



AUDIT

OF

UNDP AFGHANISTAN

PROGRAMME MANAGEMENT

Report No. 1096
Issue Date: 21 May 2013

Report on the audit of UNDP Afghanistan - Programme Management Executive Summary

From 4 to 22 November 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of programme management in the UNDP Country Office in Afghanistan (the Office). The audit covered the programme activities of the Office during the period from 1 January 2011 to 31 July 2012. During the period reviewed, the Office recorded programme and management expenditures totalling \$1.3 billion. The last audit of the Office was conducted by OAI in July 2012.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform 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 Office programme management as **unsatisfactory**, which means “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.” This rating was due to weaknesses on programme governance and project assurance activities. Ratings per sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Programme management				
1.1 Governance	Unsatisfactory			
1.2 Project assurance	Unsatisfactory			
1.3 Organizational structure	Partially Satisfactory			

Key issues and recommendations

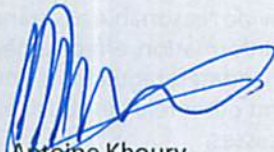
The audit raised six issues and resulted in six recommendations, of which four (67 percent) were ranked high (critical) priority, meaning “Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP and may affect the organization at the global level.”

- Governance
(Issue 1) Deficient oversight and assurance systems for the Country Programme. Adequate systems were not in place to provide assurance and to monitor the Office's progress in meeting Country Programme outcomes. Specifically, the weaknesses pertained to: (a) an annual review of the progress made in implementing the Country Programme Action Plan was not undertaken, resulting in a lack of effective monitoring and oversight for this area; (b) outcome boards were not established to monitor the Office's progress and to provide guidance on the implementation of Country Programme outcomes; and (c) the Office did not have a plan for conducting outcome evaluations. OAI recommends that the Office put into place formal assurance and monitoring systems for the Country Programme by: (a) instituting regular annual reviews of the Country Programme Action Plan; (b) establishing outcome boards for each outcome to monitor progress and to provide assurance on implementation; and (c) revising the Country Programme Development Evaluation Plan so as to include outcome evaluations.
- Project assurance
(Issue 2) Weaknesses in project design, appraisal and approval. The Office did not have a system in place to ensure an appropriate selection of implementation modalities for projects, and lacked a proper appreciation of the inherent risks and associated oversight responsibilities. In addition, the Office did not consistently undertake the required capacity assessments of implementing partners or responsible parties prior to entering into partnership with them. Monitoring and evaluation plans were also not in place for over half of the projects sampled. OAI recommends that the Office improve its project design, appraisal and approval by ensuring that: (a) programme staff are trained on project implementation modalities and their corresponding risks and controls; (b) the implementation arrangement for Project No. 61104 is reassessed based on a detailed capacity assessment of the implementing partner; (c) programme staff develop monitoring and evaluation plans for all ongoing and upcoming projects; and (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.
- (Issue 3) Weak oversight by the project boards. Project monitoring and oversight was not regularly exercised by the project boards for seven of nine sampled projects. In the case of one project, the board did not meet at all during the audited period. Also, in the case of a different project, the membership of the board did not include a government representative. In three cases, the meetings of the project boards did not serve to exercise the expected steering and oversight functions but they were merely a reporting forum for the project management. OAI recommends that the Office ensure that project boards: (a) meet at least quarterly and include government representatives; (b) exercise their steering and oversight functions over the projects; and (c) approve annual work plans in the last quarter of the preceding year. Further, the Office should ensure that all annual work plans are signed by the implementing partner before the related activities begin.
- (Issue 5) Poor management of Letters of Agreement. The Office had made extensive use of Letters of Agreement, but there was no system in place to keep track of these letters and of the commitments made thereunder. OAI also noted that a number of Letters of Agreement were not in accordance with the UNDP standard template and in some cases the transfer of funds to government counterparts was not consistent with the provisions stated in the Letters of Agreement. OAI recommends that the Office establish a system for the proper management of Letters of Agreement by: (a) designating staff who will be responsible for ensuring the adequate use of standard Letters of Agreement; (b) following the schedule of disbursements and activities in accordance with the respective provisions in the Letter of Agreement; and (c) finalizing measures to put in place a centralized database of Letters

of Agreement and related Office commitments.

Management's comments and action plan

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

A handwritten signature in blue ink is enclosed in a rectangular box. The signature is stylized and appears to read 'Antoine Khoury'.

Antoine Khoury
Officer-in-Charge
Office of Audit and Investigations