



AUDIT

OF

UNDP AFGHANISTAN

ENHANCING LEGAL AND ELECTORAL CAPACITY FOR TOMORROW PROJECT
(Directly Implemented Project Nos. 43217, 57970 and 63078)

Report No. 1169
Issue Date: 13 November 2013

**Report on the audit of UNDP Afghanistan
Enhancing Legal and Electoral Capacity for Tomorrow Project (Project Nos. 43217, 57970 and 63078)
Executive Summary**

From 27 May to 11 June 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of Enhancing Legal and Electoral Capacity for Tomorrow, Project Nos. 43217, 57970 and 63078 (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 to 31 December 2012. During the period reviewed, the Project recorded programme and management expenses totalling \$13.4 million. The following donors contributed to the Project: European Union, Japan, United States, Canada, Australia, Germany, United Kingdom, Denmark, Turkey, Sweden, Norway and Republic of Korea.

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 the control weaknesses noted in project management, cash management and assets management. 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 Finance	Unsatisfactory			
3.3 Procurement	Satisfactory			
3.4 Information and communication technology	Not Assessed			
3.5 General administration	Satisfactory			
3.6 Asset management	Unsatisfactory			
3.7 Leave management	Satisfactory			

Key issues and recommendations

The audit raised 8 issues and resulted in 7 recommendations, of which 5 (71 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.”

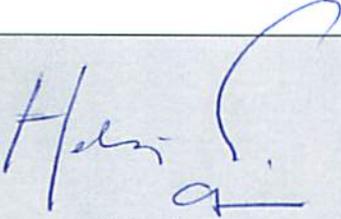
The high priority recommendations are as follows:

- Project management (Issue 3) Weaknesses in monitoring the use of financial resources. The Project did not adequately monitor the \$6.8 million expenditures directly incurred in 2012 by the Independent Election Commission (IEC), the Office's national partner. This was due to weaknesses in monitoring of the IEC's: (a) provincial operating costs; (b) payments of staff member salaries and professional allowances; and (c) procurement activities. OAI recommends that the Office enhance controls over expenditures directly incurred by the IEC by: (a) ensuring a breakdown of the Annual Work Plan budget by province and activity and regular monitoring of expenditures to determine their validity; (b) conducting an independent verification to ensure that payments of salaries and professional allowances to IEC staff members comply with the signed agreement and Afghan law; and (c) ensuring that over payments of salaries or professional allowances are recovered as appropriate.
- Finance (Issue 5) Weaknesses in cash management. A total of \$0.5 million in 2012 was advanced to IEC officials instead of to Project staff members holding UNDP fixed-term contracts, as advised by the Treasury Division. OAI also noted that the IEC made cash payments to participants in training activities for allowances, travel incidentals and other related costs even though most of the training was held in Kabul where banking facilities exist. OAI recommends that the Office follow the corporate guidelines on cash advances under the national implementation modality by ensuring that cash advances are either transferred to the IEC's bank account or channeled through the Government's Treasury account.
- OAI further recommends that the Office establish measures to manage the high inherent risk of cash payments. This should include ensuring that the IEC avoids cash transactions and makes payments by cheque or direct transfer to payee bank accounts.
- Asset management (Issue 7) Failure to take prompt action on missing assets. Project assets valued at \$0.6 million were either missing or transferred without the requisite review process and approval by the designated authority. OAI recommends that, in line with the Programme and Operations Policies and Procedures, the Office: (a) take prompt action regarding the project assets valued at \$0.6 million that were reported lost or missing, by promptly investigating the reasons for the loss, determining which personnel were responsible, submitting the case to the Contracts, Assets and Procurement Committee for review and appropriate action (the review should be completed within a time bound framework and should be closely monitored); and (b) determine the reasons for the delays in taking prompt action and establish procedures to prevent such delays in the future.
- (Issue 8) Inadequate controls over asset transfers. UNDP staff members approved transfers of project assets valued at \$3.2 million to government institutions without having a delegated authority to do so. OAI recommends that, in line with the Programme and Operations Policies and Procedures, the Office should: (a) ensure that only properly authorized staff members approve asset transfers; (b) obtain post facto approval from the Contracts, Assets and Procurement Committee or Regional Advisory Committee on Procurement for assets transferred to government institutions; and (c) assess why project assets valued at \$0.7 million were transferred to government institutions not directly involved in project activities without obtaining necessary approval and establish procedures that prevent such asset transfers in the future.

The implementation status of previous OAI audit recommendations (Report No. 1153, issued on 6 March 2013) was also validated. Of the seven recommendations, one was fully implemented and the implementation of the remaining recommendations was in progress.

Management comments and action plan

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



Helge S. Ostveiten
Director
Office of Audit and Investigations