



INTERNAL AUDIT DIVISION

REPORT 2015/020

Audit of United Nations Office on
Drugs and Crime operations in Eastern
Africa

Overall results relating to the operations in
Eastern Africa were initially assessed as
partially satisfactory. Implementation of
seven important recommendations remains
in progress.

FINAL OVERALL RATING: PARTIALLY
SATISFACTORY

30 March 2015
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AUDIT REPORT

Audit of United Nations Office on Drugs and Crime operations in Eastern Africa

I. BACKGROUND

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

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 Regional Office in Eastern Africa (ROEA) was established in 1988 and located in the United Nations Office at Nairobi (UNON) complex in Nairobi, Kenya. In 2009, ROEA developed an integrated Regional Programme (ROEA Regional Programme) for the 13 countries in the region, namely: Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Mauritius, Rwanda, Seychelles, Somalia, Tanzania and Uganda. The overall objective of the Regional Programme was to support the efforts of Member States in the region to respond to evolving human security threats. The Regional Programme covered the period 2009-2015 and focused on five of the seven subprogrammes in the UNODC strategic framework. The subprogrammes are listed in the second column of Table 1 below.

4. As at 31 July 2014, the ROEA Regional Programme had 30 active projects with a multi-year approved budget of \$65 million. Eight of the 30 projects, with a total approved budget of \$3.3 million, were segments of global projects that were initiated and managed from UNODC Headquarters in Vienna and the remaining 22 projects were managed by ROEA. Eleven of the 14 projects under subprogramme one, with a total approved budget of \$37 million, were projects under the Counter Piracy Programme which was renamed the Maritime Crime Programme in 2013.

Table 1: Breakdown of the ROEA Regional Programme on-going projects as at 31 July 2014

Sub programme number	Subprogramme description	Number of projects		Approved Budget '000 dollars
		Managed by ROEA	Global Projects	
One	Countering Transnational Organized Crime, Illicit Trafficking and Illicit Drug Trafficking	14	3	41,915
Two	Countering corruption	1	2	1,298
Three	Terrorism prevention	0	1	755
Four	Justice	3	0	11,346
Five	Prevention, Treatment and Rehabilitation, and Alternative Development	4	2	9,447
	Total	22	8	64,761

5. ROEA was headed by a Representative at the P-5 level. ROEA had 68 established posts: 20 Professional staff; 43 General Service support staff and National Officers; and five United Nations Volunteers (UNVs). The posts were based in several duty stations including; 40 in Nairobi; 11 in Addis Ababa; six in Hargeisa Somaliland; three in Mombasa; two in Dar es Salaam; two in Garowe, Somalia; and one each in Uganda, Zanzibar, Mauritius and Seychelles. Total project expenditures for the years

2012 and 2013 were \$15 million and \$18 million respectively and the budget allocation for 2014 was \$26 million.

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 UNODC governance, risk management and control processes in providing reasonable assurance regarding the **effective management of UNODC operations in Eastern Africa**.

8. The audit was included in the 2014 internal audit work plan for UNODC because of the high risks associated with the expansion of the ROEA project portfolio which included large projects with significant construction components.

9. The key controls tested for the audit were: (a) Strategic planning and risk assessment; (b) Project management; and (c) Regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Strategic planning and risk assessment** – controls that provide reasonable assurance that strategic plans are implemented effectively; and that risks to achieving established objectives are assessed and appropriately managed.

(b) **Project management** - controls that provide reasonable assurance that ROEA plans and manages its projects effectively.

(c) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the operations of ROEA; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

10. The key controls were assessed for the control objectives shown in Table 2.

11. OIOS conducted this audit from 20 August to 30 November 2014. The audit covered the period from 1 January 2012 to 30 June 2014.

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 initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding **the effective management of UNODC operations in Eastern Africa**. OIOS made seven recommendations to address issues identified in the audit.

¹ A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

14. Strategic planning and risk assessment was assessed as partially satisfactory because there was a need to establish mechanisms to ensure that lessons learned and deficiencies identified in internal reviews were adequately addressed in a timely manner. There was also a need to establish an action plan for developing the next Regional Programme for Eastern Africa for the period beginning 2016, including a fundraising strategy. UNODC had taken corrective action to address these deficiencies.

15. Project management was assessed as satisfactory. ROEA complied with UNODC requirements for project planning, monitoring and reporting. Further, in 2014 ROEA established measures to strengthen coordination with UNODC Headquarters with regard to global projects.

16. Regulatory framework was assessed as partially satisfactory. Coordination arrangements with UNON, which was the main administrative service provider, were satisfactory. There were adequate arrangements for selection and monitoring of grants. However, there was a need to establish guidelines on implementation of projects with a large infrastructure component. There was also a need to strengthen the arrangements for reporting and monitoring of engineering costs charged to construction projects, as well as arrangements for monitoring of construction work carried out by prisons. In addition, there was a need to define the level of ROEA involvement in the procurement actions carried out on its behalf by the United Nations agency engaged to manage construction projects. And with regard to non-expendable property, there was a need for UNODC to document the workflow for processing non-expendable items purchased on behalf of beneficiaries.

17. The initial overall rating was based on the assessment of key controls presented in Table 2 below. The final overall rating is **partially satisfactory** as implementation of seven important recommendations remains in progress.

Table 2: 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 Eastern Africa	(a) Strategic planning and risk assessment	Partially satisfactory	Partially satisfactory	Partially satisfactory	Satisfactory
	(b) Project management	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(c) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Strategic planning and risk assessment

Need for a mechanism to ensure that lessons learned or deficiencies identified in internal reviews are adequately addressed in a timely manner

18. The first ROEA Regional Programme was prepared for the period 2009-2012. The Regional Programme was extended for an additional three years; initially for one year to the end of 2013 and then for a further two years to the end of 2015, without being updated or revised. Although ROEA carried out

detailed internal reviews of the Regional Programme in 2012 and 2013, the lessons learned and deficiencies identified were not fully addressed. Only the results framework was revised in 2014 to address deficiencies in the quality of the outcomes and performance indicators and to incorporate separate outcomes and indicators for the two new subprogrammes on corruption and terrorism established in 2014. Therefore, for the three years from 2013-2015, ROEA missed the opportunity to improve the relevance and usefulness of the Regional Programme based on lessons learned.

19. UNODC Headquarters attributed the deficiency to the fact that the UNODC “integrated programming approach” was new and adequate guidelines to support its implementation had not been established prior to 2014. Comprehensive guidelines on integrated programming were issued in June 2014 to address this gap. OIOS reviewed the new guidelines, management instructions and reporting templates issued with regard to integrated programming and performance reporting and noted that there were adequate provisions for offices to identify and document lessons learned. However, there were no clearly established review or reporting requirements to track and ensure that deficiencies and lessons learned identified are adequately addressed in a timely manner. In OIOS view, timely action to implement the deficiencies identified by internal reviews is necessary to ensure that offices are held accountable for achieving results.

(1) The UNODC Division for Operations should establish a mechanism to ensure that offices are held accountable for addressing lessons learned or deficiencies identified in internal reviews of Regional Programmes in a timely manner.

UNODC accepted recommendation 1 and stated that it has been implementing this recommendation since 2014, in both new programme design and the systematic reporting and review of ongoing programmes. The Programme Review Committee (PRC) reviews of all annual programme reports for 2014 are scheduled for the period March-May 2015 and the review of lessons learned and any corrective action needed is also part of this review. PRC minutes will reflect whether the committee suggests any follow-up or programme correction action to the Programme Lead Office. Recommendation 1 remains open pending receipt of evidence that lessons learned and deficiencies identified in internal reviews are being appropriately addressed.

Need for an action plan for developing the next Regional Programme for Eastern Africa

20. While reviewing the request for a second extension of the ROEA Regional Programme, the UNODC Programme Review Committee pointed out that the second extension of a Regional Programme should be treated as an exceptional case. It is therefore essential that the next Regional Programme is finalized on time to avoid any further extensions to the current Regional Programme. ROEA was already thinking about the strategic focus of the next regional programme and was awaiting the results of an evaluation before making final decisions on strategic choices. However, no action plan and target dates had been documented for the preparatory work needed and for the fundraising strategy that ROEA intended to develop. In addition, the suggestion made in the ROEA 2012 retreat that the Regional Programme should include brief background information (snap shots) of the country profile for each of the 13 countries needed to be addressed in preparing the next Regional Programme. The preparation of the country profiles and any other background information require time and needed to be prepared in advance.

(2) The UNODC Regional Office in Eastern Africa should establish an action plan for developing the next Regional Programme for the period beginning 1 January 2016 including target dates for developing the fundraising strategy.

UNODC accepted recommendation 2 and stated that an action plan for the development of the

Regional Programme has been elaborated. The fundraising strategy document will be developed as an integral part of the new Regional Programme. Recommendation 2 remains open pending receipt of the action plan for the next Regional Programme.

The Regional Programme and projects were aligned to the United Nations Office on Drugs and Crime strategic framework

21. OIOS reviewed compliance with the UNODC Programme and Operations Manual and Management instructions requirements that all projects and country programmes should be aligned to the UNODC strategic framework and the Regional Programme. The subprogrammes in the Regional Programme were based on those in the UNODC strategic framework. The project documents also specified which expected accomplishments in the UNODC strategic framework they were contributing to as well as the linkage to the UNODC thematic programmes. Further, project results were linked to the Regional Programme or the Maritime Crime Programme results framework. OIOS therefore concluded that the Regional Programme and projects were appropriately aligned to the UNODC strategic framework.

B. Project management

Projects were planned and monitored in accordance with established guidelines and requirements

22. OIOS reviewed 12 projects to determine whether they were planned and monitored in accordance with UNODC guidelines and requirements on project management. No significant exceptions were noted. The project planning documents included detailed analysis of the situation, stakeholders and the gaps the projects were seeking to address. The partnership and synergy sections of the projects also addressed the added value of UNODC interventions as well as details of other actors and how UNODC planned to relate to them. The sustainability section of the project document was also addressed in a satisfactory manner. In addition, the outcomes were assessed as specific, relevant and time bound.

23. With regard to monitoring, ROEA prepared semi-annual and annual reports for its projects and annual oversight reports as required by UNODC management instructions. Annual financial reports were also prepared and posted in the project reporting platform (PROFI Business intelligence). In addition, individual projects had other reporting obligations to donors including regular briefings and reports. Each subprogramme had also established a system for monitoring project substantive and financial progress through regular meetings. Projects reviewed also included sections addressing the evaluation plans as required by UNODC management instructions. OIOS therefore concluded that the arrangements for planning, monitoring and reporting projects in accordance with UNODC requirements were satisfactory.

Measures were put in place to strengthen coordination arrangements with Headquarters with regard to global projects

24. Coordination with UNODC Headquarters was initially identified as a high risk area in the first risk assessment prepared by ROEA in October 2014. Later, ROEA assessed the risk as moderate. The two risks identified in this area were the risks that: global projects could carry out activities in the region without coordinating with ROEA; and the risk that ROEA may not be informed on UNODC Headquarters' requests for funds for the region, which could lead to ROEA competing with Headquarters' branches for resources.

25. To mitigate these risks, ROEA and the relevant Headquarters sections agreed to share planned activities at the beginning of the year and to keep each other informed on project proposals submitted to

donors. Since the risks were included in the risk register, the measures established could be regularly monitored as part of the risk management process. Interdivisional meetings and annual programme reporting to the Programme Review Committee were mechanisms through which significant issues relating to lack of coordination could be escalated. In view of these controls, OIOS concluded that the measures put in place to mitigate the risk of inadequate coordination were adequate.

C. Regulatory framework

C.1 Use of external partners

Need to strengthen arrangements for reporting and monitoring of engineering costs charged to construction projects

26. ROEA had implemented 29 construction projects under the Maritime Crime Programme with a total cost of \$11 million since 2009. The management of these projects and contractors was outsourced to a United Nations agency (Agency-A) who had the experience and capacity for dealing with infrastructure projects. UNODC had a Service Level Agreement (SLA) with Agency-A that set out the arrangements for the various services Agency-A provided to UNODC. The SLA defined the division of responsibilities between Agency-A and UNODC for management of the construction projects as well as liabilities of Agency-A, including liabilities in case of defects in the quality of construction. In addition, the SLA had provisions for UNODC to be involved in supervision of the construction projects. OIOS review of seven construction projects showed that ROEA fulfilled its responsibilities for supervising and monitoring the projects as stipulated in the SLA.

27. However, although the SLA included requirements for Agency-A to provide quarterly financial reports, it did not address the format of the quarterly financial reports or supporting details that Agency-A was to provide. The construction costs comprised mainly contractors costs (approximately 87 percent) and engineering costs charged by Agency-A (approximately 11 percent). OIOS reviewed a sample of costs for seven construction projects and noted that the contractors' costs were adequately supported with the contracts between Agency-A and the contractors, which were established after a competitive procurement process. However, OIOS could not verify the engineering costs or assess their reasonableness because Agency-A had not provided details or explanations. The percentage of engineering costs to total construction costs per project also varied ranging from none in one case to 200 per cent in another case.

(3) The UNODC Regional Office in Eastern Africa should strengthen the arrangements for reporting and monitoring of engineering costs. This should include requesting the United Nations Agency engaged to manage the construction projects to provide justification for the total engineering costs distributed to projects in any year.

UNODC accepted recommendation 3 and stated that ROEA has requested the United Nations agency engaged to manage the construction projects to provide details of engineering costs charged including justification for such costs. As of 1 January 2014, UNODC monitors engineering costs under a separate Account Code. Recommendation 3 remains open pending receipt of evidence that the United Nations agency engaged to manage construction projects provides details of engineering costs charged to construction projects including justification for such costs.

Need to establish guidelines on implementation of projects with a large infrastructure component

28. The role of ROEA in monitoring and overseeing construction projects as defined in the SLA with Agency-A was effective because ROEA had staff with the technical expertise to review the project designs and supervise progress and quality of construction. However, prior to 2013, ROEA did not have an engineer in its staffing structure, resulting in a lack of technical expertise required for monitoring projects that involved a large infrastructure component. This gap was addressed in 2013 when ROEA recruited an engineer as a full time consultant under the Maritime Crime Programme. Since UNODC had not established a policy or guidelines on the kind of technical expertise that needed to be built in for the implementation of construction projects, there was a risk that the need for an engineer or other appropriate technical staff would not be consistently addressed when implementing future construction projects.

29. Further, since UNODC relied on external partners for implementation of construction projects, there was need for clear guidance on engagement of external partners for such projects. The process of engaging external parties in the implementation of projects was addressed in the UNODC framework for engaging external parties (FEED) issued in April 2014. According to FEED, engaging external partners for commercial activities that could be bid out (such as construction activities) should be done in accordance with the Procurement Manual. However, the legal opinion provided by the Office of Legal Affairs in January 2014 stated that a United Nations Agency should not be treated as an external vendor. It was therefore necessary for UNODC to clarify the procedures that should be followed for engaging external partners to ensure that: (a) they were not contrary to the legal opinion; (b) the needs are properly assessed; and (c) the work is entrusted with adequate safeguards to protect the interests of UNODC.

(4) The UNODC Division for Operations, in consultation with the Division for Management, should establish guidelines for implementation of projects involving a large infrastructure component including: (i) consideration of the need to establish adequate technical expertise to effectively oversee the projects; and (ii) procedures to be followed in engaging external partners.

UNODC accepted recommendation 4 and stated that the Division for Management and the Division for Operations have agreed to finalize standard processes and procedures for UNODC engagement in construction activities, including clear provisions for substantive approval of new construction projects and administrative clearance/approval of implementation modalities, which will follow the provisions of FEED and best value for money principles. Recommendation 4 remains open pending receipt of evidence that UNODC has established guidelines on technical expertise needed to oversee construction projects and clarified the procedures to be followed in engaging external partners to implement construction projects.

Need to strengthen arrangements for monitoring of construction work carried out by prisons

30. In 2012 and 2013, ROEA procured construction materials of approximately \$160,000 and \$954,000 respectively for refurbishment of various prisons in Kenya, Somalia and Seychelles. The actual refurbishment work was carried out by the prisons themselves and was aimed at serving the dual purpose of enhancing the skills of the prisoners in construction work and delivering improved living conditions for prisoners. The engineers of Agency-A were involved in project design and quantification of the materials needed. The project documents listed the refurbishment work as an output. Therefore, there was a need for ROEA to establish arrangements for verifying the construction materials issued to these parties and monitoring the related projects.

31. OIOS reviewed six cases involving construction materials totaling \$628,707 issued to prisons and noted that ROEA involvement in the verification of receipt of construction materials and monitoring the construction projects varied for the different prisons. In one of the prisons to which the most materials were issued, ROEA had a local staff member who verified the receipt of materials and monitored their usage. The ROEA engineer also regularly visited the sites to monitor quality and usage of construction materials. The monitoring controls in this prison were therefore satisfactory.

32. However, for other prisons, ROEA role in monitoring was rather limited. For example, one mission report relating to a prison stated that a significant part of the materials could not be verified because some material had already been used and some were covered with timber and other materials. Progress reports on these projects were submitted in only one out of the six cases reviewed. Further, ROEA did not formally communicate to the prisons the limitation of its liability in case of defects in the final construction or refurbishment projects.

(5) The UNODC Regional Office in Eastern Africa should strengthen the arrangements for monitoring of construction projects carried out by prisons, including the construction materials issued to the prisons for these projects.

UNODC accepted recommendation 5 and stated that ROEA is currently finalizing guidelines on monitoring visits to construction sites including verification and control of construction materials delivered to prison authorities. Recommendation 5 remains open pending receipt of the new guidelines on monitoring visits to construction sites.

There were adequate arrangements for selection and monitoring of grants

33. From 2012 to 2014, ROEA issued 19 grants totaling \$1,376,642 to various organizations and governments to implement project activities. OIOS reviewed four grants and noted that the selection was carried out competitively and adequate arrangements were in place for monitoring the use of the grants. The grantees submitted financial reports and supporting documentation, and audits were undertaken upon completion. The grantees were required to maintain separate bank accounts for UNODC grants. Grants were paid in instalments and subsequent instalments were only paid upon satisfactory reporting on the use of the previous instalment. The grantees also submitted progress reports and UNODC staff visited the grantees to monitor progress and address issues arising from review of the financial and progress reports. OIOS therefore concluded that controls relating to selection and monitoring the use of grants were satisfactory.

C.2 Relationship with service providers

Coordination arrangements were satisfactory

34. From October 2013, ROEA engaged UNON as its main service provider. ROEA and UNON staff held regular meetings to discuss operational issues arising as well as ROEA needs. ROEA staff indicated that they were satisfied with the support provided by UNON. Further ROEA staff had undertaken various trainings provided by UNON on administrative issues. Review of a sample of administrative actions: procurement, recruitment and travel showed that the division of responsibilities between UNON and ROEA stipulated in the MOU was working as intended. UNON signed off on the administrative actions and was responsible for ensuring compliance with established regulations. The administrative actions reviewed were also carried out in compliance with established requirements. OIOS therefore concluded that the coordination arrangements with UNON were satisfactory.

Need to define the level of involvement in the procurement actions carried out by the United Nations agency engaged to manage construction projects (Agency-A)

35. Arrangements for coordination with Agency-A were satisfactory. ROEA held regular meetings with relevant staff of Agency-A to discuss operational issues as well as to review and reconcile financial information and monitor the status of requested administrative actions. An issues log was maintained and regularly updated and was used as the basis for discussion in the operational meetings. ROEA staff also had access to the Client Instructions register of Agency-A and could monitor the status of the administrative actions requested. Further, the SLA between Agency-A and ROEA contained provisions to enable ROEA to be involved and informed about procurement actions undertaken by Agency-A.

36. However, OIOS review of a sample of 21 procurement cases showed that ROEA was not involved in the procurement process as envisaged in the SLA. ROEA did not approve tender documents as stipulated in the SLA. There was also no evidence of checks carried out to determine whether or not to raise an objection to the award of contracts, as provided for in the SLA. ROEA informed OIOS that it sometimes participated in the technical evaluation of bids but for the samples tested, no evidence was provided that ROEA staff were involved in the technical evaluation. ROEA also indicated that sometimes it consulted the project beneficiaries to ensure that they had no concerns with the vendor being awarded the contract but there was no documentary evidence maintained of the consultation and it was not clearly established whether such consultations were to be done only for procurement of contractors for construction projects or for all procurement actions. To ensure consistency, there was a need for ROEA to clarify the minimum checks that should always be carried out before ROEA informed Agency-A that it had no objection to contract awards.

(6) The UNODC Regional Office in Eastern Africa should define the minimum level of its involvement in procurement actions carried out by the United Nations engaged to manage construction projects, including the minimum checks that it should carry out before determining not to raise any objection to the award of contract to the selected vendors

UNODC accepted recommendation 6 and stated that a draft workflow for UNODC involvement in monitoring of construction procurement activities implemented through the United Nations agency engaged to manage construction projects has been developed. Joint endorsement of this draft by ROEA and the Kenya Office of the United Nations agency is still pending. Recommendation 6 remains open pending receipt of the workflow for UNODC involvement in monitoring procurement activities carried out by the United Nations agency engaged to manage construction projects.

C.3 Asset management

Need to document the workflow for processing items purchased for beneficiaries

37. ROEA regularly purchased assets for project beneficiaries as part of its projects deliverables. UNODC issued instructions for such assets to be recorded in the non-expendable items database and their removal from the database to be approved by the UNODC Local Property Survey Board (LPSB). Some assets purchased on behalf of beneficiaries were delivered to ROEA while others were delivered directly to the beneficiaries. For items that were delivered directly to the beneficiaries, there were delays in preparing hand over documents and submitting the cases to LPSB for approval. For example, the hand over document for a vehicle delivered to the beneficiary in December 2013 was signed by the beneficiary in May 2014 and the case was submitted to LPSB in December 2014. Timeliness was essential to ensure that reliable records on the status of assets pending transfer of ownership to beneficiaries could be obtained from the database for financial reporting under the International Public Sector Accounting

Standards. OIOS attributed the delays to the lack of a documented workflow process and targeted timelines for dealing with items purchased for beneficiaries.

(7) The UNODC Division for Management should document the workflow process for dealing with: items purchased on behalf of beneficiaries including targeted timelines for recording the items in the non-expendable property database; hand over of use and title to beneficiaries; and, submission of the cases to the Local Property Survey Board

UNODC accepted recommendation 7 and stated that in the course of the Umoja implementation, a process on whether to register assets intended for disposal through LPSB when they are delivered directly to project beneficiaries will be assessed. This is in conjunction with other Umoja entities which also have project assets of this nature. A revised process may reduce the current case load of assets to be disposed through LPSB. This will also ensure that assets on which United Nations neither has control nor legal title are not mistakenly capitalized in the financial statements. Recommendation 7 remains open pending receipt of the workflow process for dealing with items purchased on behalf of beneficiaries.

IV. ACKNOWLEDGEMENT

38. 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 United Nations Office on Drugs and Crime operations in Eastern Africa

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	The UNODC Division for Operations should establish a mechanism to ensure that offices are held accountable for addressing lessons learned or deficiencies identified in internal reviews of Regional Programmes in a timely manner.	Important	O	Receipt of evidence that lessons learned or deficiencies identified in internal reviews are being appropriately addressed.	2014
2	The UNODC Regional Office in Eastern Africa should establish an action plan for developing the next Regional Programme for the period beginning 1 January 2016 including target dates for developing the fundraising strategy.	Important	O	Receipt of the action plan for the next Regional Programme.	February 2015
3	The UNODC Regional Office in Eastern Africa should strengthen the arrangements for reporting and monitoring of engineering costs. This should include requesting the United Nations Agency engaged to manage the construction projects to provide justification for the total engineering costs distributed to projects in any year.	Important	O	Receipt of evidence that the United Nations agency engaged to manage construction projects provides details of engineering costs charged to construction projects including justification for such costs.	June 2015
4	The UNODC Division for Operations, in consultation with the Division for Management, should establish guidelines for implementation of projects involving a large infrastructure component including: (i) consideration of the need to establish adequate technical expertise to effectively oversee the projects; and (ii) procedures to be followed in engaging external partners.	Important	O	Receipt of evidence that UNODC has established guidelines on technical expertise needed to oversee construction projects and clarified procedures to be followed in engaging external partners to implement construction projects.	July 2015

² 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.

³ 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.

⁴ C = closed, O = open

⁵ Date provided by UNODC in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
5	The UNODC Regional Office in Eastern Africa should strengthen the arrangements for monitoring of construction projects carried out by prisons, including the construction materials issued to the prisons for these projects.	Important	O	Receipt of the new guidelines on monitoring visits to construction sites.	June 2015
6	The UNODC Regional Office in Eastern Africa should define the minimum level of its involvement in procurement actions carried out by the United Nations engaged to manage construction projects, including the minimum checks that it should carry out before determining not to raise any objection to the award of contract to the selected vendors	Important	O	Receipt of the workflow for UNODC involvement in monitoring procurement activities carried out by the United Nations agency engaged to manage construction projects.	June 2015
7	The UNODC Division for Management should document the workflow process for dealing with: items purchased on behalf of beneficiaries including targeted timelines for recording the items in the non-expendable property database; hand over of use and title to beneficiaries; and, submission of the cases to the Local Property Survey Board	Important	O	Receipt of the workflow process for dealing with items purchased on behalf of beneficiaries	October 2015

APPENDIX I

Management Response

Management Response

Audit of United Nations Office on Drugs and Crime operations in Eastern Africa

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNODC Division for Operations should establish a mechanism to ensure that offices are held accountable for addressing lessons learned or deficiencies identified in internal reviews of Regional Programmes in a timely manner.	Important	Yes	Director, Division for Operations	Implemented as of 2014	<p>UNODC has been implementing this recommendation since 2014, in both new programme design and the systematic reporting and review of ongoing programmes.</p> <p>The Guidelines on integrated programming include the need to address lessons learned and evaluation findings in the development of new programmes.</p> <p>Annual programme progress reports reviewed by the Programme Review Committee (PRC) do contain “lessons learned” and corrective action. UNODC Representatives also report on progress and changes of programmatic activities in the quarterly monitoring reports.</p> <p>PRC reviews of all annual programme reports for 2014 are scheduled for the period March-May 2015 and the review of lessons learned and any corrective action needs is also part of this review. PRC minutes will reflect whether the committee suggests any follow-up or programme correction action to the Programme Lead Office.</p>
2	The UNODC Regional Office	Important	Yes	Representative,	Implemented	The recommendation has been implemented.

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.

Management Response

Audit of United Nations Office on Drugs and Crime operations in Eastern Africa

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	in Eastern Africa should establish an action plan for developing the next Regional Programme for the period beginning 1 January 2016 including target dates for developing the fundraising strategy.			Regional Office for Eastern Africa		An Action Plan for the development of the Regional Programme has been elaborated. The fundraising strategy document will be developed as an integral part of the new Regional Programme.
3	The UNODC Regional Office in Eastern Africa should strengthen the arrangements for reporting and monitoring of engineering costs. This should include requesting the United Nations agency engaged to manage the construction projects to provide justification for the total engineering costs distributed to projects in any year.	Important	Yes	Representative, Regional Office for Eastern Africa	June 2015	<p>Implementation of the recommendation is in progress.</p> <p>ROEA has requested the UN agency engaged to manage the construction projects to provide details of engineering costs charged including justification for such costs. As of 1 January 2014, UNODC monitors engineering costs under a separate IMIS Account Code.</p> <p>ROEA continues to strengthen its monitoring and reporting processes for construction projects. This includes ROEA's quarterly review of expenditures.</p> <p>Going forward, evidence of the authorization and acceptance of the costs will be documented.</p>
4	The UNODC Division for Operations, in consultation with the Division for Management, should establish guidelines for implementation of projects involving a large	Important	Yes	Director, Division for Operations in coordination with the Director, Division for Management and	July 2015	<p>Implementation of the recommendation is in progress.</p> <p>The Division for Management (DM) and the Division for Operations (DO) have agreed to finalize standard processes and procedures</p>

Management Response

Audit of United Nations Office on Drugs and Crime operations in Eastern Africa

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	infrastructure component including: (i) consideration of the need to establish adequate technical expertise to effectively oversee the projects; and (ii) procedures to be followed in engaging external partners.			the Senior Programme Coordinator (Business Process Reengineering and Change Management)		for UNODC's engagement in construction activities, including clear provisions for substantive approval of new construction projects and administrative clearance/approval of implementation modalities, which will follow the provisions of UNODC's Framework of Engagement with External Parties (FEED) and best value for money principles.
5	The UNODC Regional Office in Eastern Africa should strengthen the arrangements for monitoring of construction projects carried out by prisons including the construction materials issued to the prisons for these projects.	Important	Yes	Representative, Regional Office for Eastern Africa	June 2015	<p>Implementation of the recommendation is in progress.</p> <p>ROEA is currently finalizing guidelines on monitoring visits to construction sites including verification and control of construction materials delivered to prison authorities.</p> <p>ROEA is now conducting regular monitoring visits to the sites. All materials handed over to the counterpart (e.g. Kenya Prison Service) are recorded and the counterpart signs off on the delivery.</p>
6	The UNODC Regional Office in Eastern Africa should define the minimum level of its involvement in procurement actions carried out by the United Nations agency engaged to manage construction projects, including the minimum checks that it should carry out	Important	Yes	Representative, Regional Office for Eastern Africa	June 2015	<p>Implementation of the recommendation is in progress.</p> <p>A draft workflow for UNODC involvement/monitoring of construction/procurement activities implemented through the UN agency engaged to manage construction projects has been developed.</p>

Management Response

Audit of United Nations Office on Drugs and Crime operations in Eastern Africa

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	before determining not to raise any objection to the award of contract to the selected vendors.					Joint endorsement of this draft by ROEA and the Kenya Office of the UN agency is still pending.
7	The UNODC Division for Management should document the workflow process for dealing with items purchased on behalf of beneficiaries including targeted timelines for recording the items in the non-expendable property database; hand over of use and title to beneficiaries; and submission of the cases to the Local Property Survey Board.	Important	Yes	UNOV/UNODC Property Survey Board Chair and Senior Programme Coordinator (Business Process Reengineering and Change Management) in coordination with the Chief of Procurement Unit	October 2015	Implementation of the recommendation is in progress. In the course of the Umoja implementation, a process on whether to register assets intended for disposal through the PSB when they are delivered directly to project beneficiaries will be assessed. This is in conjunction with other Umoja entities such as OCHA, UNEP and UN-Habitat which also have project assets of this nature. A revised process may reduce the current case load of assets to be disposed through the PSB. This will also ensure that assets on which UN neither has control nor legal title are not mistakenly capitalized in the financial statements.