JOINT AUDIT

OF

DELIVERING AS ONE

IN

PAKISTAN

Report No. 1247

Issue Date: 20 June 2014

LIST OF ACRONYMS

DaO	Delivering as One
DOCO	Development Operations Coordination Office
HACT	Harmonized Approach to Cash Transfers
NPPI	Norway-Pakistan Partnership Initiative
OP I/OP II	One Programme
RC	Resident Coordinator
RCO	Resident Coordinator Office
UNCT	United Nations Country Team
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group

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Report on the audit of Delivering as One in Pakistan
Executive Summary

The Internal Audit Services of six United Nations organizations (FAO, UNDP, UNESCO, UNFPA, UNICEF and UNIDO), collectively referred to herein as "the Internal Audit Services", conducted a joint audit of Delivering as One (DaO) in Pakistan from 28 October to 8 November 2013. The joint audit covered the activities of DaO during the period from 1 January 2012 to 30 June 2013. The joint audit focused on the five pillars of the DaO (One Leader, One Programme, One Fund, Operating as One and Communicating as One).

The audit was conducted in accordance with the Framework for Auditing DaO Programmes, signed on 22 September 2011 by the abovementioned Internal Audit Services, and with the support of the Internal Audit Services of ILO, WFP, and WHO, and in conformance with the International Standards for the Professional Practice of Internal Auditing. These Standards require that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes related to the audited activities. The audit included reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

The joint audit assessed DaO in Pakistan as **partially satisfactory**, which means that "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 the lack of guidance from the United Nations Development Group (UNDG) to rationalize DaO and humanitarian processes in a context of transition from humanitarian to development assistance, as well as due to the weaknesses in the implementation and monitoring of the One Programme.

Ratings per audit area are listed below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
A. One Leader				
B. One Programme				
C. One Fund				
D. Operating as One				
E. Communicating as One				

Key issues and recommendations

The audit raised 15 issues and resulted in 15 recommendations, of which 7 (47 percent) were ranked high (critical) priority, meaning "Prompt action is required to ensure that the audited entities are not exposed to high risks. Failure to take action could result in major negative consequences for the organizations and may affect the organization at the global level." These recommendations include actions to address the insufficient harmonization of development and humanitarian planning and monitoring, incomplete implementation of the Management and Accountability Framework, gaps in the monitoring framework for Strategic Priority Areas, challenges establishing clear and effective monitoring structures and processes, and lack of a strategy to harmonize business processes and procedures.

Three issues, referred to as "corporate issues", require action by the UNDG and its working mechanisms regarding the insufficient integration of development and humanitarian planning and monitoring (Issue 1); the incomplete implementation of the Management & Accountability Framework (Issue 2); and lack of guidance on common financing instruments for the use of common premises (Issue 12).

The high priority recommendations are as follows:

One Leader (Issue 1)	Corporate issue: Insufficient rationalization of development and humanitarian planning and monitoring processes in a transition country. For transition countries like Pakistan, there are two competing coordination processes for development (DaO) and humanitarian (coordinated by OCHA), which can be resource intensive and, if not integrated or coordinated with one another, can lead to duplication of work and high transaction costs, and hence may then appear not effective. In Pakistan, key DaO tools/processes that allow meaningful coordination and harmonization among the organizations involved in DaO were not in place or not functioning effectively. Stakeholders involved also highlighted humanitarian activities as often taking precedence over development work. Better harmonization of the development and humanitarian coordination processes, with guidance from the UNDG, would lower transaction costs of UN coordination. Recommendation (corporate): UNDG, supported by the UN Development Operations Coordination Office (DOCO), should develop guidance and tools on how to rationalize development and humanitarian coordination processes in transition countries to avoid duplication and promote an integrated approach to the UN activities overall. Recommendation: The United Nations Country Team (UNCT) should prioritize the harmonization and integration of humanitarian and development processes.
(Issue 2)	Corporate issue: Incomplete implementation of the Management and Accountability Framework. The Resident Coordinator (RC)'s formal authority is limited, and depends on the cooperation of the UNCT. The members of the latter were strictly accountable for their performance to their respective Headquarters and their job descriptions did not systematically support DaO. While the UNDG Management and Accountability Framework has clearly identified, and called for implementation of, elements critical to strengthen the RC system and its accountability, important elements were not in place in Pakistan, such as a provision in the UNCT's Terms of Reference for formal input from the RC into each agency's performance appraisal process on the performance relating to the UNCT members; and the collegial reporting line of the UNCT. A corporate recommendation was addressed to the UNDG Working Group on Resident Coordinator System issues, which coordinates all issues related to Management and Accountability Framework. Recommendation (corporate): The UNDG Working Group on RC System Issues should continue to monitor full implementation of the Management and Accountability Framework, identifying the constraints and related causes that prevent its full implementation. Recommendation: The RC, in coordination with the UNCT, should: (a) develop a strategy and a plan of action with assigned responsibilities and timelines to ensure full implementation of the Management and Accountability Framework, with the objective to strengthen the RC system and collective accountability; (b) clarify the RCO's role as the new structure is rolled out, ensuring it is commensurate with available resources.

One Programme (Issue 4)	Significant gaps in the monitoring framework for Strategic Priority Areas. Under the One Programme II (2013-2017), the Strategic Priority Area matrices provide a five year map of the jointly agreed outcomes and corresponding outputs. The agreed joint and agency-specific outputs, particularly for Strategic Priority Area 1, were not specific or measurable. In some instances, performance indicators were not clearly defined, and corresponding baselines were not identified, or could not be clearly attributed to specific outcomes nor did they provide sufficient detail both for attribution and accountability for results. Further, expected results were the same at the national and federal levels as for each of the provinces. Recommendation: The UNCT should: (a) strengthen quality assurance mechanisms, assign oversight responsibilities and train staff on Result Based Management so as to ensure clearly articulated, well defined joint agency-specific outputs, with corresponding indicators that are measurable and attributable; (b) identify baselines for each joint and agency specific output to ensure a reference point for later monitoring and results management; and (c) revise the Strategic Priority Area matrices, taking into consideration the specific country requirements at each level, i.e. national, federal and provincial.
(Issue 6)	Persistent challenges establishing clear and effective monitoring structures and processes. Monitoring remained a challenge, with multiple layers and unclear roles. Terms of Reference for the newly formed Monitoring, Reporting and Review Committees/Strategic Priority Area working groups, work plans for the Planning, Monitoring and Evaluation Group were not developed, and meetings of Strategic Priority Area working groups were not systematic, and resources were not fully in place. Weaknesses noted in the monitoring process included an unclear process for validating and verifying data, incomplete Operational Plan to ensure midterm review provision, unclear process flows between the various bodies and lack of a UN information strategy and tool to support the planning and the monitoring of the Operational Plan. Recommendation: The RCO, in collaboration with the Monitoring, Reporting and Review Committee and Planning, Monitoring and Evaluation Group, should establish oversight and quality assurance mechanisms to ensure monitoring structures and processes are properly functioning.
Operating as One (Issue 11)	Lack of a strategy to harmonize business processes and procedures. There was no strategy through which the UNCT identified and prioritized the existing operational capacities and services to be harmonized. Further, no mechanism was in place to measure transaction cost, assess and report on actual efficiency gains. Recommendation: The RC, supported by the Operations Management Team, should: (a) develop a strategy and a plan of action, with clearly defined responsibilities, expected results and timelines for harmonizing business processes, and a mechanism to document and measure transactions costs; (b) report regularly on the status of implementation of the strategy and the action plan; and (c) implement timely corrective measures as needed to ensure cost-effective implementation of the strategy and the action plan.

Management comments and action plan

The Resident Coordinator and the UNDG/DOCO accepted all of the recommendations and are in the process of implementing them.

"Signed"

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I. Audit scope, objectives and methodology

Joint DaO audits assess the adequacy and effectiveness of the governance, risk management and control processes of DaO in order to provide reasonable assurance to the UNCT on 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 at assisting the management of the audited entities and other relevant business units in continuously improving governance, risk management and control processes.

As per the Auditing as One Framework, the general objectives of this audit were to assess:

- the implementation of the five DaO principles, focusing on governance structures and processes as well as joint decision-making and joint activities by the UNCT;
- the extent to which policies and procedures have been harmonized between the implementing UN agencies; and
- the extent to which the governance and accountability arrangements established by the RC or UNCT are adequate, focusing on the assurance mechanisms that the RC has to ensure accountability and oversight of joint funds made available to participating agencies.

The Internal Audit Services of six United Nations organizations (FAO, UNDP, UNESCO, UNFPA, UNICEF and UNIDO), conducted a joint audit of the DaO activities in Pakistan, with a joint field mission from 28 October to 8 November 2013. The joint audit covered the activities of DaO, during the period from 1 January 2012 to 30 June 2013. The joint audit focused on the five pillars of DaO (One Leader, One Programme, One Fund, Operating as One, and Communicating as One).

II. About Delivering as One in Pakistan

The Government of Pakistan, in late 2006, requested that UN assistance to the country be based on the DaO principle. A pilot process started in March 2007 and Pakistan's One UN Programme was launched in 2009 in the presence of the UN Secretary-General and the Prime Minister of Pakistan. It united 19 resident UN agencies and one non-resident agency, and was designed to complement and support the Government of Pakistan's development initiatives.

The UNCT, composed of representatives of all UN agencies in the country, ensures interagency coordination and decision-making at the country level. The main purpose of the UNCT is for individual agencies to plan and work together, as part of the RC system, to ensure the delivery of tangible results in support of the development agenda of the Government. The major components of DaO in Pakistan are the One Programme, One Leader, One Fund, and Operating as One, with most efforts on the One Programme.

The One Programme (OP I) was envisaged as the UN system's primary channel of delivery of its support to Pakistan's development. The OP I, which ran from 2009-2012 identified five Joint Programmes that were the areas of the UN support to the development processes in Pakistan. Based on the OP I experience, the UNCT developed a second generation One Programme (OP II) in collaboration with federal, provincial and regional governments, key donors, and a wide spectrum of civil society actors. It was signed in December 2012.

With a population of approximately 180 million, Pakistan is the largest of the DaO countries. It is also the only DaO pilot country where the UN system had to deal concomitantly with challenging humanitarian crisis and prevailing security challenges. Since the launch of DaO and until now, a number of emergencies and events, such as the Afghan refugee crisis, natural disasters or terrorism, have shifted the focus of the UN system, the donor community and the Government of Pakistan from development activities, including DaO, to humanitarian actions. The overall security environment in Pakistan remains volatile and the whole country, including the capital Islamabad, is categorized as a non-family duty station with an eight week Rest and Recuperation cycle,

which has implications on the availability of several senior staff members, including heads of UN agencies, on decision-making at the collective level and on programme preparation.

In 2010, Pakistan began the implementation of the 18th Amendment to the Constitution, which called for the devolution of key line ministry functions to the provinces/regions of Pakistan. This posed a particular challenge as it became unclear who the sectorial government counterparts to the UN were in the post-devolution environment. Programming and programme planning has to be carried out at the provincial level and, instead of having one national government as a counterpart, the UN needs to deal with four provincial governments and three regional governments, as well as the federal government.

III. Audit results

The joint audit team made 15 recommendations ranked high (critical) and medium (important) priority. Low priority recommendations were discussed directly and agreed with the Office and are not included in this report.

A. One Leader — Partially Satisfactory

According to the UNDG guidelines, the One Leader pillar is critical to strategically position UN support to the country to reach its development goals and to enable the UNCT to work together.

Under OP I, the High Level Committee and Executive Committee were responsible for the oversight of DaO in Pakistan. The High Level Committee served as the ultimate decision-maker and its role included, among others, the approval of the overall DaO concept and the area for engagement for the One UN Programme, as well as the monitoring of progress made by the Pakistan DaO pilot. It was chaired by the Minister of State for Economic Affairs Division and was composed of 16 ministries, representatives of the provinces and regions, civil society, and donors. The Executive Committee, which was also co-chaired by the Secretary of the Economic Affairs Division, supported the High Level Committee though oversight of the implementation of the One Programme, deciding on the allocation of funds to one or more joint programmes; and deciding on the transfer of funds to Participating UN Organizations.

The joint audit team noted that the above committees did not meet during the audit period, except for the Executive Committee once in 2012. The RCO explained that much of the authority of UN counterpart ministries (at the federal level), which were previously participants in the High Level Committee, had been devolved to provinces, leaving the UN with no clearly identified interlocutor.

Government official turnover added another set of challenges to the DaO process. According to the RCO, there had been seven Secretaries of the Economic Affairs Division within the DaO counterpart ministry in the last three years, with an average stay in position of about six months. The RCO further explained that the successive Secretaries, when appointed, did not always have the same level of understanding and experience of the DaO process.

For the implementation of OP II, new steering committees were put in place, taking into account the decentralization of the governance structure. The steering committees, as a representative body of a province/area, are providing strategic oversight to the One Programme implementation. Their objectives, according to the Terms of Reference, are to ensure provincial/ area ownership of the One Programme, review progress reports and evaluations in line with the local government's development priorities, and provide guidance to the output level strategic plans.

In its review of the One Leader pillar, the joint audit noted issues inherent to a transition country, from humanitarian to development assistance, participating in the DaO initiative, and other specific issues related to the One Leader pillar.

Issue 1 Corporate Issue: Insufficient rationalization of development and humanitarian planning and monitoring processes in a transition country[1]

Since the decision was taken to implement DaO, Pakistan faced a number of major emergencies, such as extensive floods in 2010, 2011 and 2012, and conflict and flood-induced displacement of approximately one million people from the Federally Administered Tribal Areas, which affected DaO implementation. As a transition country, Pakistan also remained the world's largest refugee-hosting country, with 1.6 million registered Afghan refugees.

As illustrated in the various sections of the audit report, the joint audit found that many of the key DaO tools/processes that allow for meaningful coordination and harmonization of agencies programmatic and operational activities were not in place or not functioning effectively. Such processes were the High Level and Executive Committee, Strategic Priority Area working groups, Monitoring, Reporting and Review Committees, Planning, Monitoring and Evaluation Group in Issue 6, resource mobilization strategy in Issue 8, and communication strategy in Issue 15. This was due mostly to the burden associated with these processes and the fact that agencies found it difficult to cater to the resource requirements for coordination in light of competing demands on their time for humanitarian actions outside the DaO framework.

For transition countries like Pakistan, there are two competing coordination processes: development (DaO) and humanitarian (coordinated by OCHA). The RCO reported that, in 2009, the value of UN's humanitarian programmes in Pakistan was almost three times that of the development programmes; in 2010, it was over five times more; in 2011, the value of UN's humanitarian programmes still exceeded that of development programmes. In that environment, where agencies need to cater to a significant volume of funds outside of the DaO One Programme, the processes of UN coordination are resource intensive, all the more when they do not reconcile/integrate well with the humanitarian coordination processes. In addition, limited financial and human resources were available in the RCO to support the DaO process.

Another challenge to the implementation of DaO as noted in several instances in the report has been decisions from the UNCT or other sub-groups not to develop integrated tools for OP II, such as a joint resource mobilization strategy, a communication strategy, etc. The recent Standard Operating Procedures for Country Offices wishing to adopt the "Delivering as One Approach", while leaving much flexibility to the countries, had not clarified elements critical to effective DaO implementation.

Following the audit mission, DOCO acknowledged the lack of guidance and tools to ensure clear integration of the DaO principles into the coordination processes for transition countries. A new draft guidance dated April 2014 on One Programme highlights areas for integration for every step of the programming process. The draft UNDG Plan of Action for Headquarters also includes work to ensure coherent support from the relevant UN Secretariat department and offices to RCs, particularly when the latter serve in a transition country.

1 The UNDG/Executive Committee on Humanitarian Assistance Working Group on Transitions and the Inter-Agency Standing Committee Early Recovery Cluster Working Group Introductory Note to the Transition Guidance Toolkit defines 'transition' as "the period of transformation when a country emerging from crisis undertakes a recovery process. Post-crisis transition here refers to transition following both natural disasters and conflict, or political crisis, recognizing the inherent differences in the context."

Priority	High (Critical)

Recommendation 1:

The United Nations Development Group, supported by the UN Development Operations Coordination Office, should develop guidance and tools on how to rationalize development and humanitarian coordination processes in transitional countries, to avoid duplication and promote an integrated approach to all UN activities in the country, as appropriate.

Responsible HQ bureau: UNDG/DOCO

Management action plan:

UNDG/DOCO confirmed that a proposal to develop guidance and tools on rationalizing development and humanitarian coordination processes in transition countries will be brought to the attention of the relevant UNDG working mechanism (UN WG on Transitions) for inclusion in its work plan.

Estimated completion date: If the UN Working Group on Transitions agrees to include this in its work plan, it is estimated that this would take some 18 months and would be completed by the end of 2015.

Priority	High (Critical)

Recommendation 2:

The United Nations Country Team should prioritize the harmonization and integration of humanitarian and development coordination processes.

This is dependent upon implementation of Recommendation 1 and will be followed up as further guidance is issued.

Management action plan:

Global guidance from Headquarters is required before effective country level action can be taken. Guidance is required from both humanitarian and development steering bodies at headquarters level. This involves the DaO and Inter-Agency Standing Committee processes to be revisited in tandem. This guidance should be coordinated and developed jointly at headquarters level, and then relayed to the field in a similarly in a coordinated manner.

Integration of humanitarian and development coordination processes in Pakistan would be challenging for the following reasons: 1) principled and independent humanitarian action is distinct from UN's development work that is guided by longer term national priorities, government ownership, multi-year planning and close collaboration with government institutions; 2) key coordination structures, i.e. Humanitarian Coordination Team for humanitarian coordination and United Nations Country Team for development coordination, have different membership (e.g. national and international humanitarian NGOs are represented in the Humanitarian Coordination Team) and different principles; 3) Government of Pakistan is highly sensitive to UN's involvement in humanitarian action and would likely resist efforts to harmonize and integrate humanitarian and development planning and monitoring processes; 4) government and donor counterparts for humanitarian and development work are largely different.

While global guidance on better harmonization and integration of UN's humanitarian and development work is welcome, ways to further lighten the burden of DaO in transition countries such as Pakistan should also be

explored. For example, especially in 2011 and 2012, the UN system in Pakistan was managing three parallel complex processes: 1) implementing (and effectively monitor and report on) the first One UN programme with five formal joint programmes; 2) developing the new One UN Programme in close consultation with the Federal Government and with eight sub-national entities; and 3) ensuring principled humanitarian assistance for up to 5 million displaced and flood affected people as well as 1.6 million registered refugees. Additionally, the Resident Coordinator/Resident Representative was expected by UNDP to focus more attention to UNDP matters.

The fact that the Resident Coordinator/Resident Representative in Pakistan is also the Humanitarian Coordinator provides for a certain degree of harmonization and integration. In this respect, the UN in Pakistan is continuing its efforts to harmonize humanitarian and development work, especially in the fields of resilience, Disaster Risk Reduction, early recovery and nutrition.

Estimated completion date: This depends on HQ processes. At the same time, on the country level we are collaborating on a regular and frequent basis, trying to ensure integrated planning in at least key areas like Strategic Priority Area 3. The RCO cannot provide a more precise answer as this does not depend exclusively on in-country processes.

Issue 2 Corporate Issue: Incomplete implementation of the Management and Accountability Framework

In 2008, the UNDG approved the Management and Accountability Framework with the objective to further strengthen the RC system, providing "a clear framework in which both accountability and management can be exercised effectively". This includes ensuring participatory, collegial and mutual accountability.

In 2011, the UNDG resolved to fully implement four critical elements of the Management and Accountability Framework: (i) revising the job descriptions of UNCT members; (ii) reporting by UNCT members to the RC on resource mobilization and programme implementation performance; (iii) providing an assessment of UNCT's members' performance as formal input to agency performance appraisal processes; and (iv) including UNCT results in agency performance appraisal systems. The UNDG Plan of Action for Headquarters in 2014 again provides for full implementation and monitoring of the Management and Accountability Framework.

The joint audit noted that the RC's formal authority was limited, and depended on the cooperation of the UNCT members. Managing each agency's expectations remained a challenge for the UNCT, especially since representatives of agencies in country are strictly accountable for their performance to their respective Headquarters and their job descriptions, and in turn performance evaluation reports did not systematically include support to the DaO. The joint audit team reviewed the job descriptions of four heads of agencies and noted that three out of four did not include their contribution to the DaO initiative.

Similarly, while the Guidance Note on RC/UNCT Working Relations/Code of Conduct was embedded into the UNCT Terms of Reference in Pakistan, the role of the RC in providing formal input into each agency's performance assessment process for the relevant UNCT members; and the collegial reporting line of the UNCT to the RC, were not included in the UNCT Terms of Reference. This may undermine the accountability within the UNCT, and in turn effective coordination.

In view of the declining contributions to the Country Coordination Fund providing support for UN coordination activities, the RCO was also not adequately resourced to provide strategic leadership and support to the RC/UNCT in their coordination role. According to the UNDG guidance, the RCO supports the RC in his/her roles and functions, by providing inter-agency coordination support to the UNCT and its various sub-groups. The support includes strategic planning, programme, communications and operations management, policy guidance, as well as knowledge management and advocacy, all seeking to enhance UN coherence and improve

overall programme impact to better achieve results. The joint audit team noted that the RCO in Pakistan had managed and led the development process of OP II in terms of strategic planning and policy guidance; however it lacked the authority, minimum staffing and resources required to fulfil completely its support role.

Regular country allocations from the Country Coordination Fund allocations, which provide support for UN Coordination activities, supported the RCO in Pakistan with $49,000 and $81,000 in 2012 and 2013 respectively, which were meant to cover part of the cost for a P3 and a National Officer post. In addition, the Country Coordination Fund provided funds for a Strategic Planning Specialist (P4) through the "Capacity Gap effort", allocating $213,000 and $261,000 in 2012 and 2013, respectively. Due in part to staff movements and difficulties in recruitment, the staffing was not commensurate with the level of support the RCO is supposed to provide to the RC, nor did it allow for effective coordination and monitoring of the DaO programmes and activities, including monitoring of Joint Programme and Strategic Priority Areas, and the Harmonized Approach to Cash Transfers (HACT) implementation.

The RCO added that its capacity had greatly been affected by vacancies. At the time of the audit, four positions out of a total of 11 were vacant. The head of RCO position had been vacant for three months until April 2013; and that of the Strategic Planner for over fourteen months; the latter was filled in October 2013. This delay in recruitment was due to the need to advertise the positions as there were no suitably qualified candidates, exacerbated by the fact that Pakistan is a non-family duty station.

The joint audit team further noted that agencies or working groups had different views or expectations on the RCO role. Some agencies opined that the RCO should assume a secretariat role, while others stated that the RCO had not sufficiently asserted itself in its leadership role, and should be more involved in implementing and monitoring processes under the DaO. The differences of opinion were due to the lack of clear Terms of Reference for the RCO and the different roles and responsibilities which RCOs have in various DaO countries. The UNDG/DOCO sent out a global communication to all Resident Coordinators on 30 September 2013 and again on 13 December 2013 listing the 10 core coordination functions of a Resident Coordinator Office, which are covered by the UNDG global cost sharing system.

The RCO shared with the joint audit team a new organizational chart which was being developed at the time of the audit field work, the objective of which was to strengthen the structure of the RCO through clearly established responsibilities and resources.

Priority	High (critical)
Recommendation 3: The UNDG Working Group on Resident Coordinator System Issues should continue to monitor full implementation of the Management and Accountability Framework. **Responsible HQ bureau:** UNDG/DOCO	
Management action plan: The Working Group-Resident Coordinator System Issues is expected to continue to monitor the implementation of the Management and Accountability Framework in 2015. **Estimated completion date:** December 2015	

Priority	High (Critical)

Recommendation 4:

The Resident Coordinator in coordination with the United Nations Country Team should:

(a) develop a strategy and a plan of action with assigned responsibilities and timelines to ensure full implementation of the Management and Accountability Framework with the objective to strengthen the Resident Coordinator System and collective accountability; and
(b) clarify the Resident Coordinator's Office role as the new structure is rolled out, ensuring it is commensurate with available resources and in line with the Resident Coordinator's coordination responsibilities.

Management action plan:

(a) In order to put this recommendation to place, Recommendation 3 needs to be carried out. Guidance and support is required from Headquarters to UN agencies in order to implement the accountability framework.

(b) The RCO is in the process of drafting terms of reference specifically for the RCO Pakistan based on the official outline of the RC system roles and function circulated by UNDG/DOCO in 2012. The Terms of Reference seek to clarify the role of the RCO in Pakistan and to harmonize the different expectations agencies have of the office.

Estimated completion date: On (b) the RCO Terms of Reference are planned to be finalized by end May 2014.

B. One Programme — Unsatisfactory

Pakistan's One UN Programme was launched in 2009, uniting 19 resident UN agencies and one non-resident agency, and was designed to complement and support the Government of Pakistan's development initiatives.

As the One Programme approached its conclusion in 2012, the planning and development of OP II for the period 2013-2017 took place up to December 2012. The aim of the planning process and OP II itself was to enhance provincial engagement, while maintaining alignment of UN programming with national and provincial plans and priorities.

The OP II outcomes are grouped within six Strategic Priority Areas:

- Vulnerable and marginalized populations have equitable access and use of quality services;
- Inclusive economic growth through the development of sustainable livelihoods;
- Increased national resilience to disasters, crises and external shocks;
- Strengthened governance and social cohesion;
- Gender Equality and Social Justice; and
- Food and nutrition security for the most vulnerable groups.

The scope of work for OP I and OP II included a review of programme design (OP II), alignment of planned outputs with overall outcomes, monitoring and evaluation, and the reporting process. The annual planning process was also reviewed, including baselines, indicators and output targets that outlined the results chain. Meetings were held with the RCO, the Programme Management Team, the Programme Monitoring and Evaluation Team, a sample of implementing partners, and other stakeholders.

Issue 3 Limitations in the funding and implementation capacity insufficiently addressed in OP II

The joint audit reviewed the process to develop OP II, its content and whether lessons learned from OP I were included in OP II.

The UNCT, through a lessons learned process, identified various weaknesses relating to OP I (2009-2012), including the following:

- The scope and targets for OP I joint programmes were over-ambitious. When combined with inadequate emphasis on resource mobilization, whereby $350 million was available for 2012 against a target of $456 million, this led to funding gaps and underachievement of expected results compared to the planned budget.
- There was a need for stronger emphasis on provincial capacity development and technical support in view of Pakistan's devolution of administrative powers from the Federal Government to locally elected governments.

The OP II Operation Plan foresees the total financial resources required for the period 2013-2017 to be $2.038 billion, which is significantly higher than the original OP I budget of $893.8 million, which was subsequently revised to $ 1.8 billion, with a funding gap of $1.35 billion at the time of the audit. Insufficient details have been provided on whether the UNCT and individual agencies can realistically mobilize the funds required to fill the funding gap. Additionally, the Operation Plan does not provide a breakdown of available funding to date in terms of core and non-core, as well as expected contributions through bilateral agency funding, which would give an indication of what needs to be mobilized jointly through the One Fund (see additional details in Section C of the report). Subsequent to the field work, the RCO shared with the joint audit team the Annual Common Budgetary Framework for 2014 which included each agency contributions per output (core and non-core) as well as the annual funding gap.

While OP II aims at setting up monitoring and review mechanisms at both national and provincial levels, capacity building activities of the Government's Monitoring and Evaluation systems under the Strategic Priority Area matrices were limited to two outcomes only. The revised Annual Work Plans provided after the audit fieldwork demonstrated that adjustments were made to the expected outcomes, therefore no recommendation was made in that regard.

Lower level of funding, compared to the resources required for the implementation of OP II, coupled with limited capacity building activities at the provincial level, increased the risk of not meeting the intended objectives of OP II.

Priority Medium (Important)
Recommendation 5: The United Nations Country Team should revise the OP II in the forthcoming annual review to include appropriate capacity building at provincial level.
Management action plan: The budget and plans for OP II were approved by government and executive boards of the relevant agencies. This is an aspirational budget. The budget and plans are reviewed and revised on an annual basis to ensure that expectations off all stakeholders are realistic. The RC made considerable efforts to persuade heads of agencies to reduce their budgets at the design phase of OP II, but did not have the authority to effect changes.

Capacity building on monitoring and evaluation is not articulated in the Operations Plan but is part of agency internal training schedules. In addition, several training opportunities on monitoring and evaluation, both online and training seminars, have been made available to staff. Joint trainings have been encouraged wherever possible. Nonetheless, more efforts will be made to reach staff at the subnational level.

Estimated completion date: December 2014/January 2015

Issue 4 Significant gaps in the monitoring framework for Strategic Priority Areas

Under OP II, the Strategic Priority Area matrices provide a five year map of the jointly agreed outcomes and corresponding outputs. The audit reviewed operational result matrices for Strategic Priority Areas 1, 4 and 6 and noted that the matrices formally included all required elements such as outcomes, outputs, contributing UN agency outputs, list of counterparts, indicators, baselines, targets, and resources required for each outcome. However, the agreed joint and agency-specific outputs, particularly for Strategic Priority Area 1, were often not specific or measurable. The majority of these included words such as 'strengthen', 'improve', and 'increase' without any qualification or quantification of these statements. Furthermore, in some instances, performance indicators were not clearly defined; corresponding baselines were not identified, or could not be clearly attributed to specific outcomes; nor did they provide sufficient detail both for attribution and accountability for results.

The review of the Strategic Priority Area matrices also indicated that some agency-specific outcomes, outputs, baselines and means of verification were not included in the Strategic Priority Area plan. In the absence thereof, it is difficult to determine each agency's contribution towards the achievement of the joint plan. Subsequent to the audit field work, the RCO prepared and shared with the joint team the OP II Annual Work Plan and the Annual Common Budgetary Framework, which were both completed in April 2014.

Further, the matrices did not consider the particular requirements at the provincial level. A review of the draft five year matrices (as of April 2013) showed that, for three outcomes out of nine reviewed, the outcomes, outputs, key performance indicators, baselines etc. were the same at the national and federal levels as for each of the provinces. The only difference in the matrices was in budget allocation. Reasons for these gaps in the monitoring framework include inadequate knowledge/training on the Results Based Management framework, and reduced capacity to develop clear measurable baselines and indicators. The lack of separate performance indicators at the sub-national level, as confirmed by the RC, constrained the capacity to measure results and progress at the provincial level and to aggregate results at the national level.

Incomplete or weak Strategic Priority Area plans significantly reduced the capacity of agencies to plan, measure and monitor progress towards intended results, including non-achievement thereof.

Priority High (Critical)

Recommendation 6

The United Nations Country Team should:

(a) strengthen quality assurance mechanisms, assign oversight responsibilities and train staff on Results Based Management, so as to ensure clearly articulated, well defined joint and agency-specific outputs, with corresponding indicators that are measurable and attributable;

(b) identify baselines for each joint and agency-specific output, to ensure a reference point for later monitoring and results management; and

(c) revise the Strategic Priority Area matrices, taking into consideration the specific country requirements at each level, i.e. National, Federal and Provincial.

Management action plan:

(a) Quality assurance mechanisms have been put in place. The Planning, Monitoring and Evaluation Working Group, defined in the Operational Plan, was established to fulfill this function. The Working Group has also provided training support throughout 2013. More training will take place throughout the OP II implementation cycle. Similarly, all Strategic Priority Area reports submitted to the RCO on an annual basis are supposed to be signed off on by the heads of agencies and Strategic Priority Area conveners respectively.

(b) It has been attempted to develop annual targets and baselines within the Annual Work Plan. At the same time, the need for an Evaluability Assessment has been identified and Terms of Reference for the study are currently under development. Sharpening the indicators in the OP II results matrices will be part of the scope of the assessment.

(c) The Strategic Priority Area results matrices are disaggregated by province in so far as is possible. The Annual Work Plan, which is the "action plan" for the matrices are similarly available for the federal and sub-national level wherever possible. The specific requirements in these areas are taken into account at the project level.

Estimated completion date:

OP II Annual Work Plan - completed April 2014.
Evaluability Assessment - expected to be completed August 2014.

Issue 5 Incomplete Joint Annual Work Plans for 2013

The main purpose of the annual work plans is to provide an overview of the projects and activities of the Operational Plan scheduled for implementation in the coming year, the resources that will be required to complete them, the goals and objectives they should meet, and the target and outcome measures of foreseen activities. Annual work plans should also include cost estimates for each activity, which can be helpful in preparing the annual budget. Annual work plans serve to break down the five-year Strategic Priority Area work plans into annual achievable segments, thus providing a basis for measuring end-of-year progress, which will aid in the preparation of annual reports. In the case of Pakistan, the Operational Plan for OP II indicated that the joint annual work plans would be developed based on results of annual reviews by each Strategic Priority Area working group, and would complement the individual agency level annual work plans.

The Common Budgetary Framework then helps ensure that there is a comprehensive and results-based projection of financial resources requirements in relation to the United Nations Development Assistance Framework (UNDAF) Action Plan (in the case of Pakistan, the Operational Plan), covering the entire programme cycle (2013-2017). As per the UNDG UNDAF Action Plan Guidance Note – Annex 3 of October 2010, the Annual Common Budgetary Framework, prepared on the basis of the annual work plans, not only reflects available funding and resources to be mobilized, but also delineates specific tasks and activities to be implemented at the agency level during the year, which helps realistically cost the material and human resource inputs required for planned activities and show what each agency will be delivering through its own programme.

For OP I, the joint audit team reviewed three Joint Annual Work Plans and noted that baselines and targets were either missing or not well defined. Furthermore, some of the Joint Programme Components, Agency Specific Output/Sub-Output or Programme Activities, had no agency or funding assigned at all.

For OP II, the Programme Management Team selected as a work plan two joint outputs for each of the 20 outcomes across all 6 Strategic Priority Areas to report against in the 2013 Resident Coordinator annual report. This work plan incorporated the outcomes, joint outputs, indicators and baselines (missing in some instances) replicated from the five-year Strategic Priority Area work plans, without specifying which activities would be implemented in 2013, and did not identify any annual targets. Subsequent to the field work, the RCO reported that an OP II Annual Work Plan was developed for 2014, disaggregated by Strategic Priority Area and the national and sub-national levels where possible. The Annual Work Plan included the projects and activities to be implemented.

This work plan also did not contain any budgetary information and no annual Common Budgetary Frameworks had been developed, leaving the projection of resources available and funding requirements at the overview level and not providing a practical basis for an effective budget and costing exercise for the UNDAF.

It was also impossible to determine what was implemented in 2013 as part of the five-year joint outputs, and whether there had been any progress made towards achieving intended outcomes. This further complicated the attribution of activities and outputs to specific agencies. While the structure of the Operation Plan results matrix is sound with baselines, indicators and targets, it remains incomplete without strictly defined annual work plans to support it.

Additionally, provisions had not been made for joint annual work plans, but only individual agency-specific annual work plans developed by the participating agencies. This undermines the purpose of DaO, intended to promote cohesion and coordination among agencies. The RCO explained that a decision was taken in December 2012 by the Programme Management Team to do away with joint annual work plans and annual Common Budgetary Framework based on an interpretation of the UNDG Guidance note on Joint Programmes. There was, however, disagreement from the RCO, which strongly advocated for the development of the joint annual work plans. The latest guidance from UNDG draws on good practices, and the Standard Operating Procedures for Country Offices wishing to adopt the "Delivering as one Approach" indicate that each result group develop a one-to-two year joint work plan that is rolling in nature. Based on further recent discussions among the UNCT members, agreement has been reached to develop annual work plans and annual Common Budgetary Frameworks. Subsequent to the audit field work and issuance of the draft report, the RCO prepared and shared with the joint team the OP II Annual Work Plan and the Annual Common Budgetary Framework, which were both adequately completed in April 2014. The Joint Audit team is therefore not issuing a recommendation on the above issue.

Issue 6 Persistent challenges establishing clear and effective monitoring structures and processes

As part of lessons learned under OP I, the UNCT identified the inadequacy of the results matrix and advised that, under OP II, indicators and targets be clearly defined, along with baselines and targets that are specific, achievable and measurable in order to capture the outcomes of the DaO activities.

OP II was rolled out with five-year plans for each Strategic Priority Area. As part of the Terms of Reference, Strategic Priority Area working groups are responsible for monitoring, reviewing and reporting against the progress made in achieving the outputs and contributing to the outcomes of OP II. They also ensure coordination to contribute effectively to specific outputs, including joint planning/programming, with particular emphasis on maximizing synergies, where possible jointly undertaking implementation, monitoring and evaluation activities.

The joint audit recognizes the efforts made to strengthen monitoring under OP II, particularly with the redefinition of the Monitoring and Evaluation structure – i.e. the merging of the Monitoring, Reporting and Review Committee and Strategic Priority Area working groups for more cohesion, the recruitment of a Strategic Planner, and the formulation of the Planning, Monitoring and Evaluation Group as a specialized team with specific competencies in this area.

However, monitoring remained a challenge, with multiple layers and unclear roles. At the time of the audit, Terms of Reference for the newly formed Monitoring, Reporting and Review Committees/Strategic Priority Area working groups and work plans for the Planning, Monitoring and Evaluation Group had yet to be developed, and resources were being put in place i.e., at the time of the audit the operation plan included therein were either incomplete and/or not up to date. The following weaknesses with regards to the new Monitoring and Evaluation structure were noted:

- There were no Strategic Priority Area working group meetings between January and June 2013, as the groups did not exist at the time, even though the One Programme II had been initiated in January 2013. The conveners of Strategic Priority Area 6 indicated that meetings were not held, as consultations with the provinces were ongoing up to July 2013. Meetings were convened in September and October 2013. Until the time of the audit field mission, there were no meetings of the conveners of Strategic Priority Area 4.
- The Strategic Priority Area Monitoring, Reporting and Review Committees are also responsible for ensuring that baselines, targets and indicators are established appropriately, and for verifying the figures and data reported. The process for validating and verifying data was not specific nor detailed thus not clear.
- The Operational Plan did not include a provision for mid-year review of the annual work plans to gauge whether: (i) progress was occurring as planned; (ii) there was a need for a change in strategy; or (iii) whether activities had been dropped, delayed or were yet to start, as this would have an impact on the achievement of the joint outputs. An annual review alone does not allow for timely corrective measures at the DaO level to address any challenges that may derail the output achievement.

According to the Monitoring and Evaluation calendar in the Operational Plan, various surveys and activities were meant to be undertaken in 2013, to develop baseline data for the joint outcomes and outputs indicators in OP II. There was no evidence that these surveys had been undertaken, indicating that monitoring and measuring progress against defined results would not be possible. The RCO reported that the above tasks were originally envisaged in the Operational Plan, but due to the lack of resources, an annual review was decided upon. These reviews are expected to be completed for each of the eight administrative areas.

- The Operational Plan stated that planning and monitoring would be supported by a common UN information management strategy and tool. However, these were yet to be implemented.
- Process workflow between the various entities (Monitoring, Reporting and Review Committees, Planning, Monitoring and Evaluation Group, Programme Management Team) for monitoring purposes had yet to be clarified at the time of the audit field mission.

The RCO later clarified that Monitoring, Reporting and Review Committees fall under the jurisdiction of the Strategic Priority Areas Working Groups, which are chaired by heads of agencies. The Planning, Monitoring and Evaluation Group falls under the purview of the Programme Management Team.

Lack of clear structures and processes for monitoring reduced the capacity to determine progress towards intended results, and thereby on the risk of non-achievement of intended results. For OP II, the Monitoring and Evaluation calendar indicated monitoring activities, such as completion of an operational plan, developing

monitoring systems, surveys etc. It did not, however, focus on the monitoring of outputs and outcomes related to OP II, nor was it costed.

Priority	High (critical)

Recommendation 7

The Resident Coordinator's Office, in collaboration with the Monitoring, Reporting and Review Committees and the Planning, Monitoring and Evaluation Group, should establish oversight and quality assurance mechanisms to ensure that monitoring and evaluation structures and processes are properly functioning. It should in particular:

(a) prepare and maintain a calendar of the meetings of the Monitoring, Reporting and Review Committees and the Planning, Monitoring and Evaluation Group;
(b) agree upon targets and indicators for validating and verifying reported data and figures;
(c) ensure baseline data is identified and/or collected for indicators of the Strategic Priority Areas result matrix;
(d) make provisions for a mid-year review of the annual work plans, or consolidation of agency reviews; and
(e) clarify the terms of reference and process flow between the Monitoring, Reporting and Review Committees and the Planning, Monitoring and Evaluation Group.

Management action plan:

(a) A schedule of meetings of Strategic Priority Area working groups has been established. The Monitoring, Reporting and Review Committees fall under the management of the Strategic Priority Area conveners, not the RCO.

(b) Data is validated prior submission to the RCO and is reviewed again upon receipt. This is done on an annual basis when reports are submitted.

(c) Strategic Priority Area working groups have been requested to finalize baselines etc. The Evaluability Assessment will underpin these efforts.

(d) The resources are simply not available to undertake mid-year reviews. These are undertaken at the agency country programme level and project level by each agency

(e) Terms of Reference have been clarified. This process will continue on a rolling basis as required.

Estimated completion date:

Draft schedules of Strategic Priority Area working group meetings - completed March 2014
Monitoring of Strategic Priority Area working group meetings ongoing Annual Work Plan review - February of each year in alignment with agency Annual Work Plan development timelines.

Issue 7 Gaps and misalignments of results reporting and work plans

As per the Standard Operational Format & Guidance for Reporting Progress on the UNDAF dated January 2010, The RC, supported by the UNCT, should produce a report to national authorities on progress towards results at

least once in a programme cycle, and may decide to report more frequently. The report should focus on the outcome level and information in that regard may be developed as part of the annual review process.

Under OP I, the implementation of activities was hindered by a myriad of factors, including, but not limited to, devolution and the incidences of natural disasters that shifted priorities from development to humanitarian aid. It was difficult for the Joint audit team to determine the extent of success of OP I in terms of delivering on its programmatic commitments, due to its inadequate results matrix and monitoring framework, and the inability to adequately measure change. In terms of financial execution, OP I delivered on approximately 75 percent of the budget.

The quality assurance process for reporting on the results achieved under OP I was not defined and communicated, as was the verification of information submitted to the RCO by agencies. There was no coherent reporting system that correlated the annual report and the annual work plans. In certain instances, there was reporting on results that were not outlined in the annual work plans. While it was expected that results would contribute to the overall developmental outcomes, in the absence of predefined targets, it could not be determined whether the results reported were meant to be achieved, and whether the programme over- or under-achieved in relation to targets. Additionally, the 2012 Annual Report did not mention results related to various planned outputs and only included budget delivery at the outcome level.

Further, the 2012 annual report did not mention implementation challenges faced under each joint programme component that would explain the low budget delivery for certain outcomes (outcomes 2 - Education and 4 - Environment had a budget delivery of 22 and 29 percent, respectively). While the RC Annual Report outlined abridged notes on the general challenges faced in implementing the projects under OP I, detailed/ specific account by Joint Programmes, and mitigating strategies or actions that were taken to overcome these challenges, had not been articulated. Detailing challenges faced and lessons learned would serve as a useful tool in the event of similar challenges under OP II.

The reporting process in the OP II Operation Plan outlined what type of reporting needs to be carried out; yet there were no guidance and tools on how this would be implemented. For example, the methodology for collating and verifying information at the provincial level had not been elaborated at the time of the audit field mission.

The Standard Operating Procedures for Country Offices, issued in September 2013, wishing to adopt the "Delivering as One Approach" advocate for a single annual UN report that should replace that of the participating agencies. However, this is not yet the case as, at the corporate level the requirements for agency-specific reporting continue to exist, placing additional workload on agencies with the duplication of reporting process. While a joint OP II annual report is published every year, the audit was informed that this report cannot replace the individual agency reports as this is subject to agreement by the Executive Boards and headquarters, as appropriate, of the different agencies and not a country level decision.

Priority	Medium (important)
Recommendation 8:	
The Resident Coordinator's Office should put in place a quality assurance process for reporting and enhance the reporting process through:	
(a) Collaborating with the Planning, Monitoring and Evaluation Group to clearly articulate the processes that will be put in place to achieve the objectives of monitoring and reporting outlined in the Operational Plan, which includes the level of collaboration at the provincial level, key resource personnel, and methods of data collection and verification.	

Management action plan:

(a) The monitoring and evaluation workflow has been clearly outlined during the development of the Operational Plan and more clearly articulated during the reporting and Annual Work Plan development stage. Details of data collection / verification have not been reviewed but will be as part of the Evaluability Assessment.

Estimated completion date:
Evaluability Assessment - August 2014
Monitoring and evaluation workflow clarification - completed February 2014

C. One Fund — Partially Satisfactory

Contributions to the Pakistan One Fund amounted to $77.9 million between 2008 and 2012, with a decreasing trend specifically in 2012 with a total contribution of $4.8 million, 77 percent lower compared to 2011. A total of 15 agencies received funds from the Pakistan One Fund, with UNDP, UNICEF and WHO being the largest three recipients, accounting for a total of 58 percent.

Significant part of the decrease in contributions to the One Fund is related to the Government of Norway ending its support to the Norway-Pakistan Partnership Initiative (NPPI). Norway had since 2008 provided support for the implementation of NPPI to reduce maternal and child mortality in the Sindh Province of Pakistan. The original commitment of Norway amounted to $40 million; however, Norway decided to phase out its support to the initiative in July 2013, having contributed $16.8 million between 2008 and 2011. Norway's decision was based on the view, developed through a mid-term review of the initiative, commissioned by the NPPI UN partners, that there had been significant issues related to strategic leadership, as well as management and quality control factors that had not been adequately dealt with. These shortcomings resulted in delayed implementation, insufficient monitoring and quality control, low efficiency and effectiveness of investment and lack of accountable reporting. The RCO reported that since the audit mission, a joint project manager for the NPPI was appointed and a phase- out plan developed. A joint NPPI field visit was undertaken in March 2014 with the Government of Norway.

Issue 8 Joint Resource Mobilization Strategy for the One Programme II not finalized

A joint resource mobilization strategy is considered in the Standard Operating Procedures for Country Offices wishing to adopt the "Delivering as one Approach", as an important element to ensure a coherent, coordinated approach to fund-raising activities in-country. A joint resource mobilization strategy for OP II was not in place at the time of the audit field mission. A joint resource mobilization strategy had been developed for OP I covering the period 2009-2012; however, it had not been approved nor implemented because of weak coordination to raise funds among many UNCT members. The joint audit team further noted that the resource mobilization code of conduct was not updated and thus did not ensure alignment of the resource mobilization activities with the strategy and action plan.

The absence of operationalizing such a strategy may have contributed, in combination with other factors such as donors' focus on humanitarian support, to the underfunding of the OP I budget by approximately $491 million[2] or 28 percent. In addition, the absence of a joint resource mobilization strategy for OP II may have also contributed to insufficient communication to donors on OP II and its objectives (refer to Issue 15 below as well).

[2] Source: Pakistan One UN Programme- Annual Report 2012

At the time of the audit field mission however, the RCO and different members of the Strategic Priority Area Working Groups confirmed that a joint resource mobilization strategy was being developed for 12 flagship areas based on outputs from the six Strategic Priority Areas.

Priority	Medium (Important)
Recommendation 9: The Resident Coordinator, with clear support from the United Nations Country Team, should: (a) finalize a resource mobilization strategy and plan clearly assigned responsibilities and timelines with the main objective of guiding the United Nations Country Team in its coordinated resource mobilization efforts to support the One Programme II; (b) ensure that the resource mobilization strategy and plan is reviewed, agreed upon and approved by the United Nations Country Team, and that the status of implementation is regularly reported to the United Nations Country Team and corrective actions are implemented timely so as to achieve the resource mobilization objectives; and (c) update the resource mobilization code of conduct in the United Nations Country Team Terms of Reference to ensure that all United Nations Country Team members conduct their resource mobilization activities in line with the approved strategy and action plan.	
Management action plan: (a) A joint Resource Mobilization Strategy has been developed and is being implemented. Responsibilities and timelines are identified. An Action Plan will be developed. (b) The Resource Mobilization Strategy was approved by the United Nations Country Team and will be monitored and reviewed on a regular basis by the RC. (c) The Code of Conduct is currently being updated and is part of the Resource Mobilization Strategy. **Estimated completion date:** Resource Mobilization Strategy - completed April 2014 Code of Code - to be completed April 2014	

Issue 9 Inadequate management of funds allocation of un-earmarked contributions from the Pakistan One Fund

Pursuant to the Terms of Reference of the Pakistan One Fund, "after soliciting priority proposals from each Strategic Priority Area and based on the subsequent analysis provided by the Programme Management Team, the UNCT will make recommendations on the allocation of un-earmarked contributions from the Pakistan One Fund to a subsidiary body of the High Level Committee, composed of the Secretary of the Economic Affairs Division, the UN Resident Coordinator, and a donor representative."

In reviewing the allocation process of the One Fund under OP I, the joint audit noted the following weaknesses:

- criteria for allocating funds were in place; however, those actually used were not disclosed in the Terms of Reference for the One Pakistan Fund;

- past programmatic results and financial performance (delayed delivery, significant unspent balances, delayed reporting) of the various Participating UN Organizations were not taken into account when deciding on further allocations;
- absence of a policy that would require reimbursement of transferred funds not used;
- absence of detailed monitoring of the Pakistan One Fund performance by the RCO; and
- absence of report to showcase the achievements of the One Fund allocation and mitigation actions taken to strengthen the accountability and oversight of the funds allocated.

These weaknesses may lead to inefficient and ineffective allocation and use of funds, and reduced transparency and accountability.

Priority	Medium (Important)
Recommendation 10: The Resident Coordinator, with support from the United Nations Country Team, should revise the Pakistan One Fund Terms of References with a view to: (a) disclose the allocation criteria in the Terms of Reference for the One Pakistan Fund; (b) introduce and document a performance indicator criteria which would allow the allocation of funds based on prior performance and use of funds; (c) introduce and document a reimbursement policy, which would require agencies to refund transferred funds that have not been utilized in line with approved proposals; (d) detail the monitoring role of the Resident Coordinator Office with a view to assessing agency progress in implementation the funds relating to the Pakistan One Fund, and facilitating the preparation of the Resident Coordinator Annual Report; and (e) report on the achievement of objectives related to the allocation of funds and on mitigation actions taken by to the relevant oversight committee to strengthen accountability and transparency.	
Management action plan: (a) Criteria are available in Terms of Reference of One Fund, but these are being reviewed. This is part of the Resource Mobilization Strategy (see Recommendation 9). (b) The One Fund mechanism in Pakistan is currently being reviewed to adapt to the current donor environment. The donors are not supportive of general trust funds intended for un-earmarked funding in transition environments, in general, and Pakistan in particular. The review will include the allocation criteria and policy, as well as the monitoring and evaluation procedures. **Estimated completion date:** Currently ongoing; possible completion September 2014 One Fund revision - in progress	

Issue 10 Late reporting on the use of funds

The OP I Terms of Reference required that each Joint Programme Steering Committee provides the Administrative Agent with an annual narrative progress report on the implementation of the respective Joint Programme. Based on the Pakistan One Fund Memorandum of Understanding, this narrative report was to be provided no later than three months (31 March) after the end of the calendar year.

In 2012, the narrative progress reports for all Joint Programmes experienced delays of at least six weeks. The narrative report for the Joint Programme Agriculture, Rural Development and Poverty Reduction, which accounted for approximately $835,000 or 7 percent of total funds advanced in 2012, was only submitted in August 2013, approximately six months past the deadline.

The delay in submitting the narrative progress reports to the Administrative Agent was mainly due to the poor quality of the Participating UN Organizations' own reports to the Joint Programme Steering Committee. In turn, this resulted in the delayed issuance of the Pakistan One Programme Annual Report 2012 to October 2013.

Priority	Medium (Important)
Recommendation 11: The Resident Coordinator, with support from the United Nations Country Team, should establish mechanisms to ensure that all members of the United Nations Country Team deliver the annual and final financial reports within four months of the end of the calendar year, and the annual and final narrative reports within three months of the end of the calendar year, in line with the Pakistan One Fund Memorandum of Understanding signed between the Participating UN Organizations, the Resident Coordinator and UNDP, as Administrative Agent.	
Management action plan: The recommendation is agreed with in principle. However, significant efforts have been repeatedly made by both the Administrative Agent and the RC to ensure timely reporting. The annual report can only be completed when all reporting has been completed. There are different reporting cycles for different types of funds and work processes etc. The success of these efforts is strongly linked to Recommendations 3 and 4. **Estimated completion date:** September 2014 Ongoing and pending outcomes of implementation of Recommendations 3 and 4.	

D. Operating as One — Partially Satisfactory

In the DaO country context, harmonized business processes, common services, and often common premises or a UN House, aim at reducing operational costs, with the objective to support more effectively and efficiently the One Programme delivery. In Pakistan, the operational set-up of the Operating as One pillar includes the Operations Management Team and seven associated working groups: procurement, human resources, budget & finance, common premises, information and communication technology, general administration and HACT. The working groups were established by the UNCT to identify and prioritize the existing operational services to be harmonized and to ensure that they adequately support the implementation of the One Programme. The role of the Operations Management Team was two-fold: (i) advise the UNCT on the UN rules, regulations and practices that require special expertise and inter-agency technical coordination; and (ii) harmonize business practices across agencies. The Operations Management Team was headed by Co-chairs from UNICEF and UNDP.

Issue 11 Lack of a strategy to harmonize business processes and procedures

A key objective of Operating as One is the reduction of transaction costs for UN agencies and their partners.

The UNCT develops the Business Operations Strategy in support of achieving the One Programme objectives. Through the strategy, the UNCT identifies and prioritizes existing operational capacities and services to be harmonized, pooled or jointly strengthened in support of the One Programme.

Overall, The Operation Management Team and working groups succeeded in harmonizing some business practices as illustrated below:

- The Human Resource Working Group established in 2009 the "one UN recruitment portal" where all UN agencies advertised their vacancies. The working group conducted training for staff, including induction training, stress counselling sessions, recruitment web portal training, and prevention of sexual harassment at the workplace;
- The Procurement working group started in 2008 and succeeded in harmonizing several procurement initiatives and sharing of Long-term Agreements among agencies, for example joint contracts for common security services, banking and travel service that are used by all agencies. However, the harmonization of the procurement plan was not fully achieved, due to agency-specific policies and budget constraints which hindered further harmonization initiatives;
- The General Administration working group developed and trained agencies' staff on the use of vehicle maintenance software for mileage usage, fuel efficiencies and maintenance. The working group also developed a job tracking system for administrative services such as visas for experts and customs clearance; and
- The Information and Communication Technology Working Group developed a common telephone directory funded by the Information and Communication Technology Working Group budget which caters to all UN agencies based in Pakistan. It also developed a common radio room, centrally managed by UNDSS and cost-shared by all agencies country-wide.

However, at the time of the audit, there was no strategy through which the UNCT identified and prioritized the existing business processes to be harmonized, pooled or jointly strengthened. The Operation Management Team believed that its Terms of Reference and the working groups' plans could be considered in lieu of a business operating strategy. It also saw no pressing need to develop a strategy, especially considering the staff workload and the country's continuous emergencies. As noted by the joint audit team, missing from the Terms of Reference and the work plans were clear linkages to the One programme, and also a Results and Monitoring Framework to monitor the implementation of the working groups' activities. In the absence of such strategic documents, the Operation Management Team may not consider the synergy or coherence of the various initiatives of the Working Groups, or may fail to identify critical processes to harmonize. For instance, in the area of information and communication technology, the lack of common Enterprise Resource Planning or technologically comparable/compatible resources among UN agencies delayed the transfer of funds and further reporting from agencies, which requires harmonization at the agencies' Headquarters level.

The joint audit also noted that there was inadequate documentation of comparative costs and tracking mechanisms to accurately monitor and measure post-DaO introduction cost savings on an itemized basis. This was due to the lack of systematic mechanism to capture transactions and after the harmonization of processes in all the agencies involved. Only the Human Resource Working Group reported an estimated savings of $1,700 per vacancy on the recruitment portal.

Priority	High (Critical)
Recommendation 12: The Resident Coordinator, supported by the Operations Management Team, should: (a) develop a strategy and a plan of action, with clearly defined responsibilities, expected results and	

timelines for harmonizing business processes, and a mechanism to document and measure transactions costs;
(b) report regularly on the status of implementation of the strategy and the action plan; and
(c) implement timely corrective measures as needed to ensure cost-effective implementation of the strategy and the action plan.

Management action plan:

The concept of adopting the new DaO business operations approach has been discussed at the United Nations Country Team and the Operations Management Team. There is a general agreement that the new approach will be applied in Pakistan. The RC Office, in cooperation with the Operations Management Team, are in contact with the UNDG/DOCO Operations Team to conduct a workshop in Pakistan on the new approach in May. During the workshop a Business Operations Strategy incorporating all the elements mentioned above, will be developed. Following up on the workshop the United Nations Country Team will be fully briefed on the concept and how it applies to Pakistan.

Estimated completion date: Business Operations Strategy development – May 2014

Issue 12 Corporate Issue: Lack of guidance on common financing instruments for the use of common premises

The Standard Operating Procedures for Country Offices wishing to adopt the "Delivering as one Approach" recommend, where external circumstances permit and with security concerns duly considered, that UN agencies share premises at the national and provincial levels. In Pakistan, the Common Premises Working Group was responsible for establishing Common Premises/UN Houses to increase cost efficiencies, foster interagency cooperation, and promote a unified UN presence.

The Common Premises Working Group had been working on UN common premises for the last six years. In early 2012, it developed a concept note with the view to analyse the history and status of the common premises/UN House initiative. Currently, the UN agencies are located in different premises, with most agencies located in the same compound.

Due to the current security situation in Pakistan, the fragmented location of UN agencies and the high rental cost in the compound, it has been difficult to shift to a common premise concept. For instance, at the time of the audit field mission, UNDP was considering moving to a more suitable location. Similarly, other agencies were also separately exploring relocations options.

The UNCT explained that many agencies could not agree on the investment required for construction or other upgrades to the premises due to the lack of guidance available on common financing instruments. The UNDG Task Team on Common Premises indicated that UN Agencies/Funds/Programmes apply different methods to fund premises projects with smaller agencies confront serious budget constraints to fund such projects. It highlighted as well the highly complex and challenging environment to establish common premises in Pakistan which goes beyond identifying a viable funding modality

In accordance with basic cooperation agreements, the primary responsibility to provide office premises remains with host governments. We recognize that many governments are unable to fulfill this obligation and UN Agencies/Funds/Programmes must rent commercial properties. In compliance with the financial regulations and rules, most UN Agencies/Funds/Programmes cannot enter into commercial lease contracts exceeding five years. The limit of five years precludes the UN from using developers for common premises arrangements as the cost to the UN would be prohibitive. Consequently, to create UN Houses/ UN common premises, the UNDG Task

Team on Common Premises encourages the UNCT to enter into a low risk and simple Public Private Partnership by signing a Memorandum of Agreement with a Host Government for common premises arrangements. The Host Government will in turn enter into a long term agreement with either a developer or National Provident Fund or quasi-Government entity to finance the construction of common premises.

Recognizing Public Private Partnership, as a viable funding option, developing Public Private Partnership guidelines specifically for construction projects has been listed on Tasking Memorandum of the Task Team on Common Premises. While the Task Team input remains relevant, developing guidelines for this complex arrangement requires the collective expertise of facilities, legal, finance, procurement and ethics. The Task Team looks forward to UNDG/DOCO facilitating this group effort.

The UNDP Plan of Action for Headquarters for 2014 includes the development of guidance on the establishment of common premises, as well as the harmonization of regulations, rules and tools to facilitate co-location and use of common services. The Joint Team is therefore not issuing a recommendation.

Issue 13 Lack of Disaster Recovery Plan

The main objective of having a Disaster Risk Plan is to avoid the disruption of services provided by the UN, enabling critical staff to work from a different location in case access to their respective offices is restricted in the event of an incident.

With the recent developments in the security situation of the country, the need of a Disaster Risk Plan has become critical and some agencies had already started working on this matter. At the time of the audit field mission however, no Disaster Risk Plan was in place for the whole of the UNCT. Fragmented plans existed in some agencies such as WFP, UNDP and UNICEF.

In the absence of a common Disaster Risk Plan, critical staff may not be able to resume or continue working from a different location in case of any major incident. In addition, scattered Disaster Risk Plans across agencies lead to an unnecessary duplication of efforts.

Priority	Medium (Important)
Recommendation 13: The United Nations Country Team should assign responsibilities and establish a plan of action to develop and implement a common Disaster Recovery Plan for all UN agencies based in Pakistan.	
Management action plan: UN agencies do have their individual Disaster Recovery Plans. It is foreseen in the Operational Plan that a joint plan is developed. This will be discussed at the Operations Management Team retreat and be part of the Business Operations Strategy development process. **Estimated completion date:** September 2014	

Issue 14 Inadequate Information sharing on HACT

Implementation of the HACT was initiated in 2011 and its roll-out and management was delegated to UNDP, UNFPA and UNICEF, as other agencies wanted the RCO to focus on other DaO areas.

Our review of the HACT process included a review of the macro-assessment, a sample review of implementing partner's micro-assessments and individual agency assurance plans.

For the OP II cycle, the macro-assessment's Terms of Reference were approved by the government in May 2013 and the macro-assessment exercise finalized in December 2013. UNICEF outsourced both macro and micro-assessments, and UNDP and UNFPA were piggy backing on UNICEF's contract for their implementing partner's micro-assessments.

The objective of HACT assurance activities is to verify whether the disbursed funds are used for the intended purpose and achieved expected results, as described in the Annual Work Plan and in accordance with the required procedures. The scope of assurance activities required is guided by the risk ratings assigned to the Implementing Partners and the amount of cash paid by the agencies. The HACT framework stresses the need for coordination between agencies sharing one or more implementing partners, at the micro-assessment and assurance activities level. The HACT framework requires that the results of assurance activities for joint implementing partners be shared and discussed with all agencies providing funding to them.

At the time of the audit, UNDP and UNFPA audited their nationally implemented projects/partners based on their respective agency policies; and UNICEF was implementing HACT in accordance with the HACT framework. Joint assurance plans were yet to be developed.

The HACT Task Force team indicated that joint assurance plans were on its work plan and that it had focused on finalizing the macro- and micro-assessments so far.

While the three agencies implementing HACT frequently shared information such as micro-assessments results, assurances plans and activities, this was done on an informal basis through the respective agency focal point. There was no repository/ system to record and share the results of all assurance activities across all agencies. The HACT Task Force advised the joint audit team that the UNICEF Office in Pakistan was developing a "partner management information system" platform, the objective of which was to capture and share the assurance information related to common implementing partners. The new information system would be accessible to all UN agencies against a subscription fee.

Priority	Medium (Important)
Recommendation 14: The Resident Coordinator Office, in collaboration with the HACT Task Force, and in line with the new HACT framework, should assign responsibilities to prepare and implement a joint assurance plan and share the results of assurance activities. It should regularly oversee the status of implementation of the joint assurance plan.	
Management action plan: The joint assurance plan has been finalized. Also, the "partner management information system" initiated by UNICEF is being finalized for use by all the UN agencies. Most agencies will be adopting the system. **Estimated completion date:** Ongoing	

E. Communicating as One — Partially Satisfactory

Issue 15 Insufficient visibility of the One UN

In accordance with the UNDG Standard Operating Procedures for DaO countries, Communicating as One ensures coherent messaging from the UN. This pillar aims at improving the quality of dialogue with the host-country government and other national stakeholders, increasing advocacy and helping to highlight results achieved by the UN at the country level. Communicating as One is critical for ensuring clear and consistent strategic positioning of the UN and its vision at the country level. The UNCT did not assign a priority to the Communicating as One pillar in the early years of DaO and at the time of the audit field mission, the 2013 communication strategy was still in draft.

The audit reviewed the 2012 communication strategy that was approved in April 2012. The strategy had set three objectives: (i) advocate for and communicate on DaO with the Government, donors and partners, media, civil society and publics; (ii) build a suite of UN Pakistan advocacy and communication tools to communicate the progress of DaO in Pakistan; and (iii) strengthen communication of the UN Communication Group-Pakistan and enhance its institutional capacity to broadcast One Voice messaging. For each indicator, outputs and action plans were developed and included in the 2012 communication work plan. The joint audit team noted that the UN Communications Group-Pakistan, which was established to oversee and implement the communication strategy met three times in 2012. Though regular attendance was noted, the minutes of meetings did not provide evidence that progress indicators and outputs as set in the 2012 communication work plan were discussed or monitored.

The joint audit team interviewed a number of donors and most indicated that they were not aware of the One Programme or the One Fund. Some donors unknowingly worked on DaO Joint Programmes but reported that individual agencies represented themselves as such with no reference to the DaO. Overall, the lack of an effective One Communication pillar hampered the visibility and branding of the One UN to the donor community.

The UNCT agreed that there was room to enhance the visibility of the One UN through the One Communication pillar and the matter is being looked at as a priority by the UN Information Centre

Priority	Medium (Important)
Recommendation 15: The United Nations Country Team should oversee the finalisation of the communication strategy, and clearly assign accountabilities and responsibilities for monitoring of and reporting on its implementation.	
Management action plan: A joint communications strategy and action plan was completed by United Nations Information Centre and the UN Communications Group, and approved by the United Nations Country Team, in September 2013; implementation is underway. The strategy is regularly reviewed and updated. **Estimated completion date:** Joint Communications Strategy – completed September 2013	

Annex 1: 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.

- **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 entities. *(While all 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 entities. *(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 entities could be seriously compromised. *(Given the environment the United Nations organizations operate in, it is unavoidable that a small number of business units with serious challenges will fall into this category.)*

B. PRIORITIES OF AUDIT RECOMMENDATIONS

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

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

- **Medium (Important)** — Action is required to ensure that the audited entities are not exposed to significant risks. Failure to take action could result in negative consequences for the organizations.

- **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 not included in this report.

Annex 2: List of UN Organizations in Pakistan

Resident Agencies:
FAO - Food and Agriculture Organization
IFAD - International Fund for Agricultural Development (N.B. not signatory of OP II)
ILO - International Labour Organization
IOM - International Organization for Migration
UNAIDS - Joint United Nations Programme on HIV/AIDS
UNDP - United Nations Development Programme
UNESCO - United Nations Educational, Scientific and Cultural Organization
UNFPA - United Nations Population Fund
UN-HABITAT - United Nations Human Settlements Programme
UNHCR - United Nations High Commissioner for Refugees
UNIC - United Nations Information Centre
UNICEF - United Nations Children's Fund
UNODC - United Nations Office on Drugs and Crime
UNOPS - United Nations Office for Project Services
UNIDO - United Nations Industrial Development Organization
UNOCHA - United Nations Office for the Coordination of Humanitarian Affairs
UN WOMEN - United Nations Entity for Gender Equality and the Empowerment of Women
WHO - World Health Organization
WFP - World Food programme

Non-Resident Agencies:
IAEA - International Atomic Energy Agency (not signatory to OP II)
UNCTAD - United Nations Conference on Trade and Development
UNEP - United Nations Environment Programme