



AUDIT

OF

UNDP Pakistan

Early Recovery Programme in Pakistan
(Directly Implemented Project No. 77286)

Report No. 987
Issue Date: 19 June 2013

Report on the audit of UNDP Pakistan Early Recovery Programme in Pakistan (Project No. 77286) Executive Summary

From 18 October 2012 to 15 January 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through Ernst & Young Ford Rhodes Sidat Hyder - Pakistan (the audit firm), conducted an audit of the Early Recovery Programme in Pakistan, Project No. 77286 (the Project), which is directly implemented and managed by the UNDP Country Office in Pakistan (the Office). The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The last audit of the Office was conducted by OAI in 2012.

The Project reported expenditure totalling \$42.7 million during the period from 1 January 2011 to 31 March 2012. The Project was funded by Japan and the COFRA Foundation.

Audit scope and objectives

The audit work covered financial transactions as well as internal controls and systems for the purpose of expressing an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations, as well as assess compliance with UNDP regulations, rules, policies and procedures and donor agreements. The audit covered the Project's Statement of Expenditure (Combined Delivery Report) for the period from 1 January 2011 to 31 March 2012 and Statement of Assets as of 31 March 2012. It also reviewed the relevant systems, procedures and practices in place as they relate to the Project, in the areas of: organization and staffing, project management, human resources management, financial and cash management, procurement, asset management, information systems and general administration.

Audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, OAI assessed the management of the Project as **partially satisfactory**, which means "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." The details of the audit results are presented in Figures 1 and 2.

Figure 1: Summary results of the financial audit

| Project Expenditure | | | Project Assets | |
|------------------------|-----------|---------------------|------------------------|-------------|
| Amount (in \$ '000) | Opinion | NFI (in \$ '000) | Amount (in \$ '000) | Opinion |
| 42,652 | Qualified | 2,300 | 60 | Unqualified |

NFI = Net Financial Impact

The audit firm qualified its opinion on Project expenditure due to the following:

- (a) Expenses amounting to \$30.83 million had been classified into the incorrect chart of accounts. Included in these misclassifications were various types of expenses amounting to \$17.89 million and \$12.84 million for the periods ending 31 December 2011 and 31 March 2012, respectively, and which had been incorrectly recorded in the 'grants to institutions' account.

- (b) Inadequate supporting documents were provided for expenses amounting to \$4.1 million, thus the audit firm was unable to ascertain the acceptability and chargeability of these expenses to the Combined Delivery Report.
- (c) Expenses amounting to \$2.1 million were not recorded in the Combined Delivery Report for the period ending 31 March 2012. This amount related to expenses which were incurred by responsible parties during the reporting periods, but were not recorded in the Combined Delivery Report since the responsible parties were late in submitting financial reports to the Office.
- (d) Advances amounting to \$318,000 were recorded as expenses in the Combined Delivery Report for the period ending 31 March 2012.

Figure 2: Internal controls and systems audit ratings summary

| Audit Areas | Not Assessed/ Not Applicable | Unsatisfactory | Partially Satisfactory | Satisfactory |
|----------------------------------|---------------------------------|----------------|---------------------------|--------------|
| 1. Organization and staffing | | | | |
| 2. Project management | | | | |
| 3. Human resources management | | | | |
| 4. Financial and cash management | | | | |
| 5. Procurement | | | | |
| 6. Asset management | | | | |
| 7. Information systems | | | | |
| 8. General administration | | | | |

Key issues and recommendations

The audit raised 12 issues and resulted in 1 recommendation, which was ranked medium (important) priority, meaning “Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP.”

Among the issues raised in this report, those that could be considered the most significant are presented below:

| | |
|---|--|
| Project management (Issue 2) | <u>Weaknesses noted in civil society organization selection process.</u> The Office hired a consultant for the capacity assessment of the responsible parties. The audit noted 19 civil society organizations for which the consultant provided a rating of “high risk” or “not recommended”. However, the Office awarded 27 Project Cooperation Agreements amounting to \$14.4 million to these 19 civil society organizations after obtaining approval from the technical review committee. The documentation justifying overturning the evaluation by the consultant was not available. Additionally, the audit identified two instances where the Office awarded Project Cooperation Agreements amounting to \$1.2 million to two responsible parties despite not being recommended by the technical review committee. |
| Human resources management (Issue 3) | <u>Lack of controls to detect addition or deletion of employees in the payroll system.</u> The Human Resources Associate can add or delete employees in the payroll system. System generated notifications for additions or deletions of employees from the payroll could not be generated from the beginning of the Project until January 2012. There were no substitute manual controls available to mitigate the risks associated with the payroll |

system prior to January 2012

Procurement
management
(Issue 10)


Weaknesses in the procurement function of responsible parties. The audit noted the following weaknesses: (a) seven responsible parties did not comply with the established procurement processes for tendering and number of quotations to be raised for competitive procurement; (b) for 25 responsible parties, there were discrepancies in purchase requisitions, purchase orders, and goods received notes; (c) comparative statements were not signed or approved by the relevant authorities for seven responsible parties; and (d) for 34 responsible parties, there were control weaknesses in the procurement management of the projects, such as the lack of established policies for pre-qualified suppliers, requests for proposals and invitations to bids, purchase requisitions and purchase orders, the composition of procurement committees, and contractual provisions with vendors relating to anti-personnel mines and child labour.

Asset
management
(Issue 11)

Assets not returned to the Project. Eight responsible parties did not return project assets amounting to \$62,775 to the Office after the completion of the Project.

Management's comments

The Resident Representative accepted the recommendation and is in the process of implementing it.



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



*Empowered lives.
Resilient nations.*

United Nations Development Programme Pakistan

Financial Audit Report Early Recovery Programme in Pakistan

Project ID: 00077286

Audit Period: From 01 January 2011 to 31 March 2012

Ernst & Young Ford RhodesSidatHyder
A member firm of Ernst & Young Global Limited

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Independent auditors' Report to the United Nation Development Programme (UNDP) in respect of "2010 Flood Response Early Recovery Programme" (Project ID 00077286)

We have audited the accompanying statements of expenditure [Combined Delivery Reports (CDRs)] of the UNDP Project "2010 Flood Response Early Recovery Programme" under **Project ID 00077286** (here-in-after referred to as "the statements") for the periods ended 31 December 2011 and 31 March 2012 (periods taken as a whole).

Management is responsible for the preparation of the statements of the UNDP Project "2010 Flood Response Early Recovery Programme" under Project ID 00077286 and for such internal control as management determines is necessary to enable the preparation of the statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Project's preparation of the statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our **qualified** opinion.

- a) expenses amounting to \$30.830 million had been classified into incorrect chart of accounts. Included in these misclassifications are various types of expenses aggregating to \$17.893 million and \$12.838 million for the periods ending 31 December 2011 and 31 March 2012 respectively which have been incorrectly entered into the account namely "grants to institutions";
- b) Inadequate supporting documents were provided for expenses aggregating to \$4.065 million, thus not enabling us to ascertain the acceptability and chargeability of these expenses to the CDRs;

EYFMSH

- c) Expenses amounting to \$2.083 million were not recorded in the CDR for the period ending 31 March 2012. This amount relates to expenses which were incurred by RPs during the reporting periods but were not recorded in the CDRs as financial reports from RPs were submitted to the Office late; and
- d) Advances amounting to \$0.318 million were recorded as expenses in the CDR for period ending 31 March 2012.

In our opinion, except for the effect(s), if any, of the matters stated in the paragraph (a) to (b) above, the statements present fairly, in all material respects, the expenditure of \$42.652 million incurred by the Project for the period from 01 January 2011 to 31 March 2012 in accordance with the UNDP accounting policies and such expenses were:

- a) in conformity with the approved Project budgets;
- b) for the approved purposes of the Project;
- c) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and
- d) supported by properly approved vouchers and other supporting documents.

We draw attention to the fact that, during the period, the Office's management has used two different accounting policies with respect to recognition of assets in the statements in respect of this Project. Prior to 31 December 2011, these were charged off as expenses in the statements, whereas subsequent thereto, these have been recognized as assets and related depreciation has been charged in the statements. The policy change resulted from UNDP Executive Board's decision to adopt International Public Sector Accounting Standards (IPSAS) w.e.f 01 January 2012.

We draw attention to the fact that, during the period, the Office's management has followed two different accounting policies with respect of charging of expenses in the statements. Prior to 31 December 2011, these were charged off on disbursement basis, whereas subsequent thereto, these have been charged on accrual basis. The policy change resulted from UNDP Executive Board's decision to adopt International Public Sector Accounting Standards (IPSAS) w.e.f 01 January 2012.



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Engagement Partner: Omar Mustafa Ansari

Date: 17 May 2013
Place: Karachi

UNDP PAKISTAN Project ID 00077286 Early Recovery Programme

Statement of expenditure (CDR) For the period from 01 January 2011 to 31 December 2011



UN Development Programme
Report ID: ungl143p

Combined Delivery Report By Project

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Run Time: 18-10-2012 07:10:55

Selection Criteria :

Business Unit : PAK10
Period : Jan-Dec (2011)
Selected Award Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Projects : 00077286

| | |
|---|---|
| Award Id : 00060551 ER Programme for flood affted | Period : Jan-Dec (2011) |
| Project # : 00077286 ERP-Basic Crtcl Com Infrstrctr | Impl. Partner : 02373 UNDP (Direct Execution) |
| | Location : Pakistan |

| | Govt Disb | UNDP Disb | UN Agencies | Encumbrance | Total Exp |
|---|--------------|---------------|-------------|-------------|---------------|
| Dept: 42403 (Pakistan - Crisis Prev & Rcvry) | | | | | |
| Fund : 32045 (JPN - Partnership Devt Pgm PCF) | | | | | |
| 71405 - Service Contracts-Individuals | 85,676.17 | 0.00 | 0.00 | 0.00 | 85,676.17 |
| 71610 - Travel Tickets-Local | 0.00 | 200.82 | 0.00 | 0.00 | 200.82 |
| 71620 - Daily Subsistence Allow-Local | 36,697.76 | 625.70 | 0.00 | 0.00 | 37,323.46 |
| 72145 - Svc Co-Training and Educ Serv | 442,074.06 | 137,000.00 | 0.00 | 0.00 | 579,074.06 |
| 72210 - Machinery and Equipment | 0.00 | 250,000.00 | 0.00 | 0.00 | 250,000.00 |
| 72605 - Grants to Instit & other Benef | 4,379,543.23 | 13,513,152.05 | 0.00 | 0.00 | 17,892,695.28 |
| 74120 - Capacity Assessment | 0.00 | 18,330.03 | 0.00 | 0.00 | 18,330.03 |
| 74225 - Other Media Costs | 0.00 | 835.27 | 0.00 | 0.00 | 835.27 |
| 74510 - Bank Charges | 0.00 | - 1,332.15 | 0.00 | 0.00 | - 1,332.15 |
| 74525 - Sundry | 24,465.95 | - 79,443.04 | 0.00 | 0.00 | - 54,977.09 |
| 74605 - Prepaid Project Expenses | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 75105 - Facilities & Admin - Implement | 0.00 | 1,292,259.86 | 0.00 | 0.00 | 1,292,259.86 |
| 75711 - TrnWrkshp&Conf - Stipends | 0.00 | 21,800.00 | 0.00 | 0.00 | 21,800.00 |
| 76120 - Unrealized Loss | 0.00 | 254,902.00 | 0.00 | 0.00 | 254,902.00 |
| 76125 - Realized Loss | 0.00 | 11,872.94 | 0.00 | 0.00 | 11,872.94 |
| 76130 - Unrealized Gain | 0.00 | - 49,671.92 | 0.00 | 0.00 | - 49,671.92 |
| 76135 - Realized Gain | 0.00 | - 7,216.77 | 0.00 | 0.00 | - 7,216.77 |
| Total for Fund 32045 | 4,968,457.17 | 15,363,314.79 | 0.00 | 0.00 | 20,331,771.96 |
| Total for Dept : 42403 | 4,968,457.17 | 15,363,314.79 | 0.00 | 0.00 | 20,331,771.96 |

Dept: 42405 (Pakistan - Energy & Envirnmnt)

Fund : 30000 (Programme Cost Sharing)

| | | | | | |
|--|------|--------------|------|------------|--------------|
| 71610 - Travel Tickets-Local | 0.00 | 643.65 | 0.00 | 564.68 | 1,208.33 |
| 71620 - Daily Subsistence Allow-Local | 0.00 | 2,233.29 | 0.00 | 0.00 | 2,233.29 |
| 71635 - Travel - Other | 0.00 | 118.01 | 0.00 | 0.00 | 118.01 |
| 72115 - Svc Co-Natural Resources & Env | 0.00 | 54,086.32 | 0.00 | 0.00 | 54,086.32 |
| 72205 - Office Machinery | 0.00 | 1,406,403.78 | 0.00 | 323,295.79 | 1,729,699.57 |
| 72210 - Machinery and Equipment | 0.00 | 10,108.55 | 0.00 | 0.00 | 10,108.55 |
| 72415 - Courier Charges | 0.00 | 1.52 | 0.00 | 0.00 | 1.52 |
| 72420 - Land Telephone Charges | 0.00 | 7.84 | 0.00 | 0.00 | 7.84 |
| 72425 - Mobile Telephone Charges | 0.00 | 495.77 | 0.00 | 0.00 | 495.77 |
| 72440 - Connectivity Charges | 0.00 | 11.73 | 0.00 | 0.00 | 11.73 |
| 72505 - Stationery & other Office Supp | 0.00 | 132.42 | 0.00 | 0.00 | 132.42 |
| 72710 - Hospitality-Vouchered Expenses | 0.00 | 122.96 | 0.00 | 0.00 | 122.96 |
| 73110 - Custodial & Cleaning Services | 0.00 | 239.48 | 0.00 | 0.00 | 239.48 |
| 73120 - Utilities | 0.00 | 18.80 | 0.00 | 0.00 | 18.80 |
| 73405 - Rental & Maint-Other Office Eq | 0.00 | 126.86 | 0.00 | 0.00 | 126.86 |
| 73406 - Maintenance of Equipment | 0.00 | 5,377.03 | 0.00 | 0.00 | 5,377.03 |
| 73410 - Maint, Oper of Transport Equip | 0.00 | 5,042.02 | 0.00 | 0.00 | 5,042.02 |
| 74215 - Promotional Materials and Dist | 0.00 | 263.24 | 0.00 | 0.00 | 263.24 |
| 74520 - Storage | 0.00 | 14,258.36 | 0.00 | 0.00 | 14,258.36 |
| 74525 - Sundry | 0.00 | 42,741.56 | 0.00 | 0.00 | 42,741.56 |
| 75105 - Facilities & Admin - Implement | 0.00 | 100,066.70 | 0.00 | 0.00 | 100,066.70 |
| 75709 - Learning - training of counter | 0.00 | 11,091.00 | 0.00 | 0.00 | 11,091.00 |
| 76125 - Realized Loss | 0.00 | 7.75 | 0.00 | 0.00 | 7.75 |
| 76135 - Realized Gain | 0.00 | - 396.24 | 0.00 | 0.00 | - 396.24 |



UNDP PAKISTAN Project ID 00077286
Early Recovery Programme

Statement of expenditure (CDR)
For the period from 01 January 2011 to 31 December 2011



UN Development Programme
 Report ID: ungl143p

Combined Delivery Report By Project

Page 2 of 3
 Run Time: 18-10-2012 07:10:56

| Award Id : 00060551 ER Programme for flood affted | | Period : Jan-Dec (2011) | | | |
|--|--------------|---|-------------|--------------|---------------|
| Project # : 00077286 ERP-Basic Crcl Com Infrstrctr | | Impl. Partner : 02373 UNDP (Direct Execution) | | | |
| | | Location : Pakistan | | | |
| | Govt Disb | UNDP Disb | UN Agencies | Encumbrance | Total Exp |
| Total for Fund 30000 | 0.00 | 1,653,202.40 | 0.00 | 323,860.47 | 1,977,062.87 |
| Fund : 32045 (JPN - Partnership Devt Pgm PCF) | | | | | |
| 71305 - Local Consult.-Sht Term-Tech | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 71310 - Local Consult.-Short Term-Supp | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 71610 - Travel Tickets-Local | 0.00 | 161.71 | 0.00 | 0.00 | 161.71 |
| 71620 - Daily Subsistence Allow-Local | 0.00 | 416.51 | 0.00 | 0.00 | 416.51 |
| 71635 - Travel - Other | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 72115 - Svc Co-Natural Resources & Env | 0.00 | 725,000.00 | 0.00 | 0.00 | 725,000.00 |
| 72125 - Svc Co-Studies & Research Serv | 0.00 | 0.00 | 0.00 | 42,152.00 | 42,152.00 |
| 72170 - Svc Co-Humanitarian Aid & Relf | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 72205 - Office Machinery | 0.00 | 95,596.19 | 0.00 | 0.00 | 95,596.19 |
| 72210 - Machinery and Equipment | 0.00 | 53,379.55 | 0.00 | 1,099,960.17 | 1,153,339.72 |
| 72220 - Furniture | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 72225 - Sale of Equip & Furniture | 0.00 | 0.00 | 0.00 | 38,821.78 | 38,821.78 |
| 73105 - Rent | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 73125 - Common Services-Premises | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 73216 - Construction Cost | 0.00 | 0.00 | 0.00 | 44,100.00 | 44,100.00 |
| 74105 - Management and Reporting Svcs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 74210 - Printing and Publications | 0.00 | 835.27 | 0.00 | 0.00 | 835.27 |
| 74525 - Sundry | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 75105 - Facilities & Admin - Implement | 0.00 | 61,277.24 | 0.00 | 0.00 | 61,277.24 |
| 76120 - Unrealized Loss | 0.00 | 41,756.55 | 0.00 | 0.00 | 41,756.55 |
| 76135 - Realized Gain | 0.00 | - 81.32 | 0.00 | 0.00 | - 81.32 |
| Total for Fund 32045 | 0.00 | 978,341.70 | 0.00 | 1,225,033.95 | 2,203,375.65 |
| Total for Dept : 42405 | 0.00 | 2,631,544.10 | 0.00 | 1,548,894.42 | 4,180,438.52 |
| Total for Project : 00077286 | 4,968,457.17 | 17,994,858.89 | 0.00 | 0.00 | 24,512,210.48 |
| Award Total : | | | | | |
| | 4,968,457.17 | 17,994,858.89 | 0.00 | 0.00 | 24,512,210.48 |



Signed By :

[Signature]
 Douglas Hageman
 Country Director a.i.
 United Nations Development Programme
 Islamabad, Pakistan

Date :

16 May 2013

**UNDP PAKISTAN Project ID 00077286
Early Recovery Programme**

**Statement of expenditure (CDR)
For the period from 01 January 2011 to 31 December 2011**



UNDP UN Development Programme
Report ID: ungl143p

Combined Delivery Report By Project

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Run Time: 18-10-2012 07:10:59

Selection Criteria :

Business Unit : PAK10
Period : Jan-Dec (2011)
Selected Award Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Projects : 00077286

| | | | | | | |
|--|--|-----------------|----------------|-------------|--------------|---------------|
| Award Id : 00060551 ER Programme for flood afftd | | Period : | Jan-Dec (2011) | | | |
| Project # : ERP-Basic Crtcl Com Infrstrctr | | Impl. Partner : | None | | | |
| | | Location : | Pakistan | | | |
| | | Govt Disb | UNDP Disb | UN Agencies | Encumbrance | Total Exp |
| 42403 - Pakistan - Crisis Prev & Rcvry | | 4,968,457.17 | 15,363,314.79 | 0.00 | 0.00 | 20,331,771.96 |
| 42405 - Pakistan - Energy & Envirnmnt | | 0.00 | 2,631,544.10 | 0.00 | 1,548,894.42 | 4,180,438.52 |



UNDP PAKISTAN Project ID 00077286
Early Recovery Programme

Statement of expenditure (CDR)
For the period from 01 January 2011 to 31 December 2012



UNDP UN Development Programme
 Report ID: unglcdrp

Combined Delivery Report By Project

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Selection Criteria :

Business Unit : PAK10
 Period : Jan-March (2012)
 Selected Project Id : ALL
 Selected Fund Code : ALL
 Selected Dept. IDs : ALL
 Selected Outputs : 00077286

| | | | |
|-----------------------|------------------------------|-----------------|-------------------------------|
| Project Id : 00060551 | ER Programme for flood afftd | Period : | Jan-March (2012) |
| Output # : 00077286 | Community Infrastructure | Impl. Partner : | 02373 UNDP (Direct Execution) |
| | | Location : | Pakistan |
| | | Govt Exp | UNDP Exp |
| | | UN Agencies Exp | Total Exp |

Dept: 42403 (Pakistan - Crisis Prev & Rcvry)

Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)

| | | | | |
|--|----------------------|---------------------|-------------|----------------------|
| 71620 - Daily Subsistence Allow-Local | 0.00 | 1,924.10 | 0.00 | 1,924.10 |
| 72205 - Office Machinery | 0.00 | 5,677.20 | 0.00 | 5,677.20 |
| 72605 - Grants to Instit & other Benef | 12,509,436.81 | 329,029.10 | 0.00 | 12,838,465.91 |
| 74210 - Printing and Publications | 0.00 | 1,086.84 | 0.00 | 1,086.84 |
| 75105 - Facilities & Admin - Implement | 0.00 | 900,466.81 | 0.00 | 900,466.81 |
| 76120 - Unrealized Loss | 0.00 | 132,632.10 | 0.00 | 132,632.10 |
| 76135 - Realized Gain | 0.00 | - 6,220.29 | 0.00 | - 6,220.29 |
| 77105 - Salaries - NP Staff-TA | 0.00 | 8,455.40 | 0.00 | 8,455.40 |
| 77115 - Contrib-Med,SocIns-NP Staff-TA | 0.00 | 326.89 | 0.00 | 326.89 |
| 77120 - Repat Grt/Comm Annual Lv-NP-TA | 0.00 | 567.79 | 0.00 | 567.79 |
| 77145 - Dependency Allow-NP Staff-TA | 0.00 | 61.69 | 0.00 | 61.69 |
| 77195 - MAIP Premium TA/NO | 0.00 | 16.90 | 0.00 | 16.90 |
| 77197 - Appendix D TA/NO | 0.00 | 25.37 | 0.00 | 25.37 |
| 77205 - Salaries - GS Staff-TA | 0.00 | 5,349.46 | 0.00 | 5,349.46 |
| 77210 - Contrib to UNJSPF-GS-TA | 0.00 | 208.39 | 0.00 | 208.39 |
| 77215 - Contrib-Med,SocIns-GS Staff-TA | 0.00 | 157.61 | 0.00 | 157.61 |
| 77260 - Other payroll costs GS-TA | 0.00 | 366.23 | 0.00 | 366.23 |
| 77295 - MAIP Premium TA/GS | 0.00 | 10.69 | 0.00 | 10.69 |
| 77297 - Appendix D TA/GS | 0.00 | 16.02 | 0.00 | 16.02 |
| 77385 - Contribution to Security | 0.00 | 552.21 | 0.00 | 552.21 |
| 77386 - Contribution to ICT_TA | 0.00 | 207.05 | 0.00 | 207.05 |
| 77396 - PAYROLL MGT COST RECOVERY | 0.00 | 336.15 | 0.00 | 336.15 |
| Total for Fund 32045 | 12,509,436.81 | 1,381,253.71 | 0.00 | 13,890,690.52 |

Total for Dept : 42403

12,509,436.81 1,381,253.71

0.00

13,890,690.52

Dept: 42404 (Pakistan - Dem. Governance)

Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)

| | | | | |
|--|------|----------|------|----------|
| 73410 - Maint, Oper of Transport Equip | 0.00 | 2,809.71 | 0.00 | 2,809.71 |
| 75105 - Facilities & Admin - Implement | 0.00 | 196.68 | 0.00 | 196.68 |

Total for Fund 32045

0.00

3,006.39

0.00

3,006.39

Total for Dept : 42404

0.00

3,006.39

0.00

3,006.39

Dept: 42405 (Pakistan - Energy & Envirnmnt)

Fund : 30000 (PROGRAMME COST SHARING)



**UNDP PAKISTAN Project ID 00077286
Early Recovery Programme**

**Statement of expenditure (CDR)
For the period from 01 January 2012 to 31 March 2012**



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

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Run Time: 04-12-2012 04:12:36

| | | | | |
|---|--------------|---|-----------------|--------------|
| Project Id : 00060551 ER Programme for flood affted | | Period : Jan-March (2012) | | |
| Output # : 00077286 Community Infrastructure | | Impl. Partner : 02373 UNDP (Direct Execution) | | |
| | | Location : Pakistan | | |
| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
| 72205 - Office Machinery | 0.00 | - 614.51 | 0.00 | - 614.51 |
| 75105 - Facilities & Admin - Implement | 0.00 | - 43.02 | 0.00 | - 43.02 |
| 76135 - Realized Gain | 0.00 | - 0.01 | 0.00 | - 0.01 |
| Total for Fund 30000 | 0.00 | - 657.54 | 0.00 | - 657.54 |
| Fund : 32045 (JPN-Partnership Devt. Pgm. PCF) | | | | |
| 66105 - Overtime & Night Differential | 0.00 | 20.70 | 0.00 | 20.70 |
| 71305 - Local Consult.-Sht Term-Tech | 257,190.44 | 0.00 | 0.00 | 257,190.44 |
| 71310 - Local Consult.-Short Term-Supp | 64,992.79 | 0.00 | 0.00 | 64,992.79 |
| 71610 - Travel Tickets-Local | 677.87 | 0.00 | 0.00 | 677.87 |
| 71620 - Daily Subsistence Allow-Local | 42,481.19 | 1,534.87 | 0.00 | 44,016.06 |
| 71635 - Travel - Other | 47,782.02 | 2.58 | 0.00 | 47,784.60 |
| 72115 - Svc Co-Natural Resources & Env | 1,421,772.79 | 0.00 | 0.00 | 1,421,772.79 |
| 72170 - Svc Co-Humanitarian Aid & Relf | 1,166,235.10 | 0.00 | 0.00 | 1,166,235.10 |
| 72205 - Office Machinery | 11,261.02 | 128,087.31 | 0.00 | 139,348.33 |
| 72210 - Machinery and Equipment | 9,971.99 | 0.00 | 0.00 | 9,971.99 |
| 72220 - Furniture | 2,042.00 | 0.00 | 0.00 | 2,042.00 |
| 72399 - Other Materials and Goods | 0.00 | 153.15 | 0.00 | 153.15 |
| 72405 - Acquisition of Communic Equip | 0.00 | 53.61 | 0.00 | 53.61 |
| 72425 - Mobile Telephone Charges | 0.00 | 367.92 | 0.00 | 367.92 |
| 72505 - Stationery & other Office Supp | 0.00 | 1,845.13 | 0.00 | 1,845.13 |
| 73105 - Rent | 22,859.67 | 0.00 | 0.00 | 22,859.67 |
| 73115 - Moving Expenses | 0.00 | 4,948.68 | 0.00 | 4,948.68 |
| 73125 - Common Services-Premises | 93,056.14 | 0.00 | 0.00 | 93,056.14 |
| 73405 - Rental & Maint-Other Office Eq | 0.00 | 90.29 | 0.00 | 90.29 |
| 73410 - Maint, Oper of Transport Equip | 0.00 | 2,552.65 | 0.00 | 2,552.65 |
| 74105 - Management and Reporting Srvs | 241,313.49 | 0.00 | 0.00 | 241,313.49 |
| 74525 - Sundry | 53,330.00 | 43.45 | 0.00 | 53,373.45 |
| 75105 - Facilities & Admin - Implement | 0.00 | 268,218.83 | 0.00 | 268,218.83 |
| 75110 - Facilities & Admin - Services | 16,982.63 | 0.00 | 0.00 | 16,982.63 |
| 75705 - Learning costs | 257,030.81 | 0.00 | 0.00 | 257,030.81 |
| 76120 - Unrealized Loss | 0.00 | 27,774.91 | 0.00 | 27,774.91 |
| 76135 - Realized Gain | 0.00 | - 9,654.74 | 0.00 | - 9,654.74 |
| 77630 - Dep Exp Owned - ITC | 0.00 | 66.54 | 0.00 | 66.54 |
| Total for Fund 32045 | 3,708,979.95 | 426,105.88 | 0.00 | 4,135,085.83 |
| Total for Dept : 42405 | 3,708,979.95 | 425,448.34 | 0.00 | 4,134,428.29 |
| Dept: 42408 (Pakistan - Poverty Reduction) | | | | |
| Fund : 32045 (JPN-Partnership Devt. Pgm. PCF) | | | | |
| 71305 - Local Consult.-Sht Term-Tech | 11,921.57 | 0.00 | 0.00 | 11,921.57 |
| 71610 - Travel Tickets-Local | 4,003.66 | 0.00 | 0.00 | 4,003.66 |
| 72170 - Svc Co-Humanitarian Aid & Relf | 87,350.14 | 0.00 | 0.00 | 87,350.14 |
| 75105 - Facilities & Admin - Implement | 0.00 | 7,229.28 | 0.00 | 7,229.28 |
| 76120 - Unrealized Loss | 0.00 | 757.67 | 0.00 | 757.67 |
| Total for Fund 32045 | 103,275.37 | 7,986.95 | 0.00 | 111,262.32 |



UNDP PAKISTAN Project ID 00077286
Early Recovery Programme

Statement of expenditure (CDR)
For the period from 01 January 2012 to 31 March 2012



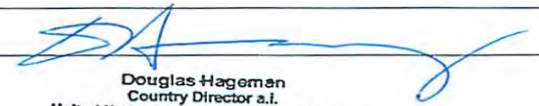
UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 3 of 6
Run Time: 04-12-2012 04:12:36

| | | | | |
|--|-----------------|-------------------------------|-----------------|---------------|
| Project Id : 00060551 ER Programme for flood afftd | Period : | Jan-March (2012) | | |
| Output # : 00077286 Community Infrastructure | Impl. Partner : | 02373 UNDP (Direct Execution) | | |
| | Location : | Pakistan | | |
| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
| Total for Dept : 42408 | 103,275.37 | 7,986.95 | 0.00 | 111,262.32 |
| Total for Output : 00077286 | 16,321,692.13 | 1,817,695.39 | 0.00 | 18,139,387.52 |
| Project Total : | 16,321,692.13 | 1,817,695.39 | 0.00 | 18,139,387.52 |



Signed By : _____ Date : _____
Signed By :  Date : 16 May 2013
Douglas Hageman
Country Director a.i.
United Nations Development Programme
Islamabad, Pakistan

UNDP PAKISTAN Project ID 00077286
Early Recovery Programme

Statement of expenditure (CDR)
For the period from 01 January 2012 to 31 March 2012



UN Development Programme
 Report ID: unglcdrp

Combined Delivery Report By Project

Page 4 of 6
 Run Time: 04-12-2012 04:12:37

Selection Criteria :

Business Unit : PAK10
 Period : Jan-March (2012)
 Selected Project Id : ALL
 Selected Fund Code : ALL
 Selected Dept. IDs : ALL
 Selected Outputs : 00077286

| Project Id : ALL | Period : Jan-March (2012) | | | |
|--|-------------------------------|--------------|-----------------|---------------|
| Output # : ALL | Impl. Partner : Location : | | | |
| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
| 42403 - Pakistan - Crisis Prev & Rcvry | 12,509,436.81 | 1,381,253.71 | 0.00 | 13,890,690.52 |
| 42404 - Pakistan - Dem. Governance | 0.00 | 3,006.39 | 0.00 | 3,006.39 |
| 42405 - Pakistan - Energy & Envirnmnt | 3,708,979.95 | 425,448.34 | 0.00 | 4,134,428.29 |
| 42408 - Pakistan - Poverty Reduction | 103,275.37 | 7,986.95 | 0.00 | 111,262.32 |



UNDP PAKISTAN Project ID 00077286
Early Recovery Programme

Statement of expenditure (CDR)
For the period from 01 January 2012 to 31 March 2012



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 5 of 6
Run Time: 04-12-2012 04:12:39

Funds Utilization

Selection Criteria :

Business Unit : PAK10
Period : Jan-March (2012)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00077286

Project/Award: 00060551 ER Programme for flood afftd Period : As at Mar 31, 2012

| Output # | 00077286 | Impl. Partner :02373 UNDP (Direct Execution) | UNDP AMOUNT |
|----------------------------|----------|--|--------------|
| Outstanding NEX advances | | | 2,273,328.80 |
| Undepreciated Fixed Assets | | | 3,126.74 |
| Inventory | | | 0.00 |
| Prepayments | | | 0.00 |
| Commitments | | | 372,385.47 |



**UNDP PAKISTAN Project ID 00077286
Early Recovery Programme**

**Statement of expenditure (CDR)
For the period from 01 January 2012 to 31 March 2012**



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 6 of 6
Run Time: 04-12-2012 04:12:42

**Schedule to Combined Delivery Report
IPSAS Adjustments as at 1 January 2012**

Selection Criteria :

Business Unit : PAK10
Selected Project(s): ALL
Selected Fund Code : ALL
Selected Output(s): 00077286

| Project Id : 00060551 ER Programme for flood affted | | | | |
|---|---------|-----------------|-------------|--------------|
| Output # : 00077286 Community Infrastructure | | | | |
| Impl. Partner : 02373 UNDP (Direct Execution) | | | | |
| Description | Account | Fund | Donor | Amount |
| Unliquidated Obligations | 21015 | 30000-Programme | 11606-COFRA | 323,860.47 |
| Unliquidated Obligations | 21015 | 32045-JPNPDPPCF | 00141-JPN | 1,225,033.95 |
| Total for Output : 00077286 | | | | 1,548,894.42 |
| Project Total : | | | | 1,548,894.42 |



NOTES :

UNDP adopted IPSAS on 1 January 2012 which recognizes an expense based on goods received and/or services rendered. Consequently, expenses related to some IPSAS opening balance would be duplicated in the 2012 CDRs because of the following:

1. Goods received or services rendered in 2012 on non-fixed asset open purchase orders raised prior to 2012 would be recognized as an expense in 2012. These were ULOs in 2011
2. 2012 inventory opening balances would be expensed in 2012 when goods are consumed or delivered
3. 2012 Prepaid opening balances would be expensed in 2012 when goods are received or services rendered

Independent auditors' Report to the United Nation Development Programme (UNDP) in respect of "2010 Flood Response Early Recovery Programme" (Project ID 00077286)

We have audited the accompanying statement of assets ("the statement") of the UNDP Project **"2010 Flood Response Early Recovery Programme"** under **Project ID 00077286** as at 31 March 2012.

Management is responsible for the preparation of the statement of UNDP Project "2010 Flood Response Early Recovery Programme" under Project ID 00077286 and for such internal control as management determines is necessary to enable the preparation of the statement that are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Project's preparation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the statement presents fairly, in all material respects, the balance of assets of the UNDP Project "2010 Flood Response Early Recovery Programme" under Project ID 00077286 amounting to \$0.060 million as at 31 March 2012 in accordance with the UNDP accounting policies.

EYFMSH

-:2:-

We draw attention to the fact that, during the period, the Office's management has used two different accounting policies with respect to recognition of assets in the statements of expenditure (CDR) in respect of this Project. Prior to 31 December 2011, these were charged off as expenses in the statements of expenditure, whereas subsequent thereto, these have been recognized as assets and related depreciation has been charged in the statements of expenditure. The policy change resulted from UNDP Executive Board's decision to adopt International Public Sector Accounting Standards (IPSAS) w.e.f 01 January 2012.

A handwritten signature in blue ink that reads 'Ernst & Young Ford Rhodes Sidat Hyder'.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Engagement Partner: Omar Mustafa Ansari

Date: 17 May 2013

Place: Karachi

**UNDP PAKISTAN Project ID 77286
Early Recovery Programme**

**Statement of Assets
As at 31 March 2012**

Details of assets available at the Office:

Statement of Assets and Equipment
As at March 31, 2012

UNDP Country Office: Pakistan
Project title: Early Recovery and Restoration of Flood Affected Communities in Pakistan
Award ID: 00060551
Project ID: 00077286
Period Covered from: January 2011 to March 2012

| S.No | Description | Model | Serial No. |
|-----------|-------------|----------------|------------|
| 1 | Laptop DELL | Latitude E4310 | J3G14Q1 |
| 2 | Laptop DELL | Latitude E4310 | CCC23Q1 |
| 3 | Laptop DELL | DELL Inspiron | 8X2JLL1 |
| 4 | Laptop DELL | DELL Inspiron | 6V2JLL1 |
| 5 | Laptop DELL | DELL Inspiron | 6W2JLL1 |
| 6 | Laptop DELL | DELL Inspiron | 2W2JLL1 |
| AC | | | |
| 7 | AC | | |
| 8 | AC | | |
| 9 | AC | | |
| TV Screen | | | |

| Acquisition Date | Acquisition Cost (USD) | Condition | City |
|------------------|------------------------|------------|--------|
| 11-Feb-12 | 1,571 | Functional | Multan |
| 11-Feb-12 | 1,571 | Functional | Multan |
| 11-Feb-12 | 641 | Functional | Sukkur |
| 11-Feb-12 | 641 | Functional | Sukkur |
| 11-Feb-12 | 641 | Functional | Sukkur |
| 11-Feb-12 | 641 | Functional | Sukkur |
| Sub-total | 5,706 | | |
| 26-Jan-12 | 517 | Functional | Sukkur |
| 26-Jan-12 | 517 | Functional | Sukkur |
| 26-Jan-12 | 517 | Functional | Sukkur |
| Sub-total | 1,552 | | |



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**UNDP PAKISTAN Project ID 77286
Early Recovery Programme**

**Statement of Assets
As at 31 March 2012**

Statement of Assets and Equipment
As at March 31, 2012

UNDP Country Office: Pakistan
Project title: Early Recovery and Restoration of Flood Effected Communities in Pakistan
Award ID:00060551
Project ID: 00077286
Period Covered from: January 2011 to March 2012

| S.No | Description | Model | Serial No. |
|------|--------------------------------------|-----------------|-------------------|
| 10 | TV Screen (WITH 8 Cameras) | | |
| 11 | Oven | K121110FJ-00027 | UNDP/MUX-005/OI |
| 12 | Sattelite Phone including T dockers) | TZ550-2510 | 35601300-389439-4 |
| 13 | Sattelite Phone | TZ550-2510 | 356013003-90119-9 |
| 14 | Sattelite Phone | TZ55G-2520 | 35601300-655470-6 |

| Acquisition Date | Acquisition Cost (USD) | Condition | City |
|------------------|------------------------|------------|----------|
| 26-Jan-12 | 2,734 | Functional | Peshawar |
| 26-Jan-12 | 135 | Functional | Multan |
| 22-Jan-12 | 1,456 | Functional | Sukkur |
| 22-Jan-12 | 880 | Functional | Sukkur |
| 22-Jan-12 | 880 | Functional | Sukkur |
| Sub-total | 6,086 | | |
| Grand Total | | 13,344 | |

Beenish Arif
Prepared by
Finance Associate **BEENISH ARIF**

Munir Ahmad
Certified by
Operations Manager



DA
Certified by
Country Director
17 May 2013
Douglas Hageman
Country Director a.i.
United Nations Development Programme
Islamabad, Pakistan

UNDP PAKISTAN Project ID 77286 Early Recovery Programme

Statement of Assets As at 31 March 2012

Details of assets available at the RPs:

Statement of Assets and Equipment
For Assets Purchased by IP's
As at March 31, 2012

UNDP Country Office: Pakistan
Project title: Early Recovery and Restoration of Flood Affected Communities in Pakistan
Award ID:00060551
Project ID: 00077286
Period Covered from: January 2011 to March 2012

| S/N | Description | Model | Serial |
|-----|--|---------------------------------|--|
| 1 | Generator | | |
| 2 | Furniture and Fittings | Canon | IR11024 |
| 3 | Generator | | E34410120352 |
| 4 | Furniture and Fittings | Loncin | LONCIN 9000 D-A |
| 5 | Photocopier | Canon | |
| 6 | Photocopier | Canon | |
| 7 | ICT EQUIPMENT | TOSHIBA | L505 |
| 8 | Delmo Generator 7.5KVA | | |
| 9 | Computers | System Model: Dimansion 3000 | SH 26710341157 |
| 10 | Laptop | 630 | 5CB1354HL2 |
| 11 | ICT Equipment | Dell E 5420 Intel Core i-5 | 9149271049 |
| 12 | Laptop | LH531 | 518324-01R1401103 |
| 13 | HP Intel Core i3 | HP | CNU2022QGP |
| 14 | HP Intel Core i3 | HP | CNU2022QGY |
| 15 | HP Intel Core i3 | HP | CNU2022QFC |
| 16 | Laptop (Dell N5110, C15, 4GB RAM, 500GB, 2.30GHz) | Dell Core i5 | 34705713205 |
| 17 | Vehicle | Honda Black CD 70 + Helmet | (LDK-3861) Chassis No. JD694648 Engine No.5356559 |
| 18 | Vehicle | Honda Black CD 70 + Helmet | (LDK-3862) Chassis No. JD699841 Engine No.5361773 |
| 19 | Vehicle | Honda Black CD 70 + Helmet | (LDK-3863) Chassis No. AJ811467 Engine No.2958175 |
| 20 | Vehicle | Honda Black CD 70 + Helmet | (LDK-3864) Chassis No. AJ820124 Engine No.2958702 |
| 21 | Laptop in core5 | | |

| Acquisition Date | Cost/Value PKR | Value USD | Qty | Condition |
|---------------------|-------------------|--------------|-----|------------|
| | 350,000 | 3,889 | 1 | Functional |
| 24-Jan-12 | 164,961 | 1,833 | 1 | |
| | 151,400 | 1,682 | 1 | New |
| 1-Jun-12 | 120,070 | 1,334 | 1 | |
| 7-May-11 | 120,000 | 1,333 | | Repairable |
| 7-May-11 | 120,000 | 1,333 | | Repairable |
| 1-Jun-12 | 109,629 | 1,218 | 1 | |
| | 97,966 | 1,089 | 1 | Functional |
| 24-Feb-11 | 81,060 | 943 | | Used |
| | 82,000 | 932 | | New |
| | 78,500 | 924 | 1 | |
| | 78,000 | 886 | | New |
| | 72,500 | 806 | | New |
| | 72,500 | 806 | | New |
| | 72,500 | 806 | | New |
| | 72,000 | 800 | 1 | |
| | 68,649 | 763 | 1 | |
| | 68,649 | 763 | 1 | |
| | 68,649 | 763 | 1 | |
| | 68,648 | 763 | 1 | |
| 26-Feb-11 | 65,217 | 758 | | New |

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UNDP PAKISTAN Project ID 77286 Early Recovery Programme

Statement of Assets As at 31 March 2012

For Assets Purchased by IP's
As at March 31, 2012

UNDP Country Office: Pakistan
Project title: Early Recovery and Restoration of Flood Affected Communities in Pakistan
Award ID:00060551
Project ID: 00077286
Period Covered from: January 2011 to March 2012

| S.No | Description | Model | Barcode |
|------|---|-----------------|-------------------|
| 22 | Laptop | | |
| 23 | Laptop | | |
| 24 | Laptop HP Pavilion | | |
| 25 | Camera () | Sony DSLR-A230Y | 5861302 |
| 26 | Laptops | | |
| 27 | Laptop (Dell NS110, C13, 3GB RAM, 320GB, 2.10GHz) | Dell Core i3 | 17170522165 |
| 28 | Laptop (Dell NS110, C13, 3GB RAM, 320GB, 2.10GHz) | Dell Core i3 | 26675469109 |
| 29 | Laptop (Dell NS110, C13, 3GB RAM, 320GB, 2.10GHz) | Dell Core i3 | 2746208053 |
| 30 | Laptop (Dell NS110, C13, 3GB RAM, 320GB, 2.10GHz) | Dell Core i3 | 2746208053 |
| 31 | Furniture and Fittings | ACER | 15910 |
| 32 | Laptops | | |
| 33 | Desktop Computer | | |
| 34 | Laptops | | |
| 35 | Laptop HP New Core i3 | | AE117571 |
| 36 | Laptop in core3 | | 00192-036-288-976 |
| 37 | Photocopier () | Canon DADF-P2 | EWT47687 |
| 38 | Laptop | | |
| 39 | Laptop | | |
| 40 | Computer with Ups | unbranded | |
| 41 | Computer with Ups | unbranded | |
| 42 | Laptop | HP Probook | |

| Acquisition Date | Cost (USD) | Quantity | Qty | Condition |
|------------------|------------|----------|-----|------------|
| | 66,800 | 742 | | New |
| | 66,800 | 742 | | New |
| | 66,500 | 739 | 1 | Functional |
| | 63,364 | 704 | 1 | |
| | 61,650 | 685 | 2 | Functional |
| | 61,412 | 682 | 1 | |
| | 61,412 | 682 | 1 | |
| | 61,412 | 682 | 1 | |
| | 61,412 | 682 | 1 | |
| 2-Jun-12 | 60,561 | 673 | 1 | |
| | 60,200 | 669 | 2 | Functional |
| | 58,500 | 650 | 6 | Functional |
| | 57,928 | 644 | 2 | Functional |
| | 57,800 | 642 | 1 | Functional |
| 26-Feb-11 | 53,567 | 623 | | New |
| | 52,941 | 588 | 1 | |
| | 52,435 | 583 | 1 | New |
| | 52,435 | 583 | 1 | New |
| | 50,000 | 568 | | New |
| | 50,000 | 568 | | New |
| 7-May-11 | 49,587 | 551 | | |

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UNDP PAKISTAN Project ID 77286 Early Recovery Programme

Statement of Assets As at 31 March 2012

For Assets Purchased by IP's
As at March 31, 2012

UNDP Country Office: Pakistan
Project title: Early Recovery and Restoration of Flood Affected Communities in Pakistan
Award ID: 00060551
Project ID: 00077286
Period Covered from: January 2011 to March 2012

| S. No | Description | Model | Quantity |
|-------|--------------------|------------|----------|
| 43 | Laptop | HP Probook | |
| 44 | Laptop | HP Probook | |
| 45 | Laptop | HP Probook | |
| 46 | Laptop | HP Probook | |
| 47 | Laptop | HP Probook | |
| 48 | Laptop | HP Probook | |
| 49 | Laptop | HP Probook | |
| 50 | Laptop | HP Probook | |
| 51 | Laptop | HP Probook | |
| 52 | Laptop | HP Probook | |
| 53 | Laptop | HP Probook | |
| 54 | Desktop Computer | | |
| 55 | Desktop Computer | | |
| 56 | Visitor Chair (15) | | |
| 57 | Generator | 2.5 GF-4 | 0 |
| 58 | Generator | 2.5 GF-4 | 0 |

| Acquisition Date | Estimated Price | Actual Price | Qty | Condition |
|------------------|-----------------|--------------|-----|------------|
| 28-Apr-11 | 49,583 | 551 | | Good |
| 28-Apr-11 | 49,583 | 551 | | Good |
| 28-Apr-11 | 49,583 | 551 | | Damage |
| 28-Apr-11 | 49,583 | 551 | | Good |
| 28-Apr-11 | 49,583 | 551 | | Repairable |
| 28-Apr-11 | 49,583 | 551 | | Good |
| 7-May-11 | 49,583 | 551 | | Good |
| 7-May-11 | 49,583 | 551 | | Damage |
| 7-May-11 | 49,583 | 551 | | Good |
| 7-May-11 | 49,583 | 551 | | Repairable |
| 7-May-11 | 49,583 | 551 | | Good |
| | 48,400 | 538 | | New |
| | 48,400 | 538 | | New |
| | 45,000 | 523 | | New |
| | 45,000 | 511 | | |
| | 45,000 | 511 | | New |
| 4,186,826 | | 46,787 | | |

Prepared by
Finance Associate **BEEVISH ARIF**

Certified by
Operations Manager

Certified by
Country Director
17 May 2013
Douglas Hageman
Country Director a.i.
United Nations Development Programme
Islamabad, Pakistan

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United Nations Development Programme Pakistan

Management Letter

Early Recovery Programme in Pakistan

Project ID: 00077286

Audit Period: From 01 January 2011 to 31 March 2012

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1. Executive Summary

We have been engaged by the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) to conduct audit of the Project Early Recovery Programme in Pakistan, [Project ID: 00076295, Award ID: 00060551] (the Project) directly implemented by UNDP Pakistan (the Office). The audit was conducted from 18 October 2012 to 15 January 2013.

The purpose of the audit was to provide reasonable assurance with regard to the following areas:

- a) Reliability and integrity of Project financial and operational information;
- b) Effectiveness and efficiency of Project operations;
- c) Safeguarding of assets; and
- d) Compliance with legislative mandates, regulations and rules, policies and procedures, as well as donor agreements.

The audit scope included the following aspects of the Project:

- a) Reviewing the Combined Delivery Reports of the Project for the period from 1 January 2011 to 31 March 2012; and
- b) Reviewing the Statement of Assets and Equipment held by the Project as at 31 March 2012.

The audit covered programme and operations, and other relevant activities of the Project undertaken by management during the period from 1 January 2011 to 31 March 2012 at the Office. During the period reviewed, the Project recorded expenses were amounted to \$42.652 million.

1.1 Audit Rating

Audit assessed the overall level of internal control with respect to the Project (Early Recovery Programme in Pakistan – Project ID: 00077286) is considered to be Project Office as **Partially Satisfactory**, which means that “Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.”

| Audit Areas | Not Assessed/Not Applicable | Unsatisfactory | Partially Satisfactory | Satisfactory |
|-----------------------------------|-----------------------------|----------------|------------------------|--------------|
| Organization & Staffing | | | | |
| Project Management | | | | |
| Human Resource Management | | | | |
| Cash & Financial Management | | | | |
| Procurement Management | | | | |
| Assets Management | | | | |
| General Administration Management | | | | |
| Information System Management | | | | |
| Follow up of previous audits | | | | |

1.2 Key issues and recommendations

1.2.1. The audit raised 24 issues that resulted in 13 recommendations, of which one (eight percent) was ranked medium (important) priority, meaning “Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP.” and 12 of which were ranked as low priority, meaning “Action is desirable and should result in enhanced control or better value for money”. Issues with low priority were reported separately to the management of The Office. Below is the medium (important) priority recommendation identified during audit of internal controls and systems:

- The audit firm urges the Office to expedite the process to recover the Project assets amounted to \$62,775 from the eight RPs to ensure compliance with the PCA clause; and

We wish to express our appreciation to the management and staff of The Office for the assistance and cooperation extended to the audit team during the course of our engagement.

A handwritten signature in blue ink that reads 'Ernst & Young Ford Rhodes Sidat Hyder'.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Engagement Partner: Omar Mustafa Ansari

Date: 17 May 2013
Place: Karachi

2. Audit Objectives, Scope and Operational Overview

2.1 Audit Objectives and Scope

2.1.1. The purpose of the audit undertaken by Ernst & Young Ford Rhodes Sidat Hyder was to:

- Provide an assurance that there exists an adequate operational and internal control systems to ensure that the Projects are properly managed in accordance with the policies and procedures of UNDP for the achievement of their objectives with due regard for economy and efficiency.
- Express an opinion on whether the expense incurred and recorded in the Combined Delivery Reports of the Project for the period from 1 January 2011 to 31 March 2012 present fairly the expense incurred on the Projects and whether the expense were incurred according to the approved budgets, for the approved purposes of the Project and were incurred according to the UNDP policies and guidelines and were supported by properly approved vouchers and invoices; and
- Express an opinion on the Statement of Assets and Equipment held by the Project as at 31 March 2012 whether the statement present fairly the balance of the inventory of the Projects in all material respects.

2.1.2. The overall objective of the audit is to assess the management of the Project operations with the view of obtaining reasonable assurance towards the achievement of the Project objectives. The areas of focus include:

- a) Reliability and integrity of Project financial and operational information;
- b) Effectiveness and efficiency of Project operations;
- c) Safeguarding of assets; and
- d) Compliance with legislative mandates, regulations and rules, policies and procedures, as well as donor agreements.

2.2 Audit Scope

2.2.1. The audit reviewed the operations for the period from 1 January 2011 to 31 March 2012 covering the following areas:

- i. **Organization and staffing:** Assessed the overall Project structure for effective workflows and management arrangements, including assignment of authority, accountability and responsibility to employee;
- ii. **Project Management:** Assessed the management aspects in terms of approval of the Project, financial management of Project funds, and monitoring of implementation towards achievement of objectives. This included reporting to the, Steering Committee, Project Board and/or Donors;
- iii. **Human Resources:** Assessed competitiveness and transparency of the recruitment process; and effectiveness of the management of Project personnel, including contract administration, performance evaluation and payment of salaries and allowances;
- iv. **Financial and Cash Management:** Assessed the compliance with UNDP policies with respect to the safe custody and adequate management of cash, commitment of expenses against approved budget, disbursement or payment against liabilities and cash advances to field offices, Project employee, etc;
- v. **Procurement:** Assessed whether goods, services and civil works for the Project are procured competitively and in a transparent manner in accordance with UNDP policies and procedures. This included management of obligations and appropriate assessment of goods or services delivered and monitoring performance of the contractors, before payment;
- vi. **Asset Management:** Assessed whether Project assets are adequately recorded, safeguarded, monitored, including periodic physical verification of their use and existence;
- vii. **General Administration:** These included areas of operations not specifically covered above and for which expenses were charged to the Project covering such areas as; travel of Project employee, use and maintenance of Project vehicles, lease and maintenance of office premises;
- viii. **Information Systems:** This includes assessment of efficiency and security of information system established and maintained from Project funds and their adequacy to meet management and reporting requirements to the Projects. Based on our discussion with OAI, access to Atlas system is restricted to the UNDP Project employees. Therefore, our procedures are restricted to inquiries only; and
- ix. **Follow up on previous audits:** As per Project Manager, this is the first year of audit. Therefore, this section is not applicable.

2.3 Project Audit Visit Data

2.3.1. The audit was carried out at the Office during the period 18 October 2012 to 15 January 2013.

2.3.2. The Office funded \$39 million to 52 RPs for the implementation of the Project activities. The audit firm reviewed expenses amounted to \$37.2 million incurred by the 36 RPs which covers 96% of total funding to RPs.

2.3.3. The debriefing meeting was held on 22 January 2012 to discuss the key issues / observations noticed during the audit. The preliminary audit findings were communicated to the Office on 31 January 2012. Management responses to our findings were received on 21 March 2013 and further comments and explanations were provided on 29 April 2013. The management responses have been taken into consideration in finalizing this audit report.

2.4 Operational Overview

Project Background

2.4.1. In response to the devastating floods that hit Pakistan from July to September 2010, the Office launched a comprehensive programme in support of early recovery and restoration of flood affected communities. In close partnership with disaster management authorities at national, provincial and district levels, local government institutions, affected communities, and, where possible, the private sector, the programme required to restore safe and enabling environments for flood-affected communities in thirty nine severely and moderately affected districts to recover from the impact of the floods by focusing on achieving three strategic and interlinked outputs:

- a) Capacities of local institutions and flood-affected communities for recovery and protection of rights restored;
- b) Livelihoods of vulnerable flood-affected people stabilized and restored; and
- c) Basic and critical community infrastructure and services restored.

2.4.2. The Office allocated the total grant of \$42.652 million for the Project which was contributed by the following:

| Donor | Contribution (\$ millions) |
|----------------------|----------------------------|
| Government of Japan | 40.675 |
| COFRA Foundation | 1.977 |
| Total funding | 42.652 |

Management

2.4.3. The Project is implemented through the DIM modality by the Office in consultation with its partners.

Project operations

2.4.4. The Project is managed by a Project Manager recruited by the Office. The Project Manager is responsible for day-to-day management and decision-making for the Project, as well as ensuring that the Project produces the results specified in the Project document, to the required standard of quality and within the specified constraints of time and cost. The Project Manager is assisted by an administrative team.

Brief Overview of the Project

| | |
|--|---------------------------------|
| Audit Period | 1 January 2011 to 31 March 2012 |
| Budget allocated during the audit period | \$42,651,598 |
| Expense during the audit period | \$42,651,598 |
| Percentage Utilisation | 100% |

2.4.5. The reporting currency for the report is United States Dollar (\$). All the amounts in functional currency (i.e. Pakistani Rupees) are converted at the rate of 85 per 1\$ for reporting purpose. Amounts are rounded off to nearest million.

2.4.6. Since this project is executed under the Direct Implementation (DIM) modality. In such case the Office is responsible for overall performance and achievement of project objectives even though they may engage Responsible Parties (RPs) for execution of project activities. Our assessment of internal controls and ratings for internal control areas is based on the assessment of the controls relevant to project at project management as well as RPs.

2.4.7. The audit firm would like to remind that although audit was performed with due professional care, an audit of internal controls and systems is not a guarantee that all control weaknesses or frauds will be detected. Also matters arising during our review, which are not regarded as report issues, were brought to the attention of the Office at the time of the review.

3. Detailed Audit Observations

3.1 Organization & staffing

Satisfactory

The audit firm reviewed the overall Project structure for effective workflows and management arrangements, including assignment of authority, accountability and responsibility to employee.

The audit firm noted few low risk observations, which have been reported to Office for information and control improvements.

Considering the mitigating controls and the general control environment of the project, we consider the rating of this area Satisfactory.

3.2 Project management

Partially Satisfactory

The audit firm reviewed the management aspects in terms of approval of the Project, financial management of the Project funds, and monitoring of implementation towards achievement of objectives. This included reporting to the, Steering Committee, Project Board and / or Donors.

3.2.1. The audit firm reviewed the project management structure and noted the following internal control improvements for the Office to consider adopting in the future.

- The Office did not develop a formal process for capturing the complaints at the regional offices of the Project. Project Manager informed that the minor issues identified by the complainants were resolved on site however logs were not maintained for record purpose. The audit firm recommends that formal complaint management system should be developed and all the complaints received should be logged and their resolution should be documented.
- The audit firm noted that the project budget was developed at award level (for Early Recovery projects), budgets specific to the project was not developed. The audit firm reviewed the activity wise CDRs with the output wise budget available in the donor agreement at award level and noted that there were minor deviations of actual expenses with the donor approved budget. However, overall CDRs were consistent with the donor approved budget. The audit firm recommends that Project Manager should develop project level budgets and perform the variance analysis between budgets and actual expenditure.

Issue 1 Weaknesses noted in the Project Management at the Office

The audit firm noted the following weaknesses in the project management structure of the Project:

- a) The audit firm identified that the Project operations started in 2010 under the DIM modality and the Office obtained the post facto approval from Regional bureau on 19 December 2011;
- b) As per Project document (not dated), the Project required to be completed by August 2011. However, the Project was operationally completed in March 2012. The Office did not request the extension of Project duration which is inconsistent with UNDP policies and procedures;
- c) Project monitoring was performed in accordance with the monitoring plan. However, during review of field monitoring reports, the audit firm noted that follow up logs of risks and observations identified during the field visits by the monitoring team were not documented which resulted in duplication of monitoring efforts;
- d) The audit firm noted that Project Board, composed of representatives from Economic Affairs Division, Donor Agencies and the Office, was established as oversight body for monitoring the progress of the Project. Project Board meetings were held to discuss the status of the Project, minutes of the meetings were drafted and recommendations were noted and forwarded to ERP management for implementation. The audit firm noted that various recommendations were made by the Project Board such as establishment of clear interface between the Project Board members for rescue, relief and early recovery operations, development of clear road map of ERP, maintenance of proper data of program beneficiaries, establishment of regular monitoring and reporting system and etc. However, there is no formal mechanism for reporting the follow-up actions on recommendations of Project Board;
- e) One of the modality for the Project was the issuance of small capital grants in four most severely districts of Sindh province through Global Environment Facility Small Grants Programme (GEF-SGP). The audit firm noted that call for proposal was not advertised however, request for proposal was sent to select CSOs. Further, documentation for capacity assessment of CSOs was not made available for review;
- f) In case of seven PCAs with three RPs, PCAs budgets were not sufficiently detailed for the identification of budget heads rather the budgets were prepared cumulatively on the basis of activity. Therefore, the audit firm was unable to check individual budgets for salaries, procurement and program activities; and
- g) The audit firm noted that the Office prepared only one annual work plan in the Project life which is for the year 2011. Further, the work plan was prepared on award basis and not on the Project basis. Therefore, it was difficult to make comparisons of actual expenses with the annual work plan;

Comment:

The audit firm is not making any recommendation as the project is closed at the date of review.

Issue 2 Weaknesses noted in process for Civil Society Organizations selection at the Office

- a) The audit firm reviewed the RPs selection process for award of PCAs and noted that Proposals from different Civil Society Organizations (CSOs) were received through courier and emails and were reviewed on ad hoc basis by the Project Manager and Operation Manager against the criteria such as reputation of the CSO and geographical presence, relevant experiences with UN agencies and / or International Organizations, area of expertise, relevant experience in managing early recovery related Projects, and compliance with UN Values and Principles. The audit firm noted that initial shortlisting process for the screening of the CSOs was not documented for review.
- b) The Office hired the service of the consultant for the capacity assessment of the RPs. The audit firm noted that in case of 19 CSOs the consultant provided the rating as “high risk” or “not recommended”. However, the Office awarded 27 PCAs amounted to \$14.4 million to these 19 CSOs after obtaining approval from technical review committee despite of such significant ratings from the consultant and the documentation for justification to overturn the evaluation performed by the consultant was not available. Additionally, two instances identified where the Office awarded two PCAs amounted to \$1.2 million to two RPs despite of non recommendation by the technical review committee however, documentation for justification to overturn the evaluation performed by the technical review committee was not available.

Comment:

The audit firm is not making any recommendation as the project is closed at the date of review.

In view of the above identified instances and control weaknesses, this area are rated partially satisfactory.

The audit firm reviewed the competitiveness and transparency of the recruitment process; and effectiveness of the management of Project personnel, including contract administration, performance evaluation and payment of salaries and allowances.

Issue 3 Weaknesses noted in the Human Resource management at the Office

The audit firm noted the following weaknesses in the Human Resource management structure of the Project:

- a) Human Resource (HR) Associate can add or delete employees in the payroll system. Upon any addition or deletion of an employee, a system generated email is sent to the HR manager as well as Project manager. However, system generated notifications for additions or deletions of employees from payroll system could not be generated from the beginning of the Project till January 2012. The audit firm identified that there were no substitute manual controls available to mitigate the risks associated with the payroll system prior to January 2012;
- b) The audit firm reviewed the 10 personnel files of the employees and noted that various documents were not available in the personnel files at the time of review and was provided subsequently by the Office which indicate absence of effective controls over personnel files management; and
- c) As per policy, minimum two reference letters should be obtained at the time of recruitment. However, one instance was identified where only one reference letter was obtained instead of two.

Comment:

The audit firm is not making any recommendation as the project is closed at the date of review.

Issue 4 Weaknesses noted in the Human Resource Management at the RPs

The audit firm conducted the audit of PCAs awarded to the RPs and noted that following weaknesses in the HR management functions of three RPs:

- a) In case of seven PCAs with four RPs, personnel files of the Project employees were not maintained. Therefore, the audit firm was unable to check controls over the personnel files management system of these RPs;
- b) In 23 PCAs with 16 RPs, the audit firm identified absence of various documents in the Project employees' files such as Computerized National Identity Cards (CNICs), educational documents, Offer letters and resume of the Project employees. Therefore, the audit firm was unable to check these documents;
- c) In 10 PCAs with seven RPs, the audit firm noted that RPs did not comply with minimum wage policy applicable in Sindh province; and
- d) In 31 RPs, the audit firm noted absence of certain important policies and procedures such as issuance of offer letters to the selected employees, reference check of the selected employees, job advertisement and attendance of the employees. As a result, these policies were not consistently followed by the RPs during the Project period.

Comment:

The audit firm is not making any recommendation as the project is closed at the date of review.

Considering the mitigating controls and the general control environment of the project, we consider the rating of this area Satisfactory.

The audit firm reviewed the compliance with UNDP policies with respect to the safe custody and adequate management of cash, commitment of expenses against approved budget, disbursement or payment against liabilities and cash advances to field offices, Project employee, etc.

Issue 5 Inappropriate classifications of expenses in CDRs at the Office

The Office did not follow the chart of accounts for the Project and identified one transaction amounted to \$38,822 was posted in inappropriate account code. The audit firm also noted that the Office did not classify the grants to RP in relevant chart of accounts of the CDR rather the grants amounted to \$30.7 million were classified in account code 72605 "Grant to institute & other benefits" which does not give clarity on classification of expense recorded in the CDR.

Additionally, five instances identified where RPs set off the interest income generated on UNDP funds amounted to \$42,223 with sundry expenses and not reported separately in the financial report submitted to the Office.

In four PCAs with four RPs, the audit firm identified that RPs did not follow the chart of accounts mentioned in the PCAs' approved budgets and noted transactions amounted to \$18,109 were posted in inappropriate chart of accounts and same were recorded in the CDRs.

Comment:

The audit firm is not making any recommendation as the project is closed at the date of review.

Issue 6 Weaknesses in the Financial management of the Responsible Parties

The audit firm following weaknesses in the financial management functions of the RPs applicable to the Project:

- a) Excess expenses amounted to \$0.5 million were incurred by the RPs from the prescribed limits mentioned in PCAs without obtaining prior approval from the Office and four instances identified where RPs have charged excess administrative expense amounted to \$12,698 without obtaining the prior approval from the Office;
- b) Absence of prior approval from the Office for expenses amounted to \$85,943 not mentioned in the PCA budgets and absence of consistent hiring of Project employees in compliance with the Office approved budgets;
- c) RPs did not return or intimated the Office regarding the unspent fund balances amounted to \$0.2 million;
- d) Absence of preparation of periodic bank reconciliations,
- e) Absence of withholding tax deduction amounted to \$0.2 million in compliance with the local laws in Pakistan; and
- f) Absence of safety and security policies at the RPs, absence of records retention policies, absence of donor specific bank accounts, delays in submission of periodic reports to the Office;

Comment:

The audit firm is not making any recommendation as the project is closed at the date of review.

Issue 7 Absence of supporting documents for the Project expenses at the Responsible Parties

The audit firm identified instances, in case of 27 PCAs executed by the 17 RPs, amounted to \$4.065 million where supporting documents of Project expenses were not available for verification purpose in the RPs records. These expenses were reported to the Office by the RPs in the periodic financial reports and same were updated in the CDRs. This indicates absence of effective financial monitoring of the RPs by the Office.

Comment:

The audit firm is not making any recommendation as the project is closed at the date of review.

Issue 8 Absence of common cost allocation criteria at the Office

The audit firm identified that three employees were providing services to various Projects under the Award of ERP. However, their cumulative salaries amounted to \$51,099 (\$7,588 per month) were charged to Project ID 77365 and not apportioned to all the Projects under the award including the Project under review.

Comment:

The audit firm is not making any recommendation as the project is closed at the date of review.

Issue 9 Overstatement in CDRs due to delay in receipts of financial reports from the Responsible Parties

According to clarification mentioned in the interoffice memo dated 10 October 2011 regarding the accounting treatment for the disbursement of funds to the RPs and recognition of the expenses in the CDRs, *“All the disbursement to the RPs shall be recorded as advance and will only be recorded as expense in the CDRs on the receipts of financial reports from the RPs.”*

the audit firm identified that the Office did not follow the interoffice memo and continued the practice of recording funds disbursement to RPs as expense in CDRs which resulted overstatement of expenses amounted to \$0.3 million in the CDR for the period from 1 January 2012 to 31 March 2012 compared to the financial reports submitted by the RPs to the Office at the cutoff date i.e. 31 March 2012.

The audit firm noted that as per the PCAs signed with the RPs, *“RP shall submit a quarterly financial report for each quarter to UNDP through the UNDP Country Director within 30 days following the end of quarter”*.

However, the audit firm identified 20 instances where the Office recorded disbursement to RPs as expense instead of advance in the CDR. Further, due to delay in receipts of financial reports from the RP, CDRs were not updated timely. This resulted overstatement of CDR for the period from 1 January 2012 to 31 March 2012 by \$2.1 million.

In addition the audit firm noted that for cut-off date i.e. as of 31 December 2011; adjustment of advances against expenses reported by RPs was not performed. Consequently individual CDRs remain understated or overstated by indeterminate amounts.

Comment:

The audit firm is not making any recommendation as the project is closed at the date of review.

In view of the above identified instances and control weaknesses, this area is rated partially satisfactory.

3.5 Procurement management

Partially satisfactory

The audit firm reviewed whether goods, services and civil works for the Project are procured competitively and in a transparent manner in accordance with UNDP policies and procedures. This included management of obligations and appropriate assessment of goods or services delivered and monitoring performance of the contractors, before payment.

Issue 10 Weaknesses noted in the procurement function of Responsible Parties

The audit firm reviewed the procurement management systems of the RPs applicable to the project and identified the following:

- a) Seven RPs did not comply with their procurement manuals for tendering process and number of quotations to be raised for competitive procurements. Total procurement under PCAs with these seven RPs amounted to \$2.4 million;
- b) In 39 PCAs with 25 RPs, the audit firm noted discrepancies in purchase requisition, purchase orders, and goods received notes such as absence of sequentially pre numbered documents, missing documents and absence of quantities on procurement documents. Total procurements under these PCAs were amounted to \$15.3 million;
- c) In seven PCAs with seven RPs, the audit firm noted that either comparative statements were not prepared for the identification of the best suppliers or these were not signed / approved by the relevant authorities at the RPs. Total procurements under these PCAs were amounted to \$1.4 million; and
- d) In 34 RPs, the audit firm noted control weaknesses in the procurement management functions applicable to the projects such as absence of policy for pre qualified suppliers, issuance of request for proposals and invitation to bids, issuance of purchase requisitions and purchase orders, financial authority limits for the procurement approval, retention of procurement records, composition of procurement committee, Terms of References of procurement committees were not available in the procurement manuals, pre numbered goods received notes, dispute resolution and disagreements and contractual provision relating to anti-personnel mines and child labour clauses in the contracts with vendors. As a result, these policies were not consistently followed by the RPs during the Project period.

Comment:

The audit firm is not making any recommendation as the project is closed at the date of review.

In view of the above identified instances and control weaknesses, this area are rated partially satisfactory.

3.6 Assets management

Satisfactory

The audit firm reviewed whether the Project assets are adequately recorded, safeguarded, monitored, including periodic physical verification of their use and existence.

Issue 11 Weaknesses noted in the assets management

The audit firm reviewed the assets management function at the Office and identified the following:

- a) Office did not share the documentary evidences for the periodic physical count / reconciliations of the Project assets. The audit firm performed the physical verification of the sample of Project assets available at the Office and noted absence of tagging on 19 items amounted to \$3,580.

The audit firm reviewed the assets management function applicable to the Project at the RPs and identified the following:

- a) Absence of periodic physical inspection of the Project assets either procured from the Project funds or transferred by the Office for the assistance of the Project implementation;
- b) In case of five PCAs, the audit firm identified that assets provided by the Office to the RPs were not separately identifiable as there were no unique tags affixed on them which is non compliance with the PCAs' clauses; and
- c) Eight RPs did not intimate or return the remaining Project fund assets amounted to \$62,775 to UNDP Project team at the completion of the Project.

| | |
|---|--------------------|
| Priority | Medium (Important) |
| Recommendation: | |
| The audit firm urges the Office to expedite the process to return the Project assets from the RPs to ensure compliance with the PCA clause. | |
| Management Comments: | |
| <div style="text-align: right;"> <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed </div> <p>The Office explained that the Project team has already received the inventory list from RPs and the request for transfer of assets. The process of transfer of assets including the approval of CAP is ongoing and assets will be transferred to RPs very soon.</p> | |

Considering the mitigating controls and the general control environment of the project, we consider the rating of this area Satisfactory.

3.7 General administration management

Satisfactory

The audit firm reviewed the areas of operations not specifically covered above and for which expenses were charged to the Project covering such areas as; travel of Project employee, use and maintenance of Project vehicles, lease and maintenance of office premises.

Issue 12 Weaknesses noted in the general administration function at the Office

The audit firm reviewed a sample of 23 trips. In five cases, travel authorization forms were missing; in 13 other cases, security clearance were not available; in seven cases, the F-10 forms for Daily Subsistence Allowance were missing.

Comment:

The audit firm is not making any recommendation as the project is closed at the date of review.

Considering the mitigating controls and the general control environment of the project, we consider the rating of this area Satisfactory.

3.8 Information system management

Satisfactory

3.8.1. The audit firm procedures for Office were restricted to inquiries only since access to ATLAS was restricted. For RPs; the audit performed assessment of efficiency and security of information system established / maintained and their adequacy to meet management and reporting requirements to the projects.

The audit firm noted few low risk observations, which have been reported to Office for information and control improvements.

Considering the mitigating controls and the general control environment of the project, we consider the rating of this area Satisfactory.

Definitions of audit terms - Ratings and Priorities

A. Audit ratings

Within the operational audit context, performance refers to the economy, efficiency, and effectiveness of operations under management's control. Operational audits assess the extent to which resources are acquired and utilized with due regard to economy and efficiency and whether management has put in place mechanisms to accurately monitor and assess whether the programs are meeting planned objectives. Operational audits do not report on the achievement of results.

Performance also refers to the manner in which activities are conducted – i.e. whether they are conducted in accordance with UNDP values. UNDP values encompass the notions of prudence and probity, as well as the necessity of taking acceptable risks.

| | |
|-------------------------------|---|
| Satisfactory | Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity. |
| Partially Satisfactory | Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity. |
| Unsatisfactory | Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised. |

B. Priorities of audit recommendations

The audit recommendations are categorized according to priority, as a further guide to UNDP management in addressing the issues. The following categories are used:

| | |
|---------------------------|--|
| High (Critical) | Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP and may affect the organization at the global level. |
| Medium (Important) | Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP. |
| Low | Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report. |

Glossary

| | |
|----------------|---|
| CDR | Combined Delivery Reports |
| CSO | Civil Society Organization |
| DIM | Direct Implementation Modality |
| HR | Human Resource |
| RP | Responsible Party |
| M&E | Monitoring and Evaluation |
| OAI | Office of Audit and Investigations |
| PCA | Project Cooperation Agreement |
| PKR | Pakistani Rupees |
| SC | Service Contract |
| TA | Travel Authorization |
| The Office | UNDP Pakistan |
| The audit firm | Ernst & Young Ford Rhodes Sidat Hyder & Co. |
| \$ | United States Dollar |

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