



INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of UNODC operations in Pakistan

Overall results relating to the management of the operations in Pakistan were initially assessed as partially satisfactory. Implementation of two important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

5 November 2012
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AUDIT REPORT

Audit of UNODC operations in Pakistan

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Office on Drugs and Crime's (UNODC) operations in Pakistan.
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The UNODC Country Office in Pakistan (COPAK) is responsible for three interdependent areas of work: illicit trafficking and border management; criminal justice; and drug demand reduction and HIV/AIDS. In 2010, COPAK developed an integrated country programme for 2010-2014, "Promoting the Rule of Law and Public Health in Pakistan", which replaced a portfolio of relatively small stand-alone projects to allow for refocusing on defined strategic outcomes. The COPAK country programme assists the Government of Pakistan (GOP) in implementing strategies, supporting long-term institutional capacity development, enhancing rule of law and improving drug-related public health in Pakistan.
4. The country programme portfolio of COPAK includes nine projects at the national, regional and global levels, with total funding of \$26.7 million as of January 2012. For 2010 and 2011, office expenditures were approximately \$4 million and \$10 million, respectively. COPAK is staffed with a Country Representative at the P-5 level, four Professional staff, four General Service staff, two National Professional Officers and 26 Service Contract holders. Project implementation rates for the office were 94 per cent in 2010 and 98 per cent in 2011.
5. The security level in two regions of Pakistan, i.e., the Federally Administered Tribal Areas and Quetta city, is rated five, i.e., high. The security level in the Capital Area of Islamabad is rated four, i.e., substantial. Security level in Pakistan is monitored by the United Nations Department of Safety and Security's (UNDSS) Designated Official and Security Management Team.
6. Comments provided by UNODC are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of the UNODC governance, risk management and control processes in providing reasonable assurance regarding the **effective management of the COPAK operations**.
8. The audit was included in the 2012 internal audit work plan following a request from UNODC management to examine best practices and lessons learned on the recently implemented integrated country programme at COPAK. COPAK operations had also not been previously audited by OIOS.
9. The key controls tested for the audit were (a) strategic planning and risk management; (b) performance monitoring; (c) project management; (d) regulatory framework; and (e) staff safety and security. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Strategic planning and risk management** - controls that provide reasonable assurance that an effective strategy has been established, with related risk management mechanisms, to ensure UNODC effectively partners with other actors in the region and focuses on areas where it has comparative advantage.

(b) **Performance monitoring** - controls that provide reasonable assurance that metrics are: (i) established and appropriate to enable measurement of the efficiency and effectiveness of operations; (ii) prepared in compliance with rules and are properly reported on; and (iii) used to manage operations appropriately.

(c) **Project management** - controls that provide reasonable assurance that projects are adequately managed and project objectives are achieved in an efficient and effective manner, in accordance with relevant policies and guidelines.

(d) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the administrative operations covered by the audit, including financial management, property management, procurement, and human resources management; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

(e) **Staff safety and security** - controls that provide reasonable assurance that the operation can withstand crises and minimize the exposure of staff and assets to safety and security risks and threats.

10. The key controls were assessed for the control objectives shown in Table 1.

11. OIOS conducted this audit from February to April 2012. The audit covered the period from 1 January 2010 to 31 March 2012.

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

III. AUDIT RESULTS

13. The UNODC governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of the COPAK operations**. OIOS made two recommendations to address the issues identified in the audit.

14. Key controls relating to strategic planning and risk management, project management, regulatory framework, and staff safety and security arrangements were assessed as satisfactory. The COPAK organizational structure was appropriately realigned to support the country programme. Controls relating to administrative processes and functions were effective. For performance monitoring, existing performance indicators were in need of review and consolidation to articulate what can realistically be monitored and to effectively capture the programme and project achievements. *COPAK stated that it had already started revising programme indicators and strengthening its monitoring and evaluation capacity. It was also conducting an in-depth review of indicators and data collection methods.* In addition, as COPAK monitored project and programme implementation through three unsynchronized IT systems, it had difficulty in ensuring efficient and accurate data collection and recording of the integrated country

programme at the activity level. COPAK stated that it was in the process of establishing a system for synchronized collection and recording of data.

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

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of the COPAK operations	(a) Strategic planning and risk management	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(b) Performance monitoring	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(c) Project management	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(d) Regulatory framework	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(e) Staff safety and security	Satisfactory	Satisfactory	Satisfactory	Satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Strategic planning and risk management

Strategic planning and risk management mechanisms were adequate and operating effectively

16. Strategic planning and risk management mechanisms were adequate and operating effectively, in accordance with the UNODC Programme and Operations Manual (POM). The implementation of the integrated country programme resulted in improved focus on achieving outcomes and improved responsiveness, efficiency and effectiveness of UNODC operations in Pakistan. Governance arrangements for the country programme, including a joint GOP/UNODC Programme Governance Committee, provided for enhanced transparency and accountability to meet the requirements of the GOP and UNODC Headquarters. COPAK, with the assistance of local and Headquarters experts, identified and formulated management risks which were included in the country programme.

B. Performance monitoring

Need to review and consolidate performance indicators for the COPAK country programme

17. COPAK did not use SMART (specific, measurable, achievable, relevant and time bound) criteria for the assessment of its 150 performance indicators, as required by the POM. In some cases, there was lack of data to support the specified indicator and in other cases, the output indicators covered more than one subject area without clarity on how to consolidate relevant sub-indicators into one key indicator. Furthermore, some indicators lacked objective standards and did not have a baseline or target.

(1) The UNODC Country Office in Pakistan should review and consolidate the country programme performance indicators using SMART criteria.

COPAK accepted recommendation 1 and stated that it had started to revise programme indicators even before the audit took place. Subsequent to the audit, the office started to strengthen its monitoring and evaluation capacity. It was also conducting an in-depth review of indicators and data collection methods. Recommendation 1 remains open pending completion by COPAK of the review of the country programme performance indicators using SMART criteria.

Need to develop a system to ensure synchronized collection and recording of data for monitoring of performance indicators

18. COPAK monitored project and programme implementation through three different IT systems: ProFi, SmartSheet and ArcGIS. ProFi is a centralized UNODC project monitoring system that tracks funding agreements, expenditures and project implementation. SmartSheet and ArcGIS were adopted by COPAK because the UNODC Project Activity Tracker system did not fit its monitoring needs. SmartSheet is an Internet-based project management system that tracks project and budget performance at the level of outcome, output, activity and task. ArcGIS provides mapping and spatial analysis of baselines, interventions and results. Because the systems were not synchronized, information in the existing systems required manual updates which increased the risk of data errors and inaccurate data being used for monitoring the country programme performance indicators at the activity level.

(2) The UNODC Country Office in Pakistan should develop a system for synchronized collection and recording of data for monitoring of the Country Programme performance indicators at the activity level.

COPAK accepted recommendation 2 and stated that it was in the process of establishing a system for synchronized collection and recording of data, estimated to be completed at the end of 2012. Testing of data entry would start in late 2012, continuing into 2013. Recommendation 2 remains open pending implementation of the synchronized data collection and recording system for performance indicators.

C. Project management

Project management controls were adequate and in compliance with the UNODC Programme and Operations Manual

19. In May 2011, COPAK implemented the Human Resource Operations Plan (HROP) for transitioning from a project approach to a programme approach. The HROP addressed: (a) processing of administrative tasks by thematic experts; (b) replication of procurement, payments, cash management and reporting tasks; (c) enhancing knowledge on standard operating procedures; (d) development of a central repository of knowledge and processing skills; and (e) programme-specific functions. Pursuant to the HROP, COPAK obtained the required human resources for project management capacity under the country programme. Individual work plans provided sufficient coverage of the open projects included in the office work plan to ensure that each project had appropriate staffing and the individual work plans were aligned with the key assignments and objectives of the COPAK projects. The new SmartSheet system was effectively used to assist with individual work plans and programme planning. The backstopping arrangements for project management were documented and provided effective support for project and programme implementation.

D. Regulatory framework

COPAK organizational structure was realigned to support the country programme

20. COPAK undertook an exercise in 2011 to realign its organizational structure with the integrated programme approach and to better support the country programme. As a result of the restructuring, staff were organized into two functional teams, the Core Team and the Output Management Team. The Core Team was assigned both operations functions (managing financial processing, procurement, human resources, information technology, communications and logistics) and programme development functions (development of new outputs, strategic analysis of trends, data collection, monitoring and evaluation and budgetary planning). The Output Management Team was divided into three sub-programmes aligned with the new country programme. The office restructuring resulted in creating new posts that allowed for consolidation of functions previously administered by project personnel: Human Resources Officer, Procurement Officer and Monitoring & Evaluation Officer.

Administrative processes and functions were effective

21. The United Nations Development Programme (UNDP) provided COPAK with assistance in recruitment, administration, procurement and payment processing. COPAK operated under a working agreement between UNODC and UNDP, and the arrangements for coordination with UNDP were effective. All staff contracts were administered under the UNDP policies, procedures, personnel manual and user guide provisions applicable to locally recruited personnel. The UNDP Procurement Department provided assistance to COPAK in different types of procurement. UNDP was the final approving authority that disbursed all funds related to programme implementation.

22. Controls relating to COPAK's administrative processes and functions were effective and working as intended:

- Payment requests tested were properly endorsed and certified and the 2011 year-end checklist of accounts closure was completed in a timely manner.
- COPAK implemented procedures that required prior approval by the Property Survey Board for transfer or sale of vehicles, equipment and other property. Vehicle log books were properly maintained.
- A new time and attendance system that was introduced upon the move into a new building in 2010 had eliminated a prior control weakness when the daily attendance register had been available for tampering the day after. Timekeeping records were reconciled for the days when the system did not register attendance and the staff did not submit request for leave.
- COPAK 2012 training plan had been established and training records were adequately monitored by the Administrative Officer.
- Since 2009, COPAK had hired a procurement officer, implemented procurement guidelines and established the Procurement Committee, whose functions include vendor review, recommendation and selection. Procurement functions were properly segregated, fraud risk mitigation was established and procurement files were properly documented.

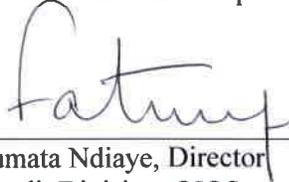
E. Staff safety and security

Staff safety and security arrangements were adequate

23. In order to minimize the exposure of staff and assets to security risks and threats, COPAK complied with the United Nations Minimum Operational Security Standards and Minimum Operating Residential Security Standards and ensured effective coordination on security matters with the Designated Official and Security Management Team. COPAK maintained 19 standard operating procedures covering office security, safety, and emergency procedures. Training records kept by COPAK showed that the majority of staff had completed the required security training and those who did not complete were either scheduled for the training or had been provided reminders to enroll in the required courses.

IV. ACKNOWLEDGEMENT

24. OIOS wishes to express its appreciation to the Management and staff of UNODC Country Office in Pakistan for the assistance and cooperation extended to the auditors during this assignment.



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STATUS OF AUDIT RECOMMENDATIONS

Audit of UNODC operations in Pakistan

Recom. no.	Recommendation	Critical/ ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNODC Country Office in Pakistan should review and consolidate the country programme performance indicators using SMART criteria.	Important	O	Submission to OIOS of evidence of completion of the review of the COPAK country programme performance indicators using SMART criteria.	31 March 2013
2	The UNODC Country Office in Pakistan should develop a system for synchronized collection and recording of data for monitoring of the Country Programme performance indicators at the activity level.	Important	O	Submission to OIOS of evidence of implementation of the synchronized data collection and recording system for performance indicators.	31 March 2013

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNODC in response to recommendations