

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**AFGHANISTAN**

**ASSET MANAGEMENT**

**Report No. 1261**  
**Issue Date: 14 February 2014**

## Report on the Audit of Asset Management in UNDP Afghanistan Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of asset management in UNDP Afghanistan (the Office) from 3 to 21 November 2013. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to asset management.

The audit covered the activities of the Office from 1 January 2012 to 20 November 2013. According to the Office's master list as of 5 November 2013, the Office had 1,325 capital assets and 1,483 non-capital assets valued at \$7.6 million and \$100,000 respectively<sup>1</sup>. The last audit of the Office covering asset management was conducted by OAI in November 2011 (OAI Report No. 881 issued 19 April 2012).

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

### Overall audit rating

OAI assessed the Office's asset management 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 accounting for capital assets and management of the Office's assets and asset transfers.

### Good practice

The Office established an Asset Management Team and designated project Asset Focal Points to facilitate asset management in the Office and in projects (refer to page 1 for details).

### Key recommendations: Total = 5, high priority = 3

For high (critical) priority recommendations, 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. All high (critical) priority recommendations are presented below:

Inaccurate recording of capital assets (Issue 1)	As of 5 November 2013, the Office's master list of assets included 1,325 capital assets valued at \$7.6 million or approximately \$1.5 million less than the reported value of capital assets during the June 2013 mid-year certification. Also, 512 items (valued at \$3 million) in the Office's master list had not been recorded as capital assets in Atlas. Furthermore, the Office had not submitted any documentation on leases and leasehold improvements to the Global Shared Services Centre as required, and had incorrectly recorded 126 items as capital assets in Atlas. Lastly, OAI noted that there was a lack of coordination between the Supply Chain Management Office, the Administrative Services Unit, and the projects when procuring and capitalizing assets.
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<sup>1</sup> After adopting the International Public Sector Accounting Standards, UNDP opted for gradual recognition of its assets and decided to fully recognize them starting in 2015. The Office reported 698 project assets valued at \$19 million as of June 2013 and procured prior to 2012 that were maintained outside Atlas.

**Recommendation:** Ensure compliance with relevant policies and procedures by: (a) maintaining accurate and up-to-date records of assets in Atlas including correcting the items recorded in error; (b) submitting the documentation on leases and leasehold improvements to the Global Shared Services Centre in a timely manner for review to determine whether they have to be recognized as capital assets; (c) ensuring that Project Managers and Approving Managers review the proper recording of assets in Atlas prior to approving e-requisitions or purchase orders; and (d) establishing standard operating procedures reflecting the roles and responsibilities of the different units involved in asset acquisition.

Inadequate management of Office assets. (Issue 2)

The Office's asset management system had compatibility issues with Atlas. Further, there were control weaknesses such as missing custodian names, asset IDs, and tag numbers, non-verification of 18 assets (valued at \$400,000) in the provincial offices, and incomplete recording of computer sets procured and the existence of 62 surplus assets.

**Recommendation:** Improve asset management by: (a) establishing an asset management system including the acquisition of high quality tagging stickers; (b) establishing a mechanism to ensure that assets are properly tagged and records are updated ensuring all assets, including those located in the provincial offices, are physically verified; and (d) conducting a proper needs assessment prior to procuring computer sets to avoid surplus assets and maintaining a complete and accurate list of custodial items.

Weak controls over UNDSS assets (Issue 3)

The Office only verified and reported United Nations Department of Safety and Security (UNDSS) assets procured by UNDP and those recorded against funding code 68100 in Atlas. The list of assets from the UNDSS Logistics Office in Dubai and the assets cost-shared with other United Nations agencies was not provided to the Office or to OAI. Therefore, OAI could not ascertain whether the Office complied with the provisions in the Memorandum of Understanding with UNDSS. Further, the discrepancies between the assets physically verified and Atlas records were not yet corrected. OAI also noted that the records of UNDSS assets did not include their locations and the names of asset custodians.

**Recommendation:** Ensure compliance with the Programme and Operations Policies and Procedures and Memorandum of Understanding by: (a) ensuring that UNDSS assets are accounted for based on the guidance provided by the UNDP Administrative Services Division; (b) ensuring that discrepancies in the UNDSS asset records in Atlas are corrected on a timely basis; and (c) maintaining complete details of UNDSS assets including their specific locations and the names of the asset custodian.

**Implementation status of previous OAI audit recommendations:** Report No. 881, 19 April 2012.

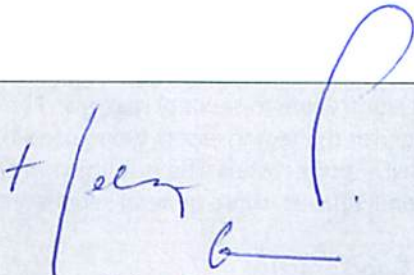
Total recommendations: 2

Implementation status: 100% implemented

### Management comments and action plan

The Resident Representative accepted all five recommendations and is in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less impact (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Ostveiten  
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