

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP BANGLADESH

SUPPORTING LOCAL DEVELOPMENT IN CHITTAGONG HILL TRACTS
(Directly Implemented Project No. 80119)

Report No. 1028
Issue Date: 17 May 2013

**Report on the audit of UNDP Bangladesh
Supporting Local Development in Chittagong Hill Tracts (Project No. 80119)
Executive Summary**

From 14 to 22 October 2012 the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through KPMG/Rahman Rahman Huq (the audit firm), conducted an audit of Supporting Local Development in Chittagong Hill Tracts, (Project No. 80119) (the Project), which is directly implemented and managed by the UNDP Country Office in Bangladesh (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 2011.

The Project reported expenditure totalling \$5.8 million during the period from 1 January to 31 December 2011. The following donors contributed to the Project: European Commission and UNDP.

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 to 31 December 2011 and Statement of Assets as of 31 December 2011. 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 **satisfactory**, which means "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." 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	Amount (in \$ '000)	Opinion
5,794	Unqualified	33	Unqualified

Figure 2: Internal controls and systems audit ratings summary


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

Key issues and recommendations

The audit raised one issue and resulted in one recommendation, 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." This recommendation includes actions to address misstatement of expenditures in the Combined Delivery Report.

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



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**Supporting Local Development in
Chittagong Hill Tracts
Award number 00011503
Project number 00080119**

**Report for the period from
1 January 2011 to 31 December 2011**



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Part: I

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 Supporting Local Development in Chittagong Hill Tracts having award number 00011503 and project number 00080119 (the Project) for the period from 1 January 2011 to 31 December 2011 directly implemented by UNDP Bangladesh. The audit was conducted from 14 October 2012 to 22 October 2012.

The audit included a combined financial audit and audit of internal controls and systems to express an opinion on whether the financial statements present fairly in all material aspects, the result of the Project's operations, as well as assess compliance with UNDP regulations, rules, policies and procedures, and donor agreements. The audit covered the review of the Project's statement of expenditure (combined delivery report) for the period 1 January 2011 to 31 December 2011 and Statement of assets and equipments as of 31 December 2011. We also reviewed the relevant systems, procedures and practices in place as they relate to the Project, in the areas of organisation and staffing, project management, human resources management, financial and cash management, procurement, asset management and general administration.

During the period under the audit, the Project recorded expenditures totalling \$ 5,794,590.56.

Audit rating on the test of operating effectiveness of control

Audit assessed the Project as satisfactory, which means that "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."

Key issues and recommendations

The audit raised one issue, which was mainly caused by inadequate guidance or supervision at country office level. To address this issue, one recommendation was made.

Results of financial audit

Audit opinion on combined delivery report

We expressed an unmodified audit opinion on the combined delivery report (the "CDR") for the period from 1 January 2011 to 31 December 2011. However without modifying the audit opinion, the users' attention has been drawn to the fact that the CDR for the Project had been overstated due to the Project being charged with additional expenditures of \$242,816. This expenditure is attributable to two separate projects under the same award number 00011503 and funded by the same donor.



Rahman Rahman Huq
Chartered Accountants

Audit opinion on statement of assets and equipments

We also expressed an unmodified audit opinion on the statement of assets and equipments valuing \$33,180.38 as at 31 December 2011.

Acknowledgement

We wish to place on record our thanks and appreciation to the management of the Project, UNDP Country Office in Bangladesh and the Regional Audit Centre for Asia and the Pacific, Office of Audit & Investigation for the cooperation extended to us during the audit.

Dhaka, 14 March 2013



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Part: II

Independent Auditor's Report **Supporting Local Development in Chittagong Hill Tracts** **Award number 00011503 and project number 00080119**

We have audited the accompanying combined delivery report (the "CDR") of the UNDP project Supporting Local Development in Chittagong Hill Tracts having award number 00011503 and project number 00080119 (the "Project") for the period from 1 January 2011 to 31 December 2011.

Management's Responsibility for the combined delivery report

Management is responsible for the preparation of the CDR for the UNDP project Supporting Local Development in Chittagong Hill Tracts having award number 00011503 and project number 00080119 in accordance with UNDP accounting policies and for such internal control as management determines is necessary to enable the preparation of the CDR that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the CDR 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 CDR is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts in the CDR. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the CDR, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Project's preparation of the CDR 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, if any, made by management, as well as evaluating the overall presentation of the CDR.

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

Opinion

In our opinion, the accompanying CDR presents fairly, in all material respects, the expenditure of \$5,794,590.56 incurred by the Project for the period from 1 January 2011 to 31 December 2011 in accordance with UNDP accounting policies and were: (i) in conformity with the approved Project budget; (ii) for the approved purposes of the Project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.



Rahman Rahman Huq
Chartered Accountants

Emphasis of Matter

Without modifying our opinion, we draw attention to the fact that the CDR for the Project had been overstated due to the Project being charged with additional expenditures of \$242,816. This expenditure is attributable to two separate projects having project number 00063952 and project number 00063953 under the same award number 00011503 funded by the same donor. During the year 2012, this expenditure had been reversed out and charged to the said two projects to which this is attributable.

Dhaka, 14 March 2013

Combined Delivery Report By Project

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00011503 Development and Confidence Bul		Period :	Jan-Dec (2011)		
00063960 Confidence Building UNDP/CHTDF		Impl. Partner :	00262 UNDP (Direct Execution)		
		Location :	Bangladesh Country Office Gen.		
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
75115 - Facilities & Admin - OH & Ind	0.00	22,563.26	0.00	0.00	22,563.26
Total for Fund 30000	0.00	-42,495.44	0.00	0.00	-42,495.44
Fund : 42208 (EEC PRODEVCOBLDGCHIT)					
72120 - Svc Co-Trade and Business Serv	0.00	-42,848.51	0.00	0.00	42,848.51
75115 - Facilities & Admin - OH & Ind	0.00	42,848.51	0.00	0.00	42,848.51
Total for Fund 42208	0.00	0.00	0.00	0.00	0.00
Total for Dept : 39203	0.00	-42,495.44	0.00	0.00	-42,495.44
Total for Project : 00063960	0.00	-42,495.44	0.00	0.00	-42,495.44

Project # : 00080119 Supporting Local Dev. in CHT
 Impl. Partner : 00262 UNDP (Direct Execution)
 Location : Bangladesh Country Office Gen.

Dept: 39201 (Bangladesh - Central)

Fund : 30079 (EUROPEAN COMMISSION)

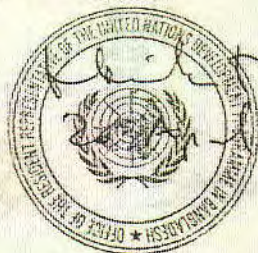
71505 - UN Volunteers-Stipend & Allow	0.00	2,335.00	0.00	0.00	2,335.00
71520 - UNV-Language Allowance	0.00	46.00	0.00	0.00	46.00
71535 - UNV-Medical Insurance	0.00	251.85	0.00	0.00	251.85
71540 - UNV-Global Charges	0.00	207.00	0.00	0.00	207.00
71545 - UNV-Home Leave Travel & Allowa	0.00	36.00	0.00	0.00	36.00
71550 - UNV-Resettlement Allowance	0.00	150.00	0.00	0.00	150.00
75105 - Facilities & Admin - Implement	0.00	211.81	0.00	0.00	211.81
Total for Fund 30079	0.00	3,237.66	0.00	0.00	3,237.66
Total for Dept : 39201	0.00	3,237.66	0.00	0.00	3,237.66

Dept: 39203 (Bangladesh -Crisis Prev &Rcvry)

Fund : 30079 (EUROPEAN COMMISSION)

61305 - Salaries - IP Staff	0.00	271,327.12	0.00	0.00	271,327.12
61310 - Post Adjustment - IP Staff	0.00	99,912.52	0.00	0.00	99,912.52
62305 - Dependency Allowances-IP Staff	0.00	14,024.36	0.00	0.00	14,024.36
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	82,990.86	0.00	0.00	82,990.86
62315 - Contrib. to medical, social in	0.00	4,442.94	0.00	0.00	4,442.94
62320 - Mobility, Hardship, Non-remova	0.00	51,878.50	0.00	0.00	51,878.50
62330 - Rental Supplements - IP Staff	0.00	3,551.49	0.00	0.00	3,551.49
63310 - Repat. Grant/Comm Annual Lv-IP	0.00	6,716.05	0.00	0.00	6,716.05
63330 - Ed Grt Incl Trvl&Allow-IP Stf	0.00	9,303.08	0.00	0.00	9,303.08
63515 - Security-related Costs	0.00	596.82	0.00	0.00	596.82
63530 - Contribution to Separations	0.00	9,048.12	0.00	0.00	9,048.12
63535 - Contribution to Security	0.00	14,849.57	0.00	0.00	14,849.57
63540 - Contribution to Training	0.00	9,513.82	0.00	0.00	9,513.82
64310 - Separations - IP Staff	0.00	18,000.00	0.00	0.00	18,000.00
64321 - Reassignment-Ticket Costs	0.00	2,173.76	0.00	0.00	2,173.76
64322 - Reassignments-Subsistence Allow	0.00	10,725.00	0.00	0.00	10,725.00
64323 - Reassignments-Lump Sum	0.00	11,466.54	0.00	0.00	11,466.54
64324 - Reassignments-Shipment	0.00	15,000.00	0.00	0.00	15,000.00
65115 - Contributions to ASHI Reserve	0.00	18,561.99	0.00	0.00	18,561.99
65135 - Payroll Mgt Cost Recovery ATLA	0.00	2,305.41	0.00	0.00	2,305.41

Shahin Friesha
 Country Director
 UNDP-Bangladesh



MD. MUZIBUR RAHMAN
 Audit & Accounts Officer
 Foreign Aided Projects Section
 Audit Comptroller
 Dhaka



Combined Delivery Report By Project



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Award ID: 00011503 Development and Confidence Bu
Project #: 00080119 Supporting Local Dev. in CHT
Period: Jan-Dec (2011)
Impl. Partner: 00262 UNDP (Direct Execution)
Location: Bangladesh Country Office Gen.

	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total
71205 - Intl Consultants-Short Term-Tech	0.00	80,027.00	0.00	0.00	80,027.00
71210 - Intl Consultants-Short Term-Supp	1,481.48	66,500.00	0.00	0.00	67,981.48
71305 - Local Consult-Short Term-Tech	13,714.85	75,223.12	0.00	2,952.96	91,890.93
71310 - Local Consult-Short Term-Supp	0.00	3,472.18	0.00	0.00	3,472.18
71405 - Service Contracts-Individuals	0.00	1,210,591.46	0.00	0.00	1,210,591.46
71505 - UN Volunteers-Stipend & Allow	246.91	27,470.27	0.00	0.00	27,717.18
71510 - UNV Settling-In-Grant	0.00	8,514.00	0.00	0.00	8,514.00
71520 - UNV-Language Allowance	0.00	522.13	0.00	0.00	522.13
71535 - UNV-Medical Insurance	0.00	2,412.01	0.00	0.00	2,412.01
71540 - UNV-Global Charges	0.00	3,099.57	0.00	0.00	3,099.57
71545 - UNV-Home Leave Travel & Allowa	0.00	408.62	0.00	0.00	408.62
71550 - UNV-Resettlement Allowance	0.00	2,044.02	0.00	0.00	2,044.02
71560 - UNV-Intl Appoint/Sep incl Trvl	0.00	6,120.00	0.00	0.00	6,120.00
71585 - Travel Tickets-International	0.00	11,818.64	0.00	10.25	11,828.89
71610 - Travel Tickets-Local	0.00	16,132.74	0.00	0.00	16,132.74
71615 - Daily Subsistence Allow-Intl	0.00	25,075.34	0.00	0.00	25,075.34
71620 - Daily Subsistence Allow-Local	2,371.61	280,743.09	0.00	0.00	283,114.70
71635 - Travel - Other	0.00	2,590.30	0.00	0.00	2,590.30
72105 - Svc Co-Construction & Engineer	0.00	1,091,487.22	0.00	0.00	1,091,487.22
72115 - Svc Co-Natural Resources & Env	0.00	312.68	0.00	0.00	312.68
72120 - Svc Co-Trade and Business Serv	0.00	53,263.37	0.00	0.00	53,263.37
72125 - Svc Co-Studies & Research Serv	0.00	2,164.98	0.00	0.00	2,164.98
72135 - Svc Co-Communications Service	0.00	3,944.80	0.00	0.00	3,944.80
72140 - Svc Co-Information Technology	0.00	26,110.89	0.00	0.00	26,110.89
72160 - Svc Co-Education & Health Serv	0.00	213,247.00	0.00	174,494.00	387,741.00
72165 - Svc Co-Social Svcs, Social Sci	0.00	606,665.50	0.00	0.00	606,665.50
72175 - Svc Co-Urban, Rural & Regional	0.00	88,330.52	0.00	0.00	88,330.52
72205 - Office Machinery	0.00	3,113.60	0.00	0.00	3,113.60
72210 - Machinery and Equipment	25,598.27	49.93	0.00	0.00	25,648.20
72215 - Transportation Equipment	0.00	2,786.76	0.00	0.00	2,786.76
72220 - Furniture	0.00	4,149.36	0.00	0.00	4,149.36
72311 - Fuel, petroleum and other oils	0.00	5,916.60	0.00	0.00	5,916.60
72315 - Food & Textile Products	0.00	800.15	0.00	0.00	800.15
72350 - Medical Kits	0.00	1,485.25	0.00	0.00	1,485.25
72370 - Security related goods and mat	0.00	497.01	0.00	0.00	497.01
72405 - Acquisition of Communic Equip	0.00	24,100.54	0.00	0.00	24,100.54
72415 - Courier Charges	0.00	80.89	0.00	0.00	80.89
72420 - Land Telephone Charges	0.00	7,336.34	0.00	0.00	7,336.34
72425 - Mobile Telephone Charges	123.01	17,357.83	0.00	0.00	17,480.84
72435 - E-mail-Subscription	0.00	591.79	0.00	0.00	591.79
72440 - Connectivity Charges	0.00	4,673.88	0.00	1,096.30	5,770.18
72445 - Common Services-Communications	0.00	7,076.53	0.00	0.00	7,076.53
72505 - Stationery & other Office Supp	2,982.72	13,243.48	0.00	4,605.54	20,831.74
72515 - Print Media	0.00	1,823.39	0.00	0.00	1,823.39
72520 - Electronic Media	0.00	458.33	0.00	0.00	458.33
72605 - Grants to Instit & other Benef	75,026.27	0.00	0.00	0.00	75,026.27
72705 - Hospitality-Special Events	0.00	310.73	0.00	0.00	310.73
72715 - Hospitality-Catering	0.00	2,269.56	0.00	0.00	2,269.56
72810 - Acquis of Computer Software	0.00	40,000.00	0.00	0.00	40,000.00
73105 - Rent	0.00	17,534.84	0.00	0.00	17,534.84
73107 - Rent - Meeting Rooms	0.00	55.36	0.00	0.00	55.36
73120 - Utilities	0.00	15,291.62	0.00	0.00	15,291.62
73125 - Common Services-Premises	0.00	107,949.27	0.00	10,296.84	118,246.11
73205 - Premises Alternations	0.00	2,263.46	0.00	0.00	2,263.46
73305 - Maint & Licensing of Hardware	0.00	149.78	0.00	0.00	149.78
73310 - Maint & Licensing of Software	0.00	3,662.16	0.00	0.00	3,662.16
73405 - Rental & Maint-Other Office Ec	0.00	3,007.32	0.00	0.00	3,007.32
73406 - Maintenance of Equipment	0.00	1,513.39	0.00	0.00	1,513.39
73410 - Maint, Oper of Transport Equipm	0.00	98,662.06	0.00	0.00	98,662.06
73505 - Reimb to UNDP for Supp Svcs	0.00	52.04	0.00	0.00	52.04
74205 - Audio Visual Productions	987.65	0.00	0.00	0.00	987.65
74210 - Printing and Publications	8,541.97	8,450.22	0.00	0.00	17,092.19



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Combined Delivery Report By Project

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00011503 Development and Confidence Bul	Period :	Jan-Dec (2011)
00080119 Supporting Local Dev. in CHT	Impl. Partner :	00262 UNDP (Direct Execution)
	Location :	Bangladesh Country Office Gen.

	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
74215 - Promotional Materials and Dist	0.00	4,072.03	0.00	4,122.54	8,194.57
74225 - Other Media Costs	0.00	2,663.92	0.00	0.00	2,663.92
74325 - Contrib.To CO Common Security	0.00	4,610.41	0.00	0.00	4,610.41
74505 - Insurance	0.00	6,294.70	0.00	0.00	6,294.70
74510 - Bank Charges	0.00	746.14	0.00	0.00	746.14
74525 - Sundry	459.58	8,177.09	0.00	0.00	8,636.67
75105 - Facilities & Admin - Implement	0.00	338,852.66	0.00	0.00	338,852.66
75115 - Facilities & Admin - OH & Ind	0.00	12,659.97	0.00	0.00	12,659.97
75705 - Learning costs	7,981.41	51,908.90	0.00	0.00	59,890.31
75707 - Learning - subsistence allowan	0.00	49,230.47	0.00	0.00	49,230.47
76120 - Unrealized Loss	0.00	6,514.31	0.00	0.00	6,514.31
76125 - Realized Loss	0.00	0.00	0.00	0.00	0.00
76135 - Realized Gain	0.00	-1,994.73	0.00	0.00	-1,994.73
Total for Fund 30079	139,615.73	5,445,148.74	0.00	206,588.43	5,791,352.90
Total for Dept : 39203	139,615.73	5,445,148.74	0.00	206,588.43	5,791,352.90
Total for Project : 00080119	139,615.73	5,448,386.40	0.00	0.00	5,794,590.56
Award Total :	6,713,230.96	17,318,932.26	0.00	0.00	23,407,001.56



[Signature]
Stefan Priesner
Country Director
UNDP-Bangladesh

[Signature]
MD. MUZIBUR RAHMAN
Audit & Accounts Officer
Foreign Aided Project Audit Directorate
Audit Complex (6th floor)
Segunbagicha, Dhaka-1000.

Signed By : _____ Date : _____

[Signature]

Rahman Rahman Hug *[Signature]*
Chartered Accountants



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Independent Auditor's Report
Supporting Local Development in Chittagong Hill Tracts
Award number 00011503 and project number 00080119

We have audited the accompanying statement of assets and equipments (the "Statement") of the UNDP project Supporting Local Development in Chittagong Hill Tracts having award number 0001153 and project number 00080119 (the "Project") as at 31 December 2011.

Management's Responsibility for the Statement of Assets and Equipments

Management is responsible for the preparation of the Statement in accordance with UNDP accounting policies, and for such internal control as management determines is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 in the Statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, we consider 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, if any, 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 audit opinion.

Opinion

In our opinion, the accompanying Statement presents fairly, in all material respects, the balance of assets and equipments of the Project amounting to \$33,180.38 as at 31 December 2011 in accordance with UNDP accounting policies.

Dhaka, 14 March 2013

Statement of Assets and Equipments
Supporting Local Development in Chittagong Hill Tracts
Award number 00011503 and project number 00080119

Sl	Asset Profile	Custodian/User Name	Locations	Asset Name	Asset Description	Local Inventory No	Asset Serial Number	Acquisition Date	Value_BDT	Value USD	Asset Category	Source of Procurement	PO Number	Account code
1	Electrical	Subarun	Khagrachari	Digital Sender	HP 9250C	BT-2000-(4066)-BGD-02-006-CHTDF (K)	CNCXC5GW96	28-Apr-11	204,388	2,762.00	Capital Asset	Flora Limited	BGD10-0000029287	722205
2	Electrical	Robert J. Stodman	Rangamati	Mobile Phone	Nokia E72	AO-516-(4293)-BGD-02-006-CHTDF (R)	354856040198563	14-Jun-11	18,500	250.00	Non-Capital		PO-36384	722205
3	Electrical	Admin Khagrachari	Khagrachari	Scanner	Flashed Scanner HP G3110	BT-2000-(4075)-BGD-02-006-CHTDF (K)	CNT07851KN	1-May-11	7,417	101.60	Non-Capital Asset	Flora Limited	BGD10-0000029296	722205
Sub-total										3113.60				
1	Furniture	Samar Bijoy Chakma	Rangamati	wooden Rack	Wooden Rack	BT-2000-(4249)-BGD-02-006-CHTDF (R)		2-Nov-11	53,640	711.41	Non-Capital	Manik Kumar Chakma	BGD10-0000032746	72220
2	Furniture	Golan Mehedi	Rangamati	Table	Computer Table	BT-2000-(4069)-BGD-02-006-CHTDF (R)		20-Apr-11	7,100	97.26	Non-Capital Asset	OTOBI	BGD10-0000029100	72220
3	Furniture	Golan Mehedi	Rangamati	Table	Secretariate Table with Drawer Unit	BT-2000-(4067)-BGD-02-006-CHTDF (R)		20-Apr-11	20,560	281.64	Non-Capital Asset	OTOBI	BGD10-0000029100	72220
4	Furniture	Golan Mehedi	Rangamati	Table	Secretariate Table with Drawer Unit	BT-2000-(4068)-BGD-02-006-CHTDF (R)		20-Apr-11	20,560	281.65	Non-Capital Asset	OTOBI	BGD10-0000029100	72220
5	Furniture	Dipannita Chakma	Rangamati	Fire Extinguisher	Fire Extinguisher	BT-2000-(4072)-BGD-02-006-CHTDF (R)		20-Apr-11	3,000	41.10	Non-Capital Asset	OTOBI	BGD10-0000029100	72220
6	Furniture	Golan Mehedi	Rangamati	File Cabinet	4 Drawer Steel cabinet	BT-2000-(4070)-BGD-02-006-CHTDF (R)		20-Apr-11	15,810	216.57	Non-Capital Asset	OTOBI	BGD10-0000029100	72220
7	Furniture	Joy Khisa	Rangamati	File Cabinet	4 Drawer Steel cabinet	BT-2000-(4071)-BGD-02-006-CHTDF (R)		20-Apr-11	15,810	216.57	Non-Capital Asset	OTOBI	BGD10-0000029100	72220
8	Furniture	Admin, Bandarban	Bandarban	Conference Table	Conference Table	BT-2000-(4250)-BGD-02-006-CHTDF (B)		8-Dec-11	12,400	161.50	Non-Capital	Boalkhali Furniture Mart	BGD10-0000033227	72220
9	Furniture	Robert J. Stodman	Rangamati	Book Shelf	Book shelf/OTOBI	BT-2000-(4270)-BGD-02-006-CHTDF (R)		8-Dec-11	14,920	194.33	Non-Capital	B Alam Traders	BGD10-0000032881	72220
	Furniture & Fittings	CHT Ministry	Rangamati	Sofa	Leather Cover Sofa, 6 seat, 3 Table	BT-2000-(4162)-BGD-02-006-CHTDF (R)		10-Aug-11	144,200	1947.33	Capital Asset	Legacy	BGD10-0000031592	72220
Sub-total										308,000	4149.36			



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Statement of Assets and Equipments
Supporting Local Development in Chittagong Hill Tracts
Award number 00011503 and project number 00080119

Sl	Asset Profile	Custodian/User Name	Locations	Asset Name	Asset Description	Local Inventory No	Asset Serial Number	Acquisition Date	Value_BDT	Value USD	Asset Category	Source of Procurement	PO Number	Account code
1	Electrical	Admin Bandarban	Bandarban	Scanner	HP Scanjet G3110 Scanner	AO-510-(4294)-BGD-02-006-CHTDF (R)	CN18EAA04HA	15-10-2011	9,500	123.74	Non-Capital	Flora Limited	PO-32329	72405
2	Electrical	Admin Bandarban	Bandarban	Scanner	HP Scanjet G3110 Scanner	AO-510-(4295)-BGD-02-006-CHTDF (R)	CN17XAA1YS	15-10-2011	9,500	123.74	Non-Capital	Flora Limited	PO-32329	72405
3	Electrical	ICT Rangamati	Rangamati	Scanner	HP Scanjet G3110 Scanner	AO-510-(4296)-BGD-02-006-CHTDF (R)	CN18EAA167	15-10-2011	9,500	123.74	Non-Capital	Flora Limited	PO-32329	72405
4	Electrical	Admin Bandarban	Bandarban	Scanner	HP Scanjet G3110 Scanner	AO-510-(4297)-BGD-02-006-CHTDF (R)	CN18EAA169	15-10-2011	9,500	123.74	Non-Capital	Flora Limited	PO-32329	72405
5	Electrical	ICT Rangamati	Rangamati	Scanner	HP Scanjet G3110 Scanner	AO-510-(4298)-BGD-02-006-CHTDF (R)	CN18GAA036	15-10-2011	9,500	123.74	Non-Capital	Flora Limited	PO-32329	72405
6	Electrical	Admin Bandarban	Bandarban	Printer	HP Color Laser Jet Printer, Model CLJCP3525DN	BT-2000-(4251)-BGD-02-006-CHTDF (R)	CNCXC9D433	8-Dec-11	127,650	1662.54	Capital Asset	TN International	BGD10-0000032520	72405
7	Electrical	Admin Khagrachari	Khagrachari	Printer	HP Color Laser Jet Printer, Model CLJCP3525DN	BT-2000-(4252)-BGD-02-006-CHTDF (R)	CNCXC8742P	8-Dec-11	127,650	1662.54	Capital Asset	TN International	BGD10-0000032520	72405
8	Electrical	ICT Rangamati	Rangamati	Wireless Access Point	Linksys Wireless Access Point	BT-2000-(4275)-BGD-02-006-CHTDF (R)		8-Dec-11	6,500	84.66	Non-Capital	Source & Service	BGD10-0000032819	72405
9	Electrical	ICT Rangamati	Rangamati	Wireless Access Point	Linksys Wireless Access Point	BT-2000-(4276)-BGD-02-006-CHTDF (R)		8-Dec-11	6,500	84.66	Non-Capital	Source & Service	BGD10-0000032819	72405
10	Electrical	ICT Rangamati	Rangamati	Wireless Access Point	Linksys Wireless Access Point	BT-2000-(4277)-BGD-02-006-CHTDF (R)		8-Dec-11	6,500	84.66	Non-Capital	Source & Service	BGD10-0000032819	72405
11	Electrical	ICT Rangamati	Rangamati	Wireless Access Point	Linksys Wireless Access Point	BT-2000-(4278)-BGD-02-006-CHTDF (R)		8-Dec-11	6,500	84.66	Non-Capital	Source & Service	BGD10-0000032819	72405
12	Electrical	ICT Rangamati	Rangamati	Wireless Access Point	Linksys Wireless Access Point	BT-2000-(4279)-BGD-02-006-CHTDF (R)		8-Dec-11	6,500	84.66	Non-Capital	Source & Service	BGD10-0000032819	72405
13	Electrical	ICT Rangamati	Rangamati	Wireless Access Point	Linksys Wireless Access Point	BT-2000-(4280)-BGD-02-006-CHTDF (R)		8-Dec-11	6,500	84.66	Non-Capital	Source & Service	BGD10-0000032819	72405
14	Electrical	Admin Bandarban	Bandarban	Wireless Access Point	Linksys Wireless Access Point	BT-2000-(4281)-BGD-02-006-CHTDF (R)		8-Dec-11	6,500	84.66	Non-Capital	Source & Service	BGD10-0000032819	72405
15	Electrical	Admin Bandarban	Bandarban	Wireless Access Point	Linksys Wireless Access Point	BT-2000-(4282)-BGD-02-006-CHTDF (R)		8-Dec-11	6,500	84.66	Non-Capital	Source & Service	BGD10-0000032819	72405

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Statement of Assets and Equipments
Supporting Local Development in Chittagong Hill Tracts
Award number 00011503 and project number 00080119

Sl	Asset Profile	Custodian/User Name	Locations	Asset Name	Asset Description	Local Inventory No	Asset Serial Number	Acquisition Date	Value_BDT	Value USD	Asset Category	Source of Procurement	PO Number	Account code
16	Electrical	Ratan Khisha	Rangamati	Printer	HP Laser Jet Printer, Model LJ P2055DN	BT-2000-(4253)-BGD-02-000-CHITDF (R)	VNC3T18195	8-Dec-11	42,550	554.18	Non-Capital	TN International	BGD10-0000032520	72405
17	Electrical	Admin Banderban	Bandarban	Printer	HP Laser Jet Printer, Model LJ P2055DN	BT-2000-(4254)-BGD-02-000-CHITDF (R)	VNC3T18186	8-Dec-11	42,550	554.18	Non-Capital	TN International	BGD10-0000032520	72405
18	Electrical	Admin Banderban	Bandarban	Printer	HP Laser Jet Printer, Model LJ P2055DN	BT-2000-(4255)-BGD-02-000-CHITDF (R)	VNC3T18340	8-Dec-11	42,550	554.18	Non-Capital	TN International	BGD10-0000032520	72405
19	Electrical	Admin Banderban	Bandarban	Printer	HP Laser Jet Printer, Model LJ P2055DN	BT-2000-(4256)-BGD-02-000-CHITDF (R)	VNC3T18471	8-Dec-11	42,550	554.18	Non-Capital	TN International	BGD10-0000032520	72405
20	Electrical	Golam Mehed	Rangamati	Printer	HP Laser Jet Printer, Model LJ P2055DN	BT-2000-(4257)-BGD-02-000-CHITDF (R)	VNC3T18355	8-Dec-11	42,550	554.18	Non-Capital	TN International	BGD10-0000032520	72405
21	Electrical	Joy Khisa	Rangamati	Printer	HP Laser Jet Printer, Model LJ P2055DN	BT-2000-(4258)-BGD-02-000-CHITDF (R)	VNC3T08363	8-Dec-11	42,550	554.18	Non-Capital	TN International	BGD10-0000032520	72405
22	Electrical	Protul Dewan	Rangamati	Printer	HP Laser Jet Printer, Model LJ P2055DN	BT-2000-(4259)-BGD-02-000-CHITDF (R)	VNC3T08359	8-Dec-11	42,550	554.18	Non-Capital	TN International	BGD10-0000032520	72405
23	Electrical	Admin Khaqrachari	Khaqrachari	Printer	HP Laser Jet Printer, Model LJ P2055DN	BT-2000-(4260)-BGD-02-000-CHITDF (R)	VNC3T12294	8-Dec-11	42,550	554.18	Non-Capital	TN International	BGD10-0000032520	72405
24	Electrical	Admin Banderban	Rangamati	Printer	HP Laser Jet Printer, Model LJ P2055DN	BT-2000-(4261)-BGD-02-000-CHITDF (R)	VNC3T12281	8-Dec-11	42,550	554.18	Non-Capital	TN International	BGD10-0000032520	72405
25	Electrical	Admin Khaqrachari	Khaqrachari	Printer	HP Laser Jet Printer, Model LJ P2055DN	BT-2000-(4262)-BGD-02-000-CHITDF (R)	VNC3T12286	8-Dec-11	42,550	554.18	Non-Capital	TN International	BGD10-0000032520	72405
26	Electrical	Admin Khaqrachari	Khaqrachari	Printer	HP Laser Jet Printer, Model LJ P2055DN	BT-2000-(4263)-BGD-02-000-CHITDF (R)	VNC3T12277	8-Dec-11	42,550	554.18	Non-Capital	TN International	BGD10-0000032520	72405
27	Electrical	Stavash Datta Chakma	Rangamati	Printer	HP Laser Jet Printer, Model LJ P2055DN	BT-2000-(4264)-BGD-02-000-CHITDF (R)	VNC3T12293	8-Dec-11	42,550	554.18	Non-Capital	TN International	BGD10-0000032520	72405
28	Electrical	Admin Banderban	Bandarban	Fax Machine	Brother Fax Machine-2820	BT-2000-(4246)-BGD-02-000-CHITDF (R)	DIN824708	8-Dec-11	25,500	332.12	Non-Capital	Business Technologies	BGD10-0000032330	72405
29	Electrical	ICT Rangamati	Rangamati	CISCO Switch	Cisco 24 port Switch	BT-2000-(4287)-BGD-02-000-CHITDF (R)	FCQ1516ZSN2	15-Dec-11	59,500	774.94	Non-Capital	HRC Technologies Limited	BGD10-0000032467	72405
30	Electrical	Admin Banderban	Bandarban	CISCO Switch	Cisco 24 port Switch	BT-2000-(4288)-BGD-02-000-CHITDF (R)	FCQ1518Y2RA	15-Dec-11	59,500	774.94	Non-Capital	HRC Technologies Limited	BGD10-0000032467	72405



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Statement of Assets and Equipments
Supporting Local Development in Chittagong Hill Tracts
Award number 00011503 and project number 00080119

Sl	Asset Profile	Custodian/User Name	Locations	Asset Name	Asset Description	Local Inventory No	Asset Serial Number	Acquisition Date	Value_BDT	Value USD	Asset Category	Source of Procurement	FO Number	Account code
31	Heavy Machinery	Admin Dhaka	Dhaka	Photocopier	Sharp Brand Digital Photocopier	BT-2000-(4247)-BGD-02-006-CHITDF (R)	13000525	8-Dec-11	350,000	4558.48	Capital Asset	Trade Linkers Office Automation	BGD10-0000032531	72405
32	Heavy Machinery	ICT Rangamati	Rangamati	Photocopier	Sharp Brand Digital Photocopier	BT-2000-(4248)-BGD-02-006-CHITDF (R)	13000195	8-Dec-11	350,000	4558.48	Capital Asset	Trade Linkers Office Automation	BGD10-0000032531	72405
33	Electrical	ICT Rangamati	Rangamati	Router	Router-Mikrotik RB450	BT-2000-(4283)-BGD-02-006-CHITDF (R)		15-Dec-11	22,500	293.04	Non-Capital	HRC Technologies Limited	BGD10-0000032467	72405
34	Electrical	Admin Bandarban	Bandarban	Router	Router-Mikrotik RB450	BT-2000-(4284)-BGD-02-006-CHITDF (R)		15-Dec-11	22,500	293.04	Non-Capital	HRC Technologies Limited	BGD10-0000032467	72405
35	Electrical	ICT Rangamati	Rangamati	Router	Router-Mikrotik RB450	BT-2000-(4285)-BGD-02-006-CHITDF (R)		15-Dec-11	22,500	293.04	Non-Capital	HRC Technologies Limited	BGD10-0000032467	72405
36	Electrical	ICT Rangamati	Rangamati	Router	Router-Mikrotik RB450	BT-2000-(4286)-BGD-02-006-CHITDF (R)		15-Dec-11	22,500	293.04	Non-Capital	HRC Technologies Limited	BGD10-0000032467	72405
37	Electrical	ICT Rangamati	Rangamati	UPS	Apollo UPS, 1200 VA	BT-2000-(4152)-BGD-02-006-CHITDF (R)	104501960	26-Sep-11	4,950	65.82	Non-Capital	Rishit Computers	BGD10-0000032270	72405
38	Electrical	Wenue Prus Marna	Rangamati	UPS	Apollo UPS, 1200 VA	BT-2000-(4153)-BGD-02-006-CHITDF (R)	104502095	26-Sep-11	4,950	65.82	Non-Capital	Rishit Computers	BGD10-0000032270	72405
39	Electrical	Switch Board	Rangamati	UPS	Apollo UPS, 1200 VA	BT-2000-(4154)-BGD-02-006-CHITDF (R)	104502081	26-Sep-11	4,950	65.82	Non-Capital	Rishit Computers	BGD10-0000032270	72405
40	Electrical	Mizanur Rahman	Rangamati	UPS	Apollo UPS, 1200 VA	BT-2000-(4155)-BGD-02-006-CHITDF (R)	104502082	26-Sep-11	4,950	65.82	Non-Capital	Rishit Computers	BGD10-0000032270	72405
41	Electrical	Nokraching Marna	Rangamati	UPS	Apollo UPS, 1200 VA	BT-2000-(4156)-BGD-02-006-CHITDF (R)	104502135	26-Sep-11	4,950	65.82	Non-Capital	Rishit Computers	BGD10-0000032270	72405
42	Electrical	Jatan Barua	Rangamati	UPS	Apollo UPS, 1200 VA	BT-2000-(4157)-BGD-02-006-CHITDF (R)	104502136	26-Sep-11	4,950	65.82	Non-Capital	Rishit Computers	BGD10-0000032270	72405
43	Electrical	Subarun Chakma	Khagrachari	UPS	Apollo UPS, 1200 VA	BT-2000-(4158)-BGD-02-006-CHITDF (K)	104502209	26-Sep-11	4,950	65.82	Non-Capital	Rishit Computers	BGD10-0000032270	72405
44	Electrical	ICT Rangamati	Rangamati	UPS	Apollo UPS, 1200 VA	BT-2000-(4159)-BGD-02-006-CHITDF (R)	104502210	26-Sep-11	4,950	65.82	Non-Capital	Rishit Computers	BGD10-0000032270	72405
45	Electrical	Subarun Chakma	Khagrachari	UPS	Apollo UPS, 1200 VA	BT-2000-(4160)-BGD-02-006-CHITDF (K)	104502224	26-Sep-11	4,950	65.82	Non-Capital	Rishit Computers	BGD10-0000032270	72405

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Statement of Assets and Equipments
Supporting Local Development in Chittagong Hill Tracts
Award number 00011503 and project number 00080119

SI	Asset Profile	Custodian/User Name	Locations	Asset Name	Asset Description	Local Inventory No	Asset Serial Number	Acquisition Date	Value_BDT	Value USD	Asset Category	Source of Procurement	PO Number	Account code
46	Electrical	Hassan Ullah	Rangamati	UPS	Apollo UPS, 1200 VA	BT-2000-(4161)-BGD-02-006-CHITDF (R)	104502164	26-Sep-11	4,950	65.82	Non-Capital	Right Computers	BGD10-0000032520	72505
Sub-total										1,849,400	24100.54			
1	Communications and IT equipment	ICT Rangamati	Rangamati	Paper Shredder	Paper Shredder, Model PV65WS	BT-2000-(4265)-BGD-02-006-CHITDF (R)	2302111428	8-Dec-11	15,500	201.87	Non-Capital	TN International	BGD10-0000032520	72505
2	Communications and IT equipment	ICT Dhaka	Dhaka	Paper Shredder	Paper Shredder, Model PV65WS	BT-2000-(4266)-BGD-02-006-CHITDF (R)	2302111312	8-Dec-11	15,500	201.87	Non-Capital	TN International	BGD10-0000032520	72505
3	Communications and IT equipment	ICT Rangamati	Rangamati	Paper Shredder	Paper Shredder, Model PV65WS	BT-2000-(4267)-BGD-02-006-CHITDF (R)	2302111454	8-Dec-11	15,500	201.87	Non-Capital	TN International	BGD10-0000032520	72505
4	Communications and IT equipment	ICT Rangamati	Rangamati	Paper Shredder	Paper Shredder, Model PV65WS	BT-2000-(4268)-BGD-02-006-CHITDF (R)	2302111442	8-Dec-11	15,500	201.87	Non-Capital	TN International	BGD10-0000032520	72505
5	Communications and IT equipment	ICT Rangamati	Rangamati	Paper Shredder	Paper Shredder, Model PV65WS	BT-2000-(4269)-BGD-02-006-CHITDF (R)	1803100847	8-Dec-11	15,500	201.88	Non-Capital	TN International	BGD10-0000032520	72505
6	Communications and IT equipment	ICT Rangamati	Rangamati	Paper Shredder	Paper Shredder, Model PV65WS	BT-2000-(4270)-BGD-02-006-CHITDF (R)	2302111297	8-Dec-11	15,500	201.88	Non-Capital	TN International	BGD10-0000032520	72505
7	Communications and IT equipment	ICT Rangamati	Rangamati	Paper Shredder	Paper Shredder, Model PV65WS	BT-2000-(4271)-BGD-02-006-CHITDF (R)	2302111468	8-Dec-11	15,500	201.88	Non-Capital	TN International	BGD10-0000032520	72505
8	Communications and IT equipment	ICT Rangamati	Rangamati	Paper Shredder	Paper Shredder, Model PV65WS	BT-2000-(4272)-BGD-02-006-CHITDF (R)	2302111449	8-Dec-11	15,500	201.88	Non-Capital	TN International	BGD10-0000032520	72505
9	Communications and IT equipment	ICT Rangamati	Rangamati	Paper Shredder	Paper Shredder, Model PV65WS	BT-2000-(4273)-BGD-02-006-CHITDF (R)	2302111281	8-Dec-11	15,500	201.88	Non-Capital	TN International	BGD10-0000032520	72505
Sub-total										139,500.00	1,816.88			
Total										2,527,205.00	33,180.38			

Hendrik
Hendrik

Name: **Director, CHITDF**
 United Nations Development Program (UNDP)
 Dhaka, Bangladesh

Rosemarie De Souza
 Name: **ROSEMARIE DE SOUZA**
 Designation: **DEPUTY COUNTRY DIRECTOR**
 United Nations Development Program (UNDP)
 Dhaka, Bangladesh

Fahmundaht

Auditor

Dhaka, 14 March 2013

Rahman Rahman Huq
 Chartered Accountants

Part: III

Management Letter Supporting Local Development in Chittagong Hill Tracts Award number 00011503 and project number 00080119 For the period from 1 January 2011 to 31 December 2011

Audit objectives

We have been engaged by the Regional Audit Centre for Asia and the Pacific, Office of Audit & Investigation, United Nations Development Programme (UNDP), to carry out an audit of Supporting Local Development in Chittagong Hill Tracts having award number 00011503 and project number 00080119 (the "Project") for the period from 1 January 2011 to 31 December 2011. The terms of reference of the audit services include:

- Express an opinion on whether the combined delivery report for the period from 1 January 2011 to 31 December 2011 presents fairly, in all material respects, the expenditures incurred by the Project in accordance with UNDP accounting policies and that the expenditures incurred were: (i) in conformity with the approved Project budget; (ii) for the approved purposes of the Project, (iii) incurred in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents. The combined delivery report is the mandatory and official statement of expenditure to be audited and other forms of statement of expenditure that may be prepared by the Project office are not accepted.
- Express an opinion on whether the Project's statement of assets and equipments as at 31 December 2011 presents fairly, in all material respects, the balance of assets and equipments of the Projects. This statement must include all assets and equipments available as at 31 December 2011 and not only those acquired in 2011.
- Express an opinion on whether the statement of cash position held by the Project presents fairly the cash and bank balance of the Project as at 31 December 2011. As a dedicated bank account for the Project had not been established, expressing an opinion on the cash position as at 31 December 2011 was excluded from the scope of the audit.
- Provide an overall assessment of the operational and internal control systems that are in place for the management of the Project.

Scope of the audit

A. Financial audit

The financial statement audit was conducted in accordance with the International Standards of Auditing (the "ISA") covering the following:

- (a) The expenditure incurred and recorded in the combined delivery report (the "CDR") of the Project during the period from 1 January to 31 December 2011;
- (b) The value and existence of the assets and equipments held by the Project as at 31 December 2011.
- (c) Expressing an opinion on whether the statement of cash position held by the Project presents fairly the cash and bank balance of the Project as at 31 December 2011. As a dedicated bank account for the Project had not been established, expressing an opinion on the cash position as at 31 December 2011 was excluded from the scope of the audit.

B. Test of operating effectiveness of control

We have conducted the test of operating effectiveness of control in accordance with the Guidance for Audit Firms-Audit of Internal Control and Systems in a Direct Implementation (DIM) Project and the International Standards of Auditing covering the following areas:

- i. Organisation and staffing
- ii. Project management
- iii. Human resources
- iv. Financial and cash management
- v. Procurement
- vi. Assets management
- vii. General administration

Each of the above areas audited was found to be satisfactory as no high or medium rated issues were identified, except for financial and cash management where one medium rated issue was identified.

Project Background

The Project is a component of the Chittagong Hill Tracts Development Facility (the “CHTDF”). The target region of the Project is Chittagong Hill Tracts (the “CHT”), Bangladesh. The European Union signed the Project in October 2011. The activities of the Project started from January 2011 and continue upto 30 September 2013.

The overall objective of the Project is to create an enabling environment for local development contributing to the achievement of local Millennium Development Goals targets in the CHT region. The Project addresses capacity development of the government institutions including the CHT regional council, hill district council, upazilas and union parishads to support local development in partnership with Para Development Committees and Para Nari Development Groups.

The Project provides integrated support for the following:

- Local government institutions, traditional institutions, civil society and community counterparts for capacity development;
- Marginalised and vulnerable groups, including gender based and small ethnic minority groups for economic empowerment and capacity building;
- Communities and the government agencies to deliver services and implement development actions.

The first specific objective of the Project is to increase the capacity of the CHT institutions to deliver services and support community development. This will enable the local government institutions to advocate for the CHT issues with enhanced capacity. In particular, this will help implementation of the CHT Peace Accord by enhancing the clarity and consensus on issues facing the CHT. The increased capacity of the CHT institution will also facilitate improved management systems for decentralized service delivery. The first specific objective is also expected to enhance participatory planning, budgeting, monitoring mechanisms among CHT institutions and stakeholders to contribute towards achievement of the MDGs. The second specific objective of the Project is to empower the local organisations and communities, and to enhance their capacity to manage their own development. This will enable the communities to plan and implement small-scale community projects. Also the communities will have increased access to economic opportunities and local services through increased market linkages and increased savings.

Audit observation

Observation No: 1
Audit area: Financial & cash management
Issue title: Overstatement at the CDR for the Project number 00080119

Observation

Per generally accepted standards, the combined delivery report for the Supporting Local Development in Chittagong Hill Tracts having award number 00011503 and project number 00080119 for the year ended 31 December 2011 should have been charged with expenditure that is attributable to the Project. However, the combined delivery report for the Project for the year ended 31 December 2011 included expenditure of \$242,816 which is attributable to two separate projects having project number 00063953 and project number 00063952 within the same award number 00011503 funded by the same donor. As such the combined delivery report for the year has been overstated by total expenditure of \$242,816 that is not attributable to the Project. Subsequently, in 2012, this expenditure had been reversed and charged to the appropriate projects i.e. project number 00063953 and project number 00063952.

Risk

As the said expenditures were not incurred for the purpose of the audited Project 00080119, the combined delivery report for 2011 is overstated by the said amount.

Priority

Medium

Recommendation

The Project should ensure that the expenditure recorded in the combined delivery report for the year should only relate to that project.

Management comments

We take note of your observation that there is an overstatement at the Project level, however, as far as the CDR for the award number 00011503 for the year 2011 is concerned, there is no overstatement overall.

Dhaka, 14 March 2013



Annexure I

Definition of Standard Audit Ratings

<u>Standard Rating</u>	<u>Definition</u>
<i>Satisfactory</i>	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 Project.
<i>Partially satisfactory</i>	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 Project.
<i>Unsatisfactory</i>	Internal controls, governance and risk management processes were either not established or not functioning well. The issues identified were such that on the achievement of the overall objectives of the Project could be seriously compromised.

Annexure II

Categorisation of Audit Recommendations

Priority

Definition

High (Critical)

Action is considered imperative to ensure that UNDP is not exposed to high risks. Failure to take action could result in major consequences and issues.

Medium (Important)

Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.

Low

Action is considered 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.