UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UN WOMEN COUNTRY OFFICE

IN

AFGHANISTAN

Report No. 982

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Table of Contents

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

From 27 April to 18 May 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) Country Office in Afghanistan (the Office). The audit covered the activities of the Office during the period from 1 January 2011 to 31 March 2012. During the period reviewed, the Office recorded programme and management expenditures totalling $12.9 million.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plans and performs the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

OAI assessed the Office as **partially satisfactory**, which means "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." This rating was mainly due to weaknesses in programme and project management and human resources management. Ratings per audit area and sub-areas are summarized below.

Audit Areas		Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1.	**Governance and strategic management**				
2.	**Programme activities**				
	2.1 Programme and project management	Partially Satisfactory			
	2.2 Partnerships and resource mobilization	Partially Satisfactory			
3.	**Operations**				
	3.1 Human resources	Unsatisfactory			
	3.2 Finance	Partially Satisfactory			
	3.3 Procurement	Satisfactory			
	3.4 Information and communication technology	Satisfactory			
	3.5 Asset management and general administration	Partially Satisfactory			
	3.6 Safety and security	Satisfactory			
	3.7 UNDP support to Office	Satisfactory			

Key issues and recommendations

The audit raised 10 issues and resulted in nine recommendations, of which six (67 percent) were ranked high (critical) priority, meaning "Prompt action is required to ensure that UN Women is not exposed to high risks. Failure to take action could result in major negative consequences for UN Women and may affect the organization at the global level."

Among the 10 issues raised, there was one requiring action by the Programme Support Division (Issue 4), referred to as a "corporate issue."

Governance and strategic management (Issue 1)	<u>Ineffective operating environment</u>. The Office was negatively impacted by delays in finalizing its strategy, the absence of sub-delegations of authority and high vacancy levels. OAI recommends that the Office, in consultation with the Programme Support Division, reassess its operating structure to ensure adequate support for management decision making and reporting by: finalizing its Afghanistan Annual Work Plan for 2012-2013; delegating authority to Heads of units for carrying out transactions in accordance with an approved internal control framework; and filling staff vacancies as soon as possible.
Programme and project management (Issue 3)	<u>Delivery of projects below targeted rates</u>. Review of the nine ongoing projects sampled showed that delivery was well below the targeted rates for the first quarter of 2012 (ranging from 0 percent to 45 percent and negative 13 percent to 100 percent in 2011) caused primarily by the lack of programme staff, funding delays, and security restrictions. As of 31 December 2012, delivery rates had improved but were accompanied by high expenditures for payroll, rent and security. OAI recommends that the Office: continuously monitor risks and other factors with high potential for negatively impacting the project's progress toward achieving targets in order to proactively identify problems, and implement timely actions to mitigate the negative impact on project delivery; and establish pre-approved overhead rates and ensure that these rates are not exceeded.
Partnerships and resource mobilization (Issue 5)	<u>Inadequate and late donor reporting</u>. Programmatic and financial reports provided to donors were delayed and did not provide donors with information on project progress against the planned deliverables. OAI recommends that the Office improve its donor reporting processes by: establishing a mechanism for monitoring and reporting which would provide donors with information in a timely manner that could be compared with annual work plans; and negotiating with all donors to develop a standardized report format which the Office could use when providing detailed financial data requested by donors.
Human resources (Issue 6)	<u>Weak administration of benefits and entitlements</u>. The Office did not comply with human resources policies and procedures requiring: annual leave to be monitored and accurately reported; supporting documents to be obtained and retained for all salary advances; and a teleworking policy to be developed when personnel were approved to work away from the Office. OAI recommends that the Office perform a comprehensive reconciliation of all annual leave records and ensure that supervisors approve staff leave balances on a monthly basis; retain adequate supporting documents on file to support and justify all salary advances; and develop and implement a specific teleworking policy which is approved by management and clearly communicated to all staff.
Finance (Issue 8)	<u>Improper expense allocations</u>. The Office incorrectly allocated expenditures to donor codes in Atlas based on availability of funds without ensuring that specific expenses were allowable under the terms and conditions agreed upon by the donor. OAI recommends that the Office comply with the UN Women Financial Rules by ensuring that funds are available for individual projects prior to incurring expenditures and that postings in Atlas are only for expenditures authorized in the project documents and donor agreements.
Asset management (Issue 10)	<u>Deficiencies in asset management</u>. Based on a physical inspection of assets, OAI was unable to validate the entire asset listing due to some items not having identification and location tags, obsolete IT equipment that was stored in a container and assets procured by implementing partners but not included in the inventory. OAI recommends that the Office strengthen asset management by ensuring that: the Asset Focal Point receives adequate asset management training; all assets are inventoried and recorded in Atlas in accordance with the assets module policies and procedures; all assets contain proper

identification; and assets that are not likely to be used in the future are disposed of or transferred as soon as possible.

Management's comments and action plan

The Country Director, UN Women Afghanistan and the Director, Programme Support Division accepted all the recommendations and have implemented or are in the process of implementing them.

Management informed OAI that it has made strong investments in ensuring that the Office has the in-house expertise, systems and capacities to shape a new programmatic direction which meets the emerging needs of a complex country context. This has been achieved through adopting a programme-based approach; shifting partnership modalities to ensure stronger national ownership; upgrading senior management, programmatic and operational posts (including the recruitment of eight management level posts in the past year alone) and enhancing programme monitoring and planning approaches and strengthening its leadership role within the UN Country Team.

Management also acknowledged that the complexity of the country context is at the core of a number of challenges the Office has faced and retention of international and, to some extent, national staff remains a challenge because of this reality. UN Women's ability to provide national and international partners with strong, immediate technical expertise is essential and as such, management has it as its highest priority to ensure full and strong staffing of the office.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. Introduction

From 27 April to 18 May 2012, OAI conducted an audit of UN Women Afghanistan. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plans and performs the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit scope and objectives

OAI audits assess the adequacy and effectiveness of the governance, risk management, and control processes in order to provide reasonable assurance to the Executive Director regarding the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with legislative mandates, regulations and rules, policies and procedures. They also aim to assist the management of the Office and other relevant business units in continuously improving governance, risk management, and control processes.

Specifically, this audit reviewed the following areas of the Office: governance and strategic management, programme and project activities, and operations. The audit covered relevant activities during the period from 1 January 2011 to 31 March 2012. During the period reviewed, the Office recorded programme and management expenditures totalling approximately $12.9 million.

II. About the Office

The Office, located in Kabul, Afghanistan (the Country), had 18 staff members, consisting of 5 international staff, 3 National Officers and 8 General Service staff. There were also 44 contract holders assisting in meeting the operational and programmatic results to be achieved by the Office. During the review period, the Office had sustained high levels of attrition in management (three Country Directors in three years) and in international and national staff, mainly due to the uncertainty and restrictive security conditions in the Country.

Despite these conditions, the Office had been able to recruit slowly for some key vacancies and, at the time of the audit, was attempting to hire additional local staff to shift the role of the international staff from managers to that of advisors for the Office. However, despite gains in women's empowerment and gender equality, the outlook for such accomplishments hinges to a large extent on the fragile security conditions in the Country and the sustained efforts of the International Security Assistance Force to provide a secure environment that permits the international community to deliver development assistance. Given the impending reduction of international security assistance expected to be completed by the end 2014, the Office was in the process of carrying out an internal strategic review of its programme activities to determine the implications of these changes and the available options.

In addition to the political and security challenges, the Office was transitioning its programme activities from its Country Strategy 2008-2011, adopted under UNIFEM, to align with the corporate 2011-2013 UN Women Strategic Plan to (a) increase women's leadership and participation; (b) increase women's access to economic empowerment and opportunities; (c) prevent violence against women and girls and expand access to services; (d) increase women's leadership in peace, security and humanitarian responses; (e) strengthen the responsiveness of strategies, plans and budgets to gender equality at all levels; and (f) implement a comprehensive set of global norms, policies and standards on gender equality and women's empowerment.

III. Detailed assessment

1. Governance and strategic management	Partially Satisfactory

With the establishment of UN Women in July 2010 and the subsequent adoption of a UN Women Global Strategic Plan in June 2011, the Office was undergoing a change process to align its operations to the new mandate and emerging priorities given the rapidly changing country context. On 30 June 2012, the Afghanistan Country Strategy 2008-2011 (adopted under UNIFEM) was extended to cover the Office's operations pending the approval of its 2012-2013 Strategic Note and Annual Work Plan, which is UN Women's corporate planning document for country offices. In addition to aligning itself with the overall goals of UN Women, the Office experienced unparalleled staff turnover, particularly with regard to international posts. As a result, most senior staff had been with the Office for less than two years at the time of the audit. The internal challenges were exacerbated by the conflict/post conflict environment which continuously affected staff members' ability to perform their duties and maintain consistent operations.

OAI reviewed the Office's Strategic Plan 2008-2012, organization chart, annual work plans, Internal Control Framework, results tracking system, delegation of authority and available minutes of meetings. OAI met with staff from each of the Programme and Operations units in the Office, as well as with senior management.

In an attempt to assist the Office's transition and to increase its capacity, UN Women Headquarters had led three missions to the Office since 2011: in May and September of 2011 and in January of 2012. The missions resulted in the initiation of several actions to improve the operations, such as increased emphasis on national and non-governmental execution of projects, supported by letters of understanding with partners, and signing of annual work plans with all stakeholders. The management-led initiatives included active participation by management and staff on 29 different committees, working groups and advisory boards with purposes ranging from programmatic interventions such as maternal mortality, gender-based violence, gender mainstreaming, and rule of law; to the Government's national priorities, donor forums and UN agency activities.

While progress was made despite the complex and challenging environment, OAI identified one issue that continued to require management attention as detailed in this section. Thus, this area was rated as partially satisfactory.

Issue 1 Ineffective operating environment

Following the General Assembly resolution to form UN Women, all UNIFEM field offices commenced a transition process. Pending the issuance of UN Women guidelines, the UNIFEM processes and procedures remained in effect. UN Women Headquarters approved an Internal Control Framework on 29 July 2011 for the Office. However, the Internal Control Framework alone was insufficient to guide the Office, especially due to the high level of staff turnover during the period under review and the following deficiencies were noted:

- Delayed guidance for 2012 activities: The Internal Control Framework requires Heads of office to ensure that the Strategic Note/Annual Work Plan consists of a strategic note, development results and management results framework that are supported by project unit work plans. However, as of May 2012, all of the documents for 2012-2013 were still in draft stages due primarily to management turnover and the lack of staff. On 30 April 2012, the existing Afghanistan Country Strategy 2008-2011 (adopted under former UNIFEM) was extended to June 2012 upon approval by the Programme Support Division, pending the final approval of the Afghanistan Strategic Note/Annual Work Plan 2012-2013.

  The result of the delayed finalization of the 2012-2013 Strategic Note/Annual Work Plan, and the corresponding extension of the 2008-2011 Afghanistan Country Strategy, was that the 2012 Programme

Units work plans, and the 2012-2013 Monitoring, Evaluation and Research Plan dated March 2012 were not aligned with the actual activities being performed by the Office. In the view of OAI, the high levels of uncertainty and instability increased the operational risks to achieving the Office's objectives resulting in the reduced levels of efficiency identified in this report, particularly the low project delivery rates (Issue 3), inadequate donor reporting (Issue 5) and operational deficiencies described in section 3 of this report.

- Absence of sub-delegations of authority: At the time of the review the only delegation of authority from UN Women Headquarters was to the Country Director and the Deputy Country Director. However, senior management had not formally delegated responsibilities to programme and operational personnel, making it mandatory for all approvals, even those for petty cash payments of less than $100, to be made by senior management. As a result, the present structure lends itself to micro-management, bottlenecks in existing processes and a lack of motivation among staff to improve the work environment.

- High levels of vacant posts: The Office was negatively impacted during the review period by high levels of vacant posts. In 2012, 20 posts out of 61(33 percent) were vacant. In addition, the Country Director post was vacant for eight months prior to being filled in November 2011. Office management informed OAI that since the formation of UN Women, the Office had been undergoing a change process which included upgrading the Country Director to the D1 level, upgrading and filling the Deputy Country Director post at the P5 level, upgrading and regularizing national and international posts to ensure effective lines of accountability and the approval of a P4 International Operations Manager. The UN Women corporate regionalization contributed to the delay by avoiding filling vacancies until the finalization of the Office structure.

The lack of clear guidance on the Office's mandate, inadequate sub-delegations of authority and staff vacancies may lead to a lack of accountability, indecisiveness and a lack of ownership of operational efficiencies resulting in non-achievement of the Office's mandate and, ultimately, the UN Women corporate mandate in the Country.

Priority	High (Critical)
Recommendation 1: The Office, in consultation with the Programme Support Division, should reassess its operating structure to ensure adequate support for management decision making and reporting by: (a) finalizing its Afghanistan Annual Work Plan for 2012-2013; (b) delegating authority to Heads of units for carrying out transactions in accordance with an approved internal control framework; and (c) filling staff vacancies as soon as possible.	
Management comments and action plan: __ √__ Agreed ____ Disagreed Management agreed with the recommendations and indicated the following specific actions: (a) Completed, with the revised Development Results Framework and Management Results Framework endorsed and approved by the Director, Programme Support Division on 1 November 2012. (b) This will be finalized in the first half of 2013 following the restructuring within the Office, and once recruitment of all management staff are in place. Estimated completion of the task is early in the second quarter of 2013. The new delegation of authority and Internal Control Framework communicated by the Executive Director on 27 November 2012 also addresses this issue as it delegates and clarifies key responsibilities /authorities to specific headquarters, regional, multi-country, and country office staff members; and each country office will follow the newly established Internal Control Framework. (c) This is a priority for the Office. In 2012, UN Women filled all but two of its international posts. For national posts, UN Women established five new fixed-term national posts in 2012 and these are expected to be filled by the second quarter of 2013. All these posts are program manager and deputy manager posts which will ensure continuity and institutional memory in the administration and will lead to national ownership of the program work. Recruitment of international posts remains a challenge given the	

country context and living environment (non-family duty station) and the need for strong technical expertise.

2. Programme activities	Partially Satisfactory

2.1 Programme and project management	Partially Satisfactory

The Afghanistan Country Strategy 2008-2011, as extended to June 2012, was broadly aligned to the United Nations Development Assistance Framework 2010-2013 despite the periods not being synchronized. The Country Strategy contains eight priority areas related to increasing the number of: (a) national development strategies that incorporate gender equality, women's empowerment and human rights; (b) constitutions, legal frameworks and processes that promote and protect women's human rights; (c) formal and informal justice systems that promote and protect women's human rights at national and local levels; (d) budget processes that fully incorporate gender equality; (e) effective gender equality experts, advocates and their organizations or networks; (f) successful women advocates having their priorities incorporated in relevant national policies, programs, budgets and processes; (g) people trained in mediation and negotiation skills and the number of professional women appointed and capacitated within the justice sector; and (h) community-level initiatives and models for advancing women's human rights and eliminating gender inequality. The Office had 24 projects with a total budget of $9 million in 2011 and $11.1 million in 2012.

The OAI review showed that better alignment was needed between the Country Strategy 2008-2011, the Office's eight priorities and the six strategic development goals in the UN Women Strategic Plan 2011-2013. However, as the Office had already drafted a new Strategic Note/Annual Work Plan which was being reviewed by the Programme Support Division, no audit issue has been raised. OAI also selected nine ongoing projects and five closed projects for review in relation to project design, appraisal, approval, monitoring and evaluation, annual reporting, donor reporting and the project closure processes. The Office recently began using the Funding Authorizations and Certificates of Expenditures forms for reporting on advances and certifying expenditures. This process was in its formative stages and only limited testing of such transactions was possible as the projects reviewed were directly implemented by the Office.

Review of the Office's Monitoring and Evaluation Plans indicated that the Office had planned to conduct one thematic assessment each year, and the Monitoring and Evaluation Plan dated March 2012 included several evaluation activities with a mid-term evaluation scheduled for April 2012. However, no assessments were performed during 2012 as the Office had decided to rely on the mid-term evaluation of the Country Strategy 2008-2011. As the Office had critically assessed its evaluation requirements and pursued corrective action, including the recruitment of a monitoring and evaluation specialist to ensure that the evaluations were conducted, OAI has not raised an issue on monitoring and evaluation in this report.

In preparation for implementing the International Public Sector Accounting Standards the Office was financially closing long-outstanding operationally-completed projects. OAI reviewed the closure process for five projects and noted that the Office was working closely with the Division of Management and Administration as part of an International Public Sector Accounting Standards clean-up exercise. As a result, OAI has not raised an audit issue relating to project closures that were long outstanding.

However, OAI raised a number of audit issues discussed below, which contributed to an overall rating of "partially satisfactory" for this area.

Issue 2 Absence of well-defined programme processes

Discussions with management and staff indicated a high level of uncertainty within the Office regarding UN Women standard processes, procedures and reporting requirements. In addition, OAI noted the following:

- There was inconsistent application of corporate policies and procedures among Programme Units and the standard templates were not consistently used in the Office. For instance, the policy limiting administrative expenses to 20 percent of programme expenditures was known by some staff members while others were not aware of the policy. Also, some Letters of Agreement with partners did not include standard clauses regarding audits, or monitoring and evaluations although the Programme Unit planned for such activities;
- Senior Office management informed all staff on 26 November 2010 about the requirements for the 2011 Annual Work Plan, the template to be used and the requirements for consultations with implementing partners. However, management did not provide the staff with specific guidance and instructions on these matters. As a result, the 2012 individual annual work plans for the Programme Units were not standardized. Some had baselines, quarterly timeframes and budgets, while others did not include budgets or timeframes for completion of activities.
- Project budgets were not standardized or consistently prepared. It was unclear if cost estimates were based on all costs related to the achievement of project deliverables and outputs or related only to the available financial resources. OAI noted that cost estimates were not included for activities in two project work plans. Programme personnel indicated that they collaborated with the donors to determine the total project budget, but that the Finance Unit and programme personnel then determined the best distribution of the budget among the expense accounts, prior to the Finance Unit entering the budget into Atlas.
- The reports produced by Programme Units on project activities and expenditures were neither comprehensive nor was the information presented in a standardized format, thus making it difficult to compare the performance from one period to another in order to determine the actual progress toward achieving planned objectives. For example, narrative progress reports indicated activities performed instead of progress made in achieving planned project objectives. Financial reports indicated total income and expenditures and provided no details or comparisons of the various costs planned or incurred by reporting period. The lack of detailed programmatic reporting was due in part to the absence of a reporting system to capture the necessary data and information in relation to the planned programme activities and outcomes.

Discussions with staff and management revealed that programme personnel lacked an understanding of standard corporate policies and procedures primarily because they were new to the Office. Moreover, gaps in the recruitment of programme personnel compounded the challenging situation as there had been no effective handover of programme activities between separating staff and incumbents.

The absence of well-defined programmatic processes, procedures and reporting may result in process inefficiencies, non-achievement of planned results, inaccurate or unreliable project budgets and the reporting of project activity and expenditure data which could negatively affect the proper management of programme activities and expenditures.

Priority	Medium (Important)

Recommendation 2:

The Office should develop, document and implement clear programme processes and procedures to ensure timely, accurate and consistent reporting of programme activities and expenditures. This should include:
(a) Provision of training and written guidance to staff on mandatory compliance with existing and new policies, procedures and templates relating to annual work plans and budgets.
(b) Conducting induction/training sessions for new staff and on policies and procedures.
(c) Requiring separating staff members to, at a minimum, prepare documented handover notes.
(d) Standardizing reporting templates across all Programme Units.
(e) Implementing a system to capture and report programmatic data and information in line with planned project achievements.

Management comments and action plan: __ √__ Agreed ____ Disagreed

Management agreed with the recommendations and indicated the following specific actions:
(a) In process. An all-staff retreat was held in October 2012, followed by training in developing the Development Results Framework and the principles of programming, etc. In January 2013, the Deputy Country Director and Finance Unit in the Office met with each Programme Manager to review, analyse and identify issues relating to budgets. This provided a mentoring opportunity, to train programme staff in budget preparations and analysis, and the use of budgets in accordance with corporate guidelines. UN Women's new Programme and Operations Manual was adopted in the fourth quarter of 2012, and corporate level trainings are underway.
(b) and (c) To support immediate implementation of the new Programme and Operations Manual in the Office, management has begun orientation sessions and has completed a mission from the Programme Support Division to discuss results-based management practices and the new Programme and Operations Manual. Senior management has organized training for all staff on Atlas, and other systems essential for their work. This will become part of the "new staff orientation package" being created.
(c) Completed. A handover template has also been designed for use when staff members are on leave, to ensure the OIC is informed and work is not delayed during the manager's absence. The submission of hand-over notes by separating staff will be included as a component of the No-Due Certificate.
(d) Completed. Additionally, an internal progress reporting template was created to facilitate donor reporting as well as link programme and operations in reporting on delivery.
(e) Completed. As part of the roll out of the Afghanistan Annual Work Plan 2012-2013. The template mentioned under (d) captures progress against indicators.

Issue 3   Project delivery below targeted rates

The Afghanistan Strategic Plan 2008-2011 was based on completing projects in a timely manner, within the approved budget and achieving the intended outputs. For 2012, the activities of some projects were below the projected delivery as recorded in Atlas.

As indicated in the table below, delivery rates for the nine ongoing projects selected for review ranged from negative 13 percent to 100 percent in 2011 after budgets had been revised. The delivery percentages for those same projects for the first quarter of 2012 ranged from 0 percent to 45 percent. The corresponding expenditures for those same periods however, included substantial overhead costs such as payroll, rent and security which further reduced actual expenditures to intended beneficiaries. Subsequent review of the delivery rates as of 31 December 2012 revealed improvement in the delivery rates. However, the high payroll costs trend continued. As an example, for the three largest projects (77109, 74130 and 73410) delivery rates increased to 100 percent, 69 percent and 82 percent, respectively, with corresponding percentages relating to allocated overhead costs of 34 percent, 79 percent and 86 percent, respectively.

Project number	Project name	Delivery rate as of December 2011 (%)	Delivery rate as of March 2012 (%)	Percentage of payroll, rent and security expenditures as of December 2011	Percentage of payroll rent and security expenditures as of March 2012
59052	CEED Comm. Empowerment Eco. Development	(12.59)	11.03	-	-
59192	Peace Building – SGBV - AFG	100.00	-	-	-
59530	EVAW Special Fund Afghanistan	33.04	44.82	96.68	-

Project number	Project name	Delivery rate as of December 2011 (%)	Delivery rate as of March 2012 (%)	Percentage of payroll, rent and security expenditures as of December 2011	Percentage of payroll rent and security expenditures as of March 2012
70370	Gender and Justice – Women & Islam	100.00	0	-	-
73410	Strengthening Government Capacity	72.72	10.94	71.41	60.83
73858	Peace Through Justice, Spain	23.27	0.82	53.47	-
74130	EVAW SF, Norway Funded	95.68	3.95	36.99	-
74132	ICDU, Norway Funded	60.65	6.39	54.29	72.98
77109	Aid to Afghanistan	52.82	8.64	26.89	28.24

*Data obtained from Atlas as at 31 March 2012

The underachievement of targets and results as seen in the sampled projects had resulted in the extension of some project completion dates requiring additional negotiations with one major donor to extend the cost sharing agreement terms. Based on the OAI review of available documentation and through discussions with management and staff, the overall poor performance was mainly due to the following factors: the lack of programme staff, funding delays, poor mitigation of project risks and security restrictions which prevented implementation as planned.

Management informed OAI that because a key priority of the Office is to build the capacity of national partners to respond to national needs of women and girls and to provide high-level policy support, along with the provision of service delivery. Thus, the cost of technical support that comes from national and international experts should not be defined as 'overhead' as such support is one of the key mandates of UN Women. Management also reiterated that in a number of initiatives, provision of such technical expertise is a key determinant of success.

When project delivery is continuously below targeted rates and is combined with high overhead and support costs, this may negatively impact on donor confidence in the Office's ability to effectively and efficiently undertake project implementation.

Priority	High (Critical)
Recommendation 3: The Office should: (a) continuously monitor risks and other factors with high potential for negatively impacting the project's progress toward achieving targets in order to proactively identify problems, and implement timely actions to mitigate the negative impact on project delivery; and (b) establish pre-approved overhead rates and ensure that these rates are not exceeded.	

Management comments and action plan: __√__ Agreed   ____ Disagreed

Management agreed with the recommendations and indicated the following specific actions:
(a) Completed. The newly introduced internal progress reporting process has been implemented, and project delivery is being tracked on a monthly basis by the country office as part of a corporate exercise, which will automatically highlight any bottlenecks in delivery. Introduction of an orientation program for new implementing partners should also mitigate the risk of a low delivery rate, ensure timely reporting from the implementing partners and speed up the clearance of advances. The programme planning and related budgeting under the newly endorsed Annual Work Plan is more realistic in terms of viable annual budgets in a context like Afghanistan; and the new programmes being discussed with donors are considerably longer in duration than they were under UNIFEM.
(b) Completed. It should be recognized that different donors allow different rates for overhead to supplement and/or cover operational costs of the Office as core funding for the Office has ranged from limited to none. Expenditures are in accordance with these agreements. Also, major elements of the operational costs are often incurred at the initial stages of the project/ accounting year (front-ending), resulting in the relatively high percentage of overhead expenditure in total programme delivery when reviewing data for the first quarter of the year.

Additional information provided by the Office has been reflected in the audit observation.

Issue 4   Corporate issue: Sub-optimal use of Atlas

Atlas, an Enterprise Resource Planning application, is the corporate tool to be used for recording programme activities.

OAI noted that Atlas was not being used optimally to capture uniform project information logically in order to support programme implementation and monitoring. Specifically, separate Atlas projects were created to identify different donor funds although all such projects were represented by one project document. For example, projects 00071714 and 00071715 share the same project document - Women as Peace Builders but are funded by two donors. The Office explained that project 00071714 was created for the activities of a London Conference, a Traditional Peace Jirga[1] and a Kabul Conference funded by one donor, while project 00071715 related to a Bonn Conference and a Traditional Peace Jirga funded by another donor. A similar issue was noted for project 0077109, where the activities were being implemented in more than one location by multiple implementing partners in multiple locations. To manage this project, the Office maintained Microsoft Excel spreadsheets, external to Atlas, to facilitate programme oversight.

The lack of clarity in setting-up programme activities in Atlas and the opening of Atlas projects based on individual activities or donors artificially increases the project portfolio and increases the difficulty of managing multiple projects and funding. As a result, the Office maintained parallel sets of programmatic and financial records to collate and manage programme activities.

The use of multiple project names and ID numbers within Atlas for single projects is inefficient, creates convoluted donor reporting and exposes the Office to the risks of poor oversight, ineffective programme and project management, inaccurate reporting and poor decision-making.

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[1] Traditional Jirga is a tribal assembly which takes decisions by consensus.

Priority	Medium (Important)
Recommendation 4: The Programme Support Division should issue specific guidance to field offices on the use of Atlas to set-up and record programme and project activities in accordance with the approved project documents.	
Management comments and action plan: __√__ Agreed ____ Disagreed Completed and will be continued on a regular basis by the Programme, Management and Administration Divisions as this is a joint responsibility. With the adoption of the Afghanistan Annual Work Plan 2012-2013, headquarter units provided guidance on how to allocate and monitor funds within Atlas, using a programmatic approach. With its own Annual Work Plan adopted on 1 November 2012, the Office is in the process of shifting from a project to a programme approach, which includes consultation with, and will provide funding against the Annual Work Plan. Multiple, small, donor-funded projects are a legacy of former UNIFEM, the Office is taking steps to move away from this approach and moving towards enhancing coherent and integrated interventions in line with national priorities, and minimize the risk associated with dispersed projects. Training in the use of Atlas will be continued for all Project Managers in the Office during 2013. In February 2013, a Senior Advisor was deployed to the Office to give guidance and training to staff involved in project management. In addition, in November 2012, Operations Managers from country, multi-country and regional offices, including this Office, attended operations training in New York, which provided guidance on the new operations and programme procedures. As a key step in the ongoing efforts to strengthen the capacity of UN Women staff at all levels, UN Women launched its new Programme and Operations Manual (i.e. Programme and Projects Management Section in November 2012).	

2.2 Partnerships and resource mobilization	Partially Satisfactory

Resource mobilization is undertaken at Headquarters and the Office based on Annual Work Plans. OAI met with representatives of three donor agencies and four implementing partners. Although each implementing partner indicated satisfactory relations with UN Women, OAI was informed of one primary concern related to less than satisfactory and delayed donor reporting as detailed below. As a result, this audit area was rated as "partially satisfactory."

Issue 5   Inadequate and delayed donor reporting

Operations are primarily dependent on the ability of the Office to mobilize resources and to maintain good relations with its donors. At a minimum, according to the cost sharing agreements, annual reports on the status of programme progress, final reports and annual certified financial statements of expenditures are to be submitted to donors within specified timeframes.

Donor reporting is the combined responsibility of the Office and headquarters units. The Office prepares both programmatic and draft financial reports based on its records and submits the reports to the Programme Support Division in New York. This Division provides quality control of the reports and returns them to the Office for amendment and clearance in accordance with the corporate financial reporting format. This process resulted in delays, of months in some cases, until the reports were finally delivered to the donors.

Based on discussions with three significant donors, OAI determined that the Office maintained cordial relations with its donors, facilitated, in part, through multi-donor forums and bilateral meetings during which participants were verbally updated on the progress of project implementation and challenges faced by the Offices. However, donor representatives informed the auditors that the Office did not provide written reports which could be compared with the agreed upon Annual Work Plans. In addition, donors referred to the 2011 Annual Report which gave the total amounts expended. As the report did not include specific details on expenditures incurred donors were unable to determine the project's actual financial position and any funding shortfalls. One donor indicated that it had no specific donor reporting requirement.

The Office advised that whenever donors requested detailed financial information, it was provided. However, there was no standardized arrangement on the information required by the donors or what the Office would provide. Also, management indicated that because of a large turn-over of staff in 2010-2011, the Office faced a considerable backlog in terms of donor reporting. The Office plans to recruit a Programme Management Specialist to strengthen reporting and donor accountability mechanisms.

Inadequate donor reporting may increase the risk of donor dissatisfaction and the withdrawal of donor support which could negatively impact the reputation of UN Women and the achievement of its mandate in the country.

Priority	High (Critical)
Recommendation 5: The Office should improve its donor reporting process by: (a) establishing a mechanism for monitoring and reporting which would provide donors with information in a timely manner that could be compared with annual work plans; and (b) negotiating with all donors to develop a standardized report format which the Office could use when providing detailed financial data requested by donors.	
Management comments and action plan: __√__ Agreed ____ Disagreed Management agreed with the recommendations and indicated the following specific actions: (a) In progress. The reporting process is being reviewed to emphasize reporting against results rather than activities, and within the context of the broader Annual Work Plan. A Programme Management Specialist was recruited in the third quarter of 2012 and an electronic monitoring system will be implemented for reporting to ensure that reports are being prepared in due time to meet reporting deadlines. Moreover, the Office has developed detailed matrixes for tracking all donor reporting. The template for donor reporting is corporate, unless otherwise requested and agreed to with a specific donor. Currently, donor reports are vetted at Headquarters for quality control and all financial reporting is centralized at there. Due to the unusually high number of staff turn-over in 2010-2011, the Office faced a considerable backlog in terms of donor reporting. However, by the third quarter of 2012, this backlog had been addressed. (b) Noted. The new practice of funding against the Annual Work Plan rather than projects should facilitate the preparation of a single report for all donors. It should be noted that all financial reporting is done by Headquarters, not the Office.	

3. Operations	**Partially Satisfactory**

3.1 Human resources	**Unsatisfactory**

At the time of the audit, the Office had five international staff holding Fixed-term Appointments and two holding temporary appointments. There were also three National Officers and eight General Service staff. Personnel holding Service Contracts (36) and Special Service Agreements (8) increased the total number of personnel to 62. The Human Resources Unit was comprised of three Service Contract holders who were under the supervision of the Operations Manager who held a Fixed-term Appointment. The Office relied on the Human Resources Unit within the UNDP Country Office in Afghanistan to provide assistance in posting vacancy notices online, generating the long and short-listing of candidates, assisting with interview panels, and extending offers of employment (UNDP signed contracts for new staff and service contracts on behalf of UN Women). Due to the security environment in Kabul and the recurrence of days of heightened alert, when the movement of United Nations staff was restricted, the Office made tools available for staff to telework. Staff members were provided tools such as laptops, prepaid telephones and internet cards which were intended to allow the staff to continue working during periods when movement was not permitted or was not safe.

OAI reviewed all 10 international recruitments, three of the 11 Fixed-term Appointments (27 percent), five Special Service Agreements (33 percent) and 14 of the 54 Service Contracts (26 percent) which occurred during the period. In addition, OAI reviewed the human resources procedures, salary advances and leave records, and discussed with management the absence of supporting documents for advances made to three service contractors. Management agreed that all future salary advance requests would be maintained on file. In one case, OAI noted that a staff member's academic degree was not valid for recruitment purposes. Management agreed that future recruitment processes would ensure the validity of all candidate academic qualifications.

Since Kabul was a non-family duty station and a hardship post, staff members were entitled to Hazard Pay and Rest and Recuperation travel away from the duty station. Existing staff were entitled to the Special Operations Living Approach payments, whereas new staff members were entitled to an Additional Hardship Allowance depending on their date of appointment.[2] OAI reviewed all allowance payments made by the Office, and found that, due to a lack of understanding of the transitional arrangements, five staff members received both allowances resulting in unauthorized payments of $65,000. Due to the financial implications involved and using the additional information provided to the Office staff by OAI, such payments were stopped and refunds were immediately initiated from staff members affected by the change in policy. Based on the prompt action by management and because Special Operations Living Approach payments are no longer valid, no recommendation has been made in this report.

Despite the actions taken by management, the above deficiencies in combination with the weak administration of benefits and entitlements discussed in Issue 6 demonstrated a lack of understanding about and correct application of human resources policies which, without the intervention of OAI, would have resulted in the loss of resources. As a result, this section was assessed as "unsatisfactory."

| **Issue 6** | Weak administration of benefits and entitlements |

The Management Results Framework in the UN Women's Strategic Plan for 2011-2013, calls for formulating a comprehensive human resources management strategy to ensure a dedicated and quality workforce. The Human Resources Unit in each country office should have a solid understanding of the rules and regulations and apply them effectively.

OAI noted that the Human Resources Unit was not adequately applying policies and procedures governing human resources. For example:

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[2] The UN General Assembly made changes related to entitlements to staff at non-family duty stations. Such rules became effective 1 July 2011.

- Out of the 14 leave records reviewed, six reflected various deficiencies including annual leave being taken without documentation of appropriate approvals on file and the amount of annual leave recorded on attendance records exceeding what had been requested and authorized. Discussions with the leave monitor did not help to identify the reasons for the variances observed.
- There was no supporting documentation on file to justify requests for three salary advances reviewed by OAI. As a result, the Office did not comply with the human resources procedures that require all such advances be made only under specific conditions that must be fully justified.
- Management had instructed staff via email that they were "encouraged" to telework, and provided modems and mobile phones with prepaid phone cards for doing so when security concerns prevented staff movement. However, the Office had not developed a specific teleworking policy. As a result, based on interviews with staff and as confirmed by management, it was unclear whether work was mandatory for those who were not able to go to the Office. Also, it was not clear how personnel were to report on their accomplishments for days when they worked away from the Office.

While the Human Resources Unit claimed knowledge about the rules and regulations, they could not explain why the deficiencies noted above were occurring.

Weak administration of benefits and entitlements attributable to a lack of understanding or the absence of human resources policies and procedures increases the risk that benefits and entitlements are incorrectly computed, paid, accrued and reported upon, which may result in the loss or misuse of UN Women resources.

Priority	High (Critical)
Recommendation 6: The Office should: (a) perform a comprehensive reconciliation of all annual leave records and ensure that supervisors approve staff leave balances on a monthly basis; (b) retain adequate supporting documents on file to support and justify all salary advances; and (c) develop and implement a specific teleworking policy which is approved by management and clearly communicated to all staff.	
Management comments and action plan: __√__ Agreed ____ Disagreed Management agreed with the recommendations and indicated the following specific actions: (a) The Office received specific leave management training in 2012 and submitted the year end leave certification on time. A monthly review process is being put into place. (b) Noted. Management will ensure that all salary advances are authorized in accordance with procedures applicable for local and international staff salary advances and that the required documentation is properly filed. All corrective measures were taken in 2012 immediately following the mission of the OAI and under the guidance of the Human Resources section at Headquarters. (c) Noted. The Human Resources Section in headquarters will continue supporting the Office through dedicated on line sessions and webinars to strengthen their human resources and operations practices. The selection of an international operations manager at the P-4 level is expected within the first quarter of 2013 which will also support the robust implementation of human resources policies. A corporate teleworking policy based on the UN Women Wellness Policy and Best Practices in the UN System is to be established by the end of February 2012 and will contribute to address this recommendation.	

Issue 7   Non-disclosure of outside activity

Staff members of international organizations have a primary obligation to provide their best efforts to serve the needs of the organization. However, opportunities to engage in outside activities can be considered by management, provided that such activities are fully disclosed including whether the staff members will be paid for such activities. The Human Resources Centre, which manages the ethics function, must also determine whether to allow staff to engage in outside activities in order to avoid any potential conflict of interest that may negatively impact the organization.

OAI interviewed a staff member holding a Fixed-term Appointment who had been granted permission by the Office to engage in an outside activity. However, the Office had not sought clearance from the Human Resources Centre and the staff member was unilaterally approved to serve, in her personal capacity, on a Government council. The agreement with the Office, formalized in a note to the file and approved by the former Country Director, stipulated that the Office would pay 100 percent of the staff member's salary while allowing her to serve 80 percent of the time on activities related to the council. The remainder of her time was to be spent in the Office. The agreement indicated that the staff member would not be receiving compensation from the council for services rendered. Based on discussions with staff and management, OAI learned that the staff member was rarely in the Office. She was also absent during most of the OAI mission, indicating that the 20 percent commitment may not have been honored. Moreover, the staff member's leave records were incomplete because the leave monitor was unable to verify her attendance. The staff member informed OAI that she had been receiving compensation of $1,800 per month which had been increased to $2,000 for transportation and representation expenses from the council. Office management was not aware that the staff member was receiving these funds.

The lack of full disclosure by a staff member regarding compensation for outside activities and the Office's failure to seek approval from Headquarters can result in non-compliance with UN Women's rules and regulations. In addition, failure to seek clearance from the Human Resources Centre can lead to instances where staff impartiality and independence can be questioned.

OAI discussed the importance of reporting outside activities with Office management and noted a general lack of understanding of existing policies. Subsequent to the OAI mission, and after discussions with senior management, the staff member separated from UN Women, and management had agreed to consult with Headquarters should a similar situation reoccur, thus no recommendation has been made.

3.2 Finance	Partially Satisfactory

The Finance Unit was comprised of three staff members and supported by the UNDP Country Office in Afghanistan, which among other activities made payments since UN Women had no bank account. During the audit period, the Office raised 2321 accounts payable vouchers with a total value of $4.3 million. OAI selected a sample of 16 vouchers amounting to $1.4 million and reviewed all Special Operations Living Approach payments, Hazard Pay, and payments for Rest and Recuperation travel for selected staff.

OAI attempted to reconcile the petty cash fund and noted a $50 error, which was not considered material.

Issue 8   Improper expense allocations

UN Women Financial Rule 1402 indicates that programme activities and expenses are approved and implemented subject to the availability of funds. In addition, adequate financial management of projects requires that all relevant costs be properly charged to the assigned Atlas donor and project expense code to ensure that costs allocated to individual projects are accurate and represent approved project activities.

The OAI review of a sample of disbursements showed that expenses were assigned to donor codes in Atlas based on the availability of funds, without ensuring that specific expenses were allowable under the terms and conditions agreed upon by the donor. For instance, three payments totalling approximately $0.3 million were arbitrarily posted to one donor account and later transferred to another donor account based on guidance from Headquarters. The Finance Unit confirmed that this practice existed and noted that expenses were charged to "available" funds. There was no system in place to track the incorrect postings made due to the lack of funds to cover specific project expenditures.

Incorrect allocation of expenditures in Atlas may result in inappropriate use of donor funds, and inaccurate reporting of project expenditures, negatively impacting the corporate reports on results achieved and UN Women's reputation.

Priority	High (Critical)
Recommendation 7: The Office should comply with the UN Women Financial Rules by ensuring that funds are available for individual projects prior to incurring expenditures and that postings in Atlas are only for expenditures authorized in the project documents and donor agreements.	
Management comments and action plan: __√__ Agreed ____ Disagreed Management informed OAI that, subsequent to the audit mission, senior management had required proof of funds for all expenditure requests. All Project Managers together with the finance staff have undertaken a joint review of the financial status of all projects, to identify where remaining funds are within each project, and to ensure expenditures are charged against the correct codes. The accountability for the use of funds has been returned to the managers, rather than with the finance staff as had been the practice in the past. Therefore, finance staff cannot make any charges to project accounts without the express written request of or in consultation with the Project Manager. In addition, the new Internal Control Framework clearly anchors the responsibility for financial management of projects to the Project Managers, thus strengthening the accountability framework of project management. Also, in accordance with corporate procedures adopted, for new programmes, a Funding Authorizations and Certificates of Expenditures form with standard general ledger codes will be attached to the Project Cooperation Agreements.	

3.3 Procurement   Satisfactory

Procurement was managed by a staff member holding a Fixed-term Appointment who reported to the Operations Manager. At the time of the audit, the Office had retained the services of an Operations Specialist under a temporary appointment to strengthen operations and improve procurement processes. The Local Acquisition Management Review Committee was fully staffed and was being supported by two staff members from other United Nations entities UNFPA and OCHA.

OAI reviewed 21 purchase orders valued at $1.4 million out of the 230 purchase orders valued at $3.6 million that were raised by the Office. The majority of the purchase orders reviewed were encumbering funds for payment to implementing partners, while others were raised to secure housing for staff, to purchase protective equipment including body armor, and for making Special Operations Living Approach payments. The Office's larger procurements at the time of the audit mission involved the use of Long-Term Agreements or transactions with other United Nations agencies such as UNOPS, for acquiring office space. Procurement staff members were responsible for contract management and not the Programme Unit that had requested the goods or service.

Issue 9   Insufficient procurement planning

The UNDP Programme and Operations Policies and Procedures indicate that procurement planning is essential for the timely solicitation of quotations, bids or proposals; cost efficiency; the awarding of contracts and the delivery of inputs. Procurement planning is one way to mitigate the potential risks of engaging in transactions with vendors while ensuring a fair and competitive process that obtains the best-value for the money for the Office, while upholding the best interests of the organization. Planning can provide the Office with leverage in dealing with vendors when procuring in bulk or when multiple products are offered by one vendor, allowing the Office to potentially save on shipping costs, and also lessen the workload on procurement staff.

The Office had introduced annual procurement planning in early 2012. Individual plans were developed by each Programme Unit, but it was unclear if the plans were actually being used by the Procurement Unit or whether the plans were based on actual project requirements as budgeted for in the Programme Unit work plans. The procurement plans also did not take into account the procurement of safety and security goods and services for the Office itself, as the focus was on procurement for projects.

Significantly, these plans had not been used to develop a consolidated procurement plan. Also, the annual planning process had not been formalized and communication between the Procurement and Programme Units was unclear regarding matters such as requirements for periodic updating of the individual procurement plans.

Insufficient procurement planning may result in untimely and inefficient procurement of goods and services, delays in project implementation and the inability of the Office to take advantage of bulk discounts.

Priority	Medium (Important)

Recommendation 8:
The Office should formalize and strengthen its annual procurement planning process which should include:
(a) ensuring that the Programme Unit procurement plans are based on actual project requirements and are being used;
(b) aggregating the information contained in the individual unit plans into a consolidated procurement plan which also includes the Office's procurement needs ; and
(c) improving communications between the Procurement Unit and the Programme Units to facilitate regular updates to the various procurement plans.

Management comments and action plan: __√__ Agreed   ____ Disagreed

Management indicated that this is a challenge which many of the UN Women offices faced and to address this, in late 2012 UN Women instituted corporate guidance and templates to ensure strengthened procurement planning and processing of procurement actions. Also, management provided the following specific comments and action plans:
(a) Noted. Programme staff members are included in the regular operations meetings to discuss Programme Unit procurement plans among other operations issues. Procurement will be linked to the newly implemented budget monitoring that determines the planning of funding with donors.
(b) Completed.
(c) Completed. Through the regular operations meetings as well as placed on the agenda of the weekly Programme Management Meeting as needed.

| 3.4 Information and communication technology | Satisfactory |

At the time of the audit mission, the Office was contracting with UNOPS for internet access and end user support. The provision of IT services, however, was not governed by a service level agreement which would quantify planned network outages and the number of end user support allowances per client. It was thus difficult to request service, which was often delayed. The Office was not fully satisfied with the services rendered by UNOPS. However, UNOPS claimed that the Office had consistently exceeded its "allowance" of end user support requests and server maintenance. UNOPS also stated there was no service level agreement with the Office. The Office had recently procured a server and was making progress in hiring an ICT Associate to provide an in-house IT function. Since the Office had taken steps to create an in-house capability and to end its agreement with UNOPS, no issue is being raised.

| 3.5 Asset management and general administration | Partially Satisfactory |

OAI reviewed a number of general administration areas including asset management, common services, office premises, and travel and the review identified issues regarding asset management (see Issue 10 below).

The Office had three "soft-skin" (non-armored) vehicles, which had not been used since September 2011 because the Office was located in an area requiring armored vehicles. Memorandums with implementing partners had only recently been exchanged regarding the transfer of these assets.

On the basis of a Memorandum of Understanding, common services were being provided by the United Nations Assistance Mission to Afghanistan, which managed the United Nations Office Compound in Afghanistan (UNOCA). The Memorandum of Understanding also allowed the Office to occupy a separate portion of the compound under an agreement with UNOPS. No issues were raised with regard to common services or office premises.

With regard to travel, OAI found that in several instances travelers were not providing boarding passes as part of their travel claim forms (F-10s). Without boarding passes, there is no evidence that traveled occurred. Management was briefed on this issue and agreed to take corrective action.

Issue 10   Deficiencies in asset management

Complete and accurate records must be maintained for all capital assets in the Atlas Assets Module. All such assets should be tagged for identification based on the Atlas requirements.

OAI conducted a physical inspection of 39 out of the 151 fixed assets valued at approximately $0.9 million at the UNOCA compound in Kabul and at a project site located outside of Kabul. Due to security concerns which prevented OAI from visiting other directly implemented project sites, OAI requested project personnel to provide serial numbers for assets located at those locations. The Project staff also provided the serial numbers of seven computers that were located outside of the Office compound to allow OAI to reconcile some assets with the asset register. However, OAI was unable to validate the entire asset listing and values due to the following:

- None of the personal body armor equipment (bullet proof helmets and vests) in the sample or those in storage was marked with an asset identification tag.
- The asset list did not contain a location ID that could be used to track and verify the existence of assets. Also, assets located at project sites were not identified and included in the inventory list provided by the Office. This constituted a lack of compliance with UN Women procedures which require that all assets procured under directly implemented projects remain the property of UN Women until transferred to implementing partners or disposed of. As such, these assets should have been included in the listing.

- Old IT equipment was being stored in a container without a plan for disposal or donation.
- Assets had been purchased for implementing partners, but there was no record of how many of them had been procured since they were not on the asset inventory list.

OAI determined that the asset management deficiencies discussed above were due to a lack of understanding of the rules and procedures by the Asset Focal Point.

Inadequate asset management might lead to incorrect recording of assets which can ultimately lead to the financial misstatement of Office assets. In addition, fraud, waste and abuse can go undetected if controls are not in place to safeguard and ensure accurate recording of assets.

Priority	High (Critical)

Recommendation 9:
The Office should strengthen asset management by ensuring that: (a) the Asset Focal Point receives adequate asset management training; (b) all assets are inventoried and recorded in Atlas in accordance with the assets module policies and procedures; (c) all assets contain proper identification; and (d) assets that are not likely to be used in the future are disposed of or transferred as soon as possible.

Management comments and action plan: __√__ Agreed ____ Disagreed
Management informed that corporately, asset management has since been considerably strengthened, with Headquarters providing close guidance and policies to support field based presence. In addition, for the specific recommendations, management indicated: (a) Noted. A new Asset Focal Point is being hired, and the training will be part of his orientation. (b) Noted. To be completed by end of Q1, 2013. (c) Noted. To be completed by end of Q1, 2013. (d) Noted. To be completed by end of Q2, 2013. Buyer to undergo "refreshment" training on using procurement catalog in Atlas.

3.6 Safety and security   Satisfactory

The Office was operating out of the United Nations Official Compound in the Country which is a common UN agency practice. The compound also had housing for international staff and was compliant with the United Nations Department of Safety and Security standards. The Office was under the direction of the Designated Official for Security at the United Nations Assistance Mission to Afghanistan. The Security Unit was comprised of three staff members led by a Field Security Advisor.

OAI reviewed contingency plans for emergency situations and found that all staff members had taken the mandatory Basic and Advanced Security in the Field training courses and several had undergone additional Safe and Secure Approaches to Field Environments training. Office personnel were assigned mobile phones for communication of security-related incidents especially during restricted mobility days and office closures. All staff members were also provided with body armor for protection in case of an attack and the Office had acquired seven armored vehicles to facilitate operations in a crisis environment. No reportable issues were identified.

| 3.7 UNDP support to Office | Satisfactory |

UNDP Afghanistan supports the operations of the Office through payroll processing, banking, and pay cycle processing. OAI reviewed the effectiveness of the existing service agreement with UNDP and noted that it is functioning adequately to support the current operations. There were no reportable issues.

ANNEX   Definitions of audit terms - Ratings and Priorities

A.   AUDIT RATINGS

In providing the auditors' assessment, the Internal Audit Services of UNDP*, UNFPA, UNICEF, and WFP use the following harmonized audit rating definitions. OAI assesses the country office or audited HQ unit as a whole as well as the specific audit areas within the country office/HQ unit.

- **Satisfactory**   Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity. *(While all UN Women offices strive at continuously enhancing their controls, governance and risk management, it is expected that this top rating will only be achieved by a limited number of business units.)*

- **Partially Satisfactory**   Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity. *(A partially satisfactory rating describes an overall acceptable situation with a need for improvement in specific areas. It is expected that the majority of business units will fall into this rating category.)*

- **Unsatisfactory**   Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised. *Given the environment UN Women operates in, it is unavoidable that a small number of business units with serious challenges will fall into this category.)*

* The Internal Audit Services of UNDP provides audit services to UN Women on the basis of a Service Level Agreement

B.   PRIORITIES OF AUDIT RECOMMENDATIONS

The audit recommendations are categorized according to priority, as a further guide to UN Women management in addressing the issues. The following categories are used:

- **High (Critical)**   Prompt action is required to ensure that UN Women is not exposed to high risks. Failure to take action could result in major negative consequences for UN Women and may affect the organization at the global level.

- **Medium (Important)**   Action is required to ensure that UN Women is not exposed to significant risks. Failure to take action could result in negative consequences for UN Women.

- **Low**   Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are <u>not included in this report</u>.