



LIMITED SCOPE AUDIT

OF

UNDP COUNTRY OFFICE

IN

AFGHANISTAN

Report No. 2569
Issue Date: 17 January 2023

Report on the limited scope audit of UNDP Afghanistan Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted a limited scope audit of UNDP Afghanistan (the Office) from 30 October to 10 November 2022. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas:

- (a) Development activities
- (b) Financial management
- (c) Human Resources management

The audit team did not review the areas of governance, procurement, administrative services and ICT.

The audit covered the activities of the Office from 1 January 2021 to 31 July 2022. The Office recorded programme and management expenses of approximately \$290 million. The last audit of the Office was conducted by OAI in 2019.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors (The IIA).

Overall audit rating

OAI issued an audit rating for the areas reviewed (development activities, financial management, and human resource management) of **partially satisfactory / major improvement needed**, which means “The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.” This rating was mainly due to weaknesses within programme and project design; project implementation; project closure and evaluation activities; and HACT implementation.

Key recommendations: Total = **5**, high priority = **4**

The five recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1, 2	High
Safeguarding of assets	4	High
Compliance with legislative mandates, regulations and rules, policies and procedures	3	High
	5	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. All high (critical) priority recommendations are presented below:

Weaknesses in programme and project design (Issue 1)

A Country Programme Board and Project Board for project 138844 were not established.

In addition, the project quality assurance assessments were incomplete for 11 projects. For 11 projects, the required additional safeguard measures had not been put in place following social and environmental screening.

Recommendation: The Office should strengthen project and programme design by: (a) establishing Programme and Project Boards to monitor progress and provide assurance on the delivery of the Country Programme and Projects; and (b) completing quality assurance activities at each stage of the project cycle and finalizing the Social and Environmental Standard safeguard measures.

Weaknesses in project implementation (Issue 2)

The Office experienced low programme delivery and as of 8 November 2022, programme delivery was 34 percent of the \$239 million annual programme budget. As of 31 December, this increased to 71 percent of the budget.

In addition, there were delays in implementing the monitoring and evaluation framework for the Area Based Approach for Development Emergency Initiatives (ABADEI) programme.¹

Finally, risk logs had not been updated in Atlas for three of five projects sampled, and there was no process in place to escalate ‘high’ risks at the project level to the Country Office risk register.

Recommendation: The Office should strengthen project implementation by: (a) finalizing the ABADEI Information Management System (AIMS); (b) establishing plans to accelerate delivery supported by robust monitoring of the ABADEI programme through a combination of third party and regional office monitoring; and (c) ensuring that risks logs are timely updated in Atlas with an established process for risk escalation.

Weaknesses in project closure and evaluation activities (Issue 3)

Seven projects were financially closed between 2011 and 2018. There was a combined balance of \$714,782 relating to these projects, which had not been returned to donors.

For 15 out of 34 projects, the Atlas end dates had been exceeded as the projects remain in progress. In addition, the Office was experiencing delays in completing closure activities for two projects (126930 and 89137).

There was no independent Country Programme evaluation completed in the penultimate year of the programme cycle and there were no outcome evaluations, as required by the policy.

Recommendation: The Office should strengthen project closure and evaluation activities by: (a) expediting the return of unused funds to donors relating to closed projects; (b) either extending or proceeding to operational and financial closure for expired Atlas projects; and (c) completing project, programme and outcome evaluations in accordance with corporate requirements.

¹ The ABADEI Programme comprises all projects except those relating to Global Fund. Within this programme there are two ABADEI Projects (ABADEI PIP Project No. 138844 and ABADEI UNJ Project No. 141016).

Weaknesses in HACT implementation (issue 4)

Delays in completing spot checks

Following the regime change in 2021, the Harmonized Approach to Cash Transfer (HACT) audits for three ministries with combined expenditures of \$172.8 million could not be completed, as the corresponding government counterpart and supporting documents were no longer accessible. In addition, the Office did not complete any spot checks in 2021. The assurance plan for 2022 included six spot checks and as of 8 November 2022, four spot checks had not been completed.

Inadequate actions following adverse audit opinions

One ministry had received adverse opinions in all four audits covering the period 2019 and 2020, with total ineligible expenditures of \$2.1 million, or 27 percent of the total amounts disbursed. In 2021 the Office had not adjusted the corresponding risk rating or cash disbursement modality following these audits and had been unable to recover the ineligible expenditures.

Delays in contracting of third-party monitoring agent

Due to delays in the contracting process, there was no review of the payroll by a monitoring agent for the period from April 2020 to July 2021.

Recommendation: The Office should strengthen HACT implementation by: (a) ensuring spot checks are completed early in the year, and taking immediate action to address control issues, following adverse audit ratings, such as increasing the frequency of spot checks and reviewing the applicability of the direct cash transfer modality; and (b) ensuring the timely contracting of third-party monitoring agents.

Implementation status of previous OAI audit recommendations:

Report No. 2084, 12 February 2020

Total recommendations: 7

Implemented: 6

Withdrawn: 1

Report No. 2531 (DIM audit), 10 August 2022

Total recommendations: 2

Implemented: 2

Management comments and action plan

The Resident Representative accepted the five 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.

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