



INTERNAL AUDIT DIVISION

REPORT 2019/032

Audit of the United Nations
Environment Programme Afghanistan
Project Office

There was need to enhance monitoring and
accountability at the Afghanistan Project
Office

15 May 2019
Assignment No. AA2018/220/02

Audit of the United Nations Environment Programme Afghanistan Project Office


EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Environment Programme (UNEP) Afghanistan Project Office. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring efficient and effective management of the UNEP Afghanistan Project Office. The audit covered the period from 1 January 2016 to 31 October 2018 and included a review of: (i) project management; (ii) management of implementing partners; and (iii) financial and administrative management.

The audit indicated that there was a need for UNEP to enhance monitoring and accountability systems at the Afghanistan Project Office.

OIOS made 11 recommendations. To address the issues identified in the audit, UNEP needed to:

- Establish accountability to ensure that the grants for the Afghanistan Project Office are completed in a timely manner;
- Ensure that the Afghanistan Project Office: (i) expedites the identification and correction of all reporting errors in the grant titled “Building Adaptive Capacity and Resilience to Climate Change in Afghanistan”; and (ii) submits accurate reports to the representative of the Global Environment Facility as required;
- Ensure that the Afghanistan Project Office reverses all ineligible expenditure charged to grants that are no longer active and expedites their operational and financial closure.
- Develop effective monitoring mechanisms at the Afghanistan Project Office to strengthen reporting systems and proactively respond to the challenges and changes that may affect the achievement of objectives;
- Ensure that activities undertaken by implementing partners are closely monitored in a timely manner by: (i) requiring progress and financial reports prior to subsequent instalment payments of funds in accordance with the legal instruments; and (ii) undertaking physical verification and site visits to assess the implementation and provide technical support where needed;

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- Review and reconcile all disbursements made to a United Nations agency (Agency A) and ensure that adequate documentation is available to support the expenditure incurred by Agency A on behalf of the Afghanistan Project Office;
 - Assess and re-allocate all payments made to Agency A and other providers of goods and services to the correct expenditure accounts based on actual goods and services received;
 - Correct the financial information in Umoja and send revised financial reports to donors in accordance with the respective grant agreements;
 - Strengthen its management of consultants by ensuring that there is transparency in the recruitment process and accountability for work done; and
 - Strengthen its management of travel at the Afghanistan Project Office by ensuring that all travel taken is valid, authorized, and accurately recorded.

UNEP accepted the recommendations and has initiated action to implement them.

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Audit of the United Nations Environment Programme Afghanistan Project Office

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Environment Programme (UNEP) Afghanistan Project Office.
2. The Afghanistan Project Office (or “Project Office”) was established in 2003 following a post-conflict environmental assessment of Afghanistan by UNEP. This assessment highlighted serious and widespread land and resource degradation including lowered water tables, desiccation of wetlands, widespread loss of vegetative cover, erosion and loss of wildlife. Decades of conflict and violence coupled with drought and earthquakes had had a devastating impact on the people of Afghanistan and its natural environment. Initial collaboration between UNEP and the Government of Afghanistan was through technical assistance to set up a national environmental agency. Since then, UNEP has expanded its focus to include rebuilding structures of governance and addressing urgent urban environmental and natural resource management issues.
3. The Project Office implemented a programme titled “Building Environmental Resilience in Afghanistan” which focused on building environmental resilience and sustainability throughout the country through: (a) strengthening environmental governance and building institutions; (b) providing technical assistance in fulfilling the administrative obligations of each ratified convention; (c) putting in place robust knowledge management and environmental outreach activities; (d) developing community-based natural resources management; and (e) preserving the country’s diverse landscape.
4. The Project Office, located in Kabul, was under the Ecosystems Division of UNEP until January 2018 when it was moved to the Policy and Programme Division. The Office was headed by the Country Programme Manager (CPM) and had two staff and 22 consultants. The CPM reported to the Operations Manager, Crisis Management Branch (CMB) at the UNEP Office in Geneva. The Project Office implemented nine grants and incurred a total expenditure of \$7.1 million during the period 1 January 2016 to 31 October 2018.
5. Comments provided by UNEP are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring efficient and effective management of the UNEP Afghanistan Project Office.
7. This audit was included in the 2018 risk-based work plan of OIOS due to the risk that potential weaknesses in the management of the Project Office could adversely affect the efficient and effective utilization of resources and accomplishment of UNEP objectives.
8. OIOS conducted this audit from November 2018 to February 2019. The audit covered the period from 1 January 2016 to 31 October 2018. Based on an activity-level risk assessment, the audit covered risk areas in the management of the Project Office which included: (i) project management; (ii) management of implementing partners; and (iii) financial and administrative management.

9. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; (d) random sample testing; and (e) physical verification which included site visits.

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

III. AUDIT RESULTS

A. Project management

Need to address delays in project implementation

11. The UNEP Project Cycle Management system requires an adaptive management style which ensures that project activities are delivered efficiently and effectively. This is to be done by monitoring of progress towards expected results as outlined in the logical frameworks and delivery plans, as well as monitoring of project expenditure against the authorized budgets. This required a proactive response to any challenges and changes that may adversely impact the achievement of project objectives.

12. There were delays in implementing project activities for all the grants at the Project Office. The timelines of seven grants that were to be completed between 2016 and 2017 were extended to the first or second quarter of 2019. Also, there was inadequate assignment of responsibilities and accountability for project implementation. Until August 2018, Project Office staff and consultants had no responsibilities and accountabilities for specific grants. The terms of reference (TOR) for staff and consultants were not linked to accomplishment of specified grant objectives and execution of related activities. This resulted in poor performance, delayed implementation and lack of accountability.

13. In August 2018, UNEP reorganized the Project Office and assigned specific projects to staff and consultants who were to be responsible for accomplishing specific grant objectives. However, at the time of the audit, their TOR were not revised to facilitate effective project implementation and performance evaluation. Delays in project implementation could adversely affect UNEP's ability to achieve its objectives in Afghanistan.

(1) UNEP should establish accountability to ensure that the grants for the Afghanistan Project Office are completed in a timely manner.

UNEP accepted recommendation 1 and stated that since April 2018, CMB had systematically made efforts to streamline accountability mechanisms with programmed periodic visits by its senior management to the Project Office. As of January 2019, a clear Office structure had been put in place and TOR of all personnel revised. As of March 2019, a new CPM (P-4) had been recruited and reported to Kabul to assume duty. An exercise had been ongoing in Kabul since November 2018 to bring all the project teams together to see where they stood in terms of project deliverables, key actions needed and possible synergies. A programme of work and visits to the Project Office by CMB managers for the year 2019 had been outlined and was currently being enforced. The Chief of Branch, Operations Manager, Programme Officer and the Fund Management Officer undertook missions to the Project Office with the aim that by end of 2019, project implementation would be aligned to their timelines. Recommendation 1 remains open pending receipt of evidence that accountability mechanisms have been established to ensure that the grants for the Project Office are completed in a timely manner.

Need to resolve the concerns raised by the UNEP Climate Change Adaptation Unit

14. In October 2012, Global Environment Facility (GEF) approved a \$5.39 million grant titled “Building Adaptive Capacity and Resilience to Climate Change in Afghanistan”. The aim of the grant was to support Afghanistan in improving water management systems, terracing, pastoral systems, climate-related research, early warning systems, food security and rangeland management. The grant commenced in May 2013 and was expected to be completed in April 2019 after several extensions. The grant was to be executed by the National Environment Protection Agency (NEPA) with support provided by the Project Office under the supervision of the UNEP Climate Change Adaptation Unit (CCAU).

15. In June 2017, CCAU raised concern on over-expenditure, consistent delays in reporting and possible inaccuracies in the reports of the Project Office. There were differences between amounts reported and what appeared in financial management systems maintained by UNEP (the current Umoja system and the previous Integrated Management Information System). There was also over-expenditure against the allocated budget and insufficient information on payments made to a United Nations agency (hereafter referred to as “Agency A”). Furthermore, staff costs, consultancy fees and travel costs were inflated or incurred without sufficient information on whether they related to the grant. Implementation reports were late, unreliable and had insufficient information on achievements. There were delays in recruiting a National Project Coordinator to manage the grant and there was no clear involvement of NEPA in the execution of the grant. The Project Office did not take action on the concerns raised by CCAU despite repeated reminders.

16. In August 2017, CCAU undertook a field visit and raised the same concerns, noting that the lack of a monitoring system made it difficult to determine what results had been achieved for the \$3 million spent. Despite these concerns, CMB continued to release additional funds to the Project Office.

17. In June 2018, the Project Office submitted a financial report without sufficient expenditure details. By then, the grant expenditure was \$3.79 million, leaving a balance of \$1.59 million. CCAU suspended further release of funds until the concerns raised were addressed. Following this suspension, CMB commenced an expenditure review process to establish and quantify ineligible costs that were not chargeable to the grant. CMB’s analysis of the June 2018 financial report indicated that salary and consultancy costs totaling \$1.17 million were erroneously charged to the grant. Similarly, in January 2019, CMB wrote a memo to CCAU stating that travel costs amounting to \$95,848 had been identified as wrongly charged to the grant. However, the review process was still ongoing at the time of the audit, and no action had been taken to correct the erroneous charges.

18. In November 2016, GEF approved a new grant of \$6.9 million but implementation had not commenced because the concerns raised by CCAU were yet to be fully addressed. Delays in taking corrective action and failure to resolve the concerns raised on important project management issues may adversely impact UNEP’s reputation and could result in decline of donor support for future projects in Afghanistan.

(2) UNEP should ensure that the Afghanistan Project Office: (i) expedites the identification and correction of all reporting errors in the grant titled “Building Adaptive Capacity and Resilience to Climate Change in Afghanistan”; and (ii) submits accurate reports to the representative of the Global Environment Facility as required.

UNEP accepted recommendation 2 and stated that CMB continued to work with CCAU since 2018 to reconcile expenditures reported by the Project Office and quantify deliverables made by the implementing partners and project personnel. These discussions were aimed at arriving at an acceptable and accurate financial and narrative reporting to GEF. The following actions had

already been undertaken: (a) all the travels charged to the project were reviewed and some of the travels were moved out to other projects; (b) expenditure report was reviewed to identify other items which may not be linked to the project and had been presented to CCAU; and (c) the information on Green Grant Funding Agreements activities and reports were provided to the GEF Team so that they could be approved. Discussions were underway and currently logical frameworks, work plans and budgets for phase II of the project were being discussed for a re-start of the activities during the year 2019. Recommendation 2 remains open pending receipt of evidence that errors have been corrected and that accurate reports have been submitted to GEF.

Need to expedite the closure of completed grants

19. The UNEP Programme Manual requires projects to be closed when all operational and financial activities have been completed. This is done by ensuring that the knowledge gained and lessons learned are systematically documented, and all commitments are settled and accounted for.

20. The Project Office had three grants whose activities were completed between October 2015 and December 2017 but the grants remained open. The Office continued to charge expenditure to two of these grants even though the related activities were already completed. In 2018, \$202,637 was charged to a grant for consultancy services and payments to Agency A even though the grant activities had ended in July 2017. In the same year, an amount of \$100,132 was charged to another grant for personnel costs whereas the last activity under this grant was in December 2017. Yet another grant which had a funding of \$136,000 was still open even though the related activities had ended in 2015, leaving a small cash balance of \$2,374.

21. *UNEP stated that two grants were sub-sets of parent grants that were managed across many countries and could not be closed when the parent grants were still active. CMB was not in a position to initiate project closure without concurrence of the contributing division. However, OIOS noted that CMB had not communicated with the contributing division on when and how to initiate closure of the two grants. UNEP also stated that another grant agreement was still active at the time of charging the costs. OIOS noted that operational activities had ended and the grant was dormant when these costs were charged.*

22. The delay in closure of grants increased the risk that unspent balances may be misused by charging expenditures that are not related to activities pertaining to the concerned grant.

(3) UNEP should ensure that the Afghanistan Project Office reverses all ineligible expenditure charged to grants that are no longer active and expedites their operational and financial closure.

UNEP accepted recommendation 3 and stated that since 2018, CMB had been reviewing disputed charges to grants and reversing incorrectly charged costs to respective grants that were not closed. Operational and financial closure had been prioritized with narrative and financial reports availed to GEF and other donors. CMB expected that all grants that were operationally closed or activities that had ended in 2018 and prior years that were not closed would be closed by the end of 2019. Recommendation 3 remains open pending receipt of evidence that all ineligible expenditure charged to grants that are no longer active had been reversed and that inactive grants are operationally and financially closed.

Need to strengthen monitoring in the Project Office

23. According to the UNEP Programme Manual, project performance and achievements need to be regularly assessed, and project managers should proactively respond to challenges and changes that may

affect delivery. An adaptive management approach is required to ensure that key risks and challenges are identified and addressed in a timely manner, including any grievances that may adversely affect implementation. OIOS noted the following with regard to the Project Office.

24. There was inadequate physical presence in Afghanistan of CMB staff to oversee the Project Office and understand the challenges faced by its staff and consultants. Prior to March 2018, the CMB Operations Manager had last been to the Project Office in 2014, whereas the CMB Chief visited the Project Office in January 2015 and December 2016. Even though CMB communicated with the Project Office on a weekly basis, this was inadequate to address the problems and delayed implementation of grant activities at the Project Office.

25. In December 2017, CMB undertook an internal review of the Project Office following complaints of improper management of a grant. The review assessed that the CPM, who had been in the position since 2013, had improperly managed the resources of the Office. The CPM resigned in March 2018 and UNEP has since requested an investigation into allegations of mismanagement.

26. The monitoring and evaluation (M&E) systems at the Project Office were not effective. The Project Office had established a M&E Unit to support its monitoring and evaluation activities. However, the Unit did not have a monitoring plan or a centralized database for collation of data on monitoring activities. As a result, site visits were uncoordinated and poorly managed, and the lack of a centralized database compromised the accuracy of the progress reports sent to donors and those uploaded in the Programme Information and Management System. Additionally, Project Office staff and consultants did not have access to financial information relating to their respective grants. This impaired their ability to monitor the grants they were working on.

27. In March 2018, CMB hired a consultant who undertook a review of all the grant activities and produced a status report for each grant. However, these reports provided a dashboard assessment of the grant status at that point in time. The Project Office needs a viable M&E system that provided continuous and accurate assessment of grant activities.

(4) UNEP should develop effective monitoring mechanisms at the Afghanistan Project Office to strengthen reporting systems and proactively respond to the challenges and changes that may affect the achievement of objectives.

UNEP accepted recommendation 4 and stated that a M&E specialist had been appointed by the Project Office in January 2019 with clear TOR discussed and agreed with the appointed person. Moreover, a work plan of the M&E specialist was developed and will be monitored periodically to streamline efficiency and accountability mechanisms within the Project Office. Recommendation 4 remains open pending receipt of evidence that effective monitoring mechanisms have been established at the Project Office to strengthen reporting and proactive response to challenges and changes that may affect the achievement of objectives.

B. Management of implementing partners

28. In 2014 and 2015, the Project Office engaged 27 implementing partners in three provinces of Afghanistan (Bamyan, Daykundi and Badakhshan) as well as the city of Kabul. The implementing partners included community-based organizations such as Community Development Councils, non-governmental organizations (NGOs) and NEPA who were engaged to implement environment-related activities such as planting trees, building reservoirs, woodlots, gabions and training centres. The engagements were done through small scale legal instruments valued at \$1.5 million for one to two years. As of 31 October 2018,

UNEP disbursed \$1.3 million to the Project Office which in turn disbursed \$1 million to the implementing partners. OIOS' review of the management of the implementing partners indicated the following.

Need to monitor implementing partners

29. Monitoring of implementing partners involves an assessment of progress in project implementation and utilization of funds against the parameters outlined in the legal instruments. It includes physical verification or site visits and review of reports submitted by implementing partners in accordance with the requirements specified in the legal instruments.

30. There was no evidence that field visits were undertaken to monitor the progress of work done by implementing partners. Further, implementing partners did not submit progress and financial reports prior to disbursement of instalment payments as was required in the legal instruments. UNEP stated that field visits were undertaken by staff located in their field office in Bamyán but did not provide documentation to support this. Therefore, while instalment payments were made to implementing partners, there was insufficient evidence that the work was satisfactorily done. Towards the end of the contract period, the Project Office conducted performance evaluations of implementing partners and rated them as either "good" or "excellent". It was unclear how these evaluations were completed in the absence of progress and financial reports or evidence of site visits.

31. Over two years after the expiration of the legal instruments, in August 2018, CMB hired a consultant to physically verify the achievements of the implementing partners due to concerns of mismanagement. The consultant reviewed 24 of the 27 implementing partners and found that the partners had only partially implemented what was agreed. Notably, two implementing partners did not implement any activities and could not account for the \$170,000 spent. The consultant's report assessed that the poor implementation of activities was due to inadequate funding and lack of technical support and guidance by UNEP. Further, due to poor planning and lack of involvement of beneficiaries, the activities outlined in the legal instruments did not address local needs. Therefore, implementing partners ended up implementing activities that they were not contracted to, but what they deemed necessary. The consultant also reported that some implementing partners alleged corrupt practices by the Country Programme Manager who was in Office until March 2018. Subsequently, an assessment by the Office's M&E Officer also found significant differences between planned and actual activities.

32. While UNEP took measures to address the situation in the Project Office, these measures were implemented too late to enable implementing partners to build the required capacity to effectively implement the activities and accurately report on their progress.

(5) UNEP should ensure that activities undertaken by implementing partners are closely monitored in a timely manner by: (i) requiring progress and financial reports prior to subsequent instalment payments of funds in accordance with the legal instruments; and (ii) undertaking physical verification and site visits to assess the implementation and provide technical support where needed.

UNEP accepted recommendation 5 and stated that since April 2018, there had been a systemic review of implementing partners work in the Project Office. Field review for all components of the field implementation was conducted in August 2018 and with a final report finalized in December 2018. With the appointment of the M&E specialist, close monitoring of field activities was being enhanced. Clear instructions on adherence to donor agreements on narrative and financial reporting had been issued to all managers and the Project Office and this was already being enforced and would reach full compliance as expected by end of 2019. Recommendation 5 remains open pending receipt of evidence that there is close monitoring of implementing partners by: (i) requiring

progress and financial reports prior to subsequent instalment payments of funds in accordance with the legal instruments; and (ii) undertaking physical verification and site visits to assess the implementation and provide technical support where needed.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]



C. Financial and administrative management

Need to strengthen monitoring and accountability systems for services provided by Agency A

36. On behalf of the Project Office, the UNEP Ecosystems Division signed various agreements with Agency A for provision of services which included human resources management, management of travel, logistics, security, procurement, disbursement of funding to UNEP's implementing partners, and other back office services. The agreements with a total value of \$6.9 million were signed with Agency A's offices in Afghanistan, Geneva and New York under an umbrella agreement. OIOS review of the transactions relating to Agency A revealed the following.

(a) Provision of services outside the umbrella agreement

37. The agreement between the Project Office and Agency A in Afghanistan included a service for the fiduciary management and disbursement of funds to UNEP's implementing partners by Agency A. This was not in accordance with the overarching umbrella agreement which only provided for human resources management and procurement services. By including this service in the agreement, the then CPM was able to circumvent controls by issuing legal instruments from the Project Office without legal review and authorizing disbursement of funds to implementing partners without the knowledge of CMB. Since the Project Office has indicated that it will be phasing out this arrangement, OIOS did not make a recommendation on this matter.

(b) Need for transparency and accountability

38. UNEP advanced funds to the three offices of Agency A which provided services to the Project Office and CMB. Agency A was required to account periodically for the amounts advanced by providing comprehensive status reports including human resources activities undertaken, procurement services provided, and the related administrative fee charged. Narrative reports on the progress of activities as well as financial reports were to be prepared in accordance with Agency A's financial regulations, rules, policies and procedures.

39. During the period under review, funds amounting to \$3 million were advanced to the three offices of Agency A. However, Agency A did not provide narrative reports or any other information to explain the nature of services provided and billed for. Further, CMB was unable to identify the irregular payments made to implementing partners by the then CPM amounting to \$283,959 which were made through Agency A and authorized by the CPM.

40. The lack of information from Agency A compromised transparency and accountability for the funds disbursed and limited UNEP's ability to monitor the costs incurred on its behalf. Further, CMB did not consistently maintain its own independent records of expenditure and service requests sent to Agency A, which hampered reconciliation against the billing and financial statements received from Agency A.

(7) UNEP should review and reconcile all disbursements made to Agency A and ensure that adequate documentation is available to support the expenditure incurred by Agency A on behalf of the Afghanistan Project Office.

UNEP accepted recommendation 7 and stated that the agreement with Agency A was extended for a further period until 30 June 2019 to allow for orderly conclusions of activities and financial reporting. CMB received from Agency A detailed expenditure for the period ended 31 December 2018. These expenditures had been reviewed and are posted appropriately. CMB had started the process of reviewing the cooperation with Agency A and was keen on using services provided by Agency A via a global corporate level arrangement with UNEP. Recommendation 7 remains open pending receipt of evidence that all disbursements made to Agency A have been reviewed and reconciled, and that adequate documentation has been provided to support the expenditure incurred by Agency A on behalf of the Project Office.

Need to strengthen budgeting and financial reporting systems

41. The Project Office budgeting and financial management systems were managed by a Fund Management Officer (FMO) in CMB who reported to the Operations Manager. The FMO also prepared financial reports to donors in accordance with the funding agreements. During the period under review, the Project Office's expenditure amounted to \$7.1 million of which \$3 million (42 per cent) was paid out to Agency A and another \$2.5 million (36 per cent) was for personnel costs, consultancy fees and travel costs. The remaining \$1.5 million (22 per cent) was paid to implementing partners, contractual services and programme support costs. OIOS' review of budgeting and financial management indicated the following.

(a) Errors in recording payment transactions with Agency A

42. The entire amount of \$3 million paid to Agency A was not allocated to the various line items to which they related such as personnel costs, consultancy fees and travel services. Instead, \$2.6 million was posted as payments to implementing partners whereas \$0.3 million was posted as expenditure towards contractual services. These errors distorted the information in Umoja and the donor reports.

43. OIOS could also not establish how the \$3 million was allocated to the various grants. For example, expenditures had been charged to grants whose activities had already ended. The amounts were posted as payments to implementing partners. OIOS concluded that the charges were based not on actual services received from Agency A but on unspent balances in the grants.

(b) Errors in reporting other expenditure

44. In assessing personnel costs, OIOS noted that salaries for staff that did not work at the Project Office were charged to the grants. The 2017 salary for a Programme Manager of another country office amounting to \$120,808 was charged to one grant. Similarly, personnel costs amounting to \$94,674 for two staff that were not part of the Project Office were charged to another grant. In addition, CMB identified salary and consultancy costs totaling \$1.1 million that were erroneously charged to one of the grants.

45. Some travel costs were charged to grants that they did not relate to. OIOS identified travel costs amounting to \$33,967 that were incorrectly charged to a grant for trips that did not relate to that grant. Further, CMB identified travel costs amounting to \$95,848 that were wrongly charged but no corrective action had been taken at the time.

(8) UNEP should assess and re-allocate all payments made to Agency A and other providers of goods and services to the correct expenditure accounts based on actual goods and services received.

UNEP accepted recommendation 8 and stated that detailed financial reports for the period ended on 31 December 2018 for Agency A had been received and reviewed. Further, at the expiry of the umbrella agreement on 30 June 2019, all expenditures would be reviewed, reconciled and posted accordingly. Recommendation 8 remains open pending receipt of evidence that all payments made to Agency A and other providers of goods and services have been assessed and re-allocated to the correct expenditure accounts.

(c) Non-compliance with donor reporting requirements

46. CMB did not report to donors as required in the funding agreements. For the period under review, OIOS was only provided with between two to three financial reports for each grant, which was insufficient as the grant agreements required reporting quarterly or half yearly. There were also inconsistencies in reporting of commitments in the financial reports as some of the reports included commitments as part of expenditure while others did not include commitments. The FMO also prepared and signed off the financial reports to donors without the required delegation of authority. Further, the FMO was also responsible for posting transactions and the overall financial management of the Project Office. There was no segregation of duties or independent review of the reports before they were sent to donors.

47. Non-submission or submission of inaccurate reports to donors could adversely affect donor relations and may lead to loss of credibility.

(9) UNEP should correct the financial information in Umoja and submit revised financial reports to donors in accordance with the respective grant agreements.

UNEP accepted recommendation 9 and stated that financial reporting to donors including narrative progress reporting had been streamlined and strictly followed the agreement provisions. Reporting for the period ended on 31 December 2018 had been submitted to donors and funding divisions. Recommendation 9 remains open pending receipt of evidence that financial information in Umoja has been corrected and revised, and that financial reports have been sent to donors in accordance with the respective grant agreements.

Need to strengthen mechanisms for managing consultants

48. During the period under review, the Project Office hired 54 consultants to undertake assignments, both in Kabul and at the CMB Office in Geneva. Twenty-seven of these consultants were hired under UNEP as prescribed under ST/AI/2013/4 on Consultants and Individual Consultants, while the remaining 27 were hired through Agency A using the umbrella agreement. OIOS' review of the management of these consultants indicated the following:

(a) The selection process for consultants hired through Agency A was not transparent. UNEP, which was responsible for the pre-selection process according to the agreements, did not openly advertise the positions for consultants or maintain a roster of qualified candidates from which consultants could be selected. There was no documentation of how the sourced candidates were shortlisted before submission to Agency A for contracting. The lack of transparency in selection of consultants increased the risk of abuse. In May 2018, CMB terminated the contracts of three consultants who had been irregularly hired by the then CPM. These consultants were brought on board even though they were in full time employment elsewhere.

(b) The TORs outlined in the consultancy contracts were generic and the expected outputs were not specific, measurable, attainable, results-based and time-bound. The deliverables in the TORs for consultants that were in charge of more than one grant were not tied to grant activities and objectives. As a result, consultants could not be held accountable for non-accomplishment of grant objectives.

(c) There was no evidence of achievement of expected outputs in 25 cases reviewed. Furthermore, there was no evidence of how the remuneration rates for consultants hired under the agreement with Agency A were determined, which was the responsibility of UNEP.

49. Lack of transparency in hiring and remuneration of consultants could result in UNEP not obtaining value for the money spent.

(10) UNEP should strengthen its management of consultants by ensuring that there is transparency in the recruitment process and accountability for work done.

UNEP accepted recommendation 10 and stated that a system had been put in place since November 2018 for recruitment of consultants contracted by Agency A. These guidelines had been communicated to all managers and copies shared with the audit team for reference. Service providers including Agency A had been duly informed through circulars issued by CMB on the parameters regarding the cooperation and acceptability of requests from UNEP. This practice would continue as a mode of operation for personnel managed and recruited on behalf of UNEP going forward. However, OIOS notes that the guidelines shared with the audit team in February 2019 indicate that they would be operational in January 2019 which contradicts UNEP's assertion that they were put in place in November 2018. Further, the guidelines are still new and it takes time to demonstrate that they are effective in addressing the control deficiency noted. Therefore, recommendation 10 remains open pending receipt of evidence that the management of consultants has been strengthened by ensuring that there is transparency in the recruitment process and accountability for work done.

Need to enhance monitoring and accountability mechanisms in the management of travel

50. CMB and Agency A managed international travel for the Project Office. Travel managed under UNEP was processed through the Umoja System and managed in line with ST/AI/2013/3 on Official Travel. Local travel was managed by the Project Office, which had a \$70,000 agreement with Agency B for provision of these services. Management was also required to adhere to UNEP's well-established travel processes which mandated documented pre-authorization of the trips and detailed accounting and justification for the travel through mission reports or similar documentation.

51. During the period under review, 341 trips amounting to \$790,751 were undertaken by staff, consultants and meeting participants. A review of the management systems for these trips revealed the following control deficiencies:

(a) Ten trips amounting to \$35,274 were taken by consultants who did not have valid contracts. The trip durations were either longer than the remaining contract period or the trips were undertaken after the consultancy contracts had already expired. This was contrary to section 5 of ST/AI/2013/4 on consultants and individual contractors which stipulated that consultants and individual contractors should not commence work or travel until contracts were approved and signed by both parties. This also meant that consultants were undertaking work assignments without valid contracts.

(b) Four trips costing \$24,074 for two consultants were overlapping, resulting in overpayment of travel allowances. *UNEP stated that action was being taken to recover the payments from the consultants.*

(c) There was no evidence of travel authorization for 11 of 36 trips that totaled \$21,976. Further, all 36 trips amounting to \$122,936, did not have mission reports or similar documentation to account for and justify the trips. Therefore, it was not possible to confirm the contribution of these trips to the accomplishment of the Project Office objectives.

(d) In January 2016, the Project Office paid \$30,000 to Agency B for local trips undertaken in 2015. Other than a statement from Agency B that had a breakdown by reference number and amount, no documentation was provided to explain the nature and purpose of the trips, or to evidence authorization and accountability.

(11) UNEP should strengthen its management of travel at the Afghanistan Project Office by ensuring that all travel taken is valid, authorized, and accurately recorded.

UNEP accepted recommendation 11 and stated that clear instructions to all staff and personnel, including those at the Project Office, had been issued in October 2018 for travel requests processing. Instructions to all travelers on project funds had since October 2018 been undertaken and recorded in Umoja and mission reports filed in WeCollaborate. All travel requests were now certified by the branch FMO and approved by the CMB Chief. Recommendation 11 remains open pending receipt of evidence that management of travel at the Project Office has been strengthened by ensuring that all travel taken is valid, authorized, and accurately recorded.

IV. ACKNOWLEDGEMENT

52. OIOS wishes to express its appreciation to the management and staff of UNEP for the assistance and cooperation extended to the auditors during this assignment.

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the United Nations Environment Programme Afghanistan Project Office

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNEP should establish accountability to ensure that the grants for the Afghanistan Project Office are completed in a timely manner.	Important	O	Receipt of evidence that accountability mechanisms have been established to ensure that the grants for the Project Office are completed in a timely manner.	30 September 2019
2	UNEP should ensure that the Afghanistan Project Office: (i) expedites the identification and correction of all reporting errors in the grant titled “Building Adaptive Capacity and Resilience to Climate Change in Afghanistan”; and (ii) submits accurate reports to the representative of the Global Environment Facility as required.	Important	O	Receipt of evidence that errors have been corrected and that accurate reports have been submitted to GEF.	31 December 2019
3	UNEP should ensure that the Afghanistan Project Office reverses all ineligible expenditure charged to grants that are no longer active and expedites their operational and financial closure.	Important	O	Receipt of evidence that all ineligible expenditure charged to grants that are no longer active had been reversed and that inactive grants are operationally and financially closed.	30 June 2020
4	UNEP should develop effective monitoring mechanisms at the Afghanistan Project Office to strengthen reporting systems and proactively respond to the challenges and changes that may affect the achievement of objectives.	Important	O	Receipt of evidence that effective monitoring mechanisms have been established at the Project Office to strengthen reporting and proactive response to challenges and changes that may affect the achievement of objectives.	30 June 2019
5	UNEP should ensure that activities undertaken by implementing partners are closely monitored in a timely manner by: (i) requiring progress and financial reports prior to subsequent instalment payments of funds in accordance with the legal instruments; and (ii) undertaking physical verification and site visits to assess the	Important	O	Receipt of evidence that there is close monitoring of implementing partners by: (i) requiring progress and financial reports prior to subsequent instalment payments of funds in accordance with the legal instruments; and (ii) undertaking physical verification and site visits to assess the	31 December 2019

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNEP in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

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Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	implementation and provide technical support where needed.			implementation and provide technical support where needed.	
7	UNEP should review and reconcile all disbursements made to Agency A and ensure that adequate documentation is available to support the expenditure incurred by Agency A on behalf of the Afghanistan Project Office.	Important	O	Receipt of evidence that all disbursements made to Agency A have been reviewed and reconciled, and that adequate documentation has been provided to support the expenditure incurred by Agency A on behalf of the Project Office.	31 December 2019
8	UNEP should assess and re-allocate all payments made to Agency A and other providers of goods and services to the correct expenditure accounts based on actual goods and services received.	Important	O	Receipt of evidence that all payments made to Agency A and other providers of goods and services have been assessed and re-allocated to the correct expenditure accounts.	31 December 2019
9	UNEP should correct the financial information in Umoja and submit revised financial reports to donors in accordance with the respective grant agreements.	Important	O	Receipt of evidence that financial information in Umoja has been corrected and revised, and that financial reports have been sent to donors in accordance with the respective grant agreements.	31 December 2019
10	UNEP should strengthen its management of consultants by ensuring that there is transparency in the recruitment process and accountability for work done.	Important	O	Receipt of evidence that the management of consultants has been strengthened by ensuring that there is transparency in the recruitment process and accountability for work done.	30 June 2019
11	UNEP should strengthen its management of travel at the Afghanistan Project Office by ensuring that all travel taken is valid, authorized, and accurately recorded.	Important	O	Receipt of evidence that management of travel at the Project Office has been strengthened by ensuring that all travel taken is valid, authorized, and accurately recorded.	30 June 2019

APPENDIX I

Management Response

Management Response

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Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNEP should establish accountability to ensure that the grants for the Afghanistan Project Office are completed in a timely manner.	Important	Yes	Chief of Branch	September 2019	UNEP CMB has systematically since April 2018 made efforts to streamline accountability mechanisms with programmed periodic visits by its senior management to the Project office. As of January 2019, a clear Office structure has been put in place and ToRs of all personnel revised. As of March 2019, a new Country Programme Manager (P-4) has been recruited and reported to Kabul to assume duty. An exercise has been on-going in Kabul since November 2018 to bring all the project teams together to see where we stand in terms of project deliverables, key actions needed and possible synergies. A programme of work and visits to Project office by CMB managers for the year 2019 have been outlined and are currently being enforced. Chief of Branch, Operations Manager, a Programme Officer, and the FMO, undertake missions to the Project office with the aim that by end of 2019, it is expected to bring the project implementation aligned to their timelines.
2	UNEP should ensure that the Afghanistan Project Office: (i)	Important	Yes	Operations Manager / FMO	December 2019	CMB continues to work with CCAU since 2018 to reconcile expenditures reported by

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

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Audit of the United Nations Environment Programme Afghanistan Project Office

	expedites the identification and correction of all reporting errors in the grant titled “Building Adaptive Capacity and Resilience to Climate Change in Afghanistan”; and (ii) submits accurate reports to the representative of the Global Environment Facility as required.					<p>the Project office and quantify deliverables made by the Implementing partners and project personnel. These discussions are aimed at arriving at an acceptable and accurate financial and narrative reporting to GEF. The following actions have already been undertaken;</p> <p>a. All the travels charged to the project were reviewed and some of the travels were moved out to other projects.</p> <p>b. Expenditure report reviewed to identify other items which may not be linked to the project has been presented to CCAU.</p> <p>c. The information on GGFA's activities and reports were provided to the GEF Team so that they could be approved.</p> <p>Discussions are underway and currently log-frames, work plans and budgets for Phase II of the project are being discussed for a re-start of the Activities during the year 2019.</p>
3	UNEP should ensure that the Afghanistan Project Office reverses all ineligible expenditure charged to grants that are no longer active and expedites their operational and financial closure.	Important	Yes	Operations Manager / FMO	June 2020	<p>Since 2018 CMB has been reviewing disputed charges to grants and reversing incorrectly charged costs to respective grants that are not closed. Operational and financial closure have been prioritized with narrative and financial reports availed to GEF and other donors. CMB expects that all grants that are operationally closed or activities have ended in 2018 and prior years that are not closed will be closed by the end of year 2019.</p>
4	UNEP should develop effective	Important	Yes	Operations	June 2019	A Monitoring and Evaluation Specialist has

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	monitoring mechanisms at the Afghanistan Project Office to strengthen reporting systems and proactively respond to the challenges and changes that may affect the delivery of objectives.			Manager		been appointed by the Project office in January 2019 with clear terms of reference discussed and agreed with the appointed person. Moreover, a work plan of the M&E specialist was developed and will be monitored periodically to streamline efficiency and accountability mechanisms within the Project office.
5	UNEP should ensure that activities undertaken by implementing partners are closely monitored in a timely manner by: (i) requiring progress and financial reports prior to subsequent instalment payments of funds in accordance with the legal instruments; and (ii) undertaking physical verification and site visits to assess the implementation and provide technical support where needed.	Important	Yes	Operations Manager / Country Programme Manager	December 2019	Since April 2018, there has been a systemic review of implementing partners work in the Project office. Field review for all components of the field implementation was conducted in August 2018 and with a final report finalized in December 2018. With the appointment of the M&E specialist, close monitoring of field activities is being enhanced. Clear instructions on adherence to donor agreements on narrative and financial reporting has been issued to all managers and the Project office and this is already being enforced and will reach full compliance as expected by end of year 2019.


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						<ul style="list-style-type: none">■ [Redacted]■ [Redacted]■ [Redacted]■ [Redacted]■ [Redacted]
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7	UNEP should review and reconcile all disbursements made to Agency A and ensure that adequate documentation is available to support the expenditure incurred by Agency A on behalf of the Afghanistan Project Office.	Important	Yes	Administrative / Funds Management Officer	December 2019	Agreement with Agency A is extended for a further period until 30 June 2019 to allow for orderly conclusions of activities and financial reporting. CMB received Agency A detailed expenditure for the period ended on 31 December 2018. These expenditures have been reviewed and are posted appropriately. CMB has started the process of reviewing the cooperation with Agency A and is keen on using services provided by Agency A via a global corporate level arrangement with UNEP.
8	UNEP should assess and re-allocate all payments made to Agency A and other providers of goods and services to the correct expenditure accounts based on actual goods and services received.	Important	Yes	Operations Manager / FMO	December 2019	Detailed financial reports to the period ended on 31 December 2018 for Agency A has been received and reviewed. Further, at the expiry of the UN to UN agreement on 30 June 2019, all expenditures will be reviewed, reconciled and posted accordingly.

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Audit of the United Nations Environment Programme Afghanistan Project Office

9	UNEP should correct the financial information in Umoja and send revised financial reports to donors in accordance with the respective grant agreements.	Important	Yes	Funds Management Officer	December 2019	Financial reporting to donors including narrative progress reporting has been streamlined and strictly follow the agreement provisions. Reporting for the period ended on 31 December 2018 has been submitted to donors and funding divisions.
10	UNEP should strengthen its management of consultants by ensuring that there is transparency in the recruitment process and accountability for work done.	Important	Yes	Head of Branch / Funds Management Officer	June 2019	A system has been put in place since November 2018 for recruitment of consultants contracted by Agency A. These guidelines have been communicated to all managers and copies shared with the Audit team for reference. Service providers including Agency A has been duly informed through circulars issued by CMB management on the parameters regarding the cooperation and acceptability of requests from UNEP. This practice will continue as a mode of operation for personnel managed and recruited on behalf of UNEP going forward.
11	UNEP should strengthen its management of travel at the Afghanistan Project Office by ensuring that all travel taken is valid, authorized, and accurately recorded.	Important	Yes	Funds Management Officer	June 2019	Clear instructions to all staff and personnel including of the Project office has been issued in October 2018 for travel requests processing. Instructions to all travelers on Project funds are since October 2018 undertaken and recorded in the UN travel management system – UMOJA and mission reports filed in WeCollaborate. All travel requests are now certified by branch FMO and approved by CMB Chief.