



## **INTERNAL AUDIT DIVISION**

### **REPORT 2013/127**

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#### **Audit of the United Nations Office on Drugs and Crime operations in Afghanistan**

**Overall results relating to the management of the United Nations Office on Drugs and Crime operations in Afghanistan were initially assessed as partially satisfactory. Implementation of six important recommendations remains in progress.**

**FINAL OVERALL RATING: PARTIALLY  
SATISFACTORY**

**17 December 2013**

**Assignment No. AE2013/366/02**

# CONTENTS

	<i>Page</i>
I. BACKGROUND	1-2
II. OBJECTIVE AND SCOPE	2
III. AUDIT RESULTS	3-12
A. Strategic planning and risk management	4
B. Project management	5-6
C. Regulatory framework	6-11
D. Staff safety and security	11-12
IV. ACKNOWLEDGEMENT	12
ANNEX I      Status of audit recommendations	
APPENDIX I   Management response	

# **AUDIT REPORT**

## **Audit of the United Nations Office on Drugs and Crime operations in Afghanistan**

### **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Office on Drugs and Crime (UNODC) operations in Afghanistan.

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. UNODC operations in Afghanistan included the Regional Programme for Afghanistan and Neighbouring Countries and the Country Programme for Afghanistan. The operations were implemented by the UNODC Country Office for Afghanistan (hereinafter referred to as COAFG), which included both the country and the regional office and was managed under a single governance structure. The UNODC Representative in Afghanistan served as the UNODC Regional Representative for Afghanistan and Neighbouring Countries as well as the Country Representative for Afghanistan. The Representative also served as the Special Advisor on counter narcotics issues to the Special Representative of the Secretary-General in Afghanistan.

4. The regional programme was a four-year programme (2011-2014) covering eight countries, including Afghanistan, the Islamic Republic of Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan and Uzbekistan. It included four sub-programmes: regional law enforcement cooperation; international/regional cooperation in legal matters; prevention and treatment of addiction among vulnerable groups; and trends and impacts analysis. The country programme was a three-year programme (2012-2014) focusing on four sub-programmes: research, policy and advocacy; law enforcement; criminal justice; and health and livelihood.

5. As of May 2013, COAFG had a portfolio of 20 projects supporting its programme of work, of which nine were country projects, seven were segments of global projects managed from UNODC headquarters in Vienna and four were regional projects. These projects had a multi-year approved total budget of \$190 million. Annual project expenditures of COAFG were \$22.4 million and \$24.9 million in 2011 and 2012 respectively, and office budget allocations for the 2010-2011 and 2012-2013 bienniums were \$1.5 million and \$1.4 million respectively.

6. The operations were administered by a Representative at the D-2 level supported by a Deputy Representative at the P-5 level, 14 international professional staff, two national officers and 171 general service staff members. An additional eight professional level posts were in the process of recruitment at the time of the audit.

7. Afghanistan was a high security risk area with a United Nations Department of Safety and Security (UNDSS) security level ranging from “substantial” (4) to “high” (5) depending on the location. The security level in the capital, Kabul, was “4” at the time of the audit while in many Afghan provinces it was “5”. A Security Management Team existed in Afghanistan under the leadership of a Designated Official, and consisted of 36 members from various United Nations (including UNODC) and non-United Nations international organizations.

8. Comments provided by UNODC are incorporated in *italics*.

## II. OBJECTIVE AND SCOPE

9. The audit was conducted to assess the adequacy and effectiveness of UNODC governance, risk management and control processes in providing reasonable assurance regarding the **effective management of UNODC operations in Afghanistan**.

10. The audit was included in the 2013 internal audit work plan for UNODC because the operations in Afghanistan were identified as high risk based on the significant financial volume of project activities and the sensitive security environment in Afghanistan. In addition, OIOS had not audited UNODC operations in Afghanistan since 2005.

11. The key controls tested for the audit were: (a) strategic planning and risk management; (b) project management; (c) regulatory framework; and (d) 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 strategic planning is implemented and reported upon by COAFG in compliance with relevant mandates, rules and regulations; risks relating to its activities are identified and assessed; and action is taken to mitigate risks.

(b) **Project management** - controls that provide reasonable assurance that COAFG manages its programmes and projects adequately and achieves programme and project objectives in an efficient and effective manner, in accordance with relevant UNODC policies and guidelines.

(c) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the operations of COAFG in the areas of administration, financial management, human resources management, procurement and asset management; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

(d) **Staff safety and security** - controls that provide reasonable assurance that: (i) staff safety and security programmes exist to ensure that staff are aware of the United Nations and COAFG safety and security policies and procedures, and their responsibilities for complying with them; (ii) COAFG complies with the Minimum Operating Security Standards; and (iii) there is effective coordination on security matters with the United Nations Security Management Team in Afghanistan.

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

13. OIOS conducted this audit from May to August 2013. The audit covered the period from 1 January 2011 to 31 May 2013.

14. 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

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

16. Strategic planning and risk management was assessed as satisfactory. The COAFG strategic planning process was conducted in accordance with the UNODC Programme and Operations Manual. Both the regional and country programmes included detailed risk assessments and risk mitigation strategies.

17. Project management was also assessed as satisfactory. The programme cycle management in COAFG was in accordance with the UNODC Programme and Operations Manual and the Integrated Programming Approach. The arrangements for programme planning and monitoring were in place and operating as intended. Project reporting was undertaken in compliance with the UNODC requirements. In addition, arrangements for programme and project evaluation were adequate and working effectively.

18. Regulatory framework was assessed as partially satisfactory. Arrangements for verifying the UNDP administrative service charges were working effectively. However, the COAFG administrative arrangements were not in line with the working agreement with UNDP as outlined in the UNODC management instruction MI/8/Rev.1 because COAFG performed most of its administrative functions itself. Revised arrangements and procedures for external party engagement, including the grants mechanisms, needed to be finalized so as not to adversely affect project delivery. There was no UNODC-wide policy for engaging in construction activities, which was a high cost and high risk activity in COAFG. Regarding procurement activities, COAFG was yet to establish an automated vendor registration system. Furthermore, the fixed asset register was still incomplete and controls over asset management needed to be strengthened. In addition, instructions from UNODC headquarters on the procedures for development, review and monitoring of business continuity plans were required.

19. Staff safety and security was assessed as satisfactory. The COAFG arrangements for coordination on security matters with the United Nations Security Management Team in Afghanistan were working as intended and full compliance with the mandatory staff security training programmes was being sought at the time of the audit. Efforts were also underway to achieve full compliance with the Minimum Operating Security Standards requirement for all COAFG offices in Afghanistan.

20. 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 the implementation of six 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 UNODC operations in Afghanistan	(a) Strategic planning and risk management	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(b) Project management	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(c) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(d) Staff safety and security	Satisfactory	Satisfactory	Satisfactory	Satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

### A. Strategic planning and risk management

The strategic planning process was conducted in accordance with the UNODC Programme and Operations Manual

21. In accordance with the UNODC Programme and Operations Manual, COAFG, in conceptualizing its regional and country programmes respectively, took into account the overall development strategy and national priorities of the Government of Afghanistan. These included, *inter alia*, the Strategic Programme Framework of Afghanistan 2006-2011, the Afghanistan Development Strategy, and the National Priority Programme of Afghanistan. COAFG also considered the priorities and strategic direction of the United Nations Development Assistance Framework, the United Nations integrated strategic framework for Afghanistan, the UNODC strategic framework and medium term strategy for 2012-15, and the United Nations programme criticality and security risk assessment for Afghanistan in the development of its regional and country programme documents.

Detailed risk assessments and risk mitigation strategies were developed for the regional and country programmes

22. Both the regional programme and the country programme included detailed risk assessments and identified appropriate risk mitigation strategies, as required by the Programme and Operations Manual. Considering the security situation in Afghanistan, the strategic planning, programme management and reporting phases at COAFG paid due attention to security risks. For example, in order to address the heavy investment required for security management to ensure delivery of projects, COAFG management had proposed a ten per cent additional project budget to be dedicated for security management, which was approved by the UNODC Executive Director and agreed upon by the main donors.

## **B. Project management**

### The programme cycle management in COAFG was in accordance with the UNODC Programme and Operations Manual and the Integrated Programming Approach

23. As required by the Programme and Operations Manual, both the regional and country programmes included a strategic vision, a programme strategy and a results monitoring framework that was closely aligned to the principles of results-based management. In addition, COAFG followed the integrated programming approach of UNODC, which was seeking to interlink thematic and country programmes with the regional programmes. Both programmes included the five key cycle management elements required by the integrated programming approach, i.e. strategy setting; programme development; resource mobilization; implementation and monitoring; and evaluation. Each of these elements had contributed to a better integration of country programme activities with the regional programme. OIOS therefore concluded that the programme cycle management in COAFG was in accordance with the applicable UNODC requirements.

### Programme and project planning and monitoring controls were in place and operating as intended

24. COAFG followed the requirements prescribed in the Programme and Operations Manual and relevant management instructions in the planning and monitoring of its projects. The regional and country programmes were supported by implementation plans for each of the sub-programmes, as required. There was evidence that COAFG management closely monitored the implementation of project work plans through weekly senior management meetings and monthly performance monitoring meetings. Each project team within both the regional and country programmes also had their own work plan monitoring meetings and reporting schedules that were duly documented. Furthermore, there were high-level steering committees for each of the sub-programmes. They were composed of COAFG management and high-level officials from the Government of Afghanistan and donor representatives and were supported by technical working groups that continuously monitored the progress made by the projects. In addition, tripartite reviews of projects were undertaken by COAFG, donor and Government of Afghanistan representatives. OIOS therefore concluded that the COAFG programme and project planning and monitoring controls were operating as intended.

### Project reporting was undertaken in compliance with the UNODC requirements

25. The UNODC management instruction MI/10 and the Programme and Financial Information Management System (ProFi) workflow stipulated the reporting requirements for projects and required semi-annual and annual project progress reports and annual project financial statements to be prepared and uploaded to ProFi within a defined timeframe. A review of compliance by COAFG with these requirements demonstrated a generally satisfactory compliance rate. Whilst a few exceptions were noted, COAFG was taking action to rectify them.

### Arrangements for programme and project evaluation were adequate and working effectively

26. In accordance with the UNODC Evaluation Handbook, each COAFG sub-programme had a cluster evaluation system built in for mid-term and final evaluations and the findings of these evaluations were fed into the strategic planning and programme development processes. In addition, an evaluation plan was in place for all projects. It included the planned timing and resources required for mid-term and final evaluations. Adequate resources were budgeted in the project budgets for evaluation, as required. Moreover, COAFG regularly monitored progress made in the implementation of recommendations from independent evaluations and communicated the progress to the UNODC Independent Evaluation Unit.

OIOS therefore concluded that the COAFG arrangements for programme and project evaluation were working satisfactorily.

### C. Regulatory framework

#### UNODC management instruction MI/8/Rev.1 regarding the working arrangement with UNDP on field office administration required revision

27. UNODC management instruction MI/8/Rev. 1 on Field Office Administration outlined the administrative arrangements for UNODC field offices and required field office administration to be carried out through the working arrangement with UNDP. The working arrangement that MI/8/Rev.1 referred to was the Memorandum of Understanding signed between UNODC and UNDP in 2005, which outlined the services to be provided by UNDP to UNODC in the areas of administration of field personnel, field office administration and financial and administrative support to projects. However, COAFG performed most of its administrative functions itself limiting the UNDP role only to the issuance of contracts, payment of salaries for local staff and disbursement of payments for local procurements. This represented a departure from the established working arrangement with UNDP as per MI/8/Rev.1. According to UNOV/UNODC Division for Management, the agreement with UNDP signed in 2005 was no longer in place. However, the MI/8/Rev.1 had not been updated accordingly and therefore required revision to reflect the realities in field operations as regards the working arrangement with UNDP.

**(1) UNODC should review its field office administrative arrangements as regards the working agreement with the United Nations Development Programme and revise the Management Instruction UNODC/MI/8/Rev.1 to reflect the current practices.**

*UNODC accepted recommendation 1.* Recommendation 1 remains open pending receipt of the revised management instruction on UNODC field office administrative arrangements as regards the working agreement with UNDP.

#### Arrangements for verifying the UNDP administrative service charges were working effectively

28. The UNDP Universal Price List provided standard service charges for administrative actions and services provided by UNDP country offices to UNODC. In Afghanistan, UNDP submitted an annual list of services and related service charges based on the Universal Price List to COAFG for verification and reimbursement. The COAFG Finance Officer distributed the list to all relevant units in the office for checking and verifying the relevant charges against actual requests processed through UNDP. COAFG submitted the verified list back to UNDP and the final service charges were approved by the COAFG Representative for payment to UNDP. During 2011 and 2012, the review by COAFG had resulted in nearly \$7,000 less paid to UNDP than what was originally claimed by UNDP. In addition, the gradual shift from using UNDP for administrative services, as discussed in the section above, had contributed to a reduction in the UNDP service charges. The arrangements for verifying the UNDP administrative service charges were therefore assessed as working effectively.

#### Revised arrangements and procedures for external party engagement, including the grants mechanisms, needed to be finalized so as not to adversely affect project delivery in the field

29. During the period from 1 January 2011 to 31 May 2013, COAFG had a total of 93 grant agreements valued at nearly \$18 million, mainly with non-governmental organizations (NGOs) and international organizations, for implementation of COAFG project activities. COAFG used the grants modality in accordance with procedures established by the UNOV/UNODC Grants Committee at



headquarters supported by a COAFG local grants committee. The processing of grants was, however, a time consuming process as the local grants committee in COAFG performed quality checks for all grant proposals before submitting them to Vienna, where they were reviewed and approved by the UNOV/UNODC grants committee. These delays affected implementation plans and service delivery schedules. For example, one government donor had made funds available for a drug demand reduction activity in August 2012 but implementation could not fully begin until February 2013 mainly due to delays in the processing of grants. Furthermore, COAFG had a plan to establish a village-based treatment service in Badakhshan; however, due to delays in approving the grants, COAFG had to move the treatment service to a different location as the harsh winter climate prevented the implementation of activities in Badakhshan by the time the grants were finally approved. UNODC headquarters was in the process of implementing revised grantee and implementing partner arrangements and procedures (“Framework on engagement of external parties”). The Framework was intended to prescribe the relevant procedures, workflows and internal controls for grants management and address, *inter alia*, delays in the processing of grants.

30. Even before the official release of the Framework, and as part of the gradual introduction of the need to assess the capacity of external partners, UNODC headquarters had established a financial ceiling of \$500,000 on grants per NGO. According to COAFG management, this ceiling adversely affected its operations, which heavily relied on the grants mechanism for implementation of its project activities, and prevented implementation of planned actions. While appreciating the enhanced oversight this ceiling would bring on the management of grants, COAFG project managers argued that the new ceiling did not consider the fact that experienced grantees who had already reached the ceiling could no longer be involved in project implementation. Therefore, COAFG had to broaden its outreach to other NGOs that were not necessarily the best qualified in terms of technical and managerial capacity. For example, COAFG management stated that it faced difficulty in finding NGOs to implement project activities in the Kandahar province as there were very few qualified NGOs working there because of the high security risks, and the ones that were qualified and willing to work with COAFG had already reached the financial ceiling.

**(2) UNODC should finalize the planned Framework on Engagement of External Parties in order to, *inter alia*, clarify and streamline the procedures for processing of grants and facilitate timely delivery of projects in field offices.**

*UNODC accepted recommendation 2 and stated that the framework on engagement of external parties is in the final stages of review and formal implementation of the framework is planned for the end of 2013. Recommendation 2 remains open pending receipt of the approved framework on engagement of external parties.*

#### UNODC-wide policy for engaging in construction activities was required

31. COAFG had been involved in construction of buildings for its various government counterparts in Afghanistan as part of its project activities funded by donors. These activities were implemented through a grant agreement (and three subsequent amendments) between COAFG and the International Organization for Migration (IOM) covering 11 buildings under seven different projects. The total value of the agreement and the subsequent amendments amounted to \$6.5 million. As of May 2013, four of the 11 activities with a total value of \$1.5 million had been completed and seven activities with a total budget of over \$5 million were underway. In addition to the agreement with IOM, COAFG had its own construction team that had implemented simple and routine prefabricated facilities for a total cost of \$1.7 million between 2010 and May 2013. The COAFG construction team included an international consultant and two national engineers. Although construction activities were normally not the area of

expertise of UNODC, COAFG considered them necessary for the implementation of the UNODC mandate in an effective manner.

32. However, despite construction being one of the largest activities of COAFG, there was no formal policy guidance from UNODC headquarters regarding the planning, monitoring, implementation modality and capacity requirements for such activities. The Programme and Operations Manual and the management instructions did not include any provisions on the arrangements required for engaging in construction activities. Involvement in such high cost activities could include several layers of sub-contracting (e.g., in the case of COAFG, first from UNODC to IOM, and then IOM outsourcing to Afghan contractors) and thereby increase the financial, operational and reputational risks to the Organization. In Afghanistan, the sub-contracting and the associated capacity required for monitoring the activities at both UNODC and IOM had further increased the construction costs. In addition, the activities had suffered numerous challenges in terms of deciding on the appropriate implementation framework. An independent evaluation of COAFG by the UNODC Independent Evaluation Unit in 2008 recommended the discontinuation of construction activities but the recommendation was rejected by UNODC on the grounds that those facilities were essential for implementing the substantive project activities related to national priorities in a post conflict environment. However, in the absence of an organization-wide policy and operational guidelines on such high cost and high risk activities, the associated risks may not be managed effectively.

**(3) UNODC should establish a policy for engaging in construction activities and develop the necessary operational guidelines for such activities so that the associated risks can be effectively mitigated across field offices.**

*UNODC accepted recommendation 3 and stated that the Division for Operations, in coordination with other divisions within UNODC, will establish a (draft) policy for engaging in construction activities in field offices and will develop the necessary operational guidelines for such activities. Recommendation 3 remains open pending receipt of the approved UNODC policy for engaging in construction activities and the necessary operational guidelines for such activities.*

Lack of an automated vendor registration system resulted in erroneous vendor information entries

33. COAFG had gradually started conducting its own local procurement activities. Its volume of procurement actions increased from \$100,000 in 2010 to \$1.7 million in 2012. Despite the significantly increased procurement volume, COAFG did not have an automated vendor registration system in place. The COAFG Procurement Unit staff entered all information manually in Excel files for processing of purchase orders, and the same information was entered each time separately even in cases when the vendor had worked with COAFG several times before. The audit identified 11 errors due to erroneous spelling of vendor names resulting from the same vendors being registered multiple times. The establishment of an automated vendor registration system would enable COAFG to strengthen accuracy and verification of vendor information, enhance recording of vendor performance evaluations and improve the overall vendor relationship management and communication.

**(4) The UNODC Country Office in Afghanistan should establish an automated vendor registration system for local procurement, in order to avoid inadvertent errors in the vendor information in purchase orders and to strengthen its vendor information management.**

*UNODC accepted recommendation 4 and stated that the Country Office in Afghanistan will work with the Procurement Section and the Information Technology Service in Vienna to investigate options to improve the management of vendor information including enhancing existing COAFG*

*vendor databases, instigating an automated vendor registration system and/or migrating to the central registration at the United Nations Global Marketplace. Recommendation 4 remains open pending receipt of evidence that an automated vendor registration system for local procurement has been developed and put in use.*

#### Asset management at COAFG needed strengthening

34. The UNODC management instruction MI/8/Rev. 1, Annex I on Inventory Control, outlined the rules and procedures for inventory and fixed asset management. It required all field offices to maintain an up-to-date inventory record of non-expendable and expendable items and equipment, and to report to UNODC headquarters each year. The COAFG master inventory sheet that was submitted to headquarters was incomplete. A report prepared by the UNOV/UNODC Financial Resources Management Service, suggested that COAFG had a total of 1,814 items valued at \$3.6 million that were not verified in the field office fixed asset register. OIOS cross-checked the assets procured in 2011 and 2012 from the COAFG procurement files with the information in the fixed asset register and found inconsistencies, which were communicated to COAFG management. Immediate action was taken and during the last two weeks of the audit fieldwork, COAFG entered 269 items valued over \$750,000 into its fixed asset register based on the procurement delivery reports. However, none of the items had been physically verified at the time of the audit but, instead, the verification and reconciliation exercises were planned for a later date.

35. COAFG had a dedicated a national staff position for dealing with inventory and asset management and for maintaining regular contact with the UNOV/UNODC Division for Management in this regard. In addition, a support mission from headquarters took place in July 2013 to assist COAFG in: (i) general guidance on asset management; (ii) adjustments to prior-year inventory records; (iii) modification of users from prior-year inventory records; (iv) submission of cases to the Property Survey Board in Vienna; and (v) installation of a bar-coding system. Progress had been made in recording asset data in ProFi, and the submission of cases to the Property Survey Board had also increased during 2011 and 2012. Nevertheless, there were still gaps in the inventory records and physical verifications, and continued attention of COAFG was warranted on this issue, especially in view of the upcoming implementation of the International Public Sector Accounting Standards. COAFG management agreed but stated that this had become a bigger challenge since the national staff member responsible for inventory and asset management had recently left COAFG. A replacement was in the process of being recruited.

**(5) The UNODC Country Office in Afghanistan should expedite its efforts, with support from the UNOV/UNODC Division for Management, to update its fixed asset register and improve the related controls to ensure that fixed assets are accurately recorded, monitored and updated in a timely manner.**

*UNODC accepted recommendation 5 and stated that the Country Office in Afghanistan has already completed the majority of actions to implement it. A staff member from Vienna was assigned from 21 to 28 July 2013 to guide the country office team on asset management. The newly appointed Administrative Officer in the Country Office has assumed oversight of asset management. A new Asset Management Assistant is under recruitment. In addition, in accordance with instructions from the UNODC Division for Management, the Country Office has nearly completed the exercise to ensure that the fixed assets opening balance is accurate. Recommendation 5 remains open pending receipt of the updated fixed asset register and evidence of improved controls to ensure accurate and timely recording, monitoring and updating of the asset register.*

Instructions from UNODC headquarters on the procedures for development, review and monitoring of business continuity plans were required

36. In line with UNDSS requirements, COAFG developed a business continuity plan to ensure continuity of COAFG operations in the event the security situation would deteriorate, i.e., when international staff members of UNODC would have to be evacuated or relocated. The plan outlined that in such an event, the responsibility for the continued operations of COAFG would be vested in the senior-most nationally recruited officer designated by the UNODC Representative as the Officer in-Charge. The senior most nationally recruited officers from each section would form the senior management team of COAFG with responsibilities to support the Officer in-Charge in exercising his/her responsibilities. The plan also outlined key management, administrative and programmatic functions that would be delegated to national officers. The business continuity plan is a key document that would also require guidance, review and monitoring by senior management in headquarters, since it is supposed to outline key strategic and management decisions which are vested to the field representative and which would be delegated to a national programme officer in the event of a disaster or an emergency. In addition, business continuity plans of field offices should be centrally stored to ensure that the UNODC Crisis Management Group in headquarters would be able to provide consistent and fast support to field offices in emergency situations. However, there were no formal procedures in place in UNODC for business continuity plans prepared by field offices.

37. In addition, due to the existing staff contract modalities in Afghanistan, with heavy reliance on service contracts under the UNDP arrangements, the COAFG business continuity plan could not ensure adequate programme and project management capacity in projects should UNODC need to evacuate all its international staff from the country. Under the four sub-programmes of the country programme, COAFG recruited a total of 68 national staff for the substantive areas of work; however, only one of them was on a fixed-term contract position while the rest were on UNDP service contracts. Although there were nine national staff with fixed-term contracts, all of them were working in administration and finance and not in projects. In the event of the evacuation of UNODC international staff from Afghanistan due to a worsening security situation, the programme and project management capacity of COAFG would have to rely on only one fixed-term contract holder and, to a large extent, on the service contract holders, who were, strictly speaking, not UNODC staff. Therefore, the issue of delegated authority in programme and project management could not be sufficiently addressed in the COAFG business continuity plan. Instructions from UNODC headquarters regarding the procedures for development, review and monitoring of field office business continuity plans were therefore required. Such instructions should take into account the programme management capacity issues in field offices during the event of a disaster or an emergency situation.

**(6) UNODC should develop instructions for the development, review and monitoring of the business continuity plans in the field offices, especially in high security exposure environments such as the operations in Afghanistan.**

*UNODC accepted recommendation 6 and stated that all UNODC Representatives have already been instructed (latest in June 2013 during the UNODC Field Representatives Meeting) to share their respective Business Continuity Plans (BCPs) with UNODC headquarters. The BCP for COAFG has been on record since May 2013, and several other field offices developing/revising their local BCPs (Kenya, Senegal, Pakistan) are consulting thereon with UNODC headquarters. BCP samples or guidance provided by the Department of Management and UNDSS in New York are shared systematically with Field Representatives. A review of UNODC Field Office Business Continuity Plans will feature in the 2014 Field Representatives Meeting (security segment). UNODC can issue remaining written instructions thereafter, in the context of other UNODC Emergency Risk Management work that relates to field office management and security matters. Recommendation 6*

remains open pending receipt of the instructions for the development, review and monitoring of the business continuity plans in the field offices.

## **D. Staff safety and security**

### Coordination on security matters with the United Nations Security Management Team in Afghanistan was satisfactory

38. In accordance with UNDSS requirements, the United Nations country team in Afghanistan established a Security Management Team consisting of all United Nations agencies, funds and programmes to work under the leadership of the Special Representative of the Secretary-General in Afghanistan. The Security Management Team had put in place coordination mechanisms on security matters, which included: (i) fortnightly meetings; (ii) fortnightly working group meetings; (iii) weekly security cell meetings; and (iv) monthly/weekly area security management meetings. COAFG actively participated in these coordination mechanisms. OIOS reviewed ten recent Security Management Team meeting minutes and noted that either the Representative or the Deputy Representative of COAFG was present in eight of them. In addition, the COAFG Field Security Officer and the Security Associate regularly attended the security cell meetings and kept staff informed about security threats and issues almost on a daily basis. Furthermore, COAFG continuously monitored its costs associated with the United Nations common security cost arrangements in Afghanistan. The COAFG arrangements for coordination on security matters were therefore assessed as satisfactory.

### Full compliance with the mandatory staff security training programmes was being sought

39. COAFG staff members were required to complete the following three mandatory security training programmes: (i) basic security in the field; (ii) advanced security in the field; and (iii) safe and secure approaches in field environments. COAFG training records showed that as of 30 May 2013, 27 per cent, 15 per cent and 13 per cent of staff had not completed the basic security in the field, the advanced security in the field and the safe and secure approaches in field environments training, respectively. Excluding drivers, security guards and cleaners for whom separate group training courses were provided by COAFG, the non-compliance rates were 8, 13 and 11 per cent of staff, respectively. However, an updated report provided by COAFG on 30 July 2013 showed that it had in the meantime obtained 100 per cent compliance with the basic and advanced security in the field training and 16 remaining staff were scheduled to complete the safe and secure approaches in field environments training, which would make COAFG fully compliant with security training requirements. In view of the actions taken and proposed to be completed by COAFG to achieve full compliance with security training requirements, no recommendation was made.

### Efforts were underway to achieve Minimum Operating Security Standards compliance for all COAFG offices

40. The Minimum Operating Security Standards (MOSS) is the primary mechanism for managing and mitigating security risks to personnel, property and assets of United Nations organizations. MOSS compliance for United Nations offices and facilities is mandatory and relevant certification of compliance for MOSS is provided by UNDSS. At the time of the audit, three of the eight UNODC offices in Afghanistan were non-compliant with MOSS. However, COAFG had already issued purchase orders and requisitions to undertake the necessary works required to make these offices MOSS compliant. The action plan submitted by COAFG to OIOS showed that the three offices would be MOSS compliant by the end of November 2013. In addition, UNODC had ten staff located in seven different government offices in Kabul for which obtaining MOSS compliance was not operationally feasible. However, the

COAFG security focal person stated that these staff members were provided with necessary training and equipment to make them individually as compliant as possible. In view of the explanations provided and actions taken, no recommendation was made.

#### **IV. ACKNOWLEDGEMENT**

41. OIOS wishes to express its appreciation to the Management and staff of UNODC for the assistance and cooperation extended to the auditors during this assignment.

*(Signed)* David Kanja  
Assistant Secretary-General for Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the United Nations Office on Drugs and Crime operations in Afghanistan

Recom. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	UNODC should review its field office administrative arrangements as regards the working agreement with the United Nations Development Programme and revise the Management Instruction UNODC/MI/8/Rev.1 to reflect the current practices.	Important	O	Submission to OIOS of the revised management instruction on UNODC field office administrative arrangements as regards the working agreement with UNDP.	31 July 2014
2	UNODC should finalize the planned Framework on Engagement of External Parties in order to, <i>inter alia</i> , clarify and streamline the procedures for processing of grants and facilitate timely delivery of projects in field offices.	Important	O	Submission to OIOS of the approved framework on engagement of external parties.	31 January 2014
3	UNODC should establish a policy for engaging in construction activities and develop the necessary operational guidelines for such activities so that the associated risks can be effectively mitigated across field offices.	Important	O	Submission to OIOS of the approved UNODC policy for engaging in construction activities and the necessary operational guidelines for such activities.	31 July 2014
4	The UNODC Country Office in Afghanistan should establish an automated vendor registration system for local procurement, in order to avoid inadvertent errors in the vendor information in purchase orders and to strengthen its vendor information management.	Important	O	Submission to OIOS of evidence that an automated vendor registration system for local procurement has been developed and put in use.	31 July 2014
5	The UNODC Country Office in Afghanistan should expedite its efforts, with support from the UNOV/UNODC Division for Management, to update its fixed asset register and improve the	Important	O	Submission to OIOS of the updated fixed asset register and evidence of improved controls to ensure accurate and timely recording, monitoring and updating of the asset register.	30 June 2014

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by UNODC in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the United Nations Office on Drugs and Crime operations in Afghanistan

Recom. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
	related controls to ensure that fixed assets are accurately recorded, monitored and updated in a timely manner.				
6	UNODC should develop instructions for the development, review and monitoring of the business continuity plans in the field offices, especially in high security exposure environments such as the operations in Afghanistan.	Important	O	Submission to OIOS of the instructions for the development, review and monitoring of the business continuity plans in the field offices.	31 December 2014



# **APPENDIX I**

## **Management Response**

## MANAGEMENT RESPONSE

## Audit of the United Nations Office on Drugs and Crime operations in Afghanistan

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted ? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNODC should review its field office administrative arrangements as regards the working agreement with the United Nations Development Programme and revise the Management Instruction UNODC/MI/8/Rev.1 to reflect the current practices.	Important	Yes	Chief, Financial Resources Management Service in coordination with the Director, Division for Operations	July 2014	UNODC accepted the recommendation and the target date for implementation is July 2014.
2	UNODC should finalize the planned Framework on Engagement of External Parties in order to, <i>inter alia</i> , clarify and streamline the procedures for processing of grants and facilitate timely delivery of projects in field offices.	Important	Yes	Chief, Financial Resources Management Service	January 2014	UNODC accepted the recommendation. The Framework on Engagement of External Parties is in the final stages of review and formal implementation of the framework is planned for the end of 2013.
3	UNODC should establish a policy for engaging in construction activities and develop the necessary operational guidelines for such activities so that the associated risks can be effectively mitigated across field offices.	Important	Yes	Director, Division for Operations in coordination with the Directors of other UNODC Divisions	July 2014	UNODC accepted the recommendation. The Division for Operations, in coordination with other divisions within UNODC, will establish a (draft) policy for engaging in construction activities in field offices, and will develop the necessary operational guidelines for such activities. Target date for implementation is July 2014.

<sup>1</sup> 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.

<sup>2</sup> 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.

## MANAGEMENT RESPONSE

## Audit of the United Nations Office on Drugs and Crime operations in Afghanistan

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted ? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	The UNODC Country Office in Afghanistan should establish an automated vendor registration system for local procurement, in order to avoid inadvertent errors in the vendor information in purchase orders and to strengthen its vendor information management.	Important	Yes	Representative, UNODC Country Office in Afghanistan with the support of the Chief, Procurement Unit	July 2014	UNODC accepted the recommendation. The Country Office in Afghanistan will work with the Procurement Unit and the Information Technology Service in Vienna to investigate options to improve the management of vendor information including enhancing existing COAFG vendor databases, instigating an automated vendor registration system and/or migrating to the central registration at the United Nations Global Market place.
5	The UNODC Country Office in Afghanistan should expedite its efforts, with support from the UNOV/UNODC Division for Management, to update its fixed asset register and improve the related controls to ensure that fixed assets are accurately recorded, monitored and updated in a timely manner.	Important	Yes	Representative, UNODC Country Office in Afghanistan	June 2014	UNODC accepted the recommendation. The Country Office in Afghanistan has already completed the majority of actions to implement it. A staff member from Vienna was assigned from 21 to 28 July 2013 to guide the country office team on asset management. The newly appointed Administrative Officer in the Country Office has assumed oversight of asset management. A new Asset Management Assistant is under recruitment. In addition, in accordance with instructions from the UNODC Division for Management, the Country Office has nearly completed the exercise to ensure that the fixed assets opening balance is accurate.

## MANAGEMENT RESPONSE

## Audit of the United Nations Office on Drugs and Crime operations in Afghanistan

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted ? (Yes/No)	Title of responsible individual	Implementation date	Client comments
6	UNODC should develop instructions for the development, review and monitoring of the business continuity plans in the field offices, especially in high security exposure environments such as the operations in Afghanistan.	Important	Yes	Director, Division for Operations	December 2014	<p>All UNODC Representatives have already been instructed (latest in June 2013 during the UNODC Field Representatives Meeting) to share their respective Business continuity plans (BCPs) with UNODC HQs. The BCP for COAFG has been on record since May 2013, and several other field offices developing/revising their local BCPs are consulting thereon with UNODC HQs (Kenya, Senegal, Pakistan). BCP samples or guidance provided by UN HQs (DM and UNDSS) are shared systematically by DO with Field Representatives.</p> <p>A review of UNODC Field Office Business Continuity Plans will feature in the 2014 Representatives Meeting (security segment). UNODC can issue remaining written instructions thereafter, in the context of other UNODC Emergency Risk Management work that relates to field office management and security matters.</p>