

## United Nations Development Programme



Empowered lives.  
Resilient nations.

### Draft Management Response to the MRT Report of 15 December 2012 Law and Order Trust Fund for Afghanistan

#### I. Overview

The Report of the Management Review Team (MRT) submitted in December 2012 was a timely and valuable resource to help guide the on-going repositioning of LOTFA, in line with the evolving strategic direction of UNDP Afghanistan and cognizant of the changing needs of the development situation in the country.

In September 2012, UNDP outlined four linked processes which would work together to help rebuild LOTFA):

- Quick Response Actions
- Audit Response
- Management Review
- Phase VII Project Document Development

While the rebuilding of LOTFA's programmatic and operational capacities continues, two additional factors have arisen which broaden the context of how to weave all of the above into a coherent and capable refocused LOTFA. These are:

- A new focus on the payroll process:
- The extension of LOTFA Phase VI to 31 December 2013, to allow for programmatic guidance from the recently-appointed Minister of Interior's strategic planning initiatives and from the IPCB's strategic work.

UNDP Afghanistan's conclusion from the MRT report is that the top priorities are the reimbursement process, and the associated payroll and IT components of Pillar One, as jointly these elements comprise the bulk of the current LOTFA project's focus, and must be further fine-tuned in this year. UNDP is also mindful of its commitment to rehabilitate LOTFA in close collaboration with its stakeholders. In this regard, the comments and suggestions of donors on how to prioritize and approach the recommendations of the MRT Report has also been sought out and incorporated in the Management Responses herein.

#### II. MRT Recommendations and Management Responses

This section lists the MRT recommendations along the main headlines in the MRT report, and provides an outline as to how UNDP Afghanistan proposes to address the recommendations.

##### General Assessment

---



To prevent such fraud from again arising and remaining undetected for long, UNDP at the highest corporate level should unequivocally communicate that UNDP is responsible to ensure that its country offices and projects have staff with the appropriate expertise, guidelines and SOPs to conduct the work expected of them. This implies that country offices are responsible to provide training and support, ensure that SOPs are developed, and monitor their application, so that project staff can work effectively, regardless of implementation modality. This should be communicated through the Regional Bureau and become part of the expectations and performance review criteria for Country Directors and Country Office staff.

**Management Response:**

*RBAP recognizes the necessity to strengthen the capacity of staff and has already started taking specific steps in this regard, such as the October 2012 Customized training of Country Office staff to strengthen compliance with UNDP policies and procedures as well as a training on ethics and integrity in February 2013. Further, on-the-job, hands-on support has been provided on financial and procurement issues; regular monitoring and oversight visits to the country office and provision of audit capacity in Kuala Lumpur specifically for Afghanistan has also been done. RBAP will ensure the inclusion of responsibility for development of staff capacities and availability of SOP, systems and support for effective project management as per the performance criteria for the CD, DCD and LOTFA PM.*

*CO accepts and agrees with the recommendations on provision of training, development of SOPs and their subsequent monitoring.*

**Governance (Government Ownership):**

---

As the International Police Coordination Board (IPCB) clarifies the MOI vision, implementation strategy, and the role of the many partners in supporting the MOI, it may make sense to shift responsibility of Pillars II and III to the parts of the Ministry that address such capacity building programmes. This may help with building ownership within the MOI.

**Management response:**

*Agreed; LOTFA is already engaging with the MOI to ensure that all Pillar II and Pillar III activities are client-driven, and have specific outcomes, timetables, and budgets. The LOTFA Steering Committee will be agreeing on the full handover of responsibilities under Pillars I and II to the Government of Afghanistan.*

**LOTFA as part of MOI Vision and Institution Building:**

---

1. The UNDP Country Director or a senior Country Office manager should lead UNDP participation in the IPCB and its working groups, along with relevant LOTFA project staff. LOTFA support under Pillars II and III should be designed around the work of the IPCB, taking into account the efforts of other partners.
2. The start of LOTFA VII should be delayed for at least three months to put preparation on a schedule that fits with timing of the IPCB work.



## **Management response:**

1. *UNDP Country Director attends the IPCB Board meeting, the Sr. DCD-P attends the IPCB Caucus meeting and the Rule of Law Assistant Country Director ACD attends the IPCB weekly meeting. LOTFA staff joins the CO in these meetings.*
2. *LOTFA is ensuring that its strategy, plans, and operational procedures are aligned with MOI's and consistent with the NIM modality, and can conform to donor and UNDP expectations with regard to fiscal accountability. IPCB is one contributor to this effort, but, like LOTFA, is in a support role to a MoI-driven process.*
3. *Agreed; during the last Steering Committee it was agreed that LOTFA Phase VI would be extended till 31 December 2013.*

## **Role of the Steering Committee (SC):**

---

1. *The SC should be the key policy and decision making body – it should be setting policy, alerted early to concerns for consideration, and deciding on issues that are presented to it by LOTFA and deciding on what is funded by LOTFA and who should implement the activities. It needs to be chaired by a very senior official from the MOI. It will need to be supported, as it has been in recent months, by a sub-group of partners that meets on a regular basis – akin to the ARTF Financing Group. It should be supported by a small Technical Secretariat which is not involved in implementation.*
2. *The Monitoring Agent should be asked to present regularly to the SC.*
3. *Another discussion that should take place soon with the SC is an early presentation of the content of LOTFA VII and how it fits with work being done by the IPCB. The chair of the IPCB should be invited to this discussion (or her representative). This would enhance buy-in from partners and the MOI.*
4. *In short, the role of the SC needs to change to one of policy setting, discussion of key issues, and decision-making. This change in role for the SC will become all the more important if LOTFA moves to a Multi-Partner Trust Fund (MPTF) model where LOTFA funds projects that are approved by the SC.*

## **Management response:**

1. *Agreed; please find attached as annex 1, minutes of the LOTFA SC, in line with what is suggested in the management response. Additionally, in the latest LOTFA SC the members agreed that a Technical Committee will be established that reviews project proposals and recommend them to the SC. The UNDP CO will ensure that the Technical Committee is operational. Additionally, the UNDP CO and the LOTFA PM will continue the monthly working group that discusses all matters that discusses technical issues in preparation for the SC meetings.*
2. *Agreed; this will be done once the new MA contract is procured. UNDP expects this to happen in the second half of 2013.*
3. *Agreed. LOTFA Phase VII concept paper has been shared and discussed with the SC. All LOTFA stakeholders, including the IPCB will be closely involved to bring this concept paper to a new pro doc, Phase VII, towards the end of 2013.*
4. *Agreed; refer to annex 2 for the Terms of Reference of the Steering Committee, which are in line with the MRT report, and have been approved by the latest LOTFA Steering Committee.*



## Conversion of LOTFA into a Multi-Partner Trust Fund:

---

1. The MRT recommends that all stakeholders would be better served by converting LOTFA into a Multi-Partner Trust Fund, a funding and management mechanism that UNDP with the UN system has developed largely since the creation of LOTFA. Some of the features and benefits of an MPTF can and should be developed under the current LOTFA model, but they will only be securely institutionalized with conversion of LOTFA into an MPTF.
2. Personnel (e.g., MPTF Office staff) with operational experience of setting up and running such a trust fund should visit Kabul to explain to all stakeholders how this might work and assist with its setup.
3. Once there is agreement to convert LOTFA into an MPTF, all further contribution agreements should incorporate reference to the planned change in modality and agree that funds contribute to LOTFA can be transferred to the new Trust Fund once it has been established. This will simplify future partner consultation for this purpose.
4. The following measures should be taken to begin to manage LOTFA according to the best-practice experience of the Multi-Partner Trust Funds. As noted, the timeline for this should be discussed and agreed by UNDP with MOI and the Steering Committee:
  - a. Separate trust fund administration from programme management in the Country Office;
  - b. Formally recognize the LOTFA Steering Committee as the decision-making body for all LOTFA operations;
  - c. Establish Technical Secretariat mechanism independent of UNDP and that reports to the Steering Committee to review, vet and recommend actions to the Steering Committee;
  - d. Adopt a broad strategy to define what types of activities are fundable under LOTFA;
  - e. Open Pillars II and III (capacity development of MOI and capacity development of national police) to proposals from other organizations besides UNDP;
  - f. Establish a LOTFA public website that transparently displays relevant information, including: resources contributed to LOTFA; decisions made by the Steering Committee; activities funded by LOTFA; procurement processes, notices and final awards; periodic reports on progress and challenges of LOTFA operations; etc.

### **Management response:**

*UNDP is in agreement with this recommendation. The LOTFA Steering Committee and working group have initiated discussion on a gradual transformation of the current LOTFA into an MPTF, to be completed by the end of Phase VI, while recognizing the importance of a continued strong focus on the rebuilding of LOTFA until it is sufficiently robust.*

## Operational Management:

---

1. The 2012 External Audit – which includes procurement actions initiated in 2011 and 2012 – should be conducted with application of a fraud standard for procurement and for any other function which the OAI Investigations determines to have been mismanaged. Since the main category of initially



ineligible expenditures is for food procurement conducted by MOI, the 2012 External Audit should include a special focus on food procurement (with application of a fraud standard) at HQ and provincial levels, examining process, procedures and documentation. The results of this part of the External Audit should inform the future role of the Monitoring Agent in this area.

2. A thorough management audit should be conducted during the first quarter of 2013 of LOTFA's internal managements systems, processes and SOPs (with particular attention to asset management, procurement, finances and reporting) to determine what has been established, how well they are followed in practice, and what gaps remain. This will orient further work and serve as a benchmark for the clean-up of the previous LOTFA management systems.

### **Management response:**

1. *Agreed and recommendation included in the TOR for the 2012 NIM audit.*
2. *UNDP agrees; the 2012 NIM audit TOR includes the requirement to cover internal control weaknesses identified and provide audit recommendations to address them. The LOTFA Steering Committee endorsed the management audit.*
3. *The Management Audit is a performance audit, not an accounting audit. It will be an external audit of the systems after implementing the recommendations made by MRT. It will look at LOTFA, the CO and HQ as well as issues of oversight and management efficacy. UNDP changed its procedures this year. All our audits will be independent and they will be published on our website. All the recommendations by the MRT to beef up the TORs for audits have been accepted. Between April to June all the UNDP audits will be on the UNDP public website.*

### **Monitoring Agent:**

---

1. The MA should continue to monitor payments through electronic funds transfer, but at a more reduced level unless problems appear, and shift greater attention to food procurement and payment of salaries other than through the banking system. MA should be tasked to prepare draft guidelines for issuance by MOI regarding coding and processing of salary payments.
2. The MA should focus particular attention on integrity of the process of salary payments through M-Paisa and "trusted agents."

### **Management response:**

*UNDP, in consultation with the World Bank and with the Management Review team, has revised the ToRs of the Monitoring Agent and is currently working with the procurement support office in the UNDP office in Denmark in order to finalise the Request for Proposal that we expect to be issued in the second half of 2013.*

### **Reimbursement Procedure:**

---

1. LOTFA should on an annual basis prepare and maintain a document that states the specific items covered and calculation basis for reimbursements to the GoA, and ensure that it is discussed and formally agreed by all stakeholders, including the MOI and the MOF;



2. LOTFA should raise with the MOI Deputy Minister the issue of missing documentation for food contracts to ensure the problem is known and that instructions are given within MOI to give greater importance to provide such documentation to the MA (this is part of making greater use of the MA);
3. LOTFA should clarify with the GoA and stakeholders the treatment of ineligible expenditure as identified by the Monitoring Agent and the MOF in terms of full deduction from the reimbursement amounts;
4. LOTFA should instruct the Monitoring Agent to prepare a manual that defines the details regarding eligible and ineligible expenditure and the procedures and internal controls regarding payroll and food expenditures;
5. LOTFA should request the Monitoring Agent to certify for payment the amount of the MOF quarterly reimbursement request that it has found to be fully supported;
6. LOTFA should make no payment to MOF for expenditures which have not been adequately supported – the MA should certify the amount of the MOF invoice eligible for payment. Furthermore, LOTFA should allow only until the next quarterly request for MOI to provide missing documentation.

### **Management response:**

*The reimbursement procedure of the financial component of LOTFA requires further strengthening. It is associated with inadequacies of the underlying Chart of Accounts, insufficient training, and inability to verify identities of payees. This issue is the top near-term priority and LOTFA is working on it with various partners, including Mol and NTM-A/CSTC-A.*

*UNDP recognizes that food contracts are indeed a problem area. There are inadequate controls and evidence of mismanagement, which are being followed up in collaboration with NTM-A. Upcoming changes in the procurement regime will also focus on this.*

*UNDP agrees there is a need for a manual that defines eligible and ineligible expenditures, but the Ministry of Finance, which "owns" the chart of accounts, will need to provide these guidelines. NTM-A is working to change the underlying chart of accounts, and LOTFA is revising the EPS accordingly.*

### **Procurement without Professionals– High Risk of Fraud:**

---

1. All procurement requirements above an agreed threshold (e.g., \$10,000) should be announced publicly, including: UNDP (and the future LOTFA) website; Government procurement website; and local newspapers.
2. The results of all procurement processes should be publicly announced in the same media, including name of the successful bidder, list of all bids received, and identification of any bids disqualified.
3. All LOTFA procurement for goods and works should be conducted by joint procurement teams (LOTFA and MOI); LOTFA should take extra measures to ensure that language is not a barrier to effective work of the joint teams.
4. To the greatest extent reasonable, LOTFA should utilize national procedures for the procurement of goods and works, and monitor progress.



5. UNDP procurement staff should be available to provide support as necessary and to ensure quality of procurement.
6. Other recommendations to strengthen LOTFA procurement will come from the focused review concurrently underway by the UNDP surge support in area of procurement.

### **Management Response:**

*LOTFA is now adding professional procurement staff to its roster. This is helping, but should be regarded as a work in progress. As noted in the recommendations, LOTFA will be putting forward specific proposals to MOI based on the surge support recommendations. The intention will be to move toward proper NIM, but with "complementary procedures" that maximize the proper utilization of resources. The following actions are also being taken on board:*

- *Conduct focused training on the provisions of the Procurement Law for Procurement Department staff.*
- *Develop a unified Overall Implementation Manual to serve mid and junior level staff to carry out the procurement processes in line with the PPL.*
- *Conduct a needs analysis to identify all required infrastructural facilities. The department should be equipped with constant electricity and computers with a specification to allow the running of the latest versions of compatible software.*

### **Further Action by UNDP Country Office:**

---

1. UNDP should ensure that (a) overall fund management is conducted according to the current UNDP best practice standards and also exemplified by the Multi-Partner Trust Fund Office and (b) payroll project (Pillar I) has appropriate staffing and dedicated management (not confused with that which may be required for other components under Pillars II and III) to ensure it receives the attention necessary to deliver the expected quality of service.
2. Noting that the Country Office was the site of systematic management failure, the new unit [Country Office Oversight and Compliance Unit] should preferentially address improvement to the work of the various CO sections and their support to projects. This could involve detecting need for training, SOPs, SLAs, etc. and assisting to develop them.
3. The UNDP Country Office (with the support of the Afghanistan Division) should determine whether the issues identified in this report apply to the management of the UNDP portfolio in Afghanistan in general.
4. Further actions which the UNDP Country Office should undertake include:
  - a. Expeditiously conclude all pending staff recruitments for LOTFA and the Country Office;
  - b. Conduct a Client Satisfaction Survey of all projects regarding Country Office functions and units to establish current benchmarks and orient action for improvements;
  - c. Develop guidelines and SOPs for standard processes conducted between projects and the Country Office;
  - d. Draw up service-level agreements for Country Office services to projects, indicating respective roles and expected timeframes for action;
  - e. Ensure the Supply Chain Management Section develops a quality improvement support role for all NIM projects;





- f. Consider matrix reporting for project procurement and finance staff to ensure professional quality and service;
- g. Develop the new Compliance and Oversight Unit with a combination of oversight and support role to help strengthen the Country Office and projects.

**Management response:**

*UNDP agrees, and all recommendations are under implementation.*

**Further Action by UNDP Headquarters:**

---

1. Confirm that UNDP will continue to provide the Pillar I services and ensure the necessary actions to make this effective.
2. Support the Country Office to ensure the LOTFA project receives the support and oversight it requires to be effective and that LOTFA is managed in a manner consistent with UNDP interests and best practices; taking care that the previous absence of management attention is not replaced by excessive control efforts, but rather by more effective support to increase operational effectiveness.
3. Since a significant number of the observations of the MRT reiterate recommendations of earlier evaluations that do not appear to have received appropriate action, the Afghanistan Division should review all past evaluations and discuss implications and further actions with the Country Office and the LOTFA Project Manager.

**Management response:**

1. *UNDP confirms that it will continue to provide the Pillar 1 services in on-going LOTFA programme. UNDP has underscored the importance of risk mitigation measures and is currently working with the Programme Steering Committee on the establishment of a risk compact. Moreover, UNDP recognizes the importance of a reliable police headcount and have been in discussion with stakeholders on the specific steps that should be undertaken to achieve this objective. UNDP also underscores the importance of all stakeholders being fully involved in the process with UNDP being one of the partners.*
2. *The Special Measures have already been extended by an additional year to 31st December 2013. UNDP will continue to use the fast track and SURGE mechanisms to rapidly deploy support to LOTFA as required. The IBTFA and ET will continue to serve as the mechanisms to ensure integrated and timely support to the Afghanistan Country Office ensuring proactive responses on programmatic and operational challenges. RBAP will continue to provide the requisite strong oversight for LOTFA.*
3. *The Afghanistan Division in RBAP will review all past LOTFA evaluations and will discuss further actions with the CO.*

**Weaknesses in Payroll Process:**

---

1. LOTFA should continue to support the development and roll-out of AHRIMS by CSTC-A, so as to ensure that a single authenticated and reliable source of personnel data is being established, and as soon as possible is linked to EPS/WEPS;





2. LOTFA should discuss with the MOI the possibility of revising the HR lists and forms used in the Districts to include ID numbers (if/as available);
3. LOTFA should discuss with the MOI and relevant partners the possibility of rationalising the entitlement scheme as well as how to ensure that entitlement can be included in EPS/WEPS and AHRIMS;
4. While the work and functioning of DynCorp International in issuing IDs to the ANP is beyond the control of LOTFA, LOTFA should support the Steering Committee and stakeholders in placing maximum emphasis on this task being expedited and the existing database cleaned of inactive ANP personnel;
5. LOTFA should re-configure the EPS/WEPS so as to include approved expenditure object codes;
6. LOTFA should discuss with the MOF's Treasury Department whether automated controls can be established in AFMIS to ensure that only eligible/correct object codes are applied for ANP salary payment requests;
7. LOTFA should discuss with the MOI if and how the staff numbers included in M16 forms can be used for headcount purposes;
8. The reconciliation undertaken by LOTFA of EPS-generated pay slips vis-à-vis bank statements should be automated; and,
9. While the establishment of commercial bank branches is beyond the control of LOTFA, LOTFA should support the Steering Committee and stakeholders in placing maximum importance vis-à-vis commercial banks and mobile network operators, as appropriate, on extending their network/coverage.

### **Management Response:**

*UNDP understands the importance of the suggestions in point 1, 2, 3, 4, 6, 7 and 9 and is working diligently to push for solutions, while recognizing that the solutions are not within the scope of the LOTFA mandate.*

*On the remainder of the points, address of these issues will require the assistance of a professional IT firm to advice on the extent to which the present system can resolve these issues.*

### **Weaknesses in IT System Management and Software:**

---

1. Hire an external system integration firm to:
  - a. Study the entire payroll process, including HR elements (recruitment, assignment, movement, entitlements, promotion, separation, etc.); study the existing computerized systems (DYNCORP ID system, AHRMIS, EPS and AFMIS) and conduct business analysis of the end-to-end process.
  - b. Design an end-to-end payroll system, addressing the existing weaknesses of the current systems and full integration of the systems.<sup>22</sup>
  - c. Review AHRIMS in view of implementing enhancements to accommodate staff recruitment, entitlements and controls around it.
  - d. Revise EPS to ensure that the system meets the requirements of object codes and controls around them, accommodate processing of reimbursements, reconciliation, etc.



- e. Integrate EPS with AFMIS, eliminating manual preparation of manual M16 and receiving reimbursement data from AFMIS.
  - f. Automate data interface between EPS and the systems of the client banks and M-Paisa, including reconciliation.
2. Professionalize LOTFA and MOI IT function:
- a. Coordinate IT systems in MOI under a high-level IT steering committee: The IT steering committee will ensure that all departments cooperate in the design, development and rollout of all IT initiatives, prevent duplication of efforts and share resources between various departments. The IT steering committee will be responsible for setting policies and funding for various initiatives and ensuring future system development.
  - b. The professionalization of the IT function means that a functional IT unit with appropriate staffing level is created, for which the IT staff have their own job description that do not include business functions such as registering new recruits in the data base, data entry or answering questions related to the payments or entitlements of staff.
  - c. Professionalization also means development of policies and guidelines for development, maintenance and helpdesk support. For systems development, it may adopt a system development life cycle methodology. A brief description of SDLC is provided in Annex 9.
  - d. Combine maintenance and support for EPS and HR applications under one umbrella, i.e., LOTFA, to ensure coordinated development and maintenance and reduce cost. The operation of the systems will still be located at their functional departments, e.g., the AHRIMS will be fully operated by Paizhantoon or the HR Department of the MOI.
  - e. Establish disaster recovery site. This will ensure that in case one site is hit by some disaster, the business of paying the police or the HR functions will not come to halt but the secondary site or the disaster recovery site would be able to become operational and replace the primary site within a couple of days or even hours.
  - f. Finally, develop a plan to complete full transfer of all EPS operations to MOI within two years and the IT department within one year after all developments and integrations are completed.

**Management response:**

*UNDP agrees that a professional external firm should be hired to address and resolve all pending issues. While UNDP is working for this procurement to take place as soon as possible, the Steering Committee endorsed a series of prior steps needed to be taken by the organization to ensure maximum impact of the work of the firm. UNDP intends to contract the firm before the end of Phase VI.*

*UNDP agrees with the need to professionalize all aspects of the IT functions, but would like to caution that implementation of most of the recommendations is not within its mandate. The organization will therefore work diligently with the senior leadership of the Ministry of Interior and relevant partners towards the implementation.*

*On point 2e. UNDP agrees and will ensure this site is fully operational by November 2013.*



*Empowered lives.  
Resilient nations.*

*On point 2f. UNDP agrees that there should be a planned transfer of EPS operations to Mol. The timeframe for doing this recommendation will negotiated with the Ministries of Finance and Interior based on the findings of the IT firm.*



Empowered lives.  
Resilient nations.

Table of Recommendations and Responsibility for Action

No.	Recommendation	Response	Responsibility	Deadline
<b>1.</b>	<b>General Assessment</b>			
	<p>To prevent such fraud from again arising and remaining undetected for long, UNDP at the highest corporate level should unequivocally communicate that UNDP is responsible to ensure that its country offices and projects have staff with the appropriate expertise, guidelines and SOPs to conduct the work expected of them. This implies that country offices are responsible to provide training and support, ensure that SOPs are developed, and monitor their application, so that project staff can work effectively, regardless of implementation modality. This should be communicated through the Regional Bureau and become part of the expectations and performance review criteria for Country Directors and Country Office staff.</p>	<p>Agreed. RBAP recognizes the necessity to strengthen the capacity of staff and has already started taking specific steps in this regard.</p> <ul style="list-style-type: none"> <li>• October 2012 Customized training of Country Office staff to strengthen compliance with UNDP policies and procedures.</li> <li>• Training on ethics and integrity in February 2013.</li> <li>• On-the-job, hands-on support has been provided on financial and procurement issues.</li> <li>• Regular monitoring and oversight visits to the country office.</li> <li>• Provision of audit capacity in Kuala Lumpur specifically for Afghanistan has also</li> </ul>	RBAP	<ol style="list-style-type: none"> <li>1. On-going process.</li> <li>2. All SOPs will be developed by 31 December 2013. Training is on-going</li> </ol>



Empowered lives.  
Resilient nations.

No.	Recommendation	Response	Responsibility	Deadline
		been done. <ul style="list-style-type: none"> <li>• RBAP will ensure the inclusion of responsibility for development of staff capacities and availability of SOP, systems and support for effective project management as per the performance criteria for the CD, DCD and LOTFA PM.</li> </ul>		
<b>2.</b>	<b>Government Ownership</b>			
	Responsibility of Pillars II and III could be shifted to the parts of the Ministry that address related capacity building programmes	<ul style="list-style-type: none"> <li>• LOTFA is already engaging with the MOI to ensure that all Pillar II and Pillar III activities are client-driven, and have specific outcomes, timetables, and budgets.</li> <li>• The LOTFA Steering Committee will be agreeing on the full handover of responsibilities under Pillars I and II to the Government of Afghanistan.</li> </ul>	LOTFA Steering Committee	Exit strategy for Pillars II and III will be included in the LOTFA Phase VII Prodoc
<b>3.</b>	<b>LOTFA as part of MOI Vision and Institution Building</b>			



Empowered lives.  
Resilient nations.

No.	Recommendation	Response	Responsibility	Deadline
	<ol style="list-style-type: none"> <li>1. The UNDP Country Director or a senior Country Office manager should lead UNDP participation in the IPCB and its working groups, along with relevant LOTFA project staff.</li> <li>2. LOTFA support under Pillars II and III should be designed around the work of the IPCB, taking into account the efforts of other partners</li> </ol>	<ol style="list-style-type: none"> <li>1. UNDP Country Director attends the IPCB Board meeting, the Sr. DCD-P attends the IPCB Caucus meeting and the RoL ACD attends the IPCB weekly meeting. LOTFA staff joins the CO in these meetings.</li> <li>2. LOTFA is ensuring that its strategy, plans, and operational procedures are aligned with MOI's consistent with the NIM modality, and can conform to donor and UNDP expectations with regard to fiscal accountability. IPCB is one contributor to this effort, but, like LOTFA, is in a support role to a MoI-driven process.</li> </ol>	<ol style="list-style-type: none"> <li>1. Explained in column on the left.</li> <li>2. LOTFA PM</li> </ol>	Implemented
	The start of LOTFA VII should be delayed for at least three months to put preparation on a schedule that fits with timing of the IPCB work.	Agreed and implemented. The Steering Committee approved and extension of LOTFA Phase VI to 31 December 2013.	LOTFA Steering Committee	Implemented
<b>4.</b>	<b>Role of the Steering Committee</b>			
	The SC should be the key policy and decision making body – it should be setting policy, alerted	Agreed. <ol style="list-style-type: none"> <li>1. The LOTFA SC has approved</li> </ol>	<ol style="list-style-type: none"> <li>1. LOTFA Steering</li> </ol>	<ol style="list-style-type: none"> <li>1. Implemented</li> <li>2. Implemented</li> </ol>



Empowered lives.  
Resilient nations.

No.	Recommendation	Response	Responsibility	Deadline
	<p>early to concerns for consideration, and deciding on issues that are presented to it by LOTFA and deciding on what is funded by LOTFA and who should implement the activities. It needs to be chaired by a very senior official from the MOI. It will need to be supported, as it has been in recent months, by a sub-group of partners that meets on a regular basis – akin to the ARTF Financing Group. It should be supported by a small Technical Secretariat which is not involved in implementation.</p>	<p>its new Terms of Reference that include this recommendation.</p> <ol style="list-style-type: none"> <li>2. The LOTFA SC approved a Technical Committee will be established that reviews project proposals and recommend them to the SC.</li> <li>3. UNDP CO to ensure Technical Committee is operational.</li> <li>4. UNDP CO and LOTFA PM will continue the monthly working group that discusses all matters that discusses technical issues in preparation for the SC meetings</li> </ol>	<p>Committee.</p> <ol style="list-style-type: none"> <li>2. LOTFA SC</li> <li>3. UNDP Sr. DCD-P</li> <li>4. UNDP Sr. DCD-P</li> </ol>	<ol style="list-style-type: none"> <li>3. July 2013</li> <li>4. Ongoing</li> </ol>
	<p>The Monitoring Agent should be asked to present regularly to the SC.</p>	<p>Agreed; this will be done once the new MA contract is procured. UNDP expects this to happen in the second half of 2013.</p>	<p>UNDP Sr. DCD-P</p>	<p>October 2013</p>
	<p>Presentation of the content of LOTFA VII and how it fits with work being done by the IPCB. The chair of the IPCB should be invited to this discussion (or her representative).</p>	<p>Agreed. LOTFA Phase VII concept paper has been shared and discussed with the SC. All LOTFA stakeholders, including the IPCB will be closely involved to bring this concept paper to a new pro doc,</p>	<p>LOTFA PM</p>	<p>On-going</p>





Empowered lives.  
Resilient nations.

No.	Recommendation	Response	Responsibility	Deadline
		Phase VII, towards the end of 2013.		
	The role of the SC needs to change to one of policy setting, discussion of key issues, and decision-making	Agreed. See earlier response.		
<b>5.</b>	<b>Conversion of LOTFA into a Multi-Partner Trust Fund</b>			
	<p><b>Conversion of LOTFA into a Multi-Partner Trust Fund</b>                      Personnel (e.g., MPTF Office staff) with operational experience of setting up and running such a trust fund should visit Kabul to explain to all stakeholders how this might work and assist with its setup.</p> <p>Once there is agreement to convert LOTFA into an MPTF, all further contribution agreements should incorporate reference to the planned change in modality and agree that funds contribute to LOTFA can be transferred to the new Trust Fund once it has been established</p>	Agreed. The LOTFA Steering Committee and working group have initiated discussion on a gradual transformation of the current LOTFA into an MPTF, to be completed by the end of Phase VI, while recognizing the importance of a continued strong focus on the rebuilding of LOTFA until it's sufficiently robust.	UNDP Sr. DCD-P	31 December 2013
<b>6.</b>	<b>Operational Management</b>			
	The 2012 External Audit – which includes procurement actions initiated in 2011 and 2012 – should be conducted with application of a fraud standard for procurement and for any other function which the OAI Investigations determines to have been mismanaged.	Agreed and recommendation included in the TOR for the 2012 NIM audit.	Head UNDP Oversight and Compliance Unit	Implemented.
	A thorough management audit should be conducted during the first quarter of 2013 of	Agreed. The 2012 NIM audit TOR includes the requirement to cover	UNDP Sr. DCD-P	Last quarter of 2013



Empowered lives.  
Resilient nations.

No.	Recommendation	Response	Responsibility	Deadline
	<p>LOTFA's internal managements systems, processes and SOPs (with particular attention to asset management, procurement, finances and reporting) to determine what has been established, how well they are followed in practice, and what gaps remain</p>	<p>internal control weaknesses identified and provide audit recommendations to address them. The LOTFA Steering Committee endorsed the management audit. The Management Audit is a performance audit, not an accounting audit. It will be an external audit of the systems after implementing the recommendations made by MRT. It will look at LOTFA, the CO and HQ as well as issues of oversight and management efficacy. UNDP changed its procedures this year. All our audits will be independent and they will be published on our website. All the recommendations by the MRT to beef up the TORs for audits have been accepted. Between April to June all the UNDP audits will be on the UNDP public website.</p>		
<b>7.</b>	<b>Monitoring Agent</b>			
	<p>The MA should continue to monitor payments through electronic funds transfer, but at a more reduced level unless problems appear, and shift greater attention to food procurement and payment of salaries other than through the</p>	<p>Agreed. UNDP, in consultation with the World Bank and with the Management Review team, has revised the ToRs of the Monitoring Agent and is currently working with</p>	<p>LOTFA PM</p>	<p>31 December 2013</p>



Empowered lives.  
Resilient nations.

No.	Recommendation	Response	Responsibility	Deadline
	banking system. MA should be tasked to prepare draft guidelines for issuance by MOI regarding coding and processing of salary payments, Further, the MA should focus particular attention on integrity of the process of salary payments through M-Paisa and “trusted agents.”	the procurement support office in the UNDP office in Denmark in order to finalise the Request for Proposals to be issued in the second half of 2013.		
<b>8.</b>	<b>Reimbursement Procedure</b>			
	<p>Reimbursement Procedure:</p> <ol style="list-style-type: none"> <li>1. LOTFA should on an annual basis prepare and maintain a document that states the specific items covered and calculation basis for reimbursements to the GoA, and ensure that it is discussed and formally agreed by all stakeholders, including the Mol and the MoF.</li> <li>2. LOTFA should raise with the Mol Deputy Minister the issue of missing documentation for food contracts to ensure the problem is known and that instructions are given within MOI to give greater importance to provide such documentation to the MA (this is part of making greater use of the MA).</li> <li>3. LOTFA should clarify with the GoA and stakeholders the treatment of ineligible expenditure as identified by the Monitoring Agent and the MOF in terms of full deduction from the reimbursement amounts.</li> <li>4. LOTFA should instruct the Monitoring Agent to prepare a manual that defines the details</li> </ol>	<p>The reimbursement procedure of the financial component of LOTFA requires further strengthening. It is associated with inadequacies of the underlying Chart of Accounts, insufficient training, and inability to verify identities of payees. This issue is the top near-term priority and LOTFA is working on it with various partners, including Mol and NTM-A/CSTC-A.</p> <p>UNDP recognizes that food contracts are indeed a problem area. There are inadequate controls and evidence of mismanagement, which are being followed up in collaboration with NTM-A. Upcoming changes in the procurement regime will also focus on this.</p>	LOTFA PM	31 December 2013



Empowered lives.  
Resilient nations.

No.	Recommendation	Response	Responsibility	Deadline
	<p>regarding eligible and ineligible expenditure and the procedures and internal controls regarding payroll and food expenditures.</p> <p>5. LOTFA should request the Monitoring Agent to certify for payment the amount of the MOF quarterly reimbursement request that it has found to be fully supported.</p> <p>6. LOTFA should make no payment to MoF for expenditures which have not been adequately supported – the MA should certify the amount of the MOF invoice eligible for payment. Furthermore, LOTFA should allow only until the next quarterly request for MOI to provide missing documentation.</p>	<p>UNDP agrees there is a need for a manual that defines eligible and ineligible expenditures, but the Ministry of Finance, which “owns” the chart of accounts, will need to provide these guidelines. NTM-A is working to change the underlying chart of accounts, and LOTFA is revising the EPS accordingly.</p>		
<b>9.</b>	<b>Procurement without Professionals– High Risk of Fraud</b>			
	<p>Procurement without Professionals– High Risk of Fraud:</p> <p>1. All procurement requirements above an agreed threshold (e.g., \$10,000) should be announced publicly, including: UNDP (and the future LOTFA) website; Government procurement website; and local newspapers.</p> <p>2. The results of all procurement processes should be publicly announced in the same media, including name of the successful bidder, list of all bids received, and identification of any bids disqualified.</p> <p>3. All LOTFA procurement for goods and</p>	<p>LOTFA is now adding professional procurement staff to its roster. This is helping, but should be regarded as a work in progress. As noted in the recommendations, LOTFA will be putting forward specific proposals to MoI based on the surge support recommendations. The intention will be to move toward proper NIM, but with “complementary procedures” that maximize the proper utilization of resources. The following actions are also being</p>	<p>LOTFA PM</p>	<p>October 2013</p>



Empowered lives.  
Resilient nations.

No.	Recommendation	Response	Responsibility	Deadline
	<p>works should be conducted by joint procurement teams (LOTFA and MOI); LOTFA should take extra measures to ensure that language is not a barrier to effective work of the joint teams.</p> <p>4. To the greatest extent reasonable, LOTFA should utilize national procedures for the procurement of goods and works, and monitor progress.</p> <p>5. UNDP procurement staff should be available to provide support as necessary and to ensure quality of procurement.</p> <p>6. Other recommendations to strengthen LOTFA procurement will come from the focused review concurrently underway by the UNDP surge support in area of procurement.</p>	<p>taken on board:</p> <ul style="list-style-type: none"> <li>Conduct focused training on the provisions of the Procurement Law for Procurement Department staff.</li> <li>Develop a unified Overall Implementation Manual to serve mid and junior level staff to carry out the procurement processes in line with the PPL.</li> <li>Conduct a needs analysis to identify all required infrastructural facilities. The department should be equipped with constant electricity and computers with a specification to allow the running of the latest versions of compatible software.</li> </ul>		
<b>11.</b>	<b>Further Action by UNDP Country Office</b>			
	<p>Further Action by UNDP Country Office:</p> <p>1. UNDP should ensure that (a) overall fund management is conducted according to the current UNDP best practice standards and also exemplified by the Multi-Partner Trust Fund Office and (b) payroll project (Pillar I) has appropriate staffing and dedicated management (not confused with that which may be required for other components under Pillars II and III) to ensure it receives the attention necessary to deliver the</p>	<p>Agreed.</p>	<ol style="list-style-type: none"> <li>Sr. DCD-P Oversight and Compliance Unit</li> <li>Country Director / RBAP Division Chief</li> </ol>	<ol style="list-style-type: none"> <li>31 December 2013</li> <li>On-going</li> <li>31 December 2013</li> </ol>



Empowered lives.  
Resilient nations.

No.	Recommendation	Response	Responsibility	Deadline
	<p>expected quality of service.</p> <p>2. Noting that the Country Office was the site of systematic management failure, the new unit [Country Office Oversight and Compliance Unit] should preferentially address improvement to the work of the various CO sections and their support to projects. This could involve detecting need for training, SOPs, SLAs, etc. and assisting to develop them.</p> <p>3. The UNDP Country Office (with the support of the Afghanistan Division) should determine whether the issues identified in this report apply to the management of the UNDP portfolio in Afghanistan in general.</p> <p>4. Further actions which the UNDP Country Office should undertake include:</p> <p>a. Expeditiously conclude all pending staff recruitments for LOTFA and the Country Office;</p> <p>b. Conduct a Client Satisfaction Survey of all projects regarding Country Office functions and units to establish current benchmarks and orient action for improvements;</p> <p>c. Develop guidelines and SOPs for standard processes conducted between projects and the Country Office;</p> <p>d. Draw up service-level agreements for Country Office services to projects, indicating respective roles and expected timeframes for</p>			



Empowered lives.  
Resilient nations.

No.	Recommendation	Response	Responsibility	Deadline
	action; e. Ensure the Supply Chain Management Section develops a quality improvement support role for all NIM projects; f. Consider matrix reporting for project procurement and finance staff to ensure professional quality and service; g. Develop the new Compliance and Oversight Unit with a combination of oversight and support role to help strengthen the Country Office and projects.			
<b>12.</b>	<b>Further Action by UNDP Headquarters</b>			
	Further Action by UNDP Headquarters: 1. Confirm that UNDP will continue to provide the Pillar I services and ensure the necessary actions to make this effective. 2. Support the Country Office to ensure the LOTFA project receives the support and oversight it requires to be effective and that LOTFA is managed in a manner consistent with UNDP interests and best practices; taking care that the previous absence of management attention is not replaced by excessive control efforts, but rather by more effective support to increase operational effectiveness. 3. Since a significant number of the observations of the MRT reiterate recommendations of earlier evaluations that do	1. Confirmed. 2. UNDP confirms that it will continue to provide the Pillar 1 services in on-going LOTFA programme. UNDP has underscored the importance of risk mitigation measures and is currently working with the Programme Steering Committee on the establishment of a risk compact. Moreover, UNDP recognizes the importance of a reliable police headcount and have been in discussion with stakeholders on the specific steps that should be undertaken to achieve this objective. UNDP also underscores	RBAP - Afghanistan Division Chief	31 December 2013





Empowered lives.  
Resilient nations.

No.	Recommendation	Response	Responsibility	Deadline
	not appear to have received appropriate action, the Afghanistan Division should review all past evaluations and discuss implications and further actions with the Country Office and the LOTFA Project Manager.	<p>the importance of all stakeholders being fully involved in the process with UNDP being one of the partners. The Special Measures have already been extended by an additional year to 31st December 2013. UNDP will continue to use the fast track and SURGE mechanisms to rapidly deploy support to LOTFA as required. The IBTFA and ET will continue to serve as the mechanisms to ensure integrated and timely support to the Afghanistan Country Office ensuring proactive responses on programmatic and operational challenges. RBAP will continue to provide the requisite strong oversight for LOTFA.</p> <p>3. The Afghanistan Division in RBAP will review all past LOTFA evaluations and will discuss further actions with the CO.</p>		
<b>13.</b>	<b>Weaknesses in Payroll Process</b>			
	<p>Weaknesses in Payroll Process:</p> <p>1. LOTFA should continue to support the development and roll-out of AHRIMS by CSTC-A, so as to ensure that a single authenticated and</p>	<p>UNDP understands the importance of the suggestions in point 1, 2, 3, 4, 6, 7 and 9 and is working diligently to push for solutions, while</p>	<p>LOTFA PM</p>	<p>31 December 2013</p>



Empowered lives.  
Resilient nations.

No.	Recommendation	Response	Responsibility	Deadline
	<p>reliable source of personnel data is being established, and as soon as possible is linked to EPS/WEPS;</p> <p>2. LOTFA should discuss with the MOI the possibility of revising the HR lists and forms used in the Districts to include ID numbers (if/as available);</p> <p>3. LOTFA should discuss with the MOI and relevant partners the possibility of rationalising the entitlement scheme as well as how to ensure that entitlement can be included in EPS/WEPS and AHRIMS;</p> <p>4. While the work and functioning of DynCorp International in issuing IDs to the ANP is beyond the control of LOTFA, LOTFA should support the Steering Committee and stakeholders in placing maximum emphasis on this task being expedited and the existing database cleaned of inactive ANP personnel;</p> <p>5. LOTFA should re-configure the EPS/WEPS so as to include approved expenditure object codes;</p> <p>6. LOTFA should discuss with the MOF's Treasury Department whether automated controls can be established in AFMIS to ensure that only eligible/correct object codes are applied for ANP salary payment requests;</p> <p>7. LOTFA should discuss with the MOI if and</p>	<p>recognizing that the solutions are not within the scope of the LOTFA mandate.</p> <p>On the remainder of the points, address of these issues will require the assistance of a professional IT firm to advice on the extent to which the present system can resolve these issues.</p>		



Empowered lives.  
Resilient nations.

No.	Recommendation	Response	Responsibility	Deadline
	<p>how the staff numbers included in M16 forms can be used for headcount purposes;</p> <p>8. The reconciliation undertaken by LOTFA of EPS-generated pay slips vis-à-vis bank statements should be automated; and,</p> <p>9. While the establishment of commercial bank branches is beyond the control of LOTFA, LOTFA should support the Steering Committee and stakeholders in placing maximum importance vis-à-vis commercial banks and mobile network operators, as appropriate, on extending their network/coverage.</p>			
<b>14.</b>	<b>Weaknesses in IT System Management and Software</b>			
	<p>1. Hire an external system integration firm.</p> <p>2. Professionalize LOTFA and MOI IT function:</p> <p>a. Coordinate IT systems in MOI under a high-level IT steering committee: The IT steering committee will ensure that all departments cooperate in the design, development and rollout of all IT initiatives, prevent duplication of efforts and share resources between various departments. The IT steering committee will be responsible for setting policies and funding for various initiatives and ensuring future system development.</p> <p>b. The professionalization of the IT function means that a functional IT unit with appropriate</p>	<p>UNDP agrees that a professional external firm should be hired to address and resolve all pending issues. While UNDP is working for this procurement to take place as soon as possible, the Steering Committee endorsed a series of prior steps needed to be taken by the organization to ensure maximum impact of the work of the firm.</p> <p>UNDP agrees with the need to professionalize all aspects of the IT functions, but would like to caution that implementation of most of the</p>	<p>LOTFA PM</p>	<p>31 October 2013</p>



Empowered lives.  
Resilient nations.

No.	Recommendation	Response	Responsibility	Deadline
	<p>staffing level is created, for which the IT staff have their own job description that do not include business functions such as registering new recruits in the data base, data entry or answering questions related to the payments or entitlements of staff.</p> <p>c. Professionalization also means development of policies and guidelines for development, maintenance and helpdesk support. For systems development, it may adopt a system development life cycle methodology. A brief description of SDLC is provided in Annex 9.</p> <p>d. Combine maintenance and support for EPS and HR applications under one umbrella, i.e., LOTFA, to ensure coordinated development and maintenance and reduce cost. The operation of the systems will still be located at their functional departments, e.g., the AHRIMS will be fully operated by Paizhantoon or the HR Department of the MOI.</p> <p>e. Establish disaster recovery site. This will ensure that in case one site is hit by some disaster, the business of paying the police or the HR functions will not come to halt but the secondary site or the disaster recovery site would be able to become operational and replace the primary site within a couple of days or even hours.</p> <p>f. Finally, develop a plan to complete full</p>	<p>recommendations is not within its mandate. The organization will therefore work diligently with the senior leadership of the Ministry of Interior and relevant partners towards the implementation.</p> <p>On point 2e. UNDP agrees and will ensure this site is fully operational by November 2013.</p> <p>On point 2f. UNDP agrees that there should be a planned transfer of EPS operations to MoI. The timeframe for doing this recommendation will be negotiated with the Ministries of Finance and Interior based on the findings of the IT firm.</p>		



*Empowered lives.  
Resilient nations.*

No.	Recommendation	Response	Responsibility	Deadline
	transfer of all EPS operations to MOI within two years and the IT department within one year after all developments and integrations are completed.			