



AUDIT

OF

UNDP COUNTRY OFFICE

IN

Tajikistan

Report No. 2193
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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 13 November to 1 December 2020. 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
- (b) Development activities
- (c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

The audit covered the activities of the Office from 1 January 2019 to 31 August 2020. The Office recorded programme and management expenses of approximately \$33 million. The last audit of the Office was conducted by OAI in 2016.

The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities

- (a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
- (b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team's understanding of the Office's working environment.
- (c) Project visits (location, site visits, meeting with beneficiaries) were not conducted.
- (d) A physical verification of assets was not performed.
- (e) Safe and petty cash contents were not verified.
- (f) The information communication and technology area was not reviewed on-site.

Overall audit rating

OAI assessed the Office's performance as **fully satisfactory** which means "The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the objectives of the audited entity/ area.". This rating was due to the satisfactory performance in most areas reviewed.

Key recommendations Total = 3, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are three medium (important) priority recommendations, which means "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to: establish a country programme board, improve low delivery and recover Government contribution towards local office costs.

The four recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Effectiveness and efficiency of operations	1, 2	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	3	Medium



Management comments and action plan

The Resident Representative accepted all of the three recommendations and is in the process of implementing them. Comments and/ or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge S. Ostveiten
Director
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I. About the Office

The Office, located in Dushanbe, Tajikistan (the Country) and its Country Programme covered the period 2016-2020, which was extended until 2022 to align with the extension of the UNDAF. The Country Programme 2016- 2020 included the following development priorities:

- a) Improved governance, rule of law and access to justice;
- b) Sustainable and equitable economic growth;
- c) Social equity and protection of vulnerable groups from violence and discrimination; and
- d) Resilience and environmental sustainability.

During the period from January 2019 to August 2020, the Office spent \$31 million on development activities, an increase of 7.7% percent compared to the previous period.

The largest development projects in terms of expenses during the period covered by the audit were:

Title	Expenditure Jan.-Dec. 2019 \$million	Expenditure Jan.-Aug. 2020 \$million
Prevention, treatment and care of HIV in Tajikistan, II	3.9	4.7
Civil Registry Reform in Tajikistan, Phase I	1.7	0
(JPN) Strengthening Disaster Risk Reduction (DRR)	1.5	0.6
Tajikistan Access to Justice Programme, Phase II	1.2	0.6
Health System Strengthening in Tajikistan	0.9	0.3
Total	9.2	6.2

The largest sources of funding of the Office's development activities for the period covered by the audit were:

Donor	Funding for the period \$million
Global Environmental Facility	14.5
Global Fund to Fight AIDS, Tuberculosis and Malaria	10.1
Government of Switzerland	4.3
Total	28.9

Other critical information

Tajikistan Country Office was one of the Offices adversely impacted by the COVID-19 pandemic that led to the loss of one staff member, and most staff or their close relative contracted the virus. These resulted in the activation of the business continuity plan, which meant all staff were required to work from home, which impacted on the implementation of the country programme despite the country not going down on nationwide lockdown.

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance: Controls and procedures for governance activities including corporate planning, risk registers, staff organization, Internal Control Framework and delegation of authority and business continuity were found to be adequate.
- (b) Operations/ Procurement: Internal control procedures were found to be adequate within the procurement of goods and services.
- (c) Operations/ Human Resources: A review of the human resources functions including mandatory trainings, performance appraisals and performance trainings indicated that adequate controls were in place.
- (d) Operations/ Information and Communications Technology (ICT): ICT systems managed by the Office were found to be operating effectively.
- (e) Operations/ General Administration: Controls over assets management, travel and management cost recovery were functioning adequately.

OAI made three recommendations ranked medium (important) priority. Low priority issues/ recommendations were discussed directly and agreed with the Office and are not included in this report.

Medium priority recommendations, arranged according to significance:

- (a) Establish a programme board (Recommendation 1).
- (b) Improve programme delivery (Recommendation 2).
- (c) Recover outstanding Government Contribution towards Local Office Costs (Recommendation 3).

The detailed assessment is presented below, per audit area:

A. Development Activities

1. Country Programme

Issue 1 Programme board not established

The UNDP Programme and Operations Policies and Procedures state that the Office must establish a programme board to provide oversight over the country programme. The board should comprise of designated representatives from the government and UNDP Resident Representative.

The Office had not established a programme board within the current programme cycle. The Country Programme Document outlined that the United Nations Development Assistance Framework (UNDAF) Joint Steering Committee (JSC) would provide this oversight. However, following the delinking of Resident Representative and Resident Coordinator role at the end of 2018, this committee has not met.

The audit noted that in the absence of a programme board the Office faced challenges in addressing issues related to low delivery. The Office had a delivery of 45 percent as of November 2020, as outlined in issue 2.

Inadequate oversight of the country programme may negatively impact the effective achievement of the programme objectives.

Priority	Medium (Important)
Recommendation 1:	
The Office should establish a Country Programme Board to ensure effective oversight of the Country Programme.	
Management action plan:	
The Office will establish a Country Programme Board, which will ensure effective joint oversight with the government for the delivery of the new Country Programme 2023-2027 and will enhance management and mitigation of risks.	
Estimated completion date: June 2021	

2. Project Administration

Issue 2 Weaknesses in programme delivery

The UNDP Programme and Operations Policies and Procedures require that available financial resources are utilized within the agreed timeframe. This implies a timely approval of annual work plans and project work plans, monitoring of project delivery risks and timely closure of projects.

The Office had 41 ongoing development projects as of November 2020, with an average delivery of 45 percent.

The following weaknesses in the programme delivery were noted:

- a) Delays in the approval of Annual Work Plans and project documents

The UNDP Programme and Operations Policies and Procedures require the timely approval of the Annual Work Plans and project documents.

The audit sampled six projects representing 21 and 10 percent of programme delivery for 2019 and 2020. For five of these projects the Office had not approved the Annual Work Plans until mid-February to April 2020.

The audit team noted delays in the government approval of four projects ranging from 10 to 19 months. This contributed to a delivery rate of 0 to 24 per cent of the delivery targets for these four projects. For one of these four projects the implementation had commenced without formal approval.

- b) Weaknesses in monitoring project delivery risks

UNDP policy on enterprise risk management requires regular consultations with relevant stakeholders on identified risks.

The Office identified multiple risks in the timely project delivery such as frequent changes in the leadership of the government counterpart, lengthy decision-making processes, and changes in priorities. However, the office had not established a risk management committee to identify and monitor project and programme risks and define risk mitigating actions.

c) Delays in project operational closure

After a project completed its operations, it should be operationally closed, and within 12 months it should be financially closed.

The audit reviewed six projects and noted delays in the closure of four projects. The delays ranged from 8 months to 24 months and were caused by projects having open commitments such as open purchase orders or open liability periods.

The audit noted that the Office was in the process of developing standard operating procedures on project closure to expedite the process.

Low delivery may impact on the achievement of programme objectives, create reputational risk and lead to increased project administrative costs. Delays in the closure of projects can lead to both financial and reputational risks

Priority	Medium (Important)
Recommendation 2:	
The Office should improve programme delivery by:	
<ul style="list-style-type: none"> (a) Initiating the early preparation and approval of annual work plans and project plans to prevent implementation delays; (b) Strengthening risk management by establishing a risk management committee to monitor project delivery risks; and (c) Finalizing the project closure standard operating procedures and completing project closures within the stipulated timeframe. 	
Management action plan:	
<ul style="list-style-type: none"> a) To ensure a timely approval of Annual Work Plans, the Office will strengthen the programme's oversight and support capacities, to support internal planning and quality assurance capacities. Moreover, the Office will ensure that Steering Committee/ Project Board meetings are held at the end of each fiscal year, and that Annual Work Plans are devised and presented to the Board for endorsement in a timely manner. The Office will establish Country Programme Board, to serve as a platform for joint oversight of the Country Programme and timely approval of project documents. The Office will issue a Guidance Note/ Standard Operating Procedure on strengthening government ownership and joint oversight. The Office will include risk management in the Terms of Reference of the Programme Board. b) Establish an Internal Risk Management Committee responsible for monitoring and oversight of the project and programme risks and will ensure regular follow up of the implementation of management actions. The Office will utilize the project steering committee platform to present, assess and secure Involvement of stakeholders in risk management and mitigation. c) Finalize the Standard Operating Procedure on projects closure and will ensure responsible staff receives relevant trainings on the subject. 	
Estimated completion date: June 2021	



B. Operations

1. Finance

Issue 3 Outstanding Government Contribution towards Local Office Costs

In accordance with the provisions of the standard basic assistance agreement, the host country is expected to contribute towards the cost of country offices.

Despite the Office's efforts to collect Government Contribution towards Local Office Costs (GLOC), the amount unpaid totalled \$321,933, covering the period 2008 to 2020. The government's explanation for not clearing the arrears was due to budget constraints. At the time of the audit no agreement had been reached on recovery these amounts.

The failure to recover Government Contribution to Local Office Cost may negatively impact the Office's sustainability.

Priority	Medium (Important)
Recommendation 3:	
The Office with support of the Regional Bureau for Europe and the Commonwealth of Independent States should continue to follow-up with the Government and formalize agreement on how arrears of the Government contribution towards local office costs will be recovered.	
Management action plan:	
<ul style="list-style-type: none"> a) The Office will continue engaging with the Government formally, to recover the arrears. b) The Country office will explore with Regional Bureau for Europe and the Commonwealth of Independent States / Istanbul Regional Hub the engagement of the Permanent Mission in New York. 	
Estimated completion date: December 2021	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Fully Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

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. Failure to take action could result in 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.