



AUDIT

OF

UNDP AFGHANISTAN

SUPPORT SERVICES TO LAW AND ORDER TRUST FUND FOR AFGHANISTAN
(Project No. 61104)

Report No. 1417
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Report on the audit of UNDP Afghanistan's Support Services to Law and Order Trust Fund for Afghanistan (Project No. 61104) Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 10 November to 3 December 2014, conducted an audit of support services to the Law and Order Trust Fund for Afghanistan, Project No. 61104 (LOTFA or the Project), which is nationally implemented and managed by the Government of Afghanistan's Ministry of Interior Affairs (Government Implementing Partner). In April 2012, the Government Implementing Partner signed a Letter of Agreement with UNDP Afghanistan (the Office) for the latter to provide support services to the Project. The activities outlined the Agreement are directly implemented by the Office.

The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) organization and staffing (project organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, monitoring and reporting, financial sustainability);
- (b) programme activities (programme management, partnerships and resource mobilization, project management); and
- (c) operations (human resources, finance, general administration, asset management, information and communication technology).

The audit covered the directly implemented part of the Project's activities under the Letter of Agreement and the Office's project oversight functions from 1 January 2013 to 30 August 2014. The Office's programme and management expenditures totalled \$729 million in 2013 and \$510 million from January to August 2014. The nationally implemented part of the Project had expenditures totalling \$491 million in 2013, and was audited by an external audit firm in 2014. Furthermore, OAI conducted a desk review of the Office's oversight on the Project's Monitoring Agent in 2014 (Report No. 1310, issued on 9 October 2014). OAI had also audited the Office's human resources management in February 2014 (Report No. 1286, issued 10 June 2014) and had taken results of that human resources audit into consideration when conducting this audit. Further, safety and security management was not included in the scope of this audit, as an audit of the Office's safety and security management that also covered the project had been included in the annual audit plan for 2015. The fieldwork for this audit was completed early March 2015. In addition, in regard to information and communication technology (ICT), at the time of the audit the Office had contracted an audit firm to review the Electronic Payroll System, and therefore, this audit only focused on the management of ICT in the Project.

Subsequent to the audit fieldwork, the Government and the Office signed an agreement in December 2014 (referred to as LOTFA Akheri), which stipulated that the Project's activities would be transferred to the Government over a six-month period from 1 January to 30 June 2015. The agreement also stipulated that the Government would decide on UNDP's future role and responsibility in regard to the Project at the conclusion of a mid-term review that was to be initiated late March. In addition, the Government reserved the right to give a 60-day termination notice. These conditions were taken into consideration when drafting the audit report.

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

Overall audit rating

OAI assessed the Office 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 delays in preparing project closure activities, unclear roles and responsibilities, and weak ICT management.

Key recommendations: Total = 8, high priority = 4

The eight recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendations 1 and 2); (b) reliability and integrity of financial and operational information (Recommendation 5); (c) effectiveness and efficiency of operations (Recommendations 3, 4, and 7); (d) safeguarding of assets (Recommendation 8); and (e) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 6).

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:

Delays in preparing project closure activities (Issue 1)

The Government and the Office signed an agreement in December 2014 (referred to as LOTFA Akheri), which stipulated that the Project's activities would be transferred to the Government over a six-month period from 1 January to 30 June 2015. The agreement also stipulated that the Government would decide on UNDP's future role and responsibility in regard to the Project at the conclusion of a mid-term review that was to be initiated late March. In addition, the Government reserved the right to give a 60-day termination notice. However, the Office had yet to prepare and initiate the closure activities of the Project to facilitate the transfer.

Recommendation 1: Plan and initiate project closure-related activities to facilitate the handover to the Government by: (a) complying with the 'Programme and Operations Policies and Procedures' relating to project closure; and (b) taking appropriate actions based on the results of the mid-term review, such as transferring the Project's management of human resources, finance, and procurement functions to the respective Office operations units.

Unclear roles and responsibilities at Office and Project levels (Issue 2)

There were shortcomings in the delegations of authority to Office staff that contributed to unclear roles and responsibilities at the Office and Project levels. There were also unclear timelines in the work of an international consultant who was hired in October 2014 to support the Office's senior management in planning and implementing a comprehensive change management process, including the delineation of roles and responsibilities at the Project and Office levels. While the consultant's terms of reference were very comprehensive, they did not include a timeframe for the conclusion of the activities or any milestones for seven key deliverables.

Recommendation 2: Establish clear roles and responsibilities at the Office and Project levels by: (a) conducting regular reviews of the delegation of authority to ensure that responsibilities and accountabilities are clearly defined and accepted by the concerned staff members; and (b) reassessing the terms of reference of the consultant for the change management process to ascertain if the key deliverables could be adequately delivered and indicating a timeframe for completing each one.

Implementation targets for Pillars 2 and 3 not met (Issue 4)

The 'Programme and Operations Policies and Procedures' provide that annual project work plans be prepared to indicate the results to be achieved and the corresponding estimated costs. A review of the financial expenditures under Pillars 1, 2, and 3 for 2013 and 2014 (to November) found that not all delivery targets were achieved in 2013 (except for Outputs 1 and 6). It was also unlikely that the targets for 2014 would be met, mainly due to delayed

found that not all delivery targets were achieved in 2013 (except for Outputs 1 and 6). It was also unlikely that the targets for 2014 would be met, mainly due to delayed approval of annual work plans for 2013 and 2014, recruitment and procurement delays and inadequate monitoring activities to ensure that the implementation of the Project was on target.

Recommendation 3: Strengthen project planning and implementation by: (a) initiating and monitoring recruitment processes well in advance to ensure that bottlenecks are addressed in a timely manner, and personnel with the requisite qualifications and experience are recruited; and (b) ensuring that risks and challenges, such as delays in the approval of annual work plans, procurement delays, and inadequate monitoring, are captured, mitigated, and addressed in a timely manner.

Weak ICT management
(Issue 10)

The Project Management Unit did not have a Disaster Recovery Plan in place, did not establish a back-up system for data, did not have security measures in place to protect computer rooms against damage from fire and water and unauthorized access, and did not maintain a proper inventory of software and a list of respective users.

Recommendation 8: Improve ICT management by: (a) developing a comprehensive Disaster Recovery Plan; (b) establishing a system for backing up the Electronic Payroll System and critical files of the Project; (c) putting in place measures to protect the computer rooms against damage from fire and water and unauthorized access; (d) ascertaining the appropriate number of licenses needed to be procured and coordinate this with the Office's ICT Unit; and (e) maintaining and updating a complete inventory of all software and list of respective users.

Management comments and action plan

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



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