel section at Vienna indicated that there are plans to establish a field support unit at Headquarters to address training needs and support for field based staff. While this may take time, OIOS is of the view that procurement is the most urgent need for RORB at the moment. Since the training session proposed above will address the immediate need for knowledge and information, OIOS is not making any further recommendations.

Job descriptions for staff were not updated

60. The job descriptions for the law enforcement coordinator and the public relations officer did not match their current functions. The law enforcement coordinator changed posts, but his job description was not amended. As for the public relations officer, the Officer-in-Charge explained that the post was not necessary and there were plans to reclassify the functions to "criminal justice" related activities. In the meantime, the staff has been allocated functions in this area and the post is expected to be advertised in 2009.

61. In 2008, the regional coordinator for HIV/AIDS worked 50 percent of the time for project RUSJ17. The other 50 percent of the time was spent on his regular regional related tasks. Interviews and workshop with staff showed a need to clarify the role of the HIV/AIDS coordinator in the project to improve the decision making process.

Recommendation 14

(14) The UNODC Regional Office for Russia and Belarus should amend job descriptions for the law enforcement coordinator and the regional HIV/AIDS expert to reflect their current functions.

62. *UNODC accepted recommendation 14 and stated that the job description for the Regional Drug and HIV Expert was revised and cleared by UNODC Headquarters, on 1 July 2008. The revised job description reflects his role as (i) advisor to the RORB HIV/AIDS expert team, especially in regard to project RUSJ17; and (ii) regional advisor within the HIV/AIDS Unit framework. The review of certain job descriptions (Law Enforcement Coordinator and some*

administrative staff) to reflect accurately the staff assignments under the new office organizational chart is ongoing. The review is conducted in consultation with UNDP. Recommendation 14 remains open pending receipt of the revised job descriptions.

Lack of an archiving policy

63. There was no archiving policy that specified what project documents are to be kept, for how long and in which format. As a result, the project coordinators were not clear what documents they needed to maintain and each seemed to have a different understanding of how long they need to maintain project documents. Furthermore, since RORB moved from the building that also housed UNDP Russia, they have not had space for storage. Therefore, files that were more than four years old have not been maintained.

Recommendation 15

(15) The UNODC Regional Office for Russia and Belarus should establish an archiving policy for the office in consultation with UNODC Headquarters, to ensure that records are accessible to authorized users and secure.

64. *UNODC accepted recommendation 15 and stated that a new archiving policy will be set up in line with the UN rules and regulations. The policy will become effective upon circulation of a corresponding RORB Instruction. The policy will cover the archiving of both electronic and hard copies.* Recommendation 15 remains open pending receipt of the new archiving policy.

V. ACKNOWLEDGEMENT

65. We wish to express our appreciation to the Management and staff of UNODC Regional Office for Russia and Belarus for the assistance and cooperation extended to the auditors during this assignment.

ANNEX 1

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/ O[1]	Actions needed to close recommendation	Implementation date[2]
1	The UNODC Regional Office for Russia and Belarus should review project RUSJ17 and set targets in terms of project coverage and output for the remaining period of the project to enhance monitoring and accountability.	Governance	High	O	Receipt of the targets set for the remaining period of project RUSJ17.	February 2009
2	The UNODC Regional Office for Russia and Belarus should, based on targets set, assess the adequacy of the remaining period of project RUSJ17, and discuss possible extension of the project with the donors in order to maximise the potential impact of the available funding.	Governance	High	O	Receipt of the results of the on-going consultation with the donor regarding possible extension of the project.	February 2009
3	The UNODC Regional Office for Russia and Belarus should revise project RUSJ17 monitoring and evaluation plan to include specific information on what type of reports will be prepared, how frequently, who will prepare them, and whom they will be distributed to. This exercise could be incorporated in the mid point evaluation of the project.	Governance	High	O	Receipt of the revised logical framework and revised monitoring and evaluation plan.	February 2009
4	The UNODC Regional Office for Russia and Belarus should survey the use of the monitoring system implemented by AIDS Foundation East-West to determine any difficulties faced and make adjustments accordingly.	Operational	Medium	O	Receipt of the results of the review of the monitoring system by the external evaluators.	February 2009
5	The UNODC Regional Office for Russia and Belarus should establish a database of all implementing partners involved in project RUSJ17, by region, to enhance the	Operational	Medium	O	Receipt of evidence that the database of all implementing partners working on the project has been set up.	December 2008

Recom. no.	Recommendation	Risk category	Risk rating	C/ O[1]	Actions needed to close recommendation	Implementation date[2]
	effectiveness of inspection of project activities. The database should include information such as the nature and aim of the activities, duration, amounts granted and where applicable, details of when substantive reports are due and when they were submitted.					
6	The UNODC Regional Office for Russia and Belarus should establish a requirement for annual work plans for projects to include details of how the budgeted costs for each activity were allocated to the accounting codes in the Programme and Financial Information System (PROFI).	Financial	Medium	O	Receipt of evidence that the track of activities has been prepared for all projects.	November 2008
7	The UNODC Regional Office for Russia and Belarus should establish procedures that require projects to prepare regular reports that compare the actual costs of activities with budgeted costs. The reports should include explanations for activities where there are significant variances between the budget and actual costs.	Financial	Medium	O	Receipt of a sample of the quarterly reports showing the variances between actual and budgeted costs.	March 2009
8	The UNODC Regional Office for Russia and Belarus should require projects to incorporate information on output indicators and targets in its annual reports, to provide a complete picture of the projects' accomplishments.	Governance	Medium	O	Receipt of a sample of annual or semi annual reports that incorporate information on indicators and targets set for the reporting period.	December 2008
9	The UNODC Regional Office for Russia and Belarus should arrange for its project staff to take the UNODC training on planning, monitoring and evaluation.	Governance	Medium	C	Action completed.	Implemented
10	The UNODC Regional Office for Russia and Belarus should prepare annual procurement plans that include procurement for implementing partners.	Operational	Medium	O	Receipt of a copy of the 2009 procurement plan.	December 2008
11	The UNODC Regional Office for Russia	Operational	Medium	C	Action completed.	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/ O[1]	Actions needed to close recommendation	Implementation date[2]
	and Belarus should establish a policy that requires implementing partners' contracts to incorporate the following minimum requirements: (a) details of staff expected to work on the project; (b) requirement for the financial reports to include a breakdown and details of all subcontractors and a breakdown of procurement and non-expendable equipment; and (c) specific requirements for audit.					
12	The UNODC Regional Office for Russia and Belarus should maintain records of non-expendable equipment purchased by implementing partners.	Compliance	Medium	C	Action completed.	Implemented
13	The UNODC Regional Office for Russia and Belarus should arrange for a training session on procurement procedures for all staff involved in procurement, to be carried out by the United Nations Development Programme, Russia.	Human Resources	Medium	C	Action completed.	Implemented
14	The UNODC Regional Office for Russia and Belarus should amend job descriptions for the law enforcement coordinator and the regional HIV/AIDS expert to reflect their current functions.	Human Resources	Medium	O	Receipt of the revised job descriptions.	December 2008
15	The UNODC Regional Office for Russia and Belarus should establish an archiving policy for the office in consultation with UNODC Headquarters, to ensure that records are accessible to authorized users and secure.	Operational	Medium	O	Receipt of the new archiving policy.	December 2008

1. C = closed, O = open
2. Date provided by UNODC Regional Office for Russia and Belarus in response to recommendations.