

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

AFGHANISTAN

Report No. 1897

Issue Date: 28 December 2017

Report on the Audit of UNDP Afghanistan Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Afghanistan (the Office) from 5 to 15 November 2017. 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) governance (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation, knowledge management);
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2016 to 31 October 2017. The Office recorded programme and management expenses of approximately \$976 million. The last audit of the Office was conducted by OAI in 2016.

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/some improvement needed**, which means “the assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area. This rating was mainly due to weaknesses in programme and project management, sub-optimal delivery rates of projects, and weaknesses in the management of cash advances.

Key recommendations: Total = 6, high priority = 3

Objectives	Recommendation No.	Priority Rating
Effectiveness and efficiency of operations	1	High
	2	High
Compliance with legislative mandates, regulations and rules, policies and procedures	4	High
	3, 5, 6	Medium

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. The high (critical) priority recommendations are presented below:

<p>Programme and project management weaknesses (Issue 1)</p>	<p>Weaknesses in programme and project management were noted, such as inadequate project monitoring, missing Letters of Agreement for Country Office support, and not obtaining prior approval from the Regional Bureau for directly implementing projects.</p>
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Recommendation: The Office should revise its programme management standard operating procedures to include: (a) undertaking regular assurance monitoring activities and establishing a monitoring agreement with a third-party to areas where staff members are unable to access; (b) signing a Letter of Agreement with the Government for Country Office support; and (c) obtaining prior approval from the Regional Bureau for direct implementation of projects.

Sub-optimal delivery rates of projects (Issue 2)

Projects recorded expenditure rates well below the budget as at November 2017: Project No. 88841 with a budget of \$3.7 million had an expenditure rate of 38 percent; Project No. 94515 had expenditure of only 11 percent of its \$1.6 million budget while Project No. 95669 with a budget of \$7.6 million had expended only 12 percent. These projects were unlikely to substantially meet their objectives.

Recommendation: The Office should improve project implementation by ensuring: (a) close cooperation between operations and programme units is established for the efficient implementation of procurement and recruitment activities; (b) annual work plans are realistic and adjusted, as appropriate, to any emerging risks identified during the mid-year review that may impact implementation of activities; and (c) capacity of implementing partners is strengthened and alternative implementation modalities are identified for areas with limited access due to security challenges.

Weaknesses in management of project cash advances (Issue 4)

The following exceptions were noted in the review of project cash advances: (a) delays in liquidating advances; (b) 'cash custodian appointment forms' not signed; (c) project cash advances to service contract holders exceeded the authorized limit without Treasury approval; (d) project cash advances to fixed-term appointment staff without Treasury approval; (e) increase in the project cash advance threshold for fixed-term appointment staff and service contract holders without Treasury approval; and (f) lack of use of the Project Cash Advance (PCA) Status Monitor report.

Recommendation: The Office should enhance controls in managing project cash advances by: (a) enhancing efforts to ensure that project cash advances are cleared within 14 days after the last day of the project activities as required by the UNDP's Treasury, including requiring recipients to sign the 'cash custodian appointment forms'; (b) utilizing the PCA Status Monitor report and having it reviewed by a designated staff member to enhance management of cash advances; and (c) seeking prior approval from the UNDP's Treasury for advances over \$25,000 to fixed-term staff and for advances over \$1,000 to service contract holders.

Implementation status of previous OAI audit recommendations: Report No. 1745, 23 December 2016.

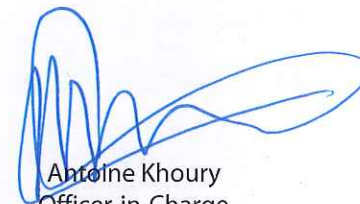
Total recommendations: 8
Implemented: 4
In progress: 3
Not implemented: 1

Report No. 1745 pertains to the audit of the project directly implemented by UNDP Afghanistan titled Local Governance Project (Project No. 90448). The recommendation where no action has been taken yet has a high (critical) priority and pertains to cost recovery for the use and subsequent transfer of project vehicles with a net book value of \$0.4 million as of August 2016.

Management comments and action plan

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

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

A handwritten signature in blue ink is enclosed in a black rectangular box. The signature is stylized and appears to read 'Antoine Khoury'.

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