

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
Resilient nations.*

AUDIT

OF

UNDP COUNTRY OFFICE

IN

TAJIKISTAN

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Report on the Audit of UNDP Tajikistan Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Tajikistan (the Office) from 4 to 15 April 2016. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, business continuity, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – “One UN”, Harmonized Approach to Cash Transfers);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security).

The audit covered the activities of the Office from 1 January 2015 to 31 January 2016. The Office recorded programme and management expenditures of approximately \$34 million. The last audit of the Office was conducted by OAI in 2008.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **satisfactory**, which means, “Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.”

Good practice

Programme management

The Programme Management Support Unit developed the ‘Delivery Table’, a monitoring and management tool for senior management, as well as for programme and project staff. This provided an overview of core funds utilization for decision-making purposes and was also a mechanism used to monitor project budgets and delivery by providing, for example, ‘early warning’ of any errors or issues.

Key recommendation: Total = 1, high priority = 1

The recommendation aims to ensure the following: (a) compliance with legislative mandates, regulations and rules, policies and procedures.

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendation is presented below:

Deficiencies in
managing civil work
projects (Issue 1)

During the audited period, the Office managed 69 civil work procurement cases amounting to \$5.4 million. The audit reviewed nine civil work procurement cases amounting to \$2.1 million and visited four civil work projects amounting to \$247,000. For one case amounting to \$32,871 and related to the construction of a drinking water supply system, the Procurement Unit reported that the work was completed according to the delivery date specified in the contract (31 March 2016); however, as of the audit field visit dated 8 April 2016, the work was still in progress. For another case amounting to \$86,025 and related to the construction of five additional classrooms in a secondary school, the last certification of work issued by the UNDP engineer dated 2 December 2015 validated that 80 percent of the total volume of work had been implemented, including installation of the floor and interior work. During the audit field visit dated 8 April 2016, the work mentioned in the certification was still in progress.

Recommendation: The Office should strengthen civil work contracts management and monitoring by: (a) properly assessing work completion and reporting delays; and (b) carrying out spot checks and cross-verifications of reported completed works.

Management comments and action plan

The UN Resident Coordinator and UNDP Resident Representative accepted the recommendation and is in the process of implementing it. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Osttveiten
Director
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I. About the Office

The Office is located in Dushanbe, Tajikistan (the Country). The United Nations Development Assistance Framework (UNDAF) 2016-2020 was signed between the Government, the UN Resident Coordinator and the UN Country Team on 18 December 2015. The UNDAF for the Country consisted of four pillars: (1) Poverty Reduction and Governance; (2) Food and Nutrition Security; (3) Clean Water, Sustainable Environment and Energy; and (4) Quality Basic Services (i.e., health, education and social protection). The Office worked in partnership with the Government and played an active part in harmonizing the efforts of all United Nations agencies active in the Country.

At the time of the audit, the Office had 41 staff members, 161 service contract holders, and 2 United Nations Volunteers.

II. Good practice

OAI identified a good practice, as follows:

Programme management

The Programme Management Support Unit developed the 'Delivery Table', a monitoring and management tool for senior management, as well as for programme and project staff. This provided an overview of core funds utilization for decision-making purposes and was also a mechanism used to monitor project budgets and delivery by providing, for example, 'early warning' of any errors or issues.

III. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance and strategic management. The review of the Office's Internal Control Framework, Delegation of Authorities as well as leadership/ethics and values and risk management, did not identify any reportable issues. The review of the organizational structure identified weaknesses in the reporting lines, which were addressed by the Office promptly after the fieldwork and were validated by the audit team, based on supporting documentation provided.
- (b) United Nations system coordination. Staffing, planning, budgeting and reporting of activities by the United Nations Country Team were found to be adequate. The records of meetings among United Nations agencies, donors and government representatives disclosed that UNDP exercised good leadership and was performing its coordination functions well.
- (c) Partnerships and resource mobilization. The review of the Office's overall relationship with partners, its resource mobilization strategy, and its development project funding sources did not identify any reportable issues.
- (d) Programme management. The Office finalized the implementation of the 2010-2015 programme objectives and initiated the 2016-2020 programme cycle. The Office established adequate mechanisms to monitor programme and project implementation. Lower risks identified during the fieldwork were addressed promptly by the Office after the fieldwork, and were validated by the audit team. No reportable issues were identified.
- (e) Project management. The review of the project appraisal, approval, monitoring, evaluation and donor reporting processes showed that the Office had adequate systems in place for project monitoring,

problem solving and effective implementation. Other risks identified in this area were considered of low priority and the relevant recommendations were discussed with management for their follow-up and were addressed promptly by the Office after the fieldwork. No reportable issues were identified.

- (f) Human resources. Adequate controls were established in human resources management. The review of recruitment and separation process did not identify any reportable issues. Weaknesses identified during the fieldwork were discussed with the management and addressed promptly by the Office after fieldwork, and validated by the audit team.
- (g) Financial management. Payment processing, disbursements and banking activities were found to be compliant with financial policies and procedures.
- (h) Information and communication technology. The information and communication technology systems managed by the Office, including hardware, software, systems security, and disaster recovery mechanisms were adequately operating.
- (i) General administration. General administration controls were generally well established and functioning adequately. The management of assets was found to be in line with UNDP policies and procedures and no reportable issues were noted.
- (j) Safety and security. The Office was generally compliant with the Minimum Operating Security Standards (MOSS). The Country Security Plan was updated in 15 April 2015, and the latest Security Risk Assessment for the Country was done in 15 April 2015. The Office implemented adequate measures to mitigate the risks for all assessed areas to acceptable levels.

OAI made one recommendation ranked high (critical) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

High priority recommendation:

- Strengthen civil work contracts management and monitoring (Recommendation 1).

The detailed assessment is presented below, per audit area:

A. Operations

1. Procurement

Issue 1 Deficiencies in managing civil work projects

According to the 'UNDP Programme and Operations Policies and Procedures', adequate contract management ensures that all parties to the legally binding agreement fully meet their respective obligations as efficiently and effectively as possible. This allows a business unit to track and manage the clauses, terms, conditions, commitments and milestones throughout the life of its contracts to maximize business benefits and minimize associated risks.

During the audited period, the Office managed 69 civil work procurement cases amounting to \$5.4 million. The audit reviewed nine civil work procurement cases amounting to \$2.1 million and visited four civil work projects amounting to \$247,000. The following weaknesses were noted:

- For one case amounting to \$32,871 and related to the construction of a drinking water supply system, the Procurement Unit reported to OAI that the work was completed according to the delivery date specified in the contract (31 March 2016). However, during the audit field visit dated 8 April 2016, the work was still in progress. No amendment to the contract was signed. According to the Office, the one-week delay in completion was caused by an external factor that emerged in early March 2016 and that by 9 April 2016, all work was completed.
- For another case amounting to \$86,025 and related to the construction of five additional classrooms in a secondary school, the last certification of work issued by the UNDP engineer dated 2 December 2015 validated that 80 percent of the volume of work was implemented, including installation of the floor and interior work. During the audit field visit dated 8 April 2016, the work mentioned in the certification was still in progress.

Inadequate civil work management could lead to financial losses, delays in the execution of work, and reputational damage to UNDP.

Priority	High (Critical)
Recommendation 1:	
The Office should strengthen civil work contracts management and monitoring by:	
<ul style="list-style-type: none"> (a) properly assessing work completion and reporting delays; and (b) carrying out spot checks and cross-verifications of reported completed works. 	
Management action plan:	
The Office will take the following actions:	
<ul style="list-style-type: none"> (a) Reinforce the procedure that all interim and final certification of works by engineers will be verified and co-signed by the Area and/or Project Manager. Photos of certified works, where applicable, will be enclosed to certifications and requests for payment. (b) Monitoring of civil works will be stipulated in the Office's Monitoring & Evaluation Plan. A special checklist will be developed and tested for monitoring of civil works projects (LITACA as pilot project for testing checklist). Identified risks and issues will be logged in checklists. (c) In addition to regular field visits, the Office and project personnel will organize, at least quarterly, <i>ad hoc</i> spot checks to the randomly selected civil works project to verify actual implementation vs. certified. (d) A physical verification of each civil works project will be conducted by a team of project and Office expert personnel (programme and/or operations staff) upon completion and before formal handover to the end-user. (e) Mapping of completed civil works projects will be undertaken and available for ongoing monitoring of the status of civil works throughout the Office's programme period. 	
Estimated completion date: December 2016	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.
- **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.