



AUDIT

OF

UNDP AFGHANISTAN

MAKING BUDGET AND AID WORK
(Directly Implemented Project Nos. 56407 and 74281)

Report No. 1103
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Report on the audit of UNDP Afghanistan Making Budget and Aid Work Project Executive Summary

From 30 June to 14 August 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of Making Budget and Aid Work (Project Nos. 56407 and 74281) (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 \$6 million. The following donors contributed to the Project: UNDP, Department for International Development and Canadian International Development Agency.

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 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 the management of cash advances. 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 Human resources	Satisfactory			
3.2 Financial and cash management	Unsatisfactory			
3.3 Procurement	Not Assessed			
3.4 Asset management	Satisfactory			
3.5 Information systems	Satisfactory			
3.6 General administration	Satisfactory			

Key issues and recommendations

The audit raised five issues and resulted in five recommendations, of which four (80 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)	<u>Delayed submission of reports and limited analysis of Project progress.</u> Some quarterly progress reports were submitted by the Project Manager to the Project Board with delays of at least six weeks. Further, the 2011 Annual Progress Report provided limited analysis of the achievement of intended Project results as defined in the Results and Resources Framework. Without the timely submission of reports and adequate assessment of Project results, programmatic issues may not be addressed and resolved immediately. OAI recommends that the Office ensure that: (a) annual progress reports submitted by projects include sufficient details to enable effective monitoring of progress toward achieving planned outputs and outcomes; and (b) quarterly progress reports are submitted in a timely manner.
Finance and cash management (Issue 5)	<u>Inadequate controls over cash advances.</u> Cash advances totalling \$0.8 million were made to two Programme Assistants not directly involved in Project implementation activities. These advances were given to the Project personnel working in the provinces to cover the cost of workshops, including the payment of participant per diem and travel costs. The Project personnel did not adequately control these advances as they did not maintain a list of participants to monitor related expenditures. Furthermore, there was limited evidence that the participants who received per diem reimbursements actually attended the training. There was also inadequate segregation of duties. OAI recommends that the Office enhance controls over cash advances by: (a) ensuring that advances do not exceed the authorized limit and are managed by UNDP staff; (b) establishing a standard operating procedure for managing cash advances that includes adequate segregation of duties, and identifies the supporting documentation required prior to making payments to workshop participants; (c) making payments directly to the bank accounts of workshop participants whenever possible; and (d) undertaking spot checks, especially when large advances are involved to determine if workshop participants and other recipients were paid the correct amounts.

Management's comments

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



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