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INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION I  
OFFICE OF INTERNAL OVERSIGHT SERVICES

TO: Mr. Jean Arnault,  
A: Special Representative of the Secretary-General, UNAMA

DATE: 4 October 2005

REFERENCE: AUD-7-5:9 (105) <sup>00162</sup>

FROM: Patricia Azarias, Director  
DE: Internal Audit Division-I, OIOS

*P. Azarias*

SUBJECT: OIOS Audit No. AP2005/630/08: UNAMA Trust Funds

OBJET:

1. I am pleased to present herewith our final report on the audit of the above subject, which was conducted during June and July 2005.
2. We note from your response to the draft report that United Nations Assistance Mission in Afghanistan (UNAMA) has generally accepted the recommendations. Based on the response, we are pleased to inform you that we have closed recommendations 6, 7, 14, 16, and 17 in the OIOS recommendations database, and recommendation 2 has been withdrawn. In order for us to close out the remaining recommendations (1, 3, 4, 5, 8, 9, 10, 11, 12, 13 and 15), we request that you provide us with the additional information as discussed in the text of the report and a time schedule for their implementation. OIOS is reiterating recommendation 10, and requests that you reconsider your initial response concerning this recommendation. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e. recommendations 1, 3, 4, 5, 7, 8, 9, 10, 11 and 15) in its annual report to the General Assembly and semi-annual report to the Secretary-General.
3. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.
4. I take this opportunity to thank the management and staff of UNAMA for the assistance and cooperation provided to the auditors in connection with this assignment.

Copy to: Mr. Jean-Marie Guéhenno, Under-Secretary-General for Peacekeeping Operations  
Ms. Donna-Marie C -Maxfield, OIC, ASD/DPKO  
Mr. Patrick Devaney, Chief Administrative Officer, UNAMA  
UN Board of Auditors  
Programme Officer, OIOS

# Office of Internal Oversight Services

## Internal Audit Division I



### Audit of UNAMA Trust Funds

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**Audit no:** AP2005/630/08  
**Report date:** 4 October 2005  
**Audit team:** R. Manohar, Auditor-in-Charge

## ACRONYMS

ANBP	Afghanistan New Beginnings Programme
AETF	Afghanistan Emergency Trust Funds.
ANA	Afghan National Army
ANT	Afghan National Trust Fund
CAO	Chief Administrative Officer
CAS	Chief Administrative Services
CFO	Chief Finance Officer
DDR	Disarmament, demobilization and reintegration.
DMTF	Disaster Management Trust Fund
DPR	Disaster Preparedness and Response
DRRF	Disaster Response Reserve Fund
DSA	Daily Subsistence Allowance
DSRSG	Deputy to Special Representative of Secretary General
EA	Executing Agency also called implementing agency
IA	Implementing Agency
INGO	International Non Governmental Organization
IP	Implementing Partner
ITSA	Islamic Transitional State of Afghanistan
MOU	Memorandum of Understanding
MRRD	Ministry of Rural Rehabilitation Development
MSA	Mission Subsistence Allowance
NGO	Non Governmental Organization
OCHA	Office for Coordination of Humanitarian Affairs
OIOS	Office of Internal Oversight Services
PIA	Project Implementation Agreement
PRC	Project Review Committee also called Trust Fund Committee
PSC	Programme Support Costs
PSEDA	Promotion of Social and Economic Development in Afghanistan
PSU	Programme Support Unit
QIP	Quick Impact Projects
RRR	Relief, recovery and reconstruction
SRSR	Special Representative of Secretary - General
TF	Trust Fund
TFC	Trust Fund Committee also called Project Review Committee
TFSU	Trust Fund Support Unit
UNAMA	United Nations Assistance Mission in Afghanistan
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services

**EXECUTIVE SUMMARY**  
**Audit of UNAMA Trust Funds (AP2005/630/08)**

OIOS conducted an audit of Trust Funds in the United Nations Assistance Mission in Afghanistan (UNAMA) in June and July 2005. The audit was conducted in accordance with the standards for the professional practice of internal auditing in United Nations organizations.

UNAMA received pledges/funding for the trust funds from various sources \$35.46 million. By end June 2005 \$22 million has been spent. To date a total of 150 projects were started; 78 projects were closed, 69 are ongoing and three projects were terminated. Considering the insecure situation prevailing in Afghanistan, the poor infrastructure and communication facilities, and the adverse weather conditions, it is indeed commendable that UNAMA has managed to bring about perceptible changes in Afghanistan.

However, there are a few areas in the administration and implementation of the trust funds that need improvement. For example, there is a need to reconstitute and redefine the roles of the trust fund committee and co-locate the programme support unit with that of the trust fund support unit. In dealing with natural disasters and emergencies, UNAMA lacked rapid response capacity due to its limitations in clearing the project proposals and delays in release of funds. There was also poor coordination between UNAMA and OCHA that resulted in the improper payment of allowances to staff members in excess of \$150,000 that needs to be recovered and credited back to the trust fund. OIOS found that nearly 22 percent of resources go towards meeting the overhead costs or the programme support costs of the various agencies involved thereby reducing the amount left for programme delivery. There is therefore a need to impose a ceiling on programme support costs to ensure that a greater share of resources is available for programme delivery.

UNAMA staff members have acquitted themselves very well in the monitoring of projects. However, there is a need to introduce self-evaluation of the projects by the implementing agencies to facilitate replication of best practices.

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## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted the audit of Trust Funds in the United Nations Assistance Mission in Afghanistan (UNAMA) in June and July 2005. The audit was conducted in accordance with the standards for the professional practice of internal auditing in United Nations organizations.

### Trust Fund for Afghanistan

2. The Secretary-General established the Trust Fund for Afghanistan in May 2002 in support of relief and recovery efforts in Afghanistan by the Afghan administration as specified under the Bonn Agreement. Additionally, pledges and funding were received for other trust funds. The funding and expenditure to the end of June 2005 is shown against each trust fund/programme in Table 1.

**Table 1: Funding and Expenditure of Trust Funds to 30 June 2005 (\$ millions)**

Serial #	Categories	Pledges/Funding	Expenditure	Remarks
1	Trust Fund for Afghanistan	11.2	0.44	\$8 returned to donor as program did not take off. \$3.2 in balance.
2	Quick Impact Projects financed by the regular budget	0.50	0.50	Funded out of the UNAMA budget
3	Afghanistan Emergency Trust Fund-I (AETF-I)	8.19	8.17	OCHA is the Trustee
4	Afghanistan Emergency Trust Fund-II (AETF-II)	15.20	12.70	OCHA is the Trustee
5	Luxembourg Fund under the Disaster Management Trust Fund	0.17	0.168	OCHA is the Trustee
6	Trust Fund for the promotion of social and economic development in Afghanistan	0.20	0.064	UNAMA is the Trustee
<b>TOTAL</b>		<b>35.46</b>	<b>22.042</b>	

3. Out of a total of 150 projects taken up till date, 78 projects were closed, 69 are ongoing and three projects were terminated. The Special Representative of the Secretary-General (SRSG) is the programme manager of the trust funds, and the Chief Administrative Officer (CAO) has been designated as the certifying officer for the trust funds. The Trust Fund Support Unit (TFSU) reports to the CAO and provides administrative support to the trust funds. The Programme Support Unit (PSU) provides technical advice on projects funded from the trust funds, and a three member Trust Fund Committee (TFC) approves the project proposals, submitted by the PSU.

4. The trust fund is required to be administered in conformity with the United Nations Financial Regulations and Rules, and with the relevant policies and procedures promulgated by the Secretary-General. Management of the trust fund also requires observance of the United Nations Staff Regulations and Rules.

5. The comments made by the Management of UNAMA on the draft audit report have been included in the report as appropriate and are shown in italics.

## **II. AUDIT OBJECTIVES**

6. The main objectives were to determine that adequate systems and internal controls are in place to:

- (a) Administer the trust funds,
- (b) Ensure achievement of trust fund objectives, and
- (c) Ascertain extent of relationship and integrity of information provided to management and donors in respect of the trust funds.

## **III. AUDIT SCOPE AND METHODOLOGY**

7. This audit covers all trust fund-related aspects including project management, selection of implementing partners, and donors' reporting requirements. The period of audit covered is from the beginning of the Mission in March 2002 to end June 2005. The methodology included interviews, data gathering, visits to project sites, and study of files and the observation of practices. Engineers from UNAMA were co-opted to the audit team to provide technical advice on selected projects.

## **IV. OVERALL ASSESSMENT**

8. UNAMA received pledges/funding for the trust funds from various sources to the extent of US \$ 35.46 million. By end June 2005 an expenditure of US \$ 22 million was incurred. To date a total of 150 projects were taken up; 78 projects were closed, 69 are ongoing and three projects were terminated. Considering the insecure situation prevailing in Afghanistan, the poor infrastructure and communication facilities, and the adverse weather conditions, it is indeed commendable that UNAMA has managed to bring about perceptible changes in Afghanistan.

9. There is however, a need to bring about improvements in the area of administering the trust funds that calls for redefining the roles and responsibilities of the trust fund committee and ensuring better coordination between the programme support unit and the trust fund support unit. UNAMA lacks rapid response capacity to deal with natural disasters and emergencies. Further, there is a need to introduce self evaluation of projects to replicate better practices.

## **V. AUDIT FINDINGS AND RECOMMENDATIONS**

### **A. Administration of Trust Funds**

#### Guidelines

10. Guidelines to implement large and quick-impact projects were prepared in early 2003. However, the guidelines are still in draft form. The reasons for not finalizing and publishing the

guidelines were not clear. Published guidelines would assist in the implementation of projects besides ensuring transparency and consistency in approach.

### **Recommendation 1**

OIOS recommends that the Trust Fund Programme Manager should finalize and publish the guidelines on implementation of large and small projects to assist in the implementation of projects and bring about transparency and consistency in approach (AP2005/630/08/001).

11. *UNAMA accepted recommendation 1 and stated that the guidelines on implementation of projects will be finalized and adopted by end October 2005.* Recommendation 1 remains open in the OIOS database until the Mission provides a copy of the issued guidelines.

### Trust Fund Support Unit

12. The Field Officers review project proposals prepared by the Non- Governmental Organizations (NGO) and forward the proposals to the PSU. In some cases the NGOs submit project proposals directly to the PSU. The PSU scrutinizes the proposals and submits the proposals to the TFC for approval. Once the projects are approved by the TFC, TFSU follows up with the disbursement of approved funding to the implementing partner. TFSU confirms that reports duly approved by PSU are received before further moneys are advanced.

13. The intention of the Controller, UN, NY while setting up the TFSU was to ensure that the programmatic and financial activities be co-located under the Chief of TFSU. This is evident from the staffing approved by the Controller that has one post for the finance officer and another of programme officer (P-3 level). In this connection, the facsimile of the Assistant Secretary-General, DPKO dated 15 August 2002 addressed to CAO, UNAMA and letter of Controller of 18 October 2002 addressed to the SRSG refers. At present, the PSU is located at compound B and the TFSU is located 13 kms away at the UNOCA complex. The physical separation of the two entities has resulted in lack of coordination. This can be evidenced from the limited awareness of each other's activities. A case in point is project No. 4045 wherein TFSU was not aware of the changes made by PSU in the programme delivery that had financial implications. To ensure better coordination, the existing vacancy of a programme officer (P-3) in TFSU needs to be filled up and the PSU and TFSU co-located.

### **Recommendations 2 and 3**

OIOS recommends that the UNAMA SRSG should:

(a) Reconstitute the Trust Funds Support Unit by bringing the Programme Support Unit under the Chief of the Trust Funds Support Unit to ensure better coordination of activities (AP2005/630/08/002); and



- (b) Ensure that the existing vacancy of Programme Officer (P-3) in Trust Funds Support Unit be filled, and the Programme Support Unit is co-located with the Trust Funds Support Unit (AP2005/630/08/003).

14. *UNAMA did not accept recommendation 2 stating that amalgamating the Programme Unit within the Trust Fund Unit will lead to a conflict of interest, since the Programme Unit is the initiator of the projects. The Mission stated that the proposed setup with a Programme Officer within the TFSU would create a system of checks and balances. Based on the Mission's response, OIOS has withdrawn recommendation 2. UNAMA accepted recommendation 3 and stated that a Programme Officer would be recruited by January 2006. Recommendation 3 remains open pending confirmation by UNAMA that the Programme Officer has been recruited.*

#### Trust Fund Committee

15. The SRSG is the Programme Manager of all the funds/programmes and approves projects recommended by the TFC. The SRSG has in turn delegated his authority to the Deputy Special Representative of the Secretary - General, Relief, Recovery and Reconstruction (DSRSG (RRR)) as the Programme Manager. The DSRSG (RRR), the Legal Advisor and the Chief of Administrative Services (CAS), who is also the chairperson, constitute the TFC. The TFC has become the final authority to review and approve projects instead of exercising its role as a recommendatory body to the Programme Manager. The reason is that the DSRSG (RRR) is also a member of the TFC besides being the Programme Manager. The existing arrangement does not provide for independent oversight to be exercised by the Programme Manager. Further, the present composition of the TFC lacks an expert in engineering. Co-opting a senior official with an engineering background into the TFC may prove to be beneficial as most of the project proposals involve engineering.

#### **Recommendations 4 and 5**

OIOS recommends that:

- (a) The SRSG should reconstitute the Trust Fund Committee by excluding the DSRSG (RRR) and including a senior official with engineering background (AP2005/630/08/004), and
- (b) The SRSG should restore the role of the Trust Fund Committee as a recommending body and reinstate the DSRSG (RRR) as the authority to approve projects (AP2005/630/08/005).

16. *UNAMA accepted recommendations 4 and 5 and stated that both the recommendations will be implemented by 30 September 2005. Recommendations 4 and 5 remain open in OIOS' database pending receipt of documentation from UNAMA to show that they have been implemented.*

### Inadequacies in financial accountability

17. The Project Implementation Agreement (PIA) establishes the terms and conditions between UNAMA and the implementing partner. Paragraph 13 (d) of the PIA stipulates that the implementing partner shall submit to UNAMA copies of receipts and invoices for expenditure incurred by the implementing partner. Although UNAMA reserves the right to examine and review accounts, records, receipts, invoices etc., paragraph 13 (d) exposes UNAMA to the risk of fraud. An implementing partner, intent on defrauding the donors, can easily make copies of the originals of receipts and vouchers and etc., and simultaneously submit the copies to the various donor agencies during the course of execution of multiple projects in a region and claim reimbursement.

#### **Recommendation 6**

OIOS recommends that the UNAMA Chief Administrative Officer change the project implementation agreement/Memorandum of understanding to make it obligatory on the part of an implementing partner to submit original invoices, receipts, vouchers and other supporting documents to mitigate the risk of fraud (AP2005/630/08/006).

18. *UNAMA accepted recommendation 6 and incorporated changes to the project implementation agreement making it mandatory on the implementing partner to submit original invoices and documents.* In view of the action taken by the Mission, OIOS has closed recommendation 6.

### **B. Implementation of Projects**

#### Delays in the release of funds

19. For the purpose of effective and timely execution of projects funds are required to be disbursed to the implementing partner as early as possible. The standard operating procedures (SOP) for Quick Impact Projects (QIP) provides for a time frame of three working days to process payment after the signing of the PIA. Out of a total of 26 QIPs approved, there was delay in the release of funds of 18 projects as shown in Table 2.

**Table 2: Delay in release of funds to implementation partners**

<b>Delays in Days</b>	<b>10-12</b>	<b>21-30</b>	<b>31-40</b>	<b>41-50</b>	<b>&gt;51</b>	<b>Total</b>
<b>No. of Projects</b>	5	3	6	0	4*	18
<b>Percentage</b>	27.7	16.66	33.33	0	22.22	

\* Project no 1007 delayed by 14 months and 11 days and project no 1015 delayed by 5 months and 7 days.

20. For other projects, the PIA provides for immediate disbursement of the first installment of funds after the agreement is signed. A total of 120 projects were approved under the various Trust Funds since the inception of the mission in March 2002 till end June 2005. Delays in the release of first installments are shown in Table 3.

**Table 3: Delay in release of first installment of funds for Trust Fund projects**

Delays in No. of Days	15 – 30	31 – 60	60 – 90	91 – 120	121 – 150	151 – 180	>180	Total
No. of Projects	28	12	5	6	2	0	3	56
Percentage	50%	21%	9%	11%	3.6%	0	5.3%	

21. According to the Chief, TFSU, the delay in release of the first installments were caused due to the existing mechanism of requesting for allocation of funds from OCHA, Geneva and later requesting for cash remittances, as agreed in the MOU between UNAMA as the administering agent and OCHA as the trustee of the funds.

**Recommendation 7**

OIOS recommends that the UNAMA Trust Fund Programme Manager should request OCHA to establish a revolving fund to enable the release of funds immediately after signing of the Project Implementation Agreement (AP2005/630/08/007).

22. *UNAMA Management, in consultation with OCHA, implemented recommendation 7. OCHA has agreed to advance thirty days requirements in lump sum, at UNAMA's request. In view of the action taken by the Mission, OIOS has closed recommendation 7.*

Response Capacity

23. UNAMA, in consultation with OCHA, developed the disaster preparedness and response sector for support through the Afghanistan Emergency Trust Fund (AETF). The objectives of the Disaster Preparedness & Response (DPR) were to:

- (a) To enhance the capacity of UNAMA to participate in the building of national capacity for disaster preparedness and disaster management;
- (b) To assist national and provincial authorities, and their civil society partners, in organizing disaster preparedness and rapid response systems and in coordinating rapid onset disaster assistance at the local level;
- (c) To support the UN agencies and partners in disaster preparedness and response, and to ensure timely and coordinated action at the onset of natural disasters and other emergencies.

24. The budget provided for a reserve fund which would facilitate surge capacity deployment and rapid deployment of assets by UN, Afghan and International agencies, with assurance of replenishment. For this purpose an amount of \$2.6 million was earmarked for the disaster response reserve fund (DRRF).

25. Of the 26 projects undertaken under the DRRF, 15 projects related to natural disasters and emergencies. In dealing with natural disasters and emergencies rapid response becomes crucial. However, OIOS noticed that UNAMA was unable to provide rapid response in reacting to emergencies. The delay in release of funds ranged from one day to 47 days. This delay does not take into account the request made by the local authorities and submission and clearance of project proposal. A case in point is project No. 4045. The Ministry of Rural Rehabilitation and Development (MRRD) submitted a project proposal to UNAMA to build retaining walls in various flood prone areas of Parwan province to contend with the flood water that was threatening to inundate the nearby low lying villages. By the time UNAMA approved the project, the flooding had taken place. ADRS, the implementing partner of MRRD, had in the meantime taken action to build retaining walls out of its own funds. Due to heavy snowfall in the winter months it was common knowledge that there would be flooding in Afghanistan due to the melting of snow in the summer months. The reason as to why UNAMA could not take proactive measures in disaster preparedness in high risk areas was not explained by management.

26. The DSRSG (RRR) and the Chairperson of the TFC stated that the established procedures of UNAMA are not geared to release funds to meet situations of emergency. According to them, the organizational structure of UNAMA is such that the delegation of authority stops at the level of the TFC located in Kabul. Responses to disaster take the form of rapid logistics deployment and engineering interventions. Agencies like the UNDP and UNOPS possess the capacity to provide rapid response to meet situations of emergency. According to the Coordinator for Environment Projects of UNOPS, their agency is fully geared to respond to emergencies and their response time has ranged from 30 minutes to 48 hours. They possess the required administrative and financial flexibility to deal with emergencies and their engineers have the capacity to assess the situation on the ground and are able to set up an office with communication support in less than 24 hours. From the point of view of comparative advantage, it may be advisable to hand over the administration of the DRRF component of the trust funds to specialized agencies like UNDP or UNOPS directly from OCHA. In the process, the overhead costs of administering the trust funds can also be cut down as there is no value added by UNAMA (In 2004, OCHA withdrew from UNAMA funds amounting to US \$ 3 million relating to the mine action sector of the AETF and handed over the same to the UN Mine Action Center for Afghanistan). The DSRSG (RRR) was in favor of UNDP managing the DRRF.

### **Recommendation 8**

OIOS recommends that the Director, OCHA should consider handing over the administration of disaster response reserve fund to UNDP, another UN agency ~~who~~ has demonstrated institutional ability and capacity to respond to emergencies (AP2005/630/08/008).

*which*

27. OCHA accepted recommendation 8, and with UNAMA's concurrence, agreed to amend the Memorandum of Understanding to take out the remaining Disaster Preparedness funds from UNAMA for collaboration with UNDP. OCHA also agreed to implement the recommendation by end October 2005. Recommendation 8 remains open in OIOS' database pending receipt of documentation from the Mission to show that it has been implemented.

#### Improper payments

28. Six staff members of OCHA were seconded to UNAMA. These staff members were recruited by OCHA and paid salaries and allowances as per their personnel action forms charging the allocations issued by OCHA from the AETF. Simultaneously, UNAMA disbursed mission subsistence allowance (MSA) and Hazard allowance to OCHA staff members and charged the same allocation. A review of the personnel files of the six staff members revealed irregularities in payment of allowances amounting to \$150,060 to the following five staff members.

**Table 4: Overpayments to OCHA staff members**

Index No.	Duty Station	Date of Arrival in Mission Area	Date of Departure	Total Period Worked	* TOTAL MSA Paid (a)	Post Adjust ment (b)	Hardship element of mobility & Hardship Allowance (c)	Non-removal element of mobility & hardship allowance (d)	** Total(e) (e=b+c+d)
250890	Kabul	7 Jan. 2004	19 Jan. 2005	12 months & 12 days	30,060	----	11,649	----	11,649
402687	Kabul	12 Jan. 2004	Continuing	17 months & 19 days	45,020	29,605	22,502	----	52,107
741728	Kabul	25 Oct. 2003	20 Jan. 2005	14 months & 27 days	38,460	----	16,089	3,218	19,307
352364	Islamabad	Nov. 2002	Dec. 2004	20 months	50,700	35,498	6,910	4,318	46,726
611011	Kabul	26-May-04	16-May-05	11 months & 22 days	30,860	----	16,893	3,379	20,271
<b>Grand Total</b>					<b>195,100</b>	<b>65,103</b>	<b>74,049</b>	<b>10,914</b>	<b>150,060</b>

NOTE: Amount calculated up to end June 2005. Final figures may vary as post adjustment etc. is dependant on monthly indices, experience of staff member etc.

29. Two staff members index no. 402687 and 352364 were paid post adjustment, hardship element of mobility and hardship allowance and non-removal element of mobility and hardship allowance. The remaining three staff members were paid the hardship element of mobility and hardship allowance, and non-removal element of mobility and hardship allowance. We note that all the five staff members were drawing MSA in addition to the above allowances. MSA and Post Adjustment allowances are not admissible simultaneously, except in exceptional circumstances where a 100 series staff member working in an established duty station is temporarily detailed to a special mission. Although, all the staff members had Kabul/Islamabad as their duty station, they were paid MSA in contravention of article 3 under Post Adjustment –

salaries and related allowances and article 4 under mobility and hardship allowance- salaries and related allowances of the DPKO Human Resources Handbook. In both the circumstances the allowances are not payable when a staff member receives payment of MSA.

30. An examination of the personnel files revealed that the Personnel Officer, UNAMA had raised the issue with the CAS, UNAMA on 12 October 2003, regarding the status and entitlements of these seconded staff from OCHA to UNAMA. In particular, clarification on entitlement of payment of MSA/Hazard pay to the OCHA seconded staff was sought. There is no record on file to clarify the points raised by the Personnel Officer, either by the CAS or by any other UNAMA official. The Chief of Payroll Unit informed the OIOS that they were making payment of MSA on the basis of the attendance records of the staff members. The basis of payment of MSA or the authority on which the payments of MSA were released to the staff members is not available from the records of the Mission. In response to a request made by OCHA Geneva, the Deputy Chief, TFSU, UNAMA in October 2004 had provided details of payments of local entitlements such as hazard allowance, MSA, etc. paid to the OCHA seconded staff. OCHA, Geneva had access to payments made by that office to each of the seconded staff. Despite this information being available, it is not clear as to how the improper payments made to the OCHA seconded staffs were not spotted by OCHA Geneva and UNAMA alerted.

#### **Recommendation 9**

OIOS recommends that the UNAMA CAO, in consultation with Director, OCHA, review the payments made and recover the improper payments of post adjustment, hardship allowances and MSA amounting approximately to \$150,060 from the five OCHA staff members seconded to UNAMA and the credit the proceeds to the Afghanistan Emergency Trust Fund (AP2005/630/08/009).

31. *UNAMA accepted recommendation 9 and stated that payment of MSA and hardship allowances to the OCHA staff members currently working with UNAMA has been stopped with immediate effect. The Mission further stated that OCHA is reviewing the payments made to the staff members and will take steps to recover the excess entitlements from the staff members. OCHA plans to complete the review by 30 September 2005. Recommendation 9 remains open in OIOS' database until the Mission provides documentation to show that the recoveries have been effected.*

#### Trust Funds for Afghanistan

32. An amount of \$16 million was pledged to UNAMA by the Government of U.K. in 2002, out of which \$8 million was committed to the Trust Fund. As per the terms of reference of the Trust Fund all costs related to establishing and operation of the TFSU, UNAMA was to be directly charged against the Trust Fund for Afghanistan, also called the Afghan National Trust Fund (ANT). ANT in March 2004, could not take off as the Afghan Government did not provide the cost plan required to UNAMA. UNAMA, in March 2004, returned \$8 million back to the U.K., the fund donors, at UK's request. An amount of \$3.2 million received from other donors remains in the Trust Fund.

33. We note that the cost of the TFSU was being charged to the ANT, an inactive fund. The TFSU instead is administering and handling the AETF, and it is to this fund the programme support cost (PSC) or overhead should rightfully be charged. UNAMA had accrued PSC of approximately \$ 373,178 for administering and handling AETF-I and AETF-II. Till the date of audit, OCHA had not reimbursed the PSC due to UNAMA.

#### **Recommendations 10 and 11**

OIOS recommends that the UNAMA SRSG initiate closure of the Trust Fund for Afghanistan (ANT). Further, the Trust Fund Support Unit cost should be charged against the programme support costs earned by UNAMA for administering AETF-I and AETF-II (AP2005/630/08/010).

OIOS also recommends that the UNAMA Trust Fund Programme Manager should initiate measures to recover the programme support costs accrued so far amounting to \$373,178 and submit a cost plan to the Controller for utilization of the programme support costs for the operation of the Trust Fund Support Unit (AP2005/630/08/011).

34. *UNAMA did not accept recommendation 10, stating that there may be a possibility of utilization of the available funding as the situation may change after the upcoming elections.* OIOS feels that it may be prudent for the Mission to obtain fresh concurrence from the donors to the ANT about UNAMA's intention to utilize the available funding considering that the fund has remained inactive since its inception in 2002. OIOS therefore reiterates that UNAMA should desist from charging the programme support costs to the ANT till such time the trust funds are reactivated. Recommendation 10 remains open in OIOS' database pending the decision to reactivate the ANT.

35. *UNAMA accepted recommendation 11 and stated that OCHA remitted an amount of \$367,574.83 on account of programme support costs. UNAMA is submitting a cost plan to the Controller for utilization of the programme support costs for operation of the Trust Fund Unit by end September 2005.* Recommendation 11 remains open pending receipt of documentation from UNAMA showing the cost plan submitted to the Controller.

#### Programme support costs

36. OCHA and UNAMA entered into a MOU in August 2003 for the use of the AETF. OCHA was the trustee and UNAMA charged with the responsibility of management and disbursement of funds in support of a range of agreed activities. As per paragraph 11 of the MOU, OCHA and UNAMA will each charge three percent PSC for the administration of the below mentioned funds for a total of six percent PSC.

37. The MOU had four major budget heads. The objectives of the AETF budget heads are to:

- (a) To support the project coordination management and administration of the programme activities funded by the Afghanistan Emergency Trust Funds.
- (b) To ensure the management, consultation with partners, and implementation of UNAMA supported programme activities under the Afghanistan Emergency Trust Funds.
- (c) To ensure financial management of Afghanistan Emergency Trust Funds, and meet reporting requirements.
- (d) To meet programme support cost incurred by OCHA and UNAMA (3percent each).

38. All trust funds are to be charged at the rate that has been approved by the General Assembly and communicated by the Assistant Secretary-General for Financial Services (ST/AI/286). In the case of the AETF trust funds, OCHA and UNAMA were authorized to each charge three percent PSC for the administration of the funds mentioned at table given below for a total of six percent PSC.

**Table 5: Programme support costs**

Serial No.	Sectors	Total budget indicative (USD)	PSC @ 6%	Balance
1	Capacity Building	7,400,000	418,868	6,981,132
2	Disaster Preparedness	4,000,000	226,415	3,773,585
3	Information Management	2,000,000	113,208	1,886,792
4	AETF Programme Support	1,800,000	101,887	1,698,113
<b>TOTAL</b>		<b>15,200,000</b>	<b>860,377</b>	<b>14,339,623</b>

39. The table above indicates the PSC that are likely to accrue to UNAMA and OCHA on completion of the activities in the event of full utilization of the budget. Of the balance left over, the amount of \$1.69 million represents the AETF programme support cost and in effect covers the PSC or the overhead of the AETF programme support costs of the 3 sectors listed at serial No. 1 to 3 in the table above. Charging PSC to the AETF Programme Support sector constitutes double enrichment.

40. The implementing partners have charged PSC ranging from three to seven percent and their sub-contractors have in turn charged PSC, again ranging from three to seven percent. Subtracting the costs of the PSC, taken at the minimum charge of three percent and on a reducing balance method, the amount left over for actual programme delivery works out to \$11.89 million equivalent to 78%. In other words, an amount equivalent to 22% goes towards meeting the overhead costs or PSC. This figure does not take into account the personnel costs of the implementing partner and their sub-contractor. The personnel costs includes in many cases statutory benefits paid to the staff, salaries of cooks, gardeners etc that strictly should be met out of the overheads or PSC allowed to the implementing agencies. The chairperson of the TFC agreed that PSC was bound to be high as many implementing partners were involved in the execution of a project. The UNAMA Director, Institutional Development and Governance (IDG) felt that the PSC of the UN agencies only should be reckoned. OIOS does not agree with



the views expressed by the Director, IDG and feel that there is a need to put a cap on the PSC by the Controller to curb excessive PSC.

### **Recommendation 12**

OIOS recommends that the Controller should impose a ceiling on programme support costs to be levied by the various agencies to ensure that a greater share of resources is available for programme delivery thereby positively impacting the beneficiaries (AP2005/630/08/012).

41. *UNAMA stated that it will communicate recommendation 12 to the Controller for his consideration.* Recommendation 12 remains open pending receipt of documentation showing that it has been implemented.

#### No – Cost extensions

42. A review of the 40 project files revealed that in eight cases (20%) no-cost extensions were granted to the projects (Project nos. 1009, 2001, 3001, 3007, 3008, 3011, and 4005). The extensions granted ranged from 15 days to one year. The reasons given by the implementing partners are delays in release of funds, onset of winter, security restrictions, etc. The Programme Officer granted no-cost extensions to the projects in all the eight cases. Authority to grant extensions was not made available to OIOS. We feel that the requests for extensions should be submitted to the TFC and based on the recommendations made by the TFC; the Programme Manager should approve the extensions to the projects. Authority to grant approvals to extend the duration of projects should be vested with the Programme Manager as any extension to a project implies commitment to bear liabilities by the UN.

### **Recommendation 13**

OIOS recommends that the UNAMA Trust Fund Programme Manager should establish procedures for dealing with requests for extensions of projects (AP2005/630/08/013).

43. *UNAMA accepted recommendation 13 and stated that the reconstituted Trust Fund Committee will deliberate on requests for extensions and recommend cases to the Programme Manager for his / her acceptance. These procedures will be included in the guidelines for implementation of projects.* Recommendation 13 remains open in OIOS' database until UNAMA provides documentation to show that it has been implemented.

## **C. Monitoring and Evaluation**

### Reporting

44. The PIA provides for narrative and financial reports to be submitted at regular intervals. The frequency of submission of reports is specified. Generally, funds are released in three

tranches to the implementing partner in the ratio of 40: 40: 20. On receipt of the first financial and narrative report detailing the utilization of the first installment of 40%, the second tranche of 40% funds is released. Besides, quarterly progress performance reports and financial statements for the duration of the project are required to be submitted as per dates specified in the PIA. Within one month of completion of the project a final performance report including financial statements is required to be submitted.

45. A review of the 40 cases of the projects selected revealed that in 23 cases (57.5%) quarterly progress reports were not available on record, in 18 cases (45%) the mid-term reports were not found in the files, and in 13 cases (32.5%) the final narrative and financial reports were not available. We were informed by the Chief, TFSU that the reports were attached to the disbursement vouchers, and copy of the reports were not kept on file in the TFSU.

46. Projects are monitored by field staff as well as by staff of the PSU by conducting site visits. Based on site visits, feedback is provided to the PSU and the implementing partner is asked to remedy the shortfalls. Due to security considerations, movement restrictions are common in Afghanistan. Remoteness of locations and poor communication facilities are other factors that make it difficult for UNAMA staff to conduct regular site visits. In spite of these limitations, it is commendable that UNAMA staff have managed to monitor the projects.

47. We note that only two out of 40 projects contained reports on self-evaluation of the projects. The remaining projects were not evaluated at all. The reason for not conducting staff evaluation is that the PIA does not provide for evaluation of projects. The DSRSG (RRR) informed OIOS that an independent evaluation is being contemplated to assess the impact of the programme. In OIOS' opinion, self-evaluation of the projects should be undertaken so that the feedback on lessons learnt could be applied in other areas of the Mission.

#### **Recommendation 14**

OIOS recommends that the UNAMA Trust Fund Programme Manager should amend the project implementation agreement to incorporate self-evaluation of the projects by the implementing agencies to facilitate replication of best practices (AP2005/630/08/014).

48. *UNAMA accepted recommendation 14 and stated that the changes have been made to the project implementation agreements whereby it is mandatory for the implementing partner to submit a self-evaluation report. Recommendation 14 has been closed in OIOS' database.*

#### Site Visit - Project No. 4045 Emergency Flood Prevention

49. The audit team accompanied by a team from the TFSU, a member of the PSU, and the RRR officer of the Central Field Office visited the project site in Parwan province on 10 July 2005. The Provincial Director of Ministry of Rural Rehabilitation and Development (MRRD), Parwan and the implementing partner ADRS informed the UNAMA team that ADRS bought the gabions, transported stones, arranged for labour and bulldozers to build the retaining walls in

various flood prone areas of Parwan to contend with the flood waters that was threatening to inundate the nearby low-lying villages. The ADRS representative stated that he had invested his own funds in anticipation of UNAMA's clearing the proposal made by MRRD, Parwan. The figures provided by ADRS and MRRD regarding the total number of gabions and stones procured did not agree with the resources provided by UNAMA. On visiting one of the sites at Jabbul Siraj, the village headman informed the UNAMA team that only gabions were provided by MRRD but the stones were obtained from the river bed (see picture below), and the able bodied of his village provided all the labour. The village headman's statement contradicts the claims made by ADRS.



**Figure 1: Stones available on the river bed were used to fill the gabions.**



**Figure 2: A view of the Salang River flowing alongside Jabbul Siraj village.**

### **Recommendation 15**

OIOS recommends that the UNAMA Chief Administrative Officer should review the claims made by ADRS, the implementing agency, in respect of project No. 4045 and reconcile it with the resources provided by UNAMA (AP2005/630/08/015).

50. *UNAMA accepted recommendation 15 and stated that by 31 October 2005, the claims made by the implementing agency will be reconciled with the resources provided by UNAMA. Recommendation 15 remains open in OIOS' database pending receipt of documentation from UNAMA to show that the recommendation has been implemented.*

### Irregular payments

51. UNAMA signed on 25 March 2003 a project implementation agreement with the Women's Prosperity Association as the implementing partner (IP) under the quick impact project (case no QIP 1009). Funds in the amount of \$19,990 were provided to the IP to purchase office equipment, pay for office rent and salaries of teachers for six months. The IP however, claimed costs for providing "Lunch and dinner for Seminar" under the budget line "other publication cost" UNAMA admitted the claim amounting to \$2,979 although there was no provision for reimbursing the cost of providing lunch and dinner. The reimbursement claimed amounts to 15% of the approved funding of the project. In another case, the programme officer of the PSU authorized the payment of \$219 to the IP although the items claimed were not listed in the approved budget of project No. 1017. Authority to approve requests for payments of inadmissible items was not made available to OIOS. Approving payments for inadmissible items is irregular and exposes the UN to the risk of fraud.

### **Recommendation 16**

OIOS recommends that the UNAMA Trust Fund Programme Manager should issue instructions not to entertain payments of inadmissible items (AP2005/630/08/016).

52. *UNAMA accepted recommendation 16 and issued instructions to scrutinize the claims thoroughly. Also, two local staff have been dedicated to scrutinize claims. In view of the action taken by the Mission, OIOS has closed recommendation 16.*

## **D. Other Issues**

### Training

53. Three national staff and two international staff members of the PSU attended a ten days workshop in project management at Peshawar, Pakistan in September/October 2004. The cost of the training amounted to \$3,614 and the cost of travel, incidentals etc amounted to \$4,440

totaling \$8,054. In June 2005 a training workshop on project management was conducted in Kabul. Twelve national staff members attended the training and the cost of trainers' fees, training materials (\$9,858) and travel costs of national staff (\$5,518) amounted to \$15,376. In August 2005, three staff members of the PSU are being sent to attend a training course on project management to be conducted by the Indian Institute of Foreign Trade, New-Delhi (IIFT), at the total cost of \$10,158. The Director, IDG informed OIOS that he had selected IIFT after making inquiries from a few select training institutes from the neighboring countries. On inquiring if a cost benefit analysis of arranging the training in Afghanistan was made, the Director IDG informed that IIFT had agreed to provide a tailor-made module of training inputs. He added that the three member team was being sent to IIFT to be trained in advanced project management techniques, and also to assess if the training module could be rolled out in Afghanistan subsequently. We do not agree with the views expressed by Director, IDG as the same training inputs could be utilized to reach a larger audience in Afghanistan, and the relevance of the training inputs could be better assessed by more participants for almost the same cost likely to be incurred for the training in India.

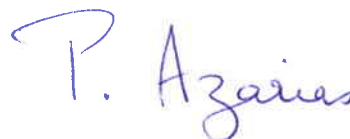
#### **Recommendation 17**

OIOS recommends that the UNAMA Trust Fund Programme Manager should consider conducting training in Afghanistan so that a larger audience could be reached to build local capacity, which is a major focus of UNAMA's mandate in Afghanistan (AP2005/630/08/017).

54. *UNAMA accepted recommendation 17 and stated that future training courses would be organized in Afghanistan.* In view of the Mission's response, OIOS has closed recommendation 17.

#### **VI. ACKNOWLEDGEMENT**

55. We wish to express our appreciation to the Management and staff of UNAMA for the assistance and cooperation extended to the auditors during this assignment.



Patricia Azarias, Director  
Internal Audit Division-I, OIOS

UNITED NATIONS



OIOS Client Satisfaction Survey

Audit of: UNAMA Trust Funds

(AP2005/630/08)

	1	2	3	4	5
By checking the appropriate box, please rate:	Very Poor	Poor	Satisfactory	Good	Excellent
1. The extent to which the audit addressed your concerns as a manager.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The audit staff's understanding of your operations and objectives.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Professionalism of the audit staff (demeanour, communication and responsiveness).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The quality of the Audit Report in terms of:					
• Accuracy and validity of findings and conclusions;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Clarity and conciseness;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Balance and objectivity;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Timeliness.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The extent to which the audit recommendations were appropriate and helpful.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The extent to which the auditors considered your comments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Your overall satisfaction with the conduct of the audit and its results.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please add any further comments you may have on the audit process to let us know what we are doing well and what can be improved.

Name: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

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Thank you for taking the time to fill out this survey. Please send the completed survey as soon as possible to:  
 Ms. Patricia Azarias, Director, Internal Audit Division-1, OIOS  
 By mail: Room DC2-518, 2 UN Plaza, New York, NY 10017 USA  
 By fax: (212) 963-3388  
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