



**AUDIT**

**OF**

**UNDP AFGHANISTAN PROGRAMME MANAGEMENT**

**Follow-up of OAI Report No. 1096 dated 21 May 2013**

**Report No. 1419**  
**Issue Date: 16 January 2015**



**Table of Contents**

Executive Summary ..... i

I. Details of recommendations not yet implemented..... 1

ANNEX Definitions of audit terms – implementation status, ratings and priorities ..... 6

**Report on follow-up audit of UNDP Afghanistan Programme Management  
(Previous OAI Report No. 1096, 21 May 2013)  
Executive Summary**

From 11 to 18 November 2014, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an on-site follow-up audit of Programme Management of the UNDP Country Office in Afghanistan (the Office). This on-site follow-up audit was undertaken, in addition to regular desk reviews, in view of the 'unsatisfactory' audit rating assigned by OAI as a result of an audit per Report No. 1096 dated 21 May 2013. The follow-up audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

**Audit scope and approach**

The follow-up audit reviewed the implementation of six audit recommendations. OAI conducted appropriate tests of transactions and activities by the Office from 1 January 2013 to 30 September 2014 and interviewed management and staff concerned to determine whether the reported corrective actions were indeed implemented, as reported by the Office in the Comprehensive Audit and Recommendation Database System (CARDS).

**Audit results**

Of the six audit recommendations, the Office had fully implemented three, and initiated action on three, resulting in an implementation rate of 79 percent as per CARDS on 16 January 2015.

<b>Implementation status</b>	<b>Number of recommendations</b>	<b>Recommendation Nos.</b>
Implemented	3	1, 5, 6
In progress	3	2, 3, 4
<b>Total</b>	<b>6</b>	

The detailed implementation status of the six recommendations has been updated by OAI in CARDS.

Section I summarizes the recommendations which have yet to be fully implemented. OAI encourages the Office to continue to take appropriate actions to address the remaining recommendations. OAI will continue to monitor the progress of the implementation of these recommendations as and when updates are provided by the Office in CARDS.

**Management comments and action plan**

The Resident Representative provided the revised implementation dates for the outstanding recommendations and is in the process of implementing them.

A handwritten signature in blue ink, appearing to read 'H. Ostveiten', is written over a rectangular box. The signature is stylized and extends above the top border of the box.

Helge S. Ostveiten  
Director  
Office of Audit and Investigations

I. Details of recommendations not yet implemented

Recommendation No.	Recommendation	Implementation status reported by UNDP Afghanistan	OAI assessment recommended action
2	<p>OAI recommends that the Office improve its project design, appraisal and approval by ensuring that:</p> <ul style="list-style-type: none"> <li>(a) programme staff are trained on project implementation modalities and their corresponding risks and controls;</li> <li>(b) the implementation arrangement for Project No. 61104 is reassessed based on a detailed capacity assessment of the implementing partner;</li> <li>(c) programme staff develop monitoring and evaluation plans for all ongoing and upcoming projects; and</li> <li>(d) capacity assessments of implementing partners or responsible parties are undertaken and results are then used to decide on the suitability of a partner as well as the extent of monitoring and assurance that the Office will need to exercise.</li> </ul>	<ul style="list-style-type: none"> <li>(a) The Office has institutionalized a new process of using templates to design projects that include explicit milestones on quality assurance, stronger focus on rationale, choice of appropriate implementation modality and results-based management principles. This new process has been disseminated to all programme staff and is being monitored by senior management.</li> <li>(b) Project No. 61104 has adopted a new structure that strengthens programmatic and technical oversight on its components. Together with a donor, UNDP participated in a due diligence study that assessed the capacity of the implementing partner.</li> <li>(c) As part of the preparation of the new Country Programme 2015-2019, an evaluation plan has been submitted. The 2014 Annual Evaluation Plan has also been finalized. All approved annual work plans for 2014 include a budgeted monitoring and evaluation component. The programme units have also included a</li> </ul>	<p><b>In progress</b></p> <ul style="list-style-type: none"> <li>(a) In 2013 and 2014, the Office conducted two training sessions on policy programme and operations for relevant staff, including implementation modalities. Four new staff also attended training at the Asia Pacific Regional Centre in 2013. A refresher session on issues related to project implementation modalities was also delivered as part of the Office's internal training to support 2014 annual work planning. OAI therefore assessed this part of the recommendation to be implemented.</li> <li>(b) As the Project No. 61104 ended on 31 December 2014, the Office had developed a new project document, with a new structure that aimed at strengthening and clarifying programmatic and technical oversight roles. The new governance structure was shared with all stakeholders (including OAI), and is applicable for the current inception period. Given the latest developments regarding this project, and the uncertainties related to the new Phase VII, OAI considers this recommendation to be implemented.</li> <li>(c) The Office instituted a practice to include a monitoring and evaluation plan for each project at the time that the annual work plan is submitted for approval. This part of the recommendation is therefore considered</li> </ul>

Recommendation No.	Recommendation	Implementation status reported by UNDP Afghanistan	OAI assessment recommended action
		<p>monitoring and evaluation component in their annual work plans.</p> <p>(d) The Harmonized Approach to Cash Transfers (HACT) working group is now fully operational. The Office has made it a priority to undertake a capacity assessment for implementing partners as part of HACT implementation.</p>	<p>implemented.</p> <p>(d) Internal capacity assessments of some implementing partners had been undertaken internally by UNDP staff. However, micro-assessments for the purposes of assessing the financial management capacity of the implementing partners by an external firm had been undertaken only for two implementing partners (an agreement was recently signed in September 2014 with an external firm to undertake these assessments.</p> <p>The Office indicated that they planned to initiate the HACT assessment (mainly to serve the new programming cycle and new projects). In the interim, they shifted to direct payment for three projects as a mitigation measure until the full HACT assessment was conducted. The Office also stated that the capacity assessment conducted by UNDP staff covered: financial management capacity; Internal Control Framework; accounting and financial reporting; and audit.</p> <p><u>Agreed revised implementation date:</u> July 2015.</p>
3	<p>OAI recommends that the Office ensure that project boards:</p> <p>(a) meet at least quarterly and include government representatives;</p> <p>(b) exercise steering and</p>	<p>(a) Effective as of the beginning of 2013, an indicator on the project board meetings has been added in the projects' annual work plans. This indicator is also part of the Chief Technical Advisor's and Project Manager's performance assessments. The Strategic Management and</p>	<p><b>In progress</b></p> <p>(a) Project board meetings were being held as required. OAI also acknowledges the various other forums for discussions, such as donor and bilateral meetings held with the stakeholders. OAI therefore considers this part of the recommendation implemented</p>

Recommendation No.	Recommendation	Implementation status reported by UNDP Afghanistan	OAI assessment recommended action
	<p>oversight functions over the projects; and</p> <p>(c) approve annual work plans in the last quarter of the preceding year.</p> <p>(d) Further, the Office should ensure that all annual work plans are signed by the implementing partner before the related activities begin.</p>	<p>Support Unit monitors the project board meetings.</p> <p>(b) UNDP's standard project board terms of reference have been adapted and were shared with the programme units and projects.</p> <p>(c) In 2012, the Office started the annual work plan approval process in September, but due to the lack of capacity at programme and project levels, the annual work plans were signed in January and February 2013. Nonetheless, comparing it with the 2012 annual work plans, 2013 annual work plan preparation and approval was faster and sooner. For 2014, training sessions and workshops were conducted for the Programme Unit and project staff on the timely planning for the 2014 annual work plans.</p> <p>A workshop on the annual work planning process for 2014 was held in October 2013.</p>	<p>(b) In a few cases, there was no documented evidence of the decisions taken by the project board. The Office confirmed that they will ensure that all project board decisions are documented.</p> <p>(c) The majority of the annual work plans for 2013 and 2014 had not been approved in the last quarter of the preceding year. In 2013, the annual work plan for Project No. 63078 was approved by the project board in May 2013; for Project No. 60777, while the 2014 Annual Work Plan was signed in May, it was approved by the project board in August.</p> <p>The Office explained that they have a system to ensure that project annual work plans are initiated early and concluded before the start of the implementation year (in the fourth quarter of the preceding year). However, this was difficult to achieve by the end of 2014 (for the 2015 annual work planning cycle) due to the political transition taking place in the country. The government counterparts of many projects were not willing to make any decisions. Similarly, donors were not willing to commit resources for planning, pending the outcome of the political transition.</p> <p>(d) The annual work plans were signed by both UNDP and a representative of the implementing partner, therefore, OAI assessed this part of the recommendation implemented.</p>

Recommendation No.	Recommendation	Implementation status reported by UNDP Afghanistan	OAI assessment recommended action
			<u>Agreed revised implementation date:</u> December 2015.
4	<p>The Office should institute stronger project monitoring and assurance by ensuring that:</p> <p>(a) Programme Officers undertake field verification visits regularly and document their findings in a report within seven days of returning to the Office;</p> <p>(b) Programme Officers provide assurance for procurement activities on projects and undertake operational reviews;</p> <p>(c) Programme Officers follow up on projects to ensure that Atlas is used for reporting, risk and quality management;</p> <p>(d) vacant positions in programme units are filled as soon as possible;</p> <p>(e) training is provided to programme staff on programme management and assurance; and</p> <p>(f) the division of roles and responsibilities</p>	<p>Project field monitoring visits are incorporated in the annual work plans of the programme teams.</p> <p>All projects have submitted procurement plans as part of the 2014 annual work plan exercise, which were reviewed and approved by programme staff and senior management.</p> <p>Atlas focal points have been appointed in each programme team to ensure regular updates of project information in Atlas. The Strategic Management and Support Unit is regularly organizing refresher courses on project management for programme staff.</p> <p>The Oversight and Compliance Unit has held trainings on risk management. A pilot initiative has been conducted for one of the projects to review and better define the distribution of roles and responsibilities between project and programme teams. A Bureau of Management mission provided recommendations that were added to this pilot.</p>	<p><b>In progress</b></p> <p>(a) Field verification visits were undertaken and mainly linked with other activities (mainly workshops, except for the Sub-National Governance Unit, which had specific monitoring activities). The mission reports did not specify whether the field visits were for verification of specific actions/activities as part of the assurance process. OAI advised the Office to ensure that field verification missions are linked to the monitoring and evaluation plan.</p> <p>The Office clarified that the field visits were linked with other activities to ensure maximum benefit, considering the difficult working context in the country.</p> <p>The Office agreed to implement mechanisms to ensure that field visits are for validation purposes, that objectives are clearly defined, and that the results are documented and are used for strengthening the follow-up of the field visit findings.</p> <p>(b) While the Sub-National Governance Unit undertook specific operational reviews/spot checks, there was limited evidence of such activities by other programme units, such as the Justice and Rule of Law Unit (Project Nos. 61104 and 68012), and the Cross-Practice Unit (Project No. 71928).</p>



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	<p>between programme staff and project personnel is clearly communicated and implemented.</p>		<p>(c) The Office has made use of the project management module in Atlas to upload the relevant documentation, report on progress and document identified risks and issues. Therefore, OAI assessed this part of the recommendation as implemented.</p> <p>(d) In 2013 and 2014, 10 programme-related posts that were advertised were filled within a reasonable timeframe. Therefore, OAI assessed this part of the recommendation as implemented.</p> <p>(e) Training on policy, programme and operations was provided to staff in collaboration with the Asia Pacific Regional Centre. Additional training on implementation modalities, annual work planning and others was also provided. Therefore, OAI assessed this part of the recommendation as implemented.</p> <p>(f) The Oversight and Compliance Unit initiated a draft proposal that was shared with relevant staff; however, it was still in draft form. The Office also drafted standard operating procedures for this purpose. In October 2014, the Office engaged a consultant to work on the change management initiative as part of the transformation plan. Work on the plan is still in progress.</p> <p><u>Agreed revised implementation date:</u> October 2015.</p>

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## ANNEX            Definitions of audit terms – implementation status, ratings and priorities

### A. IMPLEMENTATION STATUS

- **Implemented**                    The audited office has either implemented the action as recommended in the audit report or has taken an alternative solution that has met the original objective of the audit recommendation.
- **In progress**                    The audited office initiated some action to implement the recommendation or has implemented some parts of the recommendation.
- **Not implemented**            The audited office has not taken any action to implement the recommendation.
- **Withdrawn**                    Because of changing conditions, OAI considers that the implementation of the recommendation is no longer feasible or warranted or that further monitoring efforts would outweigh the benefits of full implementation. A recommendation may also be withdrawn when senior management has accepted the residual risk of partial or non-implementation of recommendation.

### B. 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.