



**AUDIT**

**OF**

**UNDP AFGHANISTAN**

**ACCOUNTABILITY AND TRANSPARENCY PROJECT**  
**(Directly Implemented Project No. 00053687)**

**Report No. 1088**  
**Issue Date: 6 March 2013**

**Report on the audit of UNDP Afghanistan - Accountability and Transparency Project (Project ID 53687)  
Executive Summary**

From 23 September to 10 November 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through Ernst & Young Ford Rhodes Sidat Hyder (the audit firm), conducted an audit of Accountability and Transparency Project (Project ID 53687) (the Project), which is directly implemented and managed by the UNDP Country Office in Afghanistan (the Office). The audit firm was under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

The Project reported expenditure totalling \$3.5 million during the period from 1 January to 31 December 2011. The following donors contributed to the Project: Canadian International Development Agency, Department for International Development and Denmark.

**Audit scope and objectives**

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. 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. The audit firm did not verify the expenditures amounting to \$0.5 million relating to salaries of international staff processed at UNDP Copenhagen, as they were not included in the audit scope.

**Audit results**

Based on the audit report submitted by the audit firm, the results are summarized in the table below:

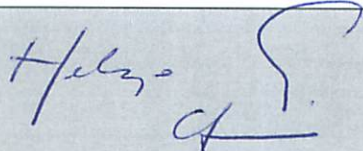
Project Expenditure (audited)		Project Assets	
Amount (in \$ '000)	Opinion	Amount (in \$'000)	Opinion
3,005	Unqualified	1,277	Unqualified

**Key issue and recommendation**

The audit raised one issue and resulted in one recommendation, ranked medium (important) priority, which means "Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP." The recommendation includes actions to address non-maintenance of time sheets by the Service Contract holders.

**Management's comments**

The Country Director accepted the recommendation and is in the process of implementing it.



Helge S. Ostveiten  
Director  
Office of Audit and Investigations

# United Nations Development Programme-Afghanistan



Financial audit of Accountability and Transparency (ACT)-  
(Project No. 00053687), implemented by United Nations  
Development Programme- Afghanistan, for the year ended 31  
December 2011

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Independent Auditors' Report

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# 1. Cover letter

KB/141/2012  
18 December 2012

Mr. Egbert Kaltenbach  
Director, Office of Audit and Investigations  
United Nations Development Programme  
New York

Financial audit of Accountability and Transparency (ACT) - (Project No. 00053687)  
("the project") implemented by United Nations Development Programme- Afghanistan  
(UNDP) for the year ended 31 December 2011

Dear Sir,

With reference to the above captioned subject, we are pleased to enclose, herewith  
Statement of Expenditure (Combined Delivery Report) for the year ended 31 December  
2011 and Statement of Assets as of 31 December 2011, together with our audit reports  
thereon.

We have rendered an unqualified opinion on the Statement of Expenditure (Combined  
Delivery Report). However, we did not verify the expenditure amounting to US \$ 542,108  
on account of salaries and benefits of International Staff as these were excluded from our  
scope as per the Terms of Reference and we have rendered an unqualified audit opinion on  
the Statement of Assets.

We have also noted a deficiency in internal control of the Project and the detail of that  
deficiency along with our recommendation has been provided in the Section- 7 of this  
report.

We wish to place on record our appreciation of the cooperation and courtesy extended to  
us by the Project's management during the course of the audit.

Yours truly

*Ernst & Young Ford Rhodes Sidat Hyder*

MBJ/MN/WZ

Encl: As above



## 2. Executive summary

## 2.1 Financial audit

We conducted the financial audit of the Accountability and Transparency (ACT) - (Project No. 00053687), directly implemented by United Nations Development Programme in Afghanistan, for the year ended 31 December 2011. The audit was conducted from 23 September 2012 to 10 November 2012. The expenditure incurred for ACT during the year amounted to US \$ 3,547,062.

Our objectives of the financial audit of the project as implemented by United Nations Development Programme- Afghanistan<sup>1</sup> were as follows;

- a) To express an opinion whether the Statement of Expenditure (Combined Delivery Report) presents fairly the expenditures incurred by the project for the year ended 31 December 2011 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) In compliance with the relevant regulations and rules, policies and procedures of UNDP; and
  - iv) Supported by properly approved vouchers and other supporting documents.
  
- b) To express an opinion whether the Statement of Assets presents fairly the balance of assets of the project as of 31 December 2011.

## 2.2 Results of financial audit

### 2.2.1 Independent auditor's reports

#### Statement of Expenditure (Combined Delivery Report)

In our opinion, the accompanied Statement of Expenditure presents fairly, in all material respects, expenditure (including balance on account of un-liquidated obligations) subject to our audit amounting to US \$ 3,004,954 incurred by Accountability and Transparency (ACT) project having Project NO. 00053687 for the year ended 31 December 2011 in accordance with modified cash basis of accounting as described in Note 4.2 and were (i) in conformity with the approved project budgets; (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.

#### Statement of Assets

In our opinion, the accompanied Statement of Assets presents fairly, in all material respects, assets amounting to US \$ 1,276,913 of Accountability and Transparency (ACT) project having Project NO. 00053687 as of 31 December 2011.

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<sup>1</sup> Hereinafter referred to as "UNDP"



*Eyfr*



## 2.2.2 Summary of findings

### Finding 7.1

Under the project, 20 employees were engaged under service contracts and payroll cost on account of service contracts amounted to US \$ 434,478 for the year. We noted that monthly timesheets in respect of employees under service contracts were not signed by the respective employees and approved by the project manager.

## 2.2.3 UNDP Afghanistan comments

Management agreed to our comments of finding.

We wish to express our appreciation to the management and staff of UNDP Afghanistan and ACT project for the assistance and cooperation extended to the audit team.

*Ernst & Young Ford Rhodes Sidat Hyder*

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Date: 18 December 2012

Kabul, Afghanistan

Engagement Partner: Muhammad Basheer Juma



### **3. Independent auditor's report on the Statement of Expenditure**

## INDEPENDENT AUDITOR'S REPORT TO UNDP

We have audited the accompanying Combined Delivery Report (CDR) of Accountability and Transparency (ACT) project having Project NO. 00053687 ("the project") implemented by United Nations Development Programme Afghanistan (UNDP) for the year ended 31 December 2011 and a summary of significant accounting policies and other explanatory information (together "the Statement"). The Statement has been prepared by the management using the modified cash basis of accounting as described in Note 4.2. As detailed in Note 4.3 to the Statement, expenditure amounting to US \$ 542,108 relating to salaries and benefits of the International Staff was excluded from our scope as per the Terms of Reference.

### Management's Responsibility for the Statement

Management is responsible for the preparation of this Statement in accordance with the modified cash basis of accounting as described in Note 4.2; this includes determining that modified cash basis of accounting is an acceptable basis for the preparation of the Statement in the circumstances, 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 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 entity's preparation and fair presentation 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 entity'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.

A handwritten signature in blue ink, appearing to read "E. Y. H.", located to the right of the seal.

## Opinion

In our opinion, the accompanied Statement of Expenditure presents fairly, in all material respects, expenditure (including balance on account of un-liquidated obligations) subject to our audit amounting to US \$ 3,004,954 incurred by Accountability and Transparency (ACT) project having Project No. 00053687 for the year ended 31 December 2011 in accordance with modified cash basis of accounting as described in Note 4.2 and were (i) in conformity with the approved project budgets; (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.

## Basis of Accounting

Without modifying our opinion, we draw attention to Note 4.2, which describes the basis of accounting. The Statement is prepared to provide information to UNDP. As a result, the Statement may not be suitable for another purpose.



Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

Date: 18 December 2012

Kabul, Afghanistan

Engagement Partner: Muhammad Basheer Juma



## 4. Statement of Expenditure



**Selection Criteria :**

Business Unit : AFG10  
Period : Jan-Dec (2011)  
Selected Award Id : 00045444  
Selected Fund Code : ALL

Award Id : 00045444	Accountability & Transparency	Period :	Jan-Dec (2011)
Project # : 00053687	Accountability & Transparency	Impl. Partner :	00009 UNDP (Direct Execution)
		Location :	Afghanistan

	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
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**Fund : 30000 (Programme Cost Sharing)**

61305 - Salaries - IP Staff	0.00	185,243.13	0.00	0.00	185,243.13
61310 - Post Adjustment - IP Staff	0.00	95,805.99	0.00	0.00	95,805.99
62305 - Dependency Allowances-IP Staff	0.00	5,817.54	0.00	0.00	5,817.54
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	53,003.58	0.00	0.00	53,003.58
62315 - Contrib. to medical, social in	0.00	1,736.66	0.00	0.00	1,736.66
62320 - Mobility, Hardship, Non-remova	0.00	7,964.03	0.00	0.00	7,964.03
62325 - Represent Allow (excl hsp pyt)	0.00	0.00	0.00	1,003.00	1,003.00
62330 - Rental Supplements - IP Staff	0.00	19,119.00	0.00	0.00	19,119.00
62335 - Hazard Duty Station Allow-IP	0.00	40,382.70	0.00	0.00	40,382.70
63310 - Repat. Grant/Comm Annual Lv-IP	0.00	17,076.13	0.00	0.00	17,076.13
63340 - Proc trips/Rest & Recup-IP Stf	0.00	24,106.00	0.00	0.00	24,106.00
63350 - Reimb of Income Tax-IP Staff	0.00	26,523.00	0.00	0.00	26,523.00
63365 - Special Oper Living Allow-IP	0.00	73,872.00	0.00	0.00	73,872.00
63505 - Hazard Insurance	0.00	-250.00	0.00	0.00	-250.00
63515 - Security-related Costs	0.00	67,334.84	0.00	-15,300.00	52,034.84
63520 - Personal Security Measures	0.00	421.88	0.00	0.00	421.88
63530 - Contribution to Separations	0.00	5,748.86	0.00	0.00	5,748.86
63535 - Contribution to Security	0.00	9,198.25	0.00	0.00	9,198.25
63540 - Contribution to Training	0.00	5,748.86	0.00	0.00	5,748.86
64306 - Appointment-Ticket Costs	0.00	4,055.99	0.00	0.00	4,055.99
64307 - Appointment-Subsistence Allow	0.00	18,000.00	0.00	0.00	18,000.00
64309 - Appointment-Shipments	0.00	5,000.00	0.00	0.00	5,000.00
64310 - Separations - IP Staff	0.00	15,921.00	0.00	0.00	15,921.00
65115 - Contributions to ASHI Reserve	0.00	11,497.80	0.00	0.00	11,497.80
65135 - Payroll Mgt Cost Recovery ATLA	0.00	1,438.58	0.00	0.00	1,438.58
71205 - Intl Consultants-Sht Term-Tech	0.00	114,876.12	0.00	-61,403.87	53,472.25
71210 - Intl Consultants-Sht Term-Supp	0.00	507,687.02	0.00	10,455.46	518,142.48
71305 - Local Consult.-Sht Term-Tech	0.00	0.00	0.00	0.00	0.00
71405 - Service Contracts-Individuals	0.00	1,408,810.18	0.00	0.00	1,408,810.18
71605 - Travel Tickets-International	0.00	19,601.00	0.00	-12,663.00	6,938.00
71610 - Travel Tickets-Local	0.00	3,620.00	0.00	0.00	3,620.00
71615 - Daily Subsistence Allow-Intl	0.00	3,280.00	0.00	0.00	3,280.00
71620 - Daily Subsistence Allow-Local	0.00	1,432.22	0.00	0.00	1,432.22
71635 - Travel - Other	0.00	174.00	0.00	0.00	174.00
72140 - Svc Co-Information Technology	0.00	0.00	0.00	0.00	0.00
72145 - Svc Co-Training and Educ Serv	0.00	6,475.07	0.00	0.00	6,475.07
72155 - Svc Co-Public Admin, Politics	0.00	231,931.20	0.00	0.00	231,931.20
72165 - Svc Co-Social Svcs, Social Sci	0.00	220.90	0.00	0.00	220.90
72210 - Machinery and Equipment	0.00	2,937.89	0.00	0.00	2,937.89
72215 - Transportation Equipment	0.00	857,331.05	0.00	-787,128.47	70,202.58
72216 - Spec purp transp Armored&Mine	0.00	2,070.00	0.00	0.00	2,070.00
72220 - Furniture	0.00	31,769.32	0.00	-363.16	31,406.16
72350 - Medical Kits	0.00	1,011.00	0.00	0.00	1,011.00
72370 - Security related goods and mat	0.00	1,809.00	0.00	0.00	1,809.00
72405 - Acquisition of Communic Equip	0.00	1,861.50	0.00	0.00	1,861.50
72425 - Mobile Telephone Charges	0.00	14,093.74	0.00	0.00	14,093.74
72440 - Connectivity Charges	0.00	39,719.13	0.00	-18,973.00	20,746.13
72445 - Common Services-Communications	0.00	4,056.00	0.00	0.00	4,056.00
72505 - Stationery & other Office Supp	0.00	21,088.66	0.00	0.00	21,088.66
72705 - Hospitality-Special Events	0.00	374.71	0.00	0.00	374.71
72805 - Acquis of Computer Hardware	0.00	136,763.00	0.00	-110,541.00	26,222.00
72810 - Acquis of Computer Software	0.00	1,576.84	0.00	0.00	1,576.84
72815 - Inform Technology Supplies	0.00	4,707.91	0.00	-16,400.00	-11,692.09
73105 - Rent	0.00	93,728.09	0.00	0.00	93,728.09
73115 - Moving Expenses	0.00	1,155.00	0.00	0.00	1,155.00
73120 - Utilities	0.00	43.39	0.00	0.00	43.39



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Combined Delivery Report With Encumbrance

Award Id : 00045444 Accountability & Transparency	Period :	Jan-Dec (2011)			
Project # : 00053687 Accountability & Transparency	Impl. Partner :	00009 UNDP (Direct Execution)			
	Location :	Afghanistan			
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
73125 - Common Services-Premises	0.00	47,976.10	0.00	0.00	47,976.10
73205 - Premises Alternations	0.00	0.00	0.00	0.00	0.00
73210 - Reinforcement of premises	0.00	5,323.38	0.00	0.00	5,323.38
73405 - Rental & Maint-Other Office Eq	0.00	7,620.41	0.00	0.00	7,620.41
73410 - Maint, Oper of Transport Equip	0.00	25,351.25	0.00	0.00	25,351.25
74110 - Audit Fees	0.00	23,835.04	0.00	-1,466.44	22,368.60
74210 - Printing and Publications	0.00	1,759.74	0.00	0.00	1,759.74
74220 - Translation Costs	0.00	5,385.43	0.00	0.00	5,385.43
74510 - Bank Charges	0.00	7.67	0.00	0.00	7.67
74525 - Sundry	0.00	6,769.82	0.00	0.00	6,769.82
75105 - Facilities & Admin - Implement	0.00	231,201.86	0.00	0.00	231,201.86
75110 - Facilities & Admin - Services	0.00	421.00	0.00	0.00	421.00
75705 - Learning costs	0.00	0.00	0.00	0.00	0.00
76120 - Unrealized Loss	0.00	72.55	0.00	0.00	72.55
76125 - Realized Loss	0.00	19.78	0.00	0.00	19.78
76130 - Unrealized Gain	0.00	-129.35	0.00	0.00	-129.35
76135 - Realized Gain	0.00	-4,741.76	0.00	0.00	-4,741.76
<b>Total for Fund 30000</b>	<b>0.00</b>	<b>4,559,842.68</b>	<b>0.00</b>	<b>-1,012,780.48</b>	<b>3,547,062.20</b>
<b>Total for Project : 00053687</b>	<b>0.00</b>	<b>4,559,842.68</b>	<b>0.00</b>	<b>-1,012,780.48</b>	<b>3,547,062.20</b>
<b>Award Total :</b>	<b>0.00</b>	<b>4,559,842.68</b>	<b>0.00</b>	<b>-1,012,780.48</b>	<b>3,547,062.20</b>



*Eygh*

David Akopyan  
Deputy Country Director (Programme)

*DA*

Signed By : \_\_\_\_\_ Date : 22.04.12

Accountability and Transparency (ACT) Project - Project NO. 00053687  
Implemented by United Nations Development Programme Afghanistan (UNDP)  
Notes to the Statement of Expenditure  
For the year ended 31 December 2011

4.1 Program description

The Accountability and Transparency (ACT) project has been designed to support Government of the Islamic Republic of Afghanistan (GIROA) in developing the necessary capacities to fight corruption. The project takes the government institutions and the United Nations Convention against Corruption (UNCAC) as its starting point. The project components have been developed in order to support the government in meeting the priorities and requirements set out in these key strategies and conventions and outlined in new national programmes under GIROA's Governance Cluster.

The project consists of four main components:

- Component 1: Improved institutional and policy environment created to support the implementation of the national anti-corruption strategy.
- Component 2: Enhanced accountability, transparency and integrity in key government institutions.
- Component 3: Increased awareness and understanding amongst the public and enhanced capacity of civil society and media to effectively contribute to the fight against corruption.
- Component 4: Enhanced independent monitoring of anti-corruption efforts undertaken by government and civil society.

The project focuses on prevention of and institutional/capacity development on anticorruption, complementing on-going efforts on enforcement. The overall goal of the project is to support the development of sustainable capacity within GIROA as well as Afghan civil society to effectively fight corruption. Hence there is a strong emphasis placed on capacity development and the transfer of skills. The project aims to support capacity development at the central and sub-national level through a sectoral approach.

The main government counterparts of the project are various government institutions as well as with civil society networks that interact at the technical policy level with these institutions. Implementation of project activities is closely coordinated with all relevant national and international actors. The project is implemented through Direct Implementation.

Project was funded from the funds provided by UK/DFID, Denmark, Canada/CIDA, Norway, Italy and UNDP.

For the implementation of the project UNDP has signed three Letters of Agreement (LoA) as:

*1<sup>st</sup> LoA with a government institution*

This letter of agreement was signed in July 2010 for the period from July 2010 to July 2011 and further extension was granted up to 31 March 2012 on 23 August 2011 for the implementation of the project and budget was provided for personnel and equipment costs of the institution.





## 2<sup>nd</sup> LoA with a government institution

This letter of agreement was signed in December 2009 for the period from December 2009 to December 2010. Further, extension was signed on 16 May 2011 for the period from June 2011 to 31 March 2012. Budget was provided in respect of local consultant (US \$ 217,000), international consultant (US \$ 60,000), salaries (US \$ 476,000) and rent (US \$ 49,000). The activities started in May 2010.

## 3<sup>rd</sup> LoA with a government institution

This letter of agreement was signed on 26 July 2011 for the period from July 2011 to March 2012 for the establishment of Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) and budget was provided in respect of salaries (US \$ 425,173) and procurement (US \$ 524,950).

### 4.2 Basis of preparation

#### Basis of accounting

The Statement of Expenditure has been prepared in accordance with the UNDP's approved format for the Statement of Expenditure and also referred to as Combined Delivery Report (CDR). Expenditure for the year includes the payments made during the year excluding the payments made during the year against the un-liquidated obligations as of the last year end. Expenditure also includes the un-liquidated obligation balance as of the year end.

#### Functional and presentation currency

The statement has been prepared in US \$. Transactions denominated in currencies other than US \$ have been translated into US \$ at the UNDP published exchange rates.

#### Expenditure on account of capital and attractive assets

Expenditure incurred on account of purchase of capital and attractive assets is charged to expenditure as incurred. Capital Assets include those assets having minimum life expectancy of three or more years and value over US \$ 999. Cameras, Cell Phones, PDAs and all other items issued to individuals with value between US \$ 400 and US \$ 999 are classified as Attractive Assets.

### 4.3 Expenditure subject to audit

Description	Amount US \$
Expenditure as per CDR subject to audit	3,004,954
Expenses relating to international staff processed in Copenhagen- not subject to audit	542,108
Total expenditure as per CDR	<u>3,547,062</u>



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## **5. Independent auditor's report on Statement of Assets**

## INDEPENDENT AUDITOR'S REPORT TO UNDP

We have audited the accompanying Statement of Assets of Accountability and Transparency (ACT) project having Project NO. 00053687 ("the project") implemented by United Nations Development Programme Afghanistan (UNDP) as of 31 December 2011 and a summary of significant accounting policies and other explanatory information (together "the Statement"). The Statement has been prepared by the management using the modified cash basis of accounting as described in Note 6.2. As provided in note 6.3, the Statement does not include the assets directly procured by implementing partners.

**Management's Responsibility for the Statement**

Management is responsible for the preparation of this Statement in accordance with the modified cash basis of accounting as described in Note 6.2; this includes determining that modified cash basis of accounting is an acceptable basis for the preparation of the Statement in the circumstances, 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 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 entity's preparation and fair presentation 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 entity'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.

A handwritten signature in blue ink, appearing to read "E. Y. Hyder".

### Opinion

In our opinion, the accompanied Statement of Assets presents fairly, in all material respects, assets amounting to US \$ 1,276,913 of Accountability and Transparency (ACT) project having Project No. 00053687 as of 31 December 2011 in accordance with modified cash basis of accounting as described in Note 6.2.

### Basis of Accounting

Without modifying our opinion, we draw attention to Note 6.2, which describes the basis of accounting. The Statement is prepared to provide information to UNDP. As a result, the Statement may not be suitable for another purpose.



Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

Date: 18 December 2012

Kabul, Afghanistan

Engagement Partner: Muhammad Basheer Juma



## 6. Statement of Assets

Accountability and Transparency (ACT) - Project NO. 00053687  
 Implemented by United Nations Development Programme (UNDP) Afghanistan  
 Statement of Assets  
 As at 31 December 2011

ASSET ID	LIFE	TAG NUMBER	SERIAL ID	DESCRIPTION	LOCATION	CUSTODIAN NAME	ACQUISITION DATE	Quantity	Acquisition Cost	Donor
6179	3	UNDP-ACT-002	F145400	CANON IR3045 Copier	MoF- Act Project	Abdul Saboor Jasoor	7-Sep-07	1	5,782	00137
6466	3	UNDP-ACT-004	86737	VSAT Equipment	MoF- Act Project	Abdul Saboor Jasoor	8-Nov-08	1	3,325	00137
8865	3	UNDP-ACT-005	ow620R-12961-983-c5d4-Aoo	Dell Latitude E6400 Laptop Computers	UNOCA/ Stock	Wazery	8-Feb-09	1	1,062	00012
6463	3	UNDP-ACT-006	CNB8877NXQ	HP(Copier-Printer-Fax-Printer all in one)	UNOCA/ ACT Project	Wazery	1-Aug-07	1	1,150	00137
9640	5	UNDP-ACT-007	JTMDV09J594030728	Toyota Land Cruiser 200 GX Armored B6 - 2008 ( Diesel) ; white color - UN - 1379	UNOCA/ ACT Project	Jamil Driver	15-Oct-09	1	137,959	00551
9641	5	UNDP-ACT-008	JTMDV09J694037512	Toyota Land Cruiser 200 GX Armored B6 - 2008 ( Diesel) ; white color - UN - 1386	UNOCA/ ACT Project	Habibullah	15-Oct-09	1	137,959	00551
8886	5	UNDP-ACT-009	JTMDV09J-994019831	Toyota Land Cruiser 200 GX Armored - 2008 ( Diesel) ; white color - UN-865	UNOCA/ ACT Project	Baryalay	30-Nov-09	1	120,704	00551
8807	3	UNDP-ACT-010	Ow620R-12961-95j-7843-Aoo	Dell Latitude E6400 Laptop Computers	UNOCA/ ACT Project	Wazery	17-Jun-09	1	1,062	00187
8857	3	UNDP-ACT-012	ow620R-12961-983-2921-Aoo	Dell Latitude E6400 Laptop Computers	UNOCA/ Stock	Wazery	8-Feb-09	1	1,062	00012
8866	3	UNDP-ACT-013	ow620R-12961-983-3022-Aoo	Dell Latitude E6400 Laptop Computers	MoF- Act Project	Abdul Saboor Jasoor	8-Feb-09	1	1,062	00012
8863	3	UNDP-ACT-014	ow620R-12961-97t-c342-Aoo	Dell Latitude E6400 Laptop Computers	UNOCA/ Stock	Wazery	8-Feb-09	1	1,062	00012



W

MLC

ASSET ID	LIFE	TAG NUMBER	SERIAL ID	DESCRIPTION	LOCATION	CUSTODIAN NAME	ACQUISITION DATE	Quantity	Acquisition Cost	Donor
8860	3	UNDP-ACT-015	ow620R-12961-971-c512-Aoo	Dell Latitude E6400 Laptop Computers	UNOCA/ACT Project	Rahel	8-Feb-09	1	1,062	00012
8808	3	UNDP-ACT-016	217022S	Dell Latitude E6400 Laptop Computers	UNOCA/Stock	Wazery	8-Feb-09	1	1,062	00012
8836	3	UNDP-ACT-017	OG900T-71070	Dell PowerEdge T610 Server with 146GB 15K Rpm 3.5 inch SAS Hard Drive	ACT Office	Shahreyar kakar	17-Jun-09	1	3,324	00187
9636	3	UNDP-ACT-018	3641335524	XEROX copier black and white 5645	UNOCA/ACT Project	Wazery	8-Feb-09	1	7,598	
9638	3	UNDP-ACT-019	3641334692	XEROX copier black and white 5645	UNOCA Waiting room	Wazery	8-Feb-09	1	7,598	
8835	3	UNDP-ACT-020	105833	VSAT Equipment&Router	UNOCA/Stock	Wazery	8-Nov-08	1	3,325	00137
8815	3	UNDP-ACT-021	8LR822S	Dell Latitude E6400 Laptop Computers	UNOCA/ACT Project	Shahreyar kakar	17-Jun-09	1	1,062	00187
8809	3	UNDP-ACT-022	ow620R-12961-95j-7766-Aoo	Dell Latitude E6400 Laptop Computers	UNOCA/ACT Project	Jeffrey	17-Jun-09	1	1,062	00187
8810	3	UNDP-ACT-023	ow620R-12961-953-7294-Aoo	Dell Latitude E6400 Laptop Computers	UNOCA/ACT Project	Henrik Lindroth	17-Jun-09	1	1,062	00187
8811	3	UNDP-ACT-024	ow620R-12961-953-7922-Aoo	Dell Latitude E6400 Laptop Computers	UNOCA/Stock	Wazery	17-Jun-09	1	1,062	00187
8812	3	UNDP-ACT-025	ow620R-12961-953-7916-Aoo	Dell Latitude E6400 Laptop Computers	UNOCA/Stock	Wazery	17-Jun-09	1	1,062	00187
8813	3	UNDP-ACT-026	ow620R-12961-953-7249-Aoo	Dell Latitude E6400 Laptop Computers	UNOCA/ACT Project	Sharifi	17-Jun-09	1	1,062	00187
8814	3	UNDP-ACT-027	ow620R-12961-95j-7353-Aoo	Dell Latitude E6400 Laptop Computers	UNOCA/Stock	Wazery	17-Jun-09	1	1,062	00187
8816	3	UNDP-ACT-028	ow620R-12961-95j-7879-Aoo	Dell Latitude E6400 Laptop Computers	MoF- Act Project	Dinarkhail	17-Jun-09	1	1,062	00187
8862	3	UNDP-ACT-029	QZ6Q22S	Dell Latitude E6400 Laptop Computers	UNOCA/Stock	Wazery	8-Feb-09	1	1,062	00012
8864	3	UNDP-ACT-030	ow620R-12961-983-2914-Aoo	Dell Latitude E6400 Laptop Computers	UNOCA/Stock	Wazery	8-Feb-09	1	1,062	00012



W

AK

ASSET ID	LIFE	TAG NUMBER	SERIAL ID	DESCRIPTION	LOCATION	CUSTODIAN NAME	ACQUISITION DATE	Quantity	Acquisition Cost	Donor
8855	3	UNDP-ACT-031	ow620R-12961-983-2863-Aoo	Dell Latitude E6400 Laptop Computers	UNOCA/ACT Project	Neelesh	8-Feb-09	1	1,062	00012
8859	3	UNDP-ACT-032	ow620R-12961-983-2903-Aoo	Dell Latitude E6400 Laptop Computers	UNOCA/Stock	Wazery	8-Feb-09	1	1,062	00012
9635	3	UNDP-ACT-033	AWVB91000094	InFocus IN 37 Projector with screen	MoF- Act Project	Abdul Saboor	14-Jun-09	1	1,249	
9637	3	UNDP-ACT-037	CNCT98SGBD	HP Color Laser Jet CP 3525 X	UNOCA/ACT Project	Wazery	8-Feb-09	1	1,150	00551
8858	3	UNDP-ACT-038	ow6r20r-12961-95j-7784-Aoo	Dell Latitude E6400 Laptop Computers	UNOCA/Stock	Wazery	17-Jun-09	1	1,062	00187
-	3	UNDP-ACT-0286	JTGEB73J7A9003667	Armored Toyota Land Cruiser Hardtop Model 76	UNOCA/Parking	Wazery	25-Sep-11	1	206,138	00551
-	3	UNDP-ACT-0287	JTGEB73J8A9003659	Armored Toyota Land Cruiser Hardtop Model 76	UNOCA/Parking	Wazery	25-Sep-11	1	206,138	00551
-	3	UNDP-ACT-0288	JTGEB73J6A9003675	Armored Toyota Land Cruiser Hardtop Model 76	UNOCA/Parking	Wazery	25-Sep-11	1	206,138	00551
-	3	UNDP-ACT-0289	JTGEB73J9A9003606	Armored Toyota Land Cruiser Hardtop Model 76	UNOCA/Parking	Wazery	25-Sep-11	1	206,138	00551
									1,276,913	

*Ejhu*



*Henrik Lindorff*  
16/12/12

Project Manager

**HENRIK LINDORFF**

*Assef Focal Point*  
16/12/2012

*Mohammad Shah Wazery*

*Admin Associate*

*W/L*



Accountability and Transparency (ACT) Project - Project NO. 00053687  
Implemented by United Nations Development Programme Afghanistan (UNDP)  
Notes to the Statement of Assets  
For the year ended 31 December 2011

## 6.1 Program description

The Accountability and Transparency (ACT) project has been designed to support Government of the Islamic Republic of Afghanistan (GIROA) in developing the necessary capacities to fight corruption. The project takes the government institutions and the United Nations Convention against Corruption (UNCAC) as its starting point. The project components have been developed in order to support the government in meeting the priorities and requirements set out in these key strategies and conventions and outlined in new national programmes under GIROA's Governance Cluster.

The project consists of four main components:

- Component 1: Improved institutional and policy environment created to support the implementation of the national anti-corruption strategy.
- Component 2: Enhanced accountability, transparency and integrity in key government institutions.
- Component 3: Increased awareness and understanding amongst the public and enhanced capacity of civil society and media to effectively contribute to the fight against corruption.
- Component 4: Enhanced independent monitoring of anti-corruption efforts undertaken by government and civil society.

The project focuses on prevention of and institutional/capacity development on anticorruption, complementing on-going efforts on enforcement. The overall goal of the project is to support the development of sustainable capacity within GIROA as well as Afghan civil society to effectively fight corruption. Hence there is a strong emphasis placed on capacity development and the transfer of skills. The project aims to support capacity development at the central and sub-national level through a sectoral approach.

The main government counterparts of the project are various government institutions as well as with civil society networks that interact at the technical policy level with these institutions. Implementation of project activities is closely coordinated with all relevant national and international actors. The project is implemented through Direct Implementation.

Project was funded from the funds provided by UK/DFID, Denmark, Canada/CIDA, Norway, Italy and UNDP.

For the implementation of the project UNDP has signed three Letters of Agreement (LoA) as:

### *1<sup>st</sup> LoA with a government institution*

This letter of agreement was signed in July 2010 for the period from July 2010 to July 2011 and further extension was granted up to 31 March 2012 on 23 August 2011 for the implementation of the project and budget was provided for personnel and equipment costs of the institution.



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### *2<sup>nd</sup> LoA with a government institution*

This letter of agreement was signed in December 2009 for the period from December 2009 to December 2010. Further, extension was signed on 16 May 2011 for the period from June 2011 to 31 March 2012. Budget was provided in respect of local consultant (US \$ 217,000), international consultant (US \$ 60,000), salaries (US \$ 476,000) and rent (US \$ 49,000). The activities started in May 2010.

### *3<sup>rd</sup> LoA with a government institution*

This letter of agreement was signed on 26 July 2011 for the period from July 2011 to March 2012 for the establishment of committee and budget was provided in respect of salaries (US \$ 425,173) and procurement (US \$ 524,950).

## **6.2 Basis of preparation**

### **Basis of accounting**

The Statement of Assets has been prepared in accordance with the UNDP's approved format for the Statement of Assets. Capital expenditure for the year includes the payments made during the year excluding the payments made during the year against the un-liquidated obligations as of the last year end. Expenditure also includes the un-liquidated obligation balance as of the year end.

### **Functional and presentation currency**

The statement has been prepared in US \$. Transactions denominated in currencies other than US \$ have been translated into US \$ at the UNDP published exchange rates.

### **Expenditure on account of capital and attractive assets**

Expenditure incurred on account of purchase of capital and attractive assets is charged to expenditure as incurred. Capital Assets include those assets having minimum life expectancy of three or more years and value over US \$ 999. Cameras, Cell Phones, PDAs and all other items issued to individuals with value between US \$ 400 and US \$ 999 are classified as Attractive Assets.

## **6.3 Assets directly procured by implementing partners**

The Statement of Assets does not include the assets directly procured by implementing partners.



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## 7. Detailed Findings

## 7.1 Non maintenance of time sheets for services contract employees

### Condition

Under the project, 20 employees were engaged under service contracts and payroll cost on account of service contracts amounted to US \$ 434,478 for the year ended 31 December 2011. We noted that monthly timesheets in respect of employees under service contracts were not signed by the respective employees and approved by the project management, however, soft copies of the time sheets were maintained along with the leave records.

### Criteria

Either time keeping system should be maintained to record the time spent by the employees under service contracts or the time sheets should be maintained in hard copies as signed by respective employees and approved by project management.

### Cause

Person responsible for maintaining the time sheets left the position.

### Effect

The time charged to the project by the service contract employees cannot be justified.

### Priority

Medium

### Recommendation

We recommend that either time keeping system should be introduced or employees under service contracts should be required to sign the time sheets and approved by the project management after the reconciliation of the time sheets is carried out with the attendance records.

### UNDP Afghanistan Comments

Agree



## 8. Annexure

## 8.1 Procedures performed

### 8.1.1 Internal control

We obtained the sufficient understanding of UNDP, the project, its environment including its internal control to identify and assess the risks of material errors or misstatements in the Statement of Expenditure (Combined Delivery Report) whether due to fraud or error and to design the nature, timing and extent of further audit procedures.

In making our risk assessments to design the nature, timing and extent of further audit procedure that were appropriate in the circumstances, we considered internal control relevant to project's preparation of the Statement of Expenditure (Combined Delivery Report), but not for the purpose of expressing an opinion on the effectiveness of the project's internal control.

We verified the design and implementation of internal controls for the following significant processes of the project;

- a) Payroll processing for employees under Service Contracts;
- b) Procurement of goods and services;
- c) Un-liquidated obligations as of start of the year and as of the year end; and
- d) Asset management.

We used Ernst & Young Global Audit Methodology to verify the design and implementation of related controls by performing walkthroughs.

### 8.1.2 Statement of Expenditure (Combined Delivery Report)

Combined Delivery Report, also referred to as the Statement of Expenditure, is the official Statement of Expenditure and is generated from ATLAS. Total expenditure for a period is presented into two columns in Combined Delivery Report and is recorded in accordance with UNDP accounting policies and procedures as detailed below;

- a) UNDP Disbursements: These represent amounts recorded as and when the full or partial payments are made during the period. These payments are made against either Purchase Order (PO) or these are processed as Request for Direct Payment (RDP). For the payment to be processed against PO, PO should be approved and authorized in ATLAS and should pass the budget check. PO can be raised during the current period or it may relate to the previous period whereby the PO was not closed at the year-end by classifying it as un-liquidated balance.
- b) Encumbrance: These include negative balances relating to POs of the previous period whereby the POs were not closed at the year-end by classifying them as un-liquidated balances and for which full or partial payments have been made during the period as presented in UNDP Disbursements. Further, POs raised during the current period which are not fully or partially closed at the year-end and classified as un-liquidated balances are also presented in encumbrance with positive balance.

Therefore, expenditure as per UNDP accounting policies and procedures can be illustrated by following equation;



Total Expenditure for the period (Please refer Note 4.2 to CDR)	Payments made during the period (UNDP Disbursements) <b>minus</b> Un-liquidated balance of Purchase Orders of Prior Period <b>plus</b> Un-liquidated balance of Purchase Order of Current Period
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Total expenditure incurred for the project for the year ended 31 December 2011 amounted to US \$ 3,547,062 and expenditure amounting to US \$ 542,108 relating to salaries and benefits of the International Staff was excluded from our scope as per Terms of Reference. The audit was conducted from 23 September 2012 to 10 November 2012.

For the expenditure incurred during the year ended 31 December 2011, we carried out the following procedures;

- a) Compared the expenditure incurred for the year against the approved budget. We were provided with the Budget Revision 16 as approved budget. We further compared the expenditure with approved Annual Work Plan (AWP) on an activity-wise basis. In order to obtain the audit evidence for the occurrence of activities envisaged under AWP, we reviewed the Annual Progress Report (APR) of the project.
- b) We obtained the month-wise and employee-wise break-up of employees under Service Contracts and reconciled the amount with GL. On the basis of month-on-month trend analysis, we selected four months for detailed verification for a sample size of 20 employees. We traced the salary as per payroll to pay slips, bank advice and employees' contracts. We verified the calculations of hazard allowance and insurance cost.
- c) In respect of disbursements made during the year (other than under Service Contracts), transactions above 10% to 33% of US \$ 26,000 (quantitative criteria applied to select account for detailed verification) were selected for detailed verification from underlying records.
- d) In respect of sample selected (by applying criteria as mentioned above) for procurement made during the year, we determined whether the competition was solicited as required under UNDP policies and procedures and adequate administrative controls were in place over the qualities and quantities of goods and services ordered and received.
- e) In respect of sample selected (by applying criteria as mentioned above) for payments made against Request for Direct Payments (RDPs) submitted by implementing partners, we verified that RDPs were supported with adequate documentation as specified under Letter of Agreement (LOA) with respective implementing partners. We also verified that RDPs were approved by authorized individuals.

### 8.1.3 Statement of Assets

Statement of Assets includes capital assets which are defined as those assets having minimum life expectancy of three or more years and value over US \$ 999.

Only those assets which are directly procured by UNDP are included in Statement of Assets; however, this does not include those assets procured by implementing partners. Under the requirements of LOA, implementing partners are required to submit to UNDP the details of assets procured during the year on an annual basis.

Cameras, Cell Phones, PDAs and all other items issued to individuals with value between US \$ 400 and US \$ 999 are classified as attractive assets.

As per Statement of Assets, total assets of the project amounted to US \$ 1,276,913 as of 31 December 2011.

We carried out the following procedures in respect of Statement of Assets of the project;

- a) We performed the reconciliation of the expenditure on account of assets as per Statement of Expenditure (Combined Delivery Report) with the Statement of Assets.
- b) On the basis of sample selected, we performed the physical verification of the assets those were under use of the project.

On the basis of sample selected, we also performed the physical verification of assets transferred to Implementing Agencies and also verified the transfer documentation in respect of those asset.



*Ejper*