

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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Resilient nations.*

AUDIT

OF

UNDP Pakistan

Peace and Development Programme in Pakistan
(Directly Implemented Project No. 72030)

Report No. 1057
Issue Date: 19 June 2013

**Report on the audit of UNDP Pakistan
Peace and Development Programme in Pakistan (Project No. 72030)
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 Peace and Development Programme in Pakistan, Project No. 72030 (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 \$3.47 million during the period from 1 January 2009 to 31 March 2012. The Project was funded by 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 2009 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
3,471	Qualified	35	1,074	Unqualified

NFI = Net Financial Impact

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

- (a) Expenses amounting to \$1.539 million had been classified into the incorrect chart of accounts. Included in this misclassification were various types of expenses totalling \$1.081 million for the

period ending 31 December 2010, and which had been incorrectly recorded in the 'grants to institutions' account.

- (b) Expenses amounting to \$35,000 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 Reports since the responsible parties were late in submitting financial reports to the Office.

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 five issues and resulted in no recommendations, mainly because the Project had ended. Among the issues raised in this report, those that could be considered the most significant are presented below:

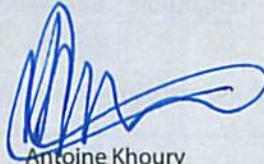
Human resources management (Issue 2)

Lack of controls to detect addition or deletion of employees in the payroll system. 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.

Excess salaries paid to project personnel after expiration of contracts. The audit noted two instances where excess salaries amounting to \$12,664 were paid to project personnel whose contracts had expired. Subsequently, the Office advised OAI that it had written to the two former project personnel to recover the overpaid salaries, and has recovered \$4,000. Efforts to recover the remaining amount were still in progress.

Management's comments

The Resident Representative agreed with all five issues raised.



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

United Nations Development Programme Pakistan



Financial Audit Report

Peace and Development Programme in Pakistan

Project ID: 00072030

Audit Period: From 01 January 2009 to 31 March 2012

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Independent auditors' Report to the United Nation Development Programme (UNDP) in respect of "Peace and Development Programme" (Project ID 00072030)

We have audited the accompanying statements of expenditure (Combined Delivery Report – CDRs) of the UNDP Project “**Peace and Development Programme**” under **Project ID 00072030** (here-in-after referred to as “the statements”) for the periods ended 31 December 2009, 31 December 2010, 31 December 2011 and 31 March 2012 (period taken as a whole).

Management is responsible for the preparation of the statements of the UNDP Project “Peace and Development Programme” under Project ID 00072030 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 audit. We conducted their audit in accordance with International Standards on Auditing. Those standards require us to 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 \$1.539 million had been classified into incorrect chart of accounts. Included in this misclassification is various types of expenses aggregating to \$1.081million for the period ending 31 December 2010 which have been incorrectly entered into the account namely “grants to institutions”; and
- b) Expenses amounting to \$0.035 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.



In our opinion, except for the effect(s), if any, of the matter stated paragraphs (a) and (b) above, the statements present fairly, in all material respects, the expenses of \$3.471 million incurred by the Project for the period from 01 January 2009 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: 21 May 2013

Place: Karachi - Pakistan

**UNDP PAKISTAN Project ID 00072030
Peace and Development Programme**

**Statement of expenditure (Combined Delivery Report - CDR)
For the period from 1 January 2009 to 31 December 2009**



UN Development Programme
Report ID: ungl143a

Combined Delivery Report With Encumbrance

Page 1 of 1
Run Time: 29-08-2012 07:08:37

Selection Criteria :

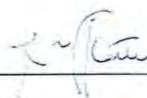
Business Unit : PAK10
Period : Jan-Dec (2009)
Selected Award Id : 00058104
Selected Fund Code : ALL

Award Id : 00058104 Peace & Development Programme	Period : Jan-Dec (2009)
Project # : 00072030 CPR-Peace & Developmnt Programe	Impl. Partner : 02373 UNDP (Direct Execution)
	Location : Pakistan

	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
Fund : 04000 (TRAC (Lines 1.1.1 and 1.1.2))					
66105 - Overtime & Night Differential	0.00	64.37	0.00	0.00	64.37
71305 - Local Consult.-Sht Term-Tech	0.00	5,826.66	0.00	3,857.75	9,684.41
71405 - Service Contracts-Individuals	0.00	3,983.47	0.00	0.00	3,983.47
71620 - Daily Subsistence Allow-Local	0.00	4,623.10	0.00	157.70	4,780.80
72120 - Svc Co-Trade and Business Serv	0.00	218,343.27	0.00	399,426.83	617,770.10
72140 - Svc Co-Information Technology	0.00	0.00	0.00	2,019.29	2,019.29
72215 - Transportation Equipment	0.00	0.00	0.00	412,647.00	412,647.00
72330 - Medical Products	0.00	0.00	0.00	8,750.00	8,750.00
72345 - Contraceptives-Spermicides	0.00	0.00	0.00	6,208.56	6,208.56
73105 - Rent	0.00	406.65	0.00	0.00	406.65
73410 - Maint, Oper of Transport Equip	0.00	814.80	0.00	0.00	814.80
74525 - Sundry	0.00	33,830.49	0.00	0.00	33,830.49
76135 - Realized Gain	0.00	- 0.23	0.00	0.00	- 0.23
Total for Fund 04000	0.00	267,892.58	0.00	833,067.13	1,100,959.71
Total for Project : 00072030	0.00	267,892.58	0.00	833,067.13	1,100,959.71
Award Total :	0.00	267,892.58	0.00	833,067.13	1,100,959.71



Signed By :



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

Date :

16 May 2013

**UNDP PAKISTAN Project ID 00072030
Peace and Development Programme**

**Statement of expenditure (Combined Delivery Report - CDR)
For the period from 1 January 2010 to 31 December 2010**



UN Development Programme
Report ID: ungl143p

Combined Delivery Report By Project

Page 1 of 3
Run Time: 16-05-2013 09:05:42

Selection Criteria :

Business Unit : PAK10
Period : Jan-Dec (2010)
Selected Award Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Projects : 00072030

Award Id : 00058104 Peace & Development Programme	Period : Jan-Dec (2010)
Project #: 00072030 Peace & Development Programme	Impl. Partner : 02373 UNDP (Direct Execution)
	Location : Pakistan

	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
Dept: 42403 (Pakistan - Crisis Prev & Rcvry)					
Fund : 04000 (TRAC (Lines 1.1.1 and 1.1.2))					
66105 - Overtime & Night Differential	0.00	816.57	0.00	0.00	816.57
71305 - Local Consult.-Sht Term-Tech	0.00	62,388.59	0.00	832.68	63,221.27
71310 - Local Consult.-Short Term-Supp	0.00	55,561.72	0.00	0.00	55,561.72
71405 - Service Contracts-Individuals	0.00	266,480.96	0.00	0.00	266,480.96
71505 - UN Volunteers-Stipend & Allow	0.00	1,920.66	0.00	0.00	1,920.66
71525 - UNV-Hazard Pay	0.00	575.60	0.00	0.00	575.60
71535 - UNV-Medical Insurance	0.00	135.00	0.00	0.00	135.00
71540 - UNV-Global Charges	0.00	153.20	0.00	0.00	153.20
71550 - UNV-Resettlement Allowance	0.00	160.05	0.00	0.00	160.05
71605 - Travel Tickets-International	0.00	1,267.00	0.00	0.00	1,267.00
71610 - Travel Tickets-Local	0.00	1,650.37	0.00	746.54	2,396.91
71615 - Daily Subsistence Allow-Intl	0.00	36,102.00	0.00	0.00	36,102.00
71620 - Daily Subsistence Allow-Local	0.00	25,267.59	0.00	4,248.93	29,516.52
71635 - Travel - Other	0.00	2,249.35	0.00	0.00	2,249.35
72105 - Svc Co-Construction & Engineer	0.00	842.56	0.00	0.00	842.56
72120 - Svc Co-Trade and Business Serv	0.00	440,425.12	0.00	-397,036.10	43,389.02
72125 - Svc Co-Studies & Research Serv	0.00	18,569.52	0.00	0.00	18,569.52
72130 - Svc Co-Transportation Services	0.00	19,246.22	0.00	0.00	19,246.22
72135 - Svc Co-Communications Service	0.00	600.96	0.00	0.00	600.96
72140 - Svc Co-Information Technology	0.00	2,019.29	0.00	-2,019.29	0.00
72145 - Svc Co-Training and Educ Serv	0.00	270.16	0.00	0.00	270.16
72205 - Office Machinery	0.00	226,198.35	0.00	2,493.26	228,691.61
72210 - Machinery and Equipment	0.00	6,289.12	0.00	0.00	6,289.12
72215 - Transportation Equipment	0.00	422,850.61	0.00	-412,647.00	10,203.61
72220 - Furniture	0.00	5,028.29	0.00	0.00	5,028.29
72310 - Minerals,Mining & Metal Prdcts	0.00	206.25	0.00	0.00	206.25
72315 - Food & Textile Products	0.00	0.00	0.00	0.00	0.00
72330 - Medical Products	0.00	9,167.50	0.00	-8,750.00	417.50
72345 - Contraceptives-Spermicides	0.00	5,685.33	0.00	-6,208.56	-523.23
72410 - Acquisition of Audio Visual Eq	0.00	0.00	0.00	111.98	111.98
72415 - Courier Charges	0.00	65.66	0.00	0.00	65.66
72420 - Land Telephone Charges	0.00	1,002.72	0.00	0.00	1,002.72
72425 - Mobile Telephone Charges	0.00	336.48	0.00	0.00	336.48
72430 - Postage and Pouch	0.00	21.40	0.00	0.00	21.40
72435 - E-mail-Subscription	0.00	17.62	0.00	0.00	17.62
72440 - Connectivity Charges	0.00	1,134.90	0.00	0.00	1,134.90
72505 - Stationery & other Office Supp	0.00	1,132.40	0.00	0.00	1,132.40
72515 - Print Media	0.00	1,582.93	0.00	0.00	1,582.93
72605 - Grants to Instit & other Benef	0.00	144,293.93	0.00	0.00	144,293.93
72710 - Hospitality-Vouchered Expenses	0.00	249.02	0.00	0.00	249.02
72815 - Inform Technology Supplies	0.00	162.75	0.00	0.00	162.75
73105 - Rent	0.00	32,339.84	0.00	0.00	32,339.84
73107 - Rent - Meeting Rooms	0.00	1,739.40	0.00	0.00	1,739.40
73110 - Custodial & Cleaning Services	0.00	1,270.59	0.00	0.00	1,270.59
73120 - Utilities	0.00	1,126.14	0.00	0.00	1,126.14
73125 - Common Services-Premises	0.00	31,065.00	0.00	0.00	31,065.00
73405 - Rental & Maint-Other Office Eq	0.00	818.19	0.00	0.00	818.19
73410 - Maint, Oper of Transport Equip	0.00	23,509.31	0.00	679.36	24,188.67
74210 - Printing and Publications	0.00	3,260.36	0.00	0.00	3,260.36
74215 - Promotional Materials and Dist	0.00	112.74	0.00	0.00	112.74
74225 - Other Media Costs	0.00	402.64	0.00	0.00	402.64
74505 - Insurance	0.00	238.78	0.00	0.00	238.78



**UNDP PAKISTAN Project ID 00072030
Peace and Development Programme**

**Statement of expenditure (Combined Delivery Report - CDR)
For the period from 1 January 2010 to 31 December 2010**



UN Development Programme
Report ID: ungl143p

Combined Delivery Report By Project

Page 2 of 3
Run Time: 16-05-2013 09:05:42

Award Id : 00058104 Peace & Development Programme	Period :	Jan-Dec (2010)			
Project # : 00072030 Peace & Development Programme	Impl. Partner :	02373 UNDP (Direct Execution)			
	Location :	Pakistan			
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
74525 - Sundry	0.00	64,897.76	0.00	0.00	64,897.76
76125 - Realized Loss	0.00	2.88	0.00	0.00	2.88
76135 - Realized Gain	0.00	-443.31	0.00	0.00	-443.31
Total for Fund 04000	0.00	1,922,468.07	0.00	-817,548.20	1,104,919.87
Fund : 04160 (TRAC 3 CONF PREV AND RECOVERY)					
71305 - Local Consult.-Sht Term-Tech	0.00	11,514.89	0.00	4,933.75	16,448.64
71310 - Local Consult.-Short Term-Supp	0.00	28,260.88	0.00	0.00	28,260.88
71405 - Service Contracts-Individuals	0.00	69.47	0.00	0.00	69.47
71610 - Travel Tickets-Local	0.00	1,346.05	0.00	0.00	1,346.05
71620 - Daily Subsistence Allow-Local	0.00	5,757.71	0.00	2,375.18	8,132.89
71635 - Travel - Other	0.00	232.62	0.00	0.00	232.62
72115 - Svc Co-Natural Resources & Env	0.00	925.10	0.00	0.00	925.10
72210 - Machinery and Equipment	0.00	189.17	0.00	0.00	189.17
72220 - Furniture	0.00	2,405.44	0.00	0.00	2,405.44
72605 - Grants to Instit & other Benef	0.00	936,264.20	0.00	0.00	936,264.20
73107 - Rent - Meeting Rooms	0.00	137.39	0.00	0.00	137.39
73410 - Maint, Oper of Transport Equip	0.00	1,492.07	0.00	0.00	1,492.07
74525 - Sundry	0.00	2,783.73	0.00	0.00	2,783.73
76125 - Realized Loss	0.00	0.00	0.00	0.00	0.00
76135 - Realized Gain	0.00	-119.25	0.00	0.00	-119.25
Total for Fund 04160	0.00	991,259.47	0.00	7,308.93	998,568.40
Total for Dept : 42403	0.00	2,913,727.54	0.00	-810,239.27	2,103,488.27
Total for Project : 00072030	0.00	2,913,727.54	0.00	0.00	2,103,488.27
Award Total :	0.00	2,913,727.54	0.00	0.00	2,103,488.27



Signed By :


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

Date :

16 May 2013

**UNDP PAKISTAN Project ID 00072030
Peace and Development Programme**

**Statement of expenditure (Combined Delivery Report - CDR)
For the period from 1 January 2010 to 31 December 2010**



UN Development Programme
Report ID: ungl143p

Combined Delivery Report By Project

Page 3 of 3
Run Time: 16-05-2013 09:05:48

Selection Criteria :

Business Unit : PAK10
Period : Jan-Dec (2010)
Selected Award Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Projects : 00072030

Award Id : 00058104 Peace & Development Programme	Period :	Jan-Dec (2010)
Project # : Peace & Development Programme	Impl. Partner :	None
	Location :	Pakistan

	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
42403 - Pakistan - Crisis Prev & Rcvry	0.00	2,913,727.54	0.00	- 810,239.27	2,103,488.27



UNDP PAKISTAN Project ID 00072030

Peace and Development Programme

Statement of expenditure (Combined Delivery Report - CDR)

For the period from 1 January 2011 to 31 December 2011



UN Development Programme
Report ID: ungl143p

Combined Delivery Report By Project

Page 1 of 3
Run Time: 16-05-2013 09:05:55

Selection Criteria :

Business Unit : PAK10
Period : Jan-Dec (2011)
Selected Award Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Projects : 00072030

Award Id : 00058104 Peace & Development Programme	Period : Jan-Dec (2011)
Project # : 00072030 Peace & Development Programme	Impl. Partner : 02373 UNDP (Direct Execution) Location : Pakistan

	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
Dept: 42401 (Pakistan - Central)					
Fund : 04000 (TRAC (Lines 1.1.1 and 1.1.2))					
73410 - Maint, Oper of Transport Equip	0.00	23.20	0.00	0.00	23.20
Total for Fund 04000	0.00	23.20	0.00	0.00	23.20
Total for Dept : 42401	0.00	23.20	0.00	0.00	23.20
Dept: 42403 (Pakistan - Crisis Prev & Rcvry)					
Fund : 04000 (TRAC (Lines 1.1.1 and 1.1.2))					
63520 - Personal Security Measures	0.00	1,022.01	0.00	0.00	1,022.01
66105 - Overtime & Night Differential	0.00	34.71	0.00	0.00	34.71
71305 - Local Consult.-Sht Term-Tech	0.00	0.00	0.00	-4,690.43	-4,690.43
71310 - Local Consult.-Short Term-Supp	0.00	0.00	0.00	0.00	0.00
71405 - Service Contracts-Individuals	0.00	10,959.33	0.00	0.00	10,959.33
71605 - Travel Tickets-International	0.00	0.00	0.00	0.00	0.00
71610 - Travel Tickets-Local	0.00	579.41	0.00	-24.31	555.10
71620 - Daily Subsistence Allow-Local	0.00	1,591.49	0.00	-4,406.63	-2,815.14
72120 - Svc Co-Trade and Business Serv	0.00	0.00	0.00	-2,390.73	-2,390.73
72205 - Office Machinery	0.00	0.00	0.00	-81.18	-81.18
72410 - Acquisition of Audio Visual Eq	0.00	0.00	0.00	-111.98	-111.98
72415 - Courier Charges	0.00	21.91	0.00	0.00	21.91
72440 - Connectivity Charges	0.00	111.98	0.00	0.00	111.98
72505 - Stationery & other Office Supp	0.00	150.77	0.00	0.00	150.77
72605 - Grants to Instit & other Benef	0.00	0.00	0.00	0.00	0.00
73105 - Rent	0.00	0.00	0.00	0.00	0.00
73110 - Custodial & Cleaning Services	0.00	965.84	0.00	0.00	965.84
73410 - Maint, Oper of Transport Equip	0.00	6,346.29	0.00	-679.36	5,666.93
76125 - Realized Loss	0.00	0.00	0.00	0.00	0.00
76135 - Realized Gain	0.00	-12.73	0.00	0.00	-12.73
Total for Fund 04000	0.00	21,771.01	0.00	-12,384.62	9,386.39
Fund : 04160 (TRAC 3 CONF PREV AND RECOVERY)					
61305 - Salaries - IP Staff	0.00	57,798.92	0.00	0.00	57,798.92
61310 - Post Adjustment - IP Staff	0.00	24,531.93	0.00	0.00	24,531.93
62305 - Dependency Allowances-IP Staff	0.00	4,483.31	0.00	0.00	4,483.31
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	17,591.02	0.00	0.00	17,591.02
62315 - Contrib. to medical, social in	0.00	1,380.06	0.00	0.00	1,380.06
62320 - Mobility, Hardship, Non-remova	0.00	2,012.84	0.00	0.00	2,012.84
62335 - Hazard Duty Station Allow-IP	0.00	12,510.00	0.00	0.00	12,510.00
63340 - Proc trips/Rest & Recup-IP Stf	0.00	5,625.00	0.00	0.00	5,625.00
63360 - Medical Exams(incl Pre-empl)	0.00	40.07	0.00	0.00	40.07
63365 - Special Oper Living Allow-IP	0.00	20,350.00	0.00	0.00	20,350.00
63515 - Security-related Costs	0.00	29.00	0.00	0.00	29.00
63520 - Personal Security Measures	0.00	4,930.63	0.00	0.00	4,930.63
63530 - Contribution to EOS Benefits	0.00	2,058.25	0.00	0.00	2,058.25
63535 - Contribution to Security	0.00	3,293.22	0.00	0.00	3,293.22
63540 - Contribution to Training	0.00	2,058.25	0.00	0.00	2,058.25
64306 - Appointment-Ticket Costs	0.00	4,439.00	0.00	0.00	4,439.00



UNDP PAKISTAN Project ID 00072030

Peace and Development Programme

Statement of expenditure (Combined Delivery Report - CDR)

For the period from 1 January 2011 to 31 December 2011



UN Development Programme
Report ID: ungl143p

Combined Delivery Report By Project

Page 2 of 3
Run Time: 16-05-2013 09:05:55

Award Id : 00058104 Peace & Development Programme	Period :	Jan-Dec (2011)			
Project # : 00072030 Peace & Development Programme	Impl. Partner :	02373 UNDP (Direct Execution)			
	Location :	Pakistan			
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
64307 - Appointment-Subsistence Allow	0.00	7,200.00	0.00	0.00	7,200.00
64308 - Appointments-Lump Sum	0.00	8,961.94	0.00	0.00	8,961.94
64309 - Appointment-Shipments	0.00	10,500.00	0.00	0.00	10,500.00
65115 - Contributions to ASHI Reserve	0.00	4,116.56	0.00	0.00	4,116.56
65135 - Payroll Mgt Cost Recovery ATLA	0.00	497.97	0.00	0.00	497.97
71305 - Local Consult.-Sht Term-Tech	0.00	4,955.83	0.00	-4,933.75	22.08
71620 - Daily Subsistence Allow-Local	0.00	418.82	0.00	-2,375.18	-1,956.36
72220 - Furniture	0.00	0.00	0.00	0.00	0.00
72370 - Security related goods and mat	0.00	0.00	0.00	0.00	0.00
72425 - Mobile Telephone Charges	0.00	74.61	0.00	0.00	74.61
73125 - Common Services-Premises	0.00	0.00	0.00	0.00	0.00
76125 - Realized Loss	0.00	0.00	0.00	0.00	0.00
76135 - Realized Gain	0.00	-2.54	0.00	0.00	-2.54
Total for Fund 04160	0.00	199,854.69	0.00	-7,308.93	192,545.76
Total for Dept : 42403	0.00	221,625.70	0.00	-19,693.55	201,932.15
Dept: 42404 (Pakistan - Dem. Governance)					
Fund : 04160 (TRAC 3 CONF PREV AND RECOVERY)					
71305 - Local Consult.-Sht Term-Tech	0.00	17,740.48	0.00	0.00	17,740.48
71620 - Daily Subsistence Allow-Local	0.00	519.79	0.00	0.00	519.79
72425 - Mobile Telephone Charges	0.00	26.07	0.00	0.00	26.07
76125 - Realized Loss	0.00	0.52	0.00	0.00	0.52
76135 - Realized Gain	0.00	-35.16	0.00	0.00	-35.16
Total for Fund 04160	0.00	18,251.70	0.00	0.00	18,251.70
Total for Dept : 42404	0.00	18,251.70	0.00	0.00	18,251.70
Total for Project : 00072030	0.00	239,900.60	0.00	0.00	220,207.05
Award Total :	0.00	239,900.60	0.00	0.00	220,207.05



Signed By :



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

Date :

16 May 2013

UNDP PAKISTAN Project ID 00072030

Peace and Development Programme

Statement of expenditure (Combined Delivery Report - CDR)

For the period from 1 January 2011 to 31 December 2011



UN
DP UN Development Programme
Report ID: ungl143p

Combined Delivery Report By Project

Page 3 of 3
Run Time: 16-05-2013 09:05:10

Selection Criteria :

Business Unit : PAK10
Period : Jan-Dec (2011)
Selected Award Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Projects : 00072030

Award Id :	00058104 Peace & Development Programme	Period :	Jan-Dec (2011)			
Project # :	Peace & Development Programme	Impl. Partner :	None			
		Location :	Pakistan			
		Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
42401 - Pakistan - Central	0.00	23.20	0.00	0.00	23.20	
42403 - Pakistan - Crisis Prev & Rcvry	0.00	221,625.70	0.00	- 19,693.55	201,932.15	
42404 - Pakistan - Dem. Governance	0.00	18,251.70	0.00	0.00	18,251.70	



**UNDP PAKISTAN Project ID 00072030
Peace and Development Programme**

**Statement of expenditure (Combined Delivery Report - CDR)
For the period from 1 January 2012 to 31 March 2012**



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 1 of 4
Run Time: 04-12-2012 04:12:35

Selection Criteria :

Business Unit : PAK10
Period : Jan-March (2012)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00072030

Project id : 00058104 Peace & Development Programme	Period :	Jan-March (2012)
Output # : 00072030 Peace & Development Programme	Impl. Partner :	02373 UNDP (Direct Execution) Pakistan
	Location :	Pakistan

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Dept: 42403 (Pakistan - Crisis Prev & Rcvry)				
Fund : 04160 (TRAC 3 CONF PREV AND RECOVERY)				
61305 - Salaries - IP Staff	0.00	12,603.32	0.00	12,603.32
61310 - Post Adjustment - IP Staff	0.00	5,116.96	0.00	5,116.96
62305 - Dependency Allowances-IP Staff	0.00	976.34	0.00	976.34
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	3,877.74	0.00	3,877.74
62315 - Contrib. to medical, social in	0.00	293.66	0.00	293.66
62320 - Mobility, Hardship, Non-remova	0.00	450.00	0.00	450.00
62335 - Hazard Duty Station Allow-IP	0.00	4,095.00	0.00	4,095.00
62340 - Annual Leave Expense - IP	0.00	2,036.82	0.00	2,036.82
63335 - Home Leave Trvl & Allow-IP Stf	0.00	2,107.29	0.00	2,107.29
63340 - Proc trips/Rest & Recup-IP Stf	0.00	1,622.00	0.00	1,622.00
63365 - Special Oper Living Allow-IP	0.00	6,660.00	0.00	6,660.00
63520 - Personal Security Measures	0.00	930.24	0.00	930.24
63530 - Contribution to EOS Benefits	0.00	443.00	0.00	443.00
63535 - Contribution to Security	0.00	708.82	0.00	708.82
63540 - Contribution to Training	0.00	177.20	0.00	177.20
63545 - Contribution to ICT	0.00	265.80	0.00	265.80
63550 - Contributions to MAIP	0.00	35.44	0.00	35.44
63555 - Contribution to UN JFA	0.00	318.96	0.00	318.96
63560 - Contributions to Appendix D	0.00	53.16	0.00	53.16
65115 - Contributions to ASHI Reserve	0.00	1,151.82	0.00	1,151.82
65135 - Payroll Mgt Cost Recovery ATLA	0.00	128.76	0.00	128.76
72425 - Mobile Telephone Charges	0.00	82.37	0.00	82.37
73125 - Common Services-Premises	0.00	1,844.28	0.00	1,844.28
76135 - Realized Gain	0.00	-0.21	0.00	-0.21
Total for Fund 04160	0.00	45,978.77	0.00	45,978.77
Total for Dept : 42403	0.00	45,978.77	0.00	45,978.77
Total for Output : 00072030	0.00	45,978.77	0.00	45,978.77
Project Total :	0.00	45,978.77	0.00	45,978.77



Signed By :  Date : 16 May 2013

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

**UNDP PAKISTAN Project ID 00072030
Peace and Development Programme**

**Statement of expenditure (Combined Delivery Report - CDR)
For the period from 1 January 2012 to 31 March 2012**



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 2 of 4
Run Time: 04-12-2012 04:12:36

Selection Criteria :

Business Unit : PAK10
Period : Jan-March (2012)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00072030

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	0.00	45,978.77	0.00	45,978.77



**UNDP PAKISTAN Project ID 00072030
Peace and Development Programme**

**Statement of expenditure (Combined Delivery Report - CDR)
For the period from 1 January 2012 to 31 March 2012**



UN
DIP UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 3 of 4
Run Time: 04-12-2012 04:12:37

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 : 00072030

No Data found for the Selection Criteria



**UNDP PAKISTAN Project ID 00072030
Peace and Development Programme**

**Statement of expenditure (Combined Delivery Report - CDR)
For the period from 1 January 2012 to 31 March 2012**



UN
DIP UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 4 of 4
Run Time: 04-12-2012 04:12:47

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): 00072030

Project Id : 00058104 Peace & Development Programme				
Output # : 00072030 Peace & Development Programme				
Impl. Partner : 02373 UNDP (Direct Execution)				
Description	Account	Fund	Donor	Amount
Unliquidated Obligations	21015	04000-TRAC (Line	00012-UNDP	3,134.31
Total for Output : 00072030				3,134.31
Project Total :				3,134.31



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 "Peace and Development Programme" (Project ID 00072030)

We have audited the accompanying statement of assets ("the statement") of the UNDP Project "Peace and Development Programme" under **Project ID 00072030**, as at 31 March 2012.

Management is responsible for the preparation of the statement of UNDP Project "Peace and Development Programme" under Project ID 00072030 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 audit. We conducted 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 obtained is sufficient and appropriate to provide a basis for opinion.

In our opinion, the statement presents fairly, in all material respects, the balance of assets of the UNDP Project "Peace and Development Programme" under Project ID 00072030 amounting to \$1.074 million as at 31 March 2012 in accordance with the UNDP accounting policies.



-: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: 21 May 2013

Place: Karachi - Pakistan

**UNDP PAKISTAN Project ID 00072030
Peace and Development 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: Sustainable Development through Peace Building, Governance and Economic Recovery in KPK
Award ID: 00058104
Project ID: 00072030
Period covered from inception of project: January 01, 2009 to March 31, 2012

DESCRIPTION	LOCATION	CUSTODY / OWNERSHIP
Laptop Dell	Islamabad	UNDP
Photo Copier machine MP4001	Islamabad	UNDP
Toyota Land Cruiser Prado	Islamabad	UNDP
Multimedia Projector Sanyo	Islamabad	UNDP
Digital Camera Sony HX1	Islamabad	UNDP
PROJECTION SCREEN SIZE 8X6 FEE	Islamabad	UNDP
PROJECTION SCREEN SIZE 8X6 FEE	Islamabad	UNDP
HP Scan Jet scanner HP-5590	Islamabad	UNDP
HP Scan Jet scanner HP-N6010	Islamabad	UNDP

TAG_NUMBER	SERIAL_ID	PROFILE ID	QUANTITY	ACQUISITION DATE	COST IN USD
PD/COMP/001	69VQ425	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PD/COMP/002	DFVQ425	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PD/COMP/003	4FVQ425	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PD/COMP/004	29VQ425	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PD/COMP/005	CSVQ425	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PD/COMP/006	68VQ425	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PD/COMP/007	88VQ425	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PD/COMP/008	62CW325	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PD/COMP/009	5FVQ425	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PD/COMP/010	FBVQ425	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PD/COMP/011	FFVQ425	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PD/COMP/012	HBVQ425	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PD/COMP/013	22CW325	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PD/PCR/001	V7902800146	Information and Telecommunication ICT	1	25, Jun, 10	5,525.34
UN-67-1534	UN-67-1534	Vehicles	1	2009	-
PD/MM/001	S/N 69YO2662	Information and Telecommunication ICT	1	15, Mar, 10	1,340.29
PD/DC/001	2265186	Information and Telecommunication ICT	1	26, Jan, 10	506.33
PD/PS/001	N/A	Information and Telecommunication ICT	1	15, Apr, 10	860.62
PD/PS/002	N/A	Information and Telecommunication ICT	1	15, Apr, 10	860.62
PD/SCAN/01	CN85VTH0G1	Information and Telecommunication ICT	1	25, May, 10	515.58
PD/SCAN/02	CN81367077	Information and Telecommunication ICT	1	25, May, 10	515.58

1 of 4




For Plate 21/5/13

**UNDP PAKISTAN Project ID 00072030
Peace and Development Programme**

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

DESCRIPTION	LOCATION	CUSTODY / OWNERSHIP
Split Unit Outer (ACSON) 1.5 Ton	Peshawar	UNDP
Laptop Dell	Peshawar	UNDP
Laptop Dell (E5400)	Peshawar	UNDP
Laptop Dell	Peshawar	UNDP
Photo Copier machine Energy Star MP4001	Peshawar	UNDP
Photo Copier Machine Nashuatee	Peshawar	UNDP
Toyota Land Cruiser (Armored)	Peshawar	UNDP
Toyota Land Cruiser (Armored)	Peshawar	UNDP
Nissan pickup	Peshawar	UNDP
Toyota Land Cruiser (Armored)	Peshawar	UNDP
Toyota Prado	Peshawar	UNDP
Bullet Proof Jacket with Helmet (Large Size)	Peshawar	UNDP
Bullet Proof Jacket with Helmet (Large Size)	Peshawar	UNDP
Bullet Proof Jacket with Helmet (Large Size)	Peshawar	UNDP
Bullet Proof Jacket with Helmet (Medium Size)	Peshawar	UNDP

TAG_NUMBER	SERIAL_ID	PROFILE ID	QUANTITY	ACQUISITION DATE	COST IN USD
PSH/ACO 14	20513002-01399	Office equipment	1	15, Apr, 10	669.48
PSH/LT1	B9VQ42S	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PSH/LT2	3NL421S	Information and Telecommunication ICT	1	2010	-
PSH/LT3	BFVQ42S	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PSH/LT4	BSVQ42S	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PSH/LT5	G8VQ42S	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PSH/LT6	39VQ42S	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PSH/LT8	HFVQ42S	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PSH/LT9	HDVQ42S	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PSH/LT10	4GVQ42S	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PSH/LT11	6GVQ42S	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PSH/LT12	J8VQ42S	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PSH/LT13	3FVQ42S	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PSH/LT14	58VQ42S	Information and Telecommunication ICT	1	27, Apr, 10	1,465.00
PSH/PCM2	L9307502464	Information and Telecommunication ICT	1	25, Jun, 10	5,525.34
PSH/PCM1	k8554402835	Information and Telecommunication ICT	1	2010	-
UN-67-1734	UN-67-1734	Vehicles	1	7, Apr, 10	199,701.45
UN-67-1735	UN-67-1735	Vehicles	1	7, Apr, 10	199,701.45
UN-67-1571	UN-67-1571	Vehicles	1	2010	-
UN-67-1669	UN-67-1669	Vehicles	1	2010	-
UN-67-1535	UN-67-1535	Vehicles	1	2010	-
PSH/BPJ 3	N/A	Bullet Proof Jackets	1	2010	-
PSH/BPJ 1	N/A	Bullet Proof Jackets	1	2010	-
PSH/BPJ 2	N/A	Bullet Proof Jackets	1	2010	-
PSH/BPJ 4	N/A	Bullet Proof Jackets	1	2010	-




**UNDP PAKISTAN Project ID 00072030
Peace and Development Programme**

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

DESCRIPTION	LOCATION	CUSTODY / OWNERSHIP
Bullet Proof Jacket with Helmet (Medium Size)	Peshawar	UNDP
Bullet Proof Jacket with Helmet (Medium Size)	Peshawar	UNDP
Bullet Proof Jacket with Helmet (Medium Size)	Peshawar	UNDP
Bullet Proof Jacket with Helmet (Small Size)	Peshawar	UNDP
Curtains	Peshawar	UNDP
Multimedia Projector Sanyo	Peshawar	UNDP
STILL CAMERA SONY 9.1 HX1 (Sony Cyber-Shot)	PaRRSA	PaRRSA / UNDP
SANYO MULTIMEDIA PROJECTOR	PaRRSA	PaRRSA / UNDP
HP LASER JET PRINTER P2055DN	PaRRSA	PaRRSA / UNDP
Laptop DELL LATITUDE E6500	PaRRSA	PaRRSA / UNDP
HP Compaq DESKTOP DX 7500 MT EV/AP PC	PaRRSA	PaRRSA / UNDP
Toyota Hilux Double Cabin	PaRRSA	PaRRSA / UNDP
NRG MP4001 Digital Multifunction Copier (GESTETNER)	PaRRSA	PaRRSA / UNDP
SONY Cyber Shot DIGITAL CAMERA 9.1 MP DSC	PaRRSA	PaRRSA / UNDP

TAG_NUMBER	SERIAL_ID	PROFILE ID	QUANTITY	ACQUISITION DATE	COST IN USD
PSH/BPJ 5	N/A	Bullet Proof Jackets	1	2010	-
PSH/BPJ 6	N/A	Bullet Proof Jackets	1	2010	-
PSH/BPJ 7	N/A	Bullet Proof Jackets	1	2010	-
PSH/BPJ 8	N/A	Bullet Proof Jackets	1	2010	-
	N/A	Furniture	1	6,Jul,10	2,731.18
PSH/MMP-2	S/N 69YO2662	Information and Telecommunication ICT	1	15,Mar,10	1,340.29
Yes	Yes	Information and Telecommunication ICT	2	26,Jan,10	1,012.66
Yes	Yes	Information and Telecommunication ICT	10	13,Mar,10	10,722.29
Yes	Yes	Information and Telecommunication ICT	28	13,Mar,10	16,653.16
Yes	Yes	Information and Telecommunication ICT	25	26,Apr,10	36,625.00
Yes	Yes	Information and Telecommunication ICT	35	14,Jul,10	27,637.38
Yes	Yes	Vehicles	16	10,Dec,10	437,703.94
Yes	Yes	Information and Telecommunication ICT	13	25,Jun,10	71,829.41
Yes	Yes	Information and Telecommunication ICT	10	16,Dec,10	4,415.74
TOTAL					1,073,537.14



Amir Hafeez
21/5/13

Certified By

Douglas Hageman
Douglas Hageman
Country Director a.i.
UNDP, Pakistan

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Resilient nations.*

United Nations Development Programme Pakistan

Management Letter

Peace and Development Programme in Pakistan

Project ID: 00072030

Audit Period: From 01 January 2009 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 Peace and Development Programme in Pakistan, [Project ID: 00072030, Award ID: 00058104] (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 01 January 2009 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 2009 to 31 March 2012 at the Office in Pakistan. During the period reviewed, the Project recorded expenses were totalling to \$3.47 million.

1.1 Audit Rating

Audit assessed the overall level of internal control with respect to the Project (Peace and Development Programme in Pakistan – Project ID: 00072030) 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 17 issues that resulted in 12 recommendations, all of the recommendations 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.

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: 21 May 2013

Place: Karachi - Pakistan

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 & Co. 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 01 January 2009 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 2009 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 for project management 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 \$1.2 million to one Responsible Party (RP) under a Letter of Agreement (LoA) for the implementation of the Project activities. The audit firm reviewed the expenses incurred by the RP.

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 14 March 2013 and further comments and explanations were provided on 26 April 2013. The management responses have been taken into consideration in finalizing this audit report.

2.4 Operational Overview

Project Background

2.4.1. The purpose of the Project is to develop and implement a strategy for the Office positioning to promote peace, human development and institutional development in Federal Administered Tribal Areas and conflict hit areas of khyberpakhtunkhwa.

2.4.2. The Office allocated the total grant of \$3.47 million for the Project which was contributed by the following:

Donor	Contribution (\$ millions)
Targeted Resources Among Countries 1.1	2.215
Targeted Resources Among Countries 3	1.255
Total funding	3.47

Management

2.4.3. The Project is implemented through the DIM modality by the Office in consultation with Responsible Party.

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 2009 to 31 March 2012
Budget allocated during the audit period	\$3,470,633
Expenses during the audit period	\$3,470,633
Percentage Utilization	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 project management is responsible for overall performance and achievement of project objectives even though they may engage Responsible Party 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 Responsible Parties (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 UNDP at the time of the review.

3. Detailed Audit Observations

3.1 Organization & staffing

Satisfactory

3.1.1. The audit firm reviewed the organizational structure of the Project and compared the organogram shared by the Project Manager with the Project Document and noted various differences between the positions approved in the project document and the positions appearing in the organogram. Project Manager explained that the reason for inconsistency is due to subsequent recruitment of additional staff which was approved by the Project Review Board in its periodic meetings.

3.1.2. The audit firm also reviewed the organization & staffing system of the RP applicable to the project and noted that all the employees were hired as per budget approved in the LoA with the RP.

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

3.2 Project management

Satisfactory

The audit firm reviewed the project 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. Project Manager signed a LoA with the RP which to be completed on 30 June 2012.

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:

- a) 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; and
- b) The audit firm noted that the project budget was developed at award level (for Peace and Development 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 control weaknesses in the project management structure of the Project:

- a) Project monitoring was performed by the field offices 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. In the absence of all follow up documentation, effectiveness of the risks and observations checked during the field visits could not be assessed; and
- b) According to LoA, RP was required to submit the quarterly progress reports to the Office regarding the implementation of the Project. However, these formal progress reports were not submitted by the RP to the Office over the period of the LoA. The audit firm noted that RP achieved 63% of the target (in terms of cost and physical work) for an activity of rehabilitation of government buildings till the audit firm's review period i.e. 31 March 2012. Subsequently, the audit firm noted that RP did not achieve all the targets mentioned in the LoA by the Project completion date i.e. 30 June 2012 and Project Manager issued a no cost extension for the period of six months i.e. till 31 December 2012 to complete the remaining activities. The audit firm recommends that frequent formal reports should be asked from the RPs to track project progress.

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 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 2 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 termination / separation process and noted that Atlas did not automatically terminate salary payment to the employee at the Service Contract's expiry date and salary was continued to be paid till it was manually stopped by HR associate. The audit firm identified two instances where excess salaries amounted to \$12,664 were paid to the separated employees after the date of separation.
- c) The audit firm reviewed the 11 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
- d) As per policy, minimum two reference letters should be obtained at the time of recruitment. However, four instances were identified where reference letters were not signed or emailed by referees. Further, three instances were 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.

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 3 Inappropriate classification of expenses in CDRs

The audit firm noted that the Office did not follow the chart of accounts for the Project and identified five transactions amounted to \$0.5 million were posted in inappropriate account codes. 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 \$1.1 million were classified in account code 72605 “Grant to institute & other benefits” which is not appropriate classification of the project expenses.

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 financial management function of Responsible Party

The audit firm reviewed the cash and financial management function of the RP of the project and noted that the financial records of the RP were disbursed to various departments and no cross references were available on the vouchers and supports to extract the project related records efficiently. For example, in case of procurement, the request for proposal, quotations received and comparative statement was available at the Procurement department and related invoices and payments vouchers were available at the Finance department. There were no cross reference available on the documents of the both the departments, as a result, it was difficult to match the invoices and payments with the comparative statement and other documents available at the procurement department of the RP.

The audit firm reviewed the RP’s supplier selection process and identified three instances amounted to \$4,110 where similar contact details were appearing in different quotations received from different suppliers. Such similarities affect the transparency and competitiveness of the procurement process.

Additionally, documentary evidences related to periodic petty cash reconciliations were also not available for review.

Comment:

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

Issue 5 **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 RP 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.”*

However, the audit firm identified that the Office did not follow the interoffice memo and continued the practice of recording funds disbursement to RP under Letter of Agreement as expense in CDRs which resulted overstatement of expenses in 2012 CDR amounted to \$34,944 compare to the financial reports submitted by the RP to Project Manager at the cut off date i.e. 31 March 2012.

In addition the audit firm noted that for other cut-off dates i.e. as of 31 December 2009, 31 December 2010 and 31 December 2011, adjustment of advances against expenses reported by RPs were 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

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.

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.

3.6 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.

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.

3.7 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.

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.

3.8 Information system management

Satisfactory

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.

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.

<p>Satisfactory</p>	<p>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.</p>
<p>Partially Satisfactory</p>	<p>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.</p>
<p>Unsatisfactory</p>	<p>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.</p>

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:

<p>High (Critical)</p>	<p>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.</p>
<p>Medium (Important)</p>	<p>Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP.</p>
<p>Low</p>	<p>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.</p>

Glossary

CDR	Combined Delivery Reports
DSA	Daily Subsistence Allowance
HR	Human Resource
ICF	Internal Control Framework
RP	Responsible Party
M&E	Monitoring and Evaluation
OAI	Office of Audit and Investigations
PKR	Pakistani Rupees
TA	Travel Authorization
The Office	UNDP Pakistan
The audit firm	Ernst & Young Ford Rhodes Sidat Hyder & Co.
LoA	Letter of Agreement
\$	United States Dollar

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