

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP AFGHANISTAN

INSTITUTIONAL CAPACITY BUILDING FOR GENDER EQUALITY PROJECT
(Directly Implemented Project No. 45877)

Report No. 1136
Issue Date: 11 July 2013

**Report on the audit of UNDP Afghanistan
Institutional Capacity Building for Gender Equality Project (Project No. 45877)
Executive Summary**

From 28 January to 11 February 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of Institutional Capacity Building for Gender Equality, Project No. 45877 (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 December 2012. During the period reviewed, the Project recorded programme and management expenses totalling \$4.7 million. The following donors contributed to the Project: UNDP, Italy, and the Canadian International Development Agency. The Office signed Letters of Agreement with three government institutions to undertake some project activities (hereinafter referred to as responsible parties).

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 deficiencies with cash management. Ratings per audit area and sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Organizational structure and staffing				
2. Project management				
3. Operations				
3.1 Human resources				Satisfactory
3.2 Finance				Unsatisfactory
3.3 Procurement				Satisfactory
3.4 Asset management				Satisfactory
3.5 Information systems				Satisfactory
3.6 General administration				Satisfactory

Key issues and recommendations

The audit raised four 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.”

The high priority recommendations are:

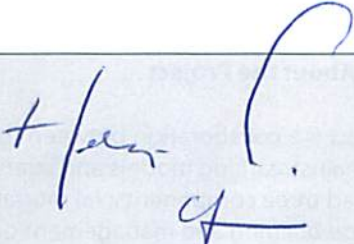
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| Project management
(Issue 3) | <p><u>Inadequate monitoring over responsible parties’ recruitment and personnel management.</u> The Office did not adequately monitor the responsible parties’ process for the recruitment of personnel. Nor was there adequate monitoring of the responsible parties subsequent processes for the remuneration, and monitoring of personnel deliverables for the recruitments. OAI recommends that the Office enhance monitoring of the responsible parties’ compliance with the terms of the Letters of Agreement relating to personnel, including: (a) establishing controls to ensure that there is adequate justification and approval for the creation of Project positions; (b) ensuring that a complete and accurate list of personnel recruited by the responsible parties under the Letters of Agreement is provided and updated on a regular basis, and that requests for payment of salary are verified with the list prior to processing; (c) liaising with responsible parties to ensure that recruitment is in compliance with the financial regulations and rules and that a common salary scale is established; and (d) ensuring that all required support documentation is received from the responsible parties prior to processing payments.</p> |
| Finance
(Issue 4) | <p><u>Inadequate controls over cash advances to provincial offices.</u></p> |
| ▪ Cash advances | <p>Office management did not have adequate controls over cash advances of \$1.3 million made to the Provincial Coordinators to cover the cost of workshops in the provinces. There was inadequate segregation of duties as the Provincial Coordinators, who received the cash advances, also solicited quotes and subsequently selected the vendors and made cash payments for goods and services. Documentation to support the validity of payments was inadequate and did not provide assurance of the receipt of the underlying good, service or activity, or of the appropriateness of the amount of the expenditure. OAI recommends that the Office enhance controls over cash advances by: (a) ensuring that advances are managed by UNDP staff (if this is not feasible, the Office should consult the Bureau of Management or explore the possibility of establishing common operational support centres to provide support services to all UNDP managed projects in a particular location); (b) ensuring that when cash advances are cleared, adequate supporting documents are submitted, with the requirement that the documentation include details such as the full names of the workshop participants, their contact numbers, copies of participants’ identification cards, a group photograph of participants where possible, and signatures of government officials who participated in the workshop certifying the attendance sheets; and (c) undertaking spot checks either in person or by telephone, especially when large advances are involved.</p> |
| ▪ Cash management | <p>There were inadequate controls over cash management. The Office had continued to make payments in cash, even though the number of banks operating in the country had increased, and many of the vendors and workshop participants may have had bank</p> |

accounts. OAI recommends that the Office enhance controls over cash management by limiting cash payments. This should include ensuring that payments to workshop participants and vendors are made directly to their bank accounts, or that payments are issued by cheque.

- Allegation reporting There was a lack of compliance with rules, policies, and procedures regarding reporting allegations of impropriety. An allegation of impropriety had been made but at the time of drafting this report had not been reported to Headquarters in New York, in accordance with the UNDP Financial Regulations and Rules, which require that such allegations shall be reported to the Bureau of Management and the Regional Bureau for Asia and the Pacific. Additionally, the Office had not reported the allegation to the Investigations Section of OAI. Therefore, OAI recommends that the Office ensure compliance with the UNDP Financial Regulations and Rules and inform the Bureau of Management, the Regional Bureau for Asia and Pacific and the Investigations Section of OAI, of any allegations of impropriety in a timely manner to permit appropriate follow-up and action.

Management comments and action plan

The Resident Representative accepted all the recommendations and is in the process of implementing them.



Helge S. Ostveiten
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