



AUDIT

OF

UNDP AFGHANISTAN

NATIONAL INSTITUTION BUILDING PROJECT
(Directly Implemented Project No. 58898)

Report No. 1037

Issue Date: 19 April 2013

**Report on the audit UNDP Afghanistan
National Institution Building Project (Project No. 58898)
Executive Summary**

From 29 June to 14 August 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the National Institution Building Project (Project No. 58898) (the Project), which is directly implemented and managed by the UNDP Country Office in Afghanistan (the Office). The audit covered the activities of the Project during the period from 1 January 2011 to 31 March 2012. During the period reviewed, the Project recorded programme and management expenditures totalling \$5 million. This was the first OAI audit of the Project. The major donors contributing to the Project were UNDP, India, Japan, Italy, Switzerland, Canada and Australia.

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

Audit rating

OAI assessed the Project as **partially satisfactory**, which means “Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.” This rating was mainly due to concerns within Project management and hiring staff under Letters of Agreement. Ratings per audit area and sub-areas are summarized below.

| Audit Areas | Not Assessed/ Not Applicable | Unsatisfactory | Partially Satisfactory | Satisfactory |
|--|------------------------------------|----------------|---------------------------|--------------|
| 1. Organization and staffing | | | | |
| 2. Project management | | | | |
| 3. Operations | | | | |
| 3.1 Financial and cash management | Satisfactory | | | |
| 3.2 Procurement | Satisfactory | | | |
| 3.3 Asset management | Satisfactory | | | |
| 3.4 Information communication and technology | Satisfactory | | | |
| 3.5 General administration | Not Applicable | | | |


Key issues and recommendations

The audit raised four issues and resulted in four recommendations, of which three (75 percent) were ranked high (critical) priority, meaning “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 and may affect the organization at the global level.”

- Project management (Issue 1) Project funding shortfall. As of July 2012 (17 months prior to Project closure), the Project had only mobilized \$20 million in resources against a target budget of \$115 million. One of the factors contributing to this shortfall was the lack of a mobilization strategy and action plan. Although actions were planned to address the shortfall, they had not been finalized and submitted for review and approval. OAI recommends that the Office: (a) finalize an action plan based on its review of the Project document and assessment of the Project's funding constraints; and (b) present the plan to the Project Board for review and approval.
- (Issue 2) Lack of baselines and target information. Although the Project document's Results and Resources Framework included some indicators, it did not include baselines and targets. Furthermore, there were no indicators that would allow the measurement of capacity development and strengthening of government ministries, which was one of the main objectives of the Project. OAI recommends that the Office comply with relevant Programme and Operations Policies and Procedures requirements by ensuring that: (a) the Project document contains specific indicators with baselines and targets that are approved by the Project Board; and (b) annual progress reports include reporting on the implementation of activities as well as the progress made against the planned outputs.
- (Issue 4) Inadequate controls over recruitment of Project personnel under the Letter of Agreement. There was no assurance that personnel recruited by the responsible party were recruited on a competitive basis. For eight of 10 recruitments reviewed by OAI, the results and recommendations of the selection panel were not available. Also, there was no justification for hiring of two candidates who were not among the top ranked candidates. OAI recommends that the Office ensure that Project management and the concerned government institution comply with the provisions of the Letter of Agreement when hiring personnel by requiring that a competitive recruitment process is undertaken and that recruitment actions are adequately justified and documented.

Management comments and action plan

The Country Director accepted all four recommendations and is in the process of implementing them.



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