

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP AFGHANISTAN

NATIONAL STATE GOVERNANCE PROJECT
(Directly Implemented Project No. 58936)

Report No. 1252

Issue Date: 12 February 2014

**Report on the audit of UNDP Afghanistan
National State Governance Project (Project No. 58936)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 8 October 2013 to 15 January 2014, through Anjum Asim Shahid Rahman, member firm of Grant Thornton International Ltd (the audit firm), conducted an audit of the National State Governance Project, Project No. 58936 (the Project), which is directly implemented and managed by the UNDP Country Office in Afghanistan (the Office).

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 2012 and Statement of Assets as of 31 December 2012.

The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit results

Based on the audit report and corresponding management letter submitted by the audit firm, the results are summarized in the table below.

Project Expenditure			Project Assets		
Amount (in \$ '000)	Opinion	NFI (in \$ '000)	Amount (in \$ '000)	Opinion	NFI (in \$ '000)
962	Qualified	201	20	Qualified	10

NFI = Net Financial Impact

The audit firm qualified its opinion on the Project's Statement of Expenditure due to the following:

- expenditure pertaining to transportation was overstated by \$40,161 due to double recording of the same transaction in 2012. The error was only reversed in 2013;
- expenditure amounting to \$22,230 which was recognized in 2012 instead of 2013 when the services were received;
- expenditure of \$138,494, which should have been recognized in 2011, was recorded in 2012; and
- depreciation charge of \$406 which was not recorded in the Statement of Expenditure for assets acquired in 2012.

The audit firm qualified its opinion on the Statement of Assets due to the understatement of the depreciation costs by \$406 and the auditors were not able to verify assets amounting to \$9,744 due to security restrictions.

Key recommendations: Total = 6, high priority = 5

For high (critical) priority recommendations, 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. The high (critical) priority recommendations are presented below:

Finance management
(Issue 1) Transportation equipment expense. The transportation equipment amounting to \$40,161 was received in 2012 and recorded twice. The correction was made on 1 January 2013, which resulted in an overstatement of expenditure in 2012.

Recommendation: Recognize expenditure in the proper accounting period.

(Issue 2) Expenditure recognized but not incurred in 2012. Voucher ID 0011995 amounting to \$22,230 was processed on 12 December 2012; however, the services were only rendered in October 2013. According to IPSAS, the expense should have been realized in 2013 when the services were rendered. This resulted in an overstatement of expenditure in 2012.

Recommendation: Recognize expenditure in the proper accounting period.

(Issue 3) Expenditure incurred in 2011 but recorded in 2012. The expenditure totalling \$138,494 relating to shipment charges, consultant fees, assets procured, custom clearance charges, and service cost recoveries, which was incurred in 2011, was recorded in 2012. The expenditure should have been recorded in 2011, as per the UN accounting policy which was applicable prior to 2012 where expenditure was recognized when the purchase order was raised.

Recommendation: Recognize expenditure in the proper accounting period.

(Issue 4) Non-compliance with International Public Sector Accounting Standards. The Project's Statement of Fixed Assets showed the value of assets at acquisition costs without any adjustment for depreciation charges for the year. This was not in compliance with the Standards requiring that assets should be depreciated over their useful life and disclosed in the financial statements.

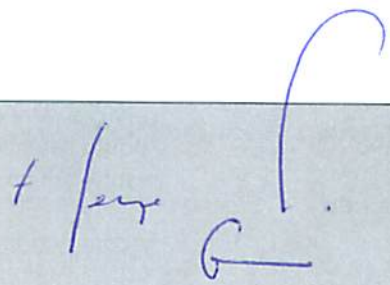
Recommendation: Properly recognize in Atlas project assets acquired from 1 January 2012 onwards so that depreciation costs are determined and reflected in the Project's Statement of Fixed Assets.

Fixed assets
(Issue 5) Non-verification of fixed assets. The existence of fixed assets valued at \$9,744 could not be verified due to security constraints and the unavailability of the custodian.

Recommendation: Make fixed assets available during the physical verification. Assets not under the control of the Office should be transferred to the Government and not appear in the Statement of Assets.

Management comments and action plan

The Resident Representative accepted all the recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.

A handwritten signature in blue ink, appearing to read 'H. Ostveiten', is written over a grey rectangular box. A long, curved blue line extends from the top of the signature, looping around the right side of the box.

Helge S. Ostveiten
Director
Office of Audit and Investigations



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United Nations Development Programme

**Financial Audit of National State Governance Project – for the year
from January 01, 2012 to December 31, 2012**
Independent Auditors' Report

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Submission Letter

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Director

Office of Audit and Investigations
United Nations Development Programme
New York

Date: January 17, 2014

Dear Sir,

Financial audit of National State Governance Project (NSGP) – (Project ID 00058936) (“the project”), directly implemented by United Nations Development Programme in Afghanistan (UNDP) for the year ended December 31, 2012

We are pleased to enclose the Statement of Expenditure (Combined Delivery Report) for the year ended December 31, 2012 and Statement of Fixed Assets as of December 31, 2012 prepared by the management, together with our audit reports thereon.

We also take this opportunity to place on record our appreciation for the co-operation extended to us by the project’s management during the course of our audit.

Yours truly,



Anjum Asim Shahid Rahman

Chartered Accountants

Executive Summary

Financial Audit

We have been engaged by the Regional Audit Centre for Asia and Pacific, Office of Audit and Investigations (the “OAP”), the United Nations Development Programme (UNDP) to conduct the financial audit of National State Governance Project (NSGP) – (Project ID 00058936) (“the project”) for the year ended December 31, 2012. The audit was conducted from October 08, 2013 to January 15, 2014. Our scope also included the expenditure incurred via LoA with the government counterpart. The objectives of the financial audit were to express an opinion on the project’s financial statements which included:

1. Expressing an opinion on whether the financial expenses incurred by the project over a specified year and the funds utilization as at the end of a specified year are fairly presented in accordance with UNDP accounting policies and that the expenses incurred were:
 - in conformity with the approved project budgets;
 - for the approved purposes of the project;
 - in compliance with the relevant regulations and rules, policies and procedures of UNDP; and
 - supported by properly approved vouchers and other supporting documents.
2. Expressing an opinion on whether the statement of fixed assets presents fairly the balance of assets of the UNDP project as at December 31, 2012.
3. Expressing an opinion on whether the statement of cash held by the project presents fairly the cash and bank balance of UNDP project as at December 31, 2012.

Results of financial audit

Statement of Expenditure (Combined Delivery Reports)

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the statement of expenditure presents fairly, in all material respects, expenditure of USD 961,551 incurred by the project for the year 2012 in accordance with UNDP accounting policies.

Statement of Fixed Assets

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the statement of fixed assets presents fairly, in all material respects, fixed assets amounting to USD 20,306 of the project as at December 31, 2012.

Statement of Cash held

As no dedicated bank account was established for the National State Governance Project, accordingly we are not required to express opinion on Statement of Cash held.

Summary of Findings

1. Expenditure pertaining to transportation equipment for the year 2012 is overstated by USD 40,161 under Activity 5.1;
2. Expenditure for the year 2012 is overstated by USD 22,230 which should have been recognized in the year 2013 owing to IPSAS as these services were received in October 2013;
3. Expenditure for the year 2012 is overstated by USD 138,494 which should have been recognized in the year 2011 as per the relevant applicable accounting policies;
4. The project's fixed assets acquired during the year 2012 are shown in the Statement of Fixed Assets at their acquisition cost of USD 2,160 and are overstated by USD 437 due to the effect of unrecognized depreciation. Similarly, depreciation expense, in respect of the assets acquired during 2012, shown in the Statement of Expenditure is understated by USD 406;
5. We were unable to verify the existence of fixed assets amounting to USD 9,744 as physical verification could not be arranged due to security restrictions at the location of these assets;
6. We noted instances whereby expenses were recorded in incorrect accounts and consequently clubbed in the incorrect budgetary accounts; and

Anjum Asim Shahid Rahman

Anjum Asim Shahid Rahman

Chartered Accountants

Date: January 17, 2014



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Independent Auditors' Report on Statement of Expenditure to United Nations Development Program

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We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization statement (“the statement”) of the UNDP Project Id 00058936, National State Governance Project for the year from January 01, 2012 to December 31, 2012.

Management Responsibility

Management is responsible for the preparation of this statement for National State Governance Project in accordance with the basis of accounting as described in Note 2, 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.

Auditors' 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 qualified audit opinion.

Basis for Qualified Opinion

- a) Expenditure pertaining to transportation equipment for the year 2012 is overstated by USD 40,161 under Activity 5.1;
- b) Expenditure for the year 2012 is overstated by USD 22,230 which should have been recognized in the year 2013 owing to IPSAS as these services were received in October 2013.
- c) Expenditure for the year 2012 is overstated by USD 138,494 which should have been recognized in the year 2011 as per the relevant applicable accounting policies.
- d) Depreciation expense, in respect of the assets acquired during 2012, shown in the Statement of Expenditure is understated by USD 406.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanied statement presents fairly, in all material respects, expenditure of USD 961,551 incurred by the project for the year from January 01, 2012 to December 31, 2012 in accordance with UNDP accounting policies.

Emphasis of matter

We draw attention to the fact that expenditure for the year appearing in the UNDP Expenditure column also includes expenditure incurred under NIM modality amounting to approximately USD 52,746. Our opinion is not qualified in respect of this matter.

Anjum Asim Shahid Rahman

Kabul

Dated: January 17, 2014

Anjum Asim Shahid Rahman

Chartered Accountants



Combined Delivery Report by Activity

Selection Criteria :

Business Unit : AFG10
Period : Jan-Dec (2012)
Selected Project Id : 00058936
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : ALL

Project Id : 00058936 National State Governance Prog	Period : Jan-Dec (2012)
Output # : 00073445 NSGP	Impl. Partner : 00005 National Execution Location : KHABIR

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Activity : ACTIVITY01 (Strengthening OoP Capacity)				
Fund : 04000 (Core Programme, UNU Centre)				
72140 - Svc Co-Information Technology	0.00	92,133.75	0.00	92,133.75
72405 - Acquisition of Communic Equip	0.00	46,300.00	0.00	46,300.00
72810 - Acquis of Computer Software	0.00	16,900.00	0.00	16,900.00
Total for Fund 04000	0.00	155,333.75	0.00	155,333.75
Total for Activity ACTIVITY01	0.00	155,333.75	0.00	155,333.75
Activity : ACTIVITY03 (Cap. Buildg of OoP Crisis Mgmt)				
Fund : 04000 (Core Programme, UNU Centre)				
63340 - Proc trips/Rest & Recup-IP Stf	0.00	0.00	0.00	0.00
72425 - Mobile Telephone Charges	0.00	- 122.73	0.00	- 122.73
Total for Fund 04000	0.00	- 122.73	0.00	- 122.73
Total for Activity ACTIVITY03	0.00	- 122.73	0.00	- 122.73
Activity : ACTIVITY04 (Project Management)				
Fund : 04000 (Core Programme, UNU Centre)				
61305 - Salaries - IP Staff	0.00	- 2,025.92	0.00	- 2,025.92
61310 - Post Adjustment - IP Staff	0.00	2,025.92	0.00	2,025.92
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	1,657.74	0.00	1,657.74
62315 - Contrib. to medical, social in	0.00	- 1,216.68	0.00	- 1,216.68
62320 - Mobility, Hardship, Non-remova	0.00	- 441.06	0.00	- 441.06
62335 - Hazard Duty Station Allow-IP	0.00	0.00	0.00	0.00
62340 - Annual Leave Expense - IP	0.00	0.00	0.00	0.00
63335 - Home Leave Trvl & Allow-IP Stf	0.00	0.00	0.00	0.00
63350 - Reimb of Income Tax-IP Staff	0.00	0.00	0.00	0.00
63365 - Special Oper Living Allow-IP	0.00	0.00	0.00	0.00
63530 - Contribution to EOS Benefits	0.00	0.00	0.00	0.00
63535 - Contribution to Security	0.00	0.00	0.00	0.00
63540 - Contribution to Training	0.00	0.00	0.00	0.00
63545 - Contribution to ICT	0.00	0.00	0.00	0.00
63550 - Contributions to MAIP	0.00	0.00	0.00	0.00
63555 - Contribution to UN JFA	0.00	0.00	0.00	0.00
63560 - Contributions to Appendix D	0.00	0.00	0.00	0.00

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Combined Delivery Report by Activity

Project Id : 00058936 National State Governance Prog	Period :	Jan-Dec (2012)
Output # : 00073445 NSGP	Impl. Partner :	00005 National Execution
	Location :	KHABIR

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
64308 - Appointments-Lump Sum	0.00	0.00	0.00	0.00
65115 - Contributions to ASHI Reserve	0.00	0.00	0.00	0.00
65135 - Payroll Mgt Cost Recovery ATLA	0.00	0.00	0.00	0.00
71205 - Intl Consultants-Sht Term-Tech	0.00	0.00	0.00	0.00
71305 - Local Consult.-Sht Term-Tech	0.00	0.00	0.00	0.00
71405 - Service Contracts-Individuals	0.00	0.00	0.00	0.00
71615 - Daily Subsistence Allow-Intl	0.00	0.00	0.00	0.00
71635 - Travel - Other	0.00	0.00	0.00	0.00
72405 - Acquisition of Communic Equip	0.00	0.00	0.00	0.00
72425 - Mobile Telephone Charges	0.00	- 144.16	0.00	- 144.16
72805 - Acquis of Computer Hardware	0.00	0.00	0.00	0.00
72815 - Inform Technology Supplies	0.00	0.00	0.00	0.00
73105 - Rent	0.00	0.00	0.00	0.00
73410 - Maint, Oper of Transport Equip	0.00	0.00	0.00	0.00
74210 - Printing and Publications	0.00	0.00	0.00	0.00
76120 - Unrealized Loss	0.00	32.17	0.00	32.17
76125 - Realized Loss	0.00	0.59	0.00	0.59
Total for Fund 04000	0.00	- 111.40	0.00	- 111.40
Total for Activity ACTIVITY04	0.00	- 111.40	0.00	- 111.40

Activity : ACTIVITY5_1 (Project management is provided)

Fund : 04000 (Core Programme, UNU Centre)

71205 - Intl Consultants-Sht Term-Tech	0.00	7,500.00	0.00	7,500.00
71305 - Local Consult.-Sht Term-Tech	0.00	5,580.00	0.00	5,580.00
71405 - Service Contracts-Individuals	0.00	118,031.28	0.00	118,031.28
71410 - MAIP Premium SC	0.00	66.20	0.00	66.20
71415 - Contribution to Security SC	0.00	0.00	0.00	0.00
71615 - Daily Subsistence Allow-Intl	0.00	1,104.00	0.00	1,104.00
71635 - Travel - Other	0.00	150.00	0.00	150.00
72210 - Machinery and Equipment	0.00	79.43	0.00	79.43
72215 - Transporation Equipment	0.00	80,478.86	0.00	80,478.86
72405 - Acquisition of Communic Equip	0.00	268.44	0.00	268.44
72425 - Mobile Telephone Charges	0.00	1,149.58	0.00	1,149.58
72505 - Stationery & other Office Supp	0.00	327.89	0.00	327.89
72815 - Inform Technology Supplies	0.00	987.55	0.00	987.55
73105 - Rent	0.00	- 360.00	0.00	- 360.00
73120 - Utilities	0.00	476.28	0.00	476.28
73410 - Maint, Oper of Transport Equip	0.00	8,915.91	0.00	8,915.91
74210 - Printing and Publications	0.00	338.39	0.00	338.39
74220 - Translation Costs	0.00	133.32	0.00	133.32
76125 - Realized Loss	0.00	1.18	0.00	1.18
Total for Fund 04000	0.00	225,228.31	0.00	225,228.31
Total for Activity ACTIVITY5_1	0.00	225,228.31	0.00	225,228.31

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Combined Delivery Report by Activity

Project Id : 00058936 National State Governance Prog	Period :	Jan-Dec (2012)		
Output # : 00073445 NSGP	Impl. Partner :	00005 National Execution		
	Location :	KHABIR		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Total for Output : 00073445	0.00	380,327.93	0.00	380,327.93
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Output # : 00081108 NSGP-Supprt toPresident Office	Impl. Partner :	00005 National Execution		
	Location :	KHABIR		

Activity : ACTIVITY1_1 (ICT Development of CoS)

Fund : 04000 (Core Programme, UNU Centre)

71605 - Travel Tickets-International	0.00	- 2,353.00	0.00	- 2,353.00
71615 - Daily Subsistence Allow-Intl	0.00	4,760.00	0.00	4,760.00
71630 - Shipment	0.00	2,650.00	0.00	2,650.00
72220 - Furniture	0.00	1,870.00	0.00	1,870.00
72399 - Other Materials and Goods	0.00	8,200.00	0.00	8,200.00
72405 - Acquisition of Communic Equip	0.00	5,060.00	0.00	5,060.00
72505 - Stationery & other Office Supp	0.00	11,060.00	0.00	11,060.00
72810 - Acquis of Computer Software	0.00	4,900.00	0.00	4,900.00
73310 - Maint & Licencing of Software	0.00	17,403.42	0.00	17,403.42
75705 - Learning costs	0.00	19,607.85	0.00	19,607.85
76135 - Realized Gain	0.00	0.00	0.00	0.00

Total for Fund 04000	0.00	73,158.27	0.00	73,158.27
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Total for Activity ACTIVITY1_1	0.00	73,158.27	0.00	73,158.27
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Activity : ACTIVITY1_2 (Individual Capacity Dev)

Fund : 04000 (Core Programme, UNU Centre)

71405 - Service Contracts-Individuals	0.00	7,925.81	0.00	7,925.81
71635 - Travel - Other	0.00	0.00	0.00	0.00
72105 - Svc Co-Construction & Engineer	0.00	0.00	0.00	0.00
72405 - Acquisition of Communic Equip	0.00	87,887.60	0.00	87,887.60
72810 - Acquis of Computer Software	0.00	4,340.36	0.00	4,340.36
76125 - Realized Loss	0.00	0.00	0.00	0.00

Total for Fund 04000	0.00	100,153.77	0.00	100,153.77
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Total for Activity ACTIVITY1_2	0.00	100,153.77	0.00	100,153.77
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Activity : ACTIVITY1_4 (Study Visit/tour for highlevel)

Fund : 04000 (Core Programme, UNU Centre)

71605 - Travel Tickets-International	0.00	28,302.00	0.00	28,302.00
71615 - Daily Subsistence Allow-Intl	0.00	14,637.00	0.00	14,637.00
71635 - Travel - Other	0.00	2,148.00	0.00	2,148.00
75705 - Learning costs	0.00	37,894.00	0.00	37,894.00

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Combined Delivery Report by Activity

Project Id : 00058936 National State Governance Prog	Period :	Jan-Dec (2012)		
Output # : 00081108 NSGP-Supprt toPresident Office	Impl. Partner :	00005 National Execution		
	Location :	KHABIR		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Total for Fund 04000	0.00	82,981.00	0.00	82,981.00
Total for Activity ACTIVITY1_4	0.00	82,981.00	0.00	82,981.00
Total for Output : 00081108	0.00	256,293.04	0.00	256,293.04

Output # : 00081109 NSGP-Improve System of VOPs	Impl. Partner :	00005 National Execution		
	Location :	KHABIR		

Activity : ()

Fund : 04000 (Core Programme, UNU Centre)

77630 - Dep Exp Owned - ITC	0.00	15.63	0.00	15.63
Total for Fund 04000	0.00	15.63	0.00	15.63
Total for Activity	0.00	15.63	0.00	15.63

Activity : ACTIVITY2_1 (Access to information Sys)

Fund : 04000 (Core Programme, UNU Centre)

71405 - Service Contracts-Individuals	0.00	11,966.67	0.00	11,966.67
72105 - Svc Co-Construction & Engineer	0.00	0.00	0.00	0.00
72210 - Machinery and Equipment	0.00	163.58	0.00	163.58
72405 - Acquisition of Communic Equip	0.00	55,875.71	0.00	55,875.71
72440 - Connectivity Charges	0.00	47,289.00	0.00	47,289.00
72445 - Common Services-Communications	0.00	1,310.68	0.00	1,310.68
72505 - Stationery & other Office Supp	0.00	690.75	0.00	690.75
72810 - Acquis of Computer Software	0.00	17,986.17	0.00	17,986.17
74510 - Bank Charges	0.00	9.71	0.00	9.71
76135 - Realized Gain	0.00	- 0.52	0.00	- 0.52
Total for Fund 04000	0.00	135,291.75	0.00	135,291.75

Fund : 11300 (Teaching Activities (PD))

72405 - Acquisition of Communic Equip	0.00	- 2,368.57	0.00	- 2,368.57
Total for Fund 11300	0.00	- 2,368.57	0.00	- 2,368.57
Total for Activity ACTIVITY2_1	0.00	132,923.18	0.00	132,923.18

Activity : ACTIVITY2_1.1 (ICT Development of VPOs)

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Combined Delivery Report by Activity

Project Id : 00058936 National State Governance Prog	Period :	Jan-Dec (2012)		
Output # : 00081109 NSGP-Improve System of VOPs	Impl. Partner :	00005 National Execution		
	Location :	KHABIR		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Fund : 04000 (Core Programme, UNU Centre)

72105 - Svc Co-Construction & Engineer	0.00	0.00	0.00	0.00
72440 - Connectivity Charges	0.00	0.00	0.00	0.00

Total for Fund 04000 0.00 0.00 0.00 0.00

Total for Activity ACTIVITY2_1.1 0.00 0.00 0.00 0.00

Activity : ACTIVITY2_2 (ICT facilities & capacities)

Fund : 04000 (Core Programme, UNU Centre)

72105 - Svc Co-Construction & Engineer	0.00	0.00	0.00	0.00
72220 - Furniture	0.00	880.00	0.00	880.00
72399 - Other Materials and Goods	0.00	4,900.00	0.00	4,900.00
72405 - Acquisition of Communic Equip	0.00	26,320.58	0.00	26,320.58
72505 - Stationery & other Office Supp	0.00	7,890.00	0.00	7,890.00
72810 - Acquis of Computer Software	0.00	12,197.79	0.00	12,197.79
76125 - Realized Loss	0.00	0.00	0.00	0.00

Total for Fund 04000 0.00 52,188.37 0.00 52,188.37

Total for Activity ACTIVITY2_2 0.00 52,188.37 0.00 52,188.37

Total for Output : 00081109 0.00 185,127.18 0.00 185,127.18

Output # : 00081110 NSGP-Policy Developmnt of VPOs	Impl. Partner :	00005 National Execution		
	Location :	KHABIR		

Activity : ()

Fund : 04000 (Core Programme, UNU Centre)

77630 - Dep Exp Owned - ITC	0.00	15.63	0.00	15.63
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Total for Fund 04000 0.00 15.63 0.00 15.63

Total for Activity 0.00 15.63 0.00 15.63

Activity : ACTIVITY3_1 (Strenghten National State Comm)

Fund : 04000 (Core Programme, UNU Centre)

71205 - Intl Consultants-Sht Term-Tech	0.00	0.00	0.00	0.00
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Combined Delivery Report by Activity

Project Id : 00058936 National State Governance Prog	Period : Jan-Dec (2012)		
Output # : 00081110 NSGP-Policy Developmnt of VPOs	Impl. Partner : 00005 National Execution Location : Afghanistan		
Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

72405 - Acquisition of Communic Equip	0.00	26,926.95	0.00	26,926.95
72705 - Hospitality-Special Events	0.00	301.52	0.00	301.52
72805 - Acquis of Computer Hardware	0.00	7,707.00	0.00	7,707.00
72810 - Acquis of Computer Software	0.00	12,197.79	0.00	12,197.79
76125 - Realized Loss	0.00	0.00	0.00	0.00
Total for Fund 04000	0.00	47,133.26	0.00	47,133.26
Total for Activity ACTIVITY3_1	0.00	47,133.26	0.00	47,133.26
Total for Output : 00081110	0.00	47,148.89	0.00	47,148.89

Output # : 00081884 NSGP-Cab Committee Cpacity Imp	Impl. Partner : 00005 National Execution Location : Afghanistan
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Activity : ACTIVITY4_2 (Effective mechanisms developed)

Fund : 04000 (Core Programme, UNU Centre)

71405 - Service Contracts-Individuals	0.00	10,800.00	0.00	10,800.00
Total for Fund 04000	0.00	10,800.00	0.00	10,800.00
Total for Activity ACTIVITY4_2	0.00	10,800.00	0.00	10,800.00

Activity : ACTIVITY4_3 (ICT facilities and capacities)

Fund : 04000 (Core Programme, UNU Centre)

71630 - Shipment	0.00	1,698.00	0.00	1,698.00
72105 - Svc Co-Construction & Engineer	0.00	0.00	0.00	0.00
72405 - Acquisition of Communic Equip	0.00	79,187.50	0.00	79,187.50
72815 - Inform Technology Supplies	0.00	969.00	0.00	969.00
Total for Fund 04000	0.00	81,854.50	0.00	81,854.50
Total for Activity ACTIVITY4_3	0.00	81,854.50	0.00	81,854.50

Total for Output : 00081884	0.00	92,654.50	0.00	92,654.50
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Project Total :	0.00	961,551.54	0.00	961,551.54
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For Government: *Just for output of the office of First Vice President.*
Signed By : _____ Date : _____

For UNDP:
Signed By : *Jan-Jilles Van Der Hoeven*
Senior Deputy Country Director (Programme) Date : *28/03/2013*

14312



Combined Delivery Report by Activity

Selection Criteria :

Business Unit : AFG10
Period : Jan-Dec (2012)
Selected Project Id : 00058936
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : ALL

Project Id : ALL	Period : Jan-Dec (2012)			
Output # : ALL	Impl. Partner :			
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
39001 - Afghanistan - Central	0.00	0.00	0.00	0.00
39004 - Afghanistan - Dem. Governance	0.00	961,551.54	0.00	961,551.54

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Combined Delivery Report by Activity

Funds Utilization

Selection Criteria :

Business Unit : AFG10
Period : Jan-Dec (2012)
Selected Project Id : 00058936
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : ALL

Project/Award: 00058936 National State Governance Prog Period : As Of Dec31,2012

Output #	00073445	Impl. Partner :00005 National Execution	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			0.00
Inventory			0.00
Prepayments			4,607.21
Commitments			4,607.21

Output #	00081108	Impl. Partner :00005 National Execution	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			31,583.48

Output #	00081109	Impl. Partner :00005 National Execution	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			734.37
Inventory			14,854.28
Prepayments			0.00
Commitments			23,725.54

Output #	00081110	Impl. Partner :00005 National Execution	UNDP AMOUNT
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Combined Delivery Report by Activity

Funds Utilization

Outstanding NEX advances	0.00
Undepreciated Fixed Assets	734.37
Inventory	11,883.42
Prepayments	0.00
Commitments	18,525.43

Output #	00081884	Impl. Partner :00005 National Execution	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			0.00

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Combined Delivery Report by Activity

UN Development Programme
Report ID: unglcdrb

Page 10 of 10
Run Time: 26-03-2013 05:03:09

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

Selection Criteria :

Business Unit : AFG10
Selected Project(s): 00058936
Selected Fund Code : ALL
Selected Output(s): ALL

Project Id : 00058936 National State Governance Prog
Output # : 00073445 NSGP
Impl. Partner : 00005 National Execution

Description	Account	Fund	Donor	Amount
Unliquidated Obligations	21015	04000-TRAC (Line	00012-UNDP	175,641.54
Total for Output : 00073445				175,641.54
Project Total :				175,641.54

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

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Notes to the Statement of Expenditure

1. Description of the project

National State Governance Project priorities strengthening the Office of the President - OoP (Chief of Staff CoS and Office of Administration affairs OAA) in Afghanistan to enable more effective policy and decision making at the center of Afghanistan. The project is focusing on

- Improving organizational, management and administrative effectiveness of Office of the President (CoS, OAA)
- Strengthening policy planning, analysis, monitoring and coordination among relevant state actors, and
- Improving the infrastructure and facilities of the OoP.

The project is being underpinned by capacity development strategy that will focus on people as agents of change but also seeks to strengthen and make more efficient the overall capacity of the institution that is the Office of President (CoS, OoP) in Afghanistan, so that regardless of the personnel the office will run efficiently.

The outcome of the project is aiming to reach “A strengthened and Streamlined Office of the President (CoS, OAA) that has operational Efficiency and Substantial Capacity to Support the President in Delivering on his Constitutional Mandate”.

UNDP is supporting the project through management, funding, technical and advisory support, including support in mobilizing resources and establishing effective partnerships.

2. Basis of preparation

Basis of accounting

The Statement of Expenditure has been prepared in accordance with the UNDP’s approved format (“Combined Delivery Report (CDR)”). As of January 01, 2012 UNDP has adopted International Public Sector Accounting Standards according to which expenses are recognized when goods are delivered and services are rendered. Prior to January 01, 2012, Statement of Expenditure was prepared in accordance with United Nations System Accounting Standard and expenditure was recognized based on disbursements and commitments when purchase orders were issued.

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.



Grant Thornton

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Independent Auditors' Report on Statement of Fixed Assets to United Nations Development Program

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We have audited the accompanying Statement of Fixed Assets (“the statement”) of the UNDP Project ID 00058936, National State Governance Project as at December 31, 2012.

Management Responsibility

Management is responsible for the preparation of this statement for National State Governance Project in accordance with the basis of accounting as described in Note 1, 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.

Auditors' 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 qualified audit opinion.

Basis for Qualified Opinion

- a) The project's fixed assets acquired during the year 2012 are shown in the Statement of Fixed Assets at their acquisition cost of USD 2,160 and are overstated by USD 437 due to the effect of unrecognized depreciation.
- b) We were unable to verify the existence of fixed assets amounting to USD 9,744 as physical verification could not be arranged due to security restrictions at the location of these assets.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanied statement presents fairly, in all material respects, fixed assets amounting to USD 20,306 of the project as at December 31, 2012.

Anjum Asim Shahid Rahman

Kabul

Dated: January 17, 2014

Anjum Asim Shahid Rahman

Chartered Accountants

AFG10-UNDP/NSGP (73445) End-Year 2012 Capital Assets Verification Report As of 31- Dec-2012

No	PROFILE ID	TAG_NUMBER	SERIAL_ID	DESCRIPTION	LOCATION (physical)	ACQUISITION DATE	Acquisition Cost	FUND_CODE	Donor	Project ID	PO ID	Remarks
1	ITC	NSGP/00025	VNBVB82H2S	B/W Printer	VP							
2	ITC	NSGP/00026	CFGY2	Dell Laptop Computer Latitude E6410	President Office	28/11/2010	\$1,315.03	04000	00012	00073445	12517	
3	ITC	NSGP/00027	6CCKQMI	Dell Laptop Computer Latitude E6410	OoP	28/11/2010	\$1,609.82	04000	00012	00073445	12517	
4	ITC	NSGP/00028	C9GKQMI	Dell Laptop Computer Latitude E6410	VP1	28/11/2010	\$1,733.45	04000	00012	00073445	12517	
5	ITC	NSGP/00029	GB102J8BETV	I-PAD Apple 64 GB	UNDP	28/11/2010	\$1,733.45	04000	00012	00073445	12517	
6	ITC	NSGP/00030	V810B1LETV	I-PAD Apple 64 GB	OOP	15/03/2012	\$1,080.00	04000	00012	00073445	N/A	new acquisition
7	Furniture	NSGP/00020	N/A	Office Desk with 2 Desk Pedestals, 2 Visitor Chair	NSGP	15/03/2012	\$1,080.00	04000	00012	00073445	N/A	new acquisition
8	Electrical	NSGP/00023	NEEJ3MTB300045	Samsung LCD TV	OOP	21/11/2010	\$680.00	04000	00012	00073445	N/A	
9	Electrical	NSGP/00024		Samsung LCD TV	OOP	18/4/2011	\$860.39	04000	00012	00073445	13384	
10	ITC	NSGP/00031	F621YK1	Dell Laptop Computer 1569	OOA	18/4/2011	\$860.39	04000	00012	00073445	13384	
11	ITC	NSGP/00032	BK01YK1	Dell Laptop Computer 1569	Stock/vp	18/4/2011	\$1,733.45	04000	00012	00073445	13387	
12	ITC	NSGP/00033	CNHTC261N0	HP Multi Functional Printer B/W M 2727	VP2	18/4/2011	\$1,733.45	04000	00012	00073445	13387	
13	ITC	NSGP/00034	BZ577R1	Dell Laptop Computer Latitude E6410	UNDP/NSGP	18/4/2011	\$2,560.61	04000	00012	00073445	13387	
14	ITC	NSGP/00035	CNB8CDBSY4	HP LJ300-400 color MFP M375-M475	UNDP/NSGP	14/02/2011	\$1,854.00	04000	00012	00073445	N/A	
15	ITC	NSGP/00036	DMPJ59EZDVGG	I-PAD Apple 16 GB	UNDP	14/02/2011	\$786.11	04000	00012	00073445	N/A	
						14/02/2011	\$685.75	04000	00012	00073445	N/A	
							\$20,305.90					

Profile Type	#	\$
Information and telecom ITC		
Electrical (Non-ITC Equipment)	12	\$17,905.12
Vehicles	2	1,720.78
Furniture and Fittings	0	0.00
Heavy Machinery	1	680.00
Land	0	0.00
Building	0	0.00
Total:	15	20,305.90

This report is prepared based on physical verification Report As of 31-12-2012 as per Auditor Request.

Certified by Mr Abdul Rahim Yahya Coic.
@ 12.11.2013.

For Shahira Saadat
Shahira

12.11.2013

Prepared by: Masoud Shaik

Certified by: Muizzuddin Yaqeen

24/10/2013

AHMAD SHAH SEDIQI
ADMINISTRATIVE SERVICES MANAGER
ahmadshah.sediqi@undp.org
UNDP AFGHANISTAN

24.10.13

MSR

Notes to the Statement of Fixed Assets

1. Basis of preparation

Basis of accounting

The Statement of Fixed Assets has been prepared in accordance with the UNDP's approved format. As of January 01, 2012, UNDP has adopted International Public Sector Accounting Standards (IPSAS), according to which, after recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Capital Assets include those items which;

- provide future economic or service benefits to UNDP;
- are expected to be used during more than one reporting year i.e. 12 months;
- have value of USD500 or more;
- are used and controlled by UNDP; and
- their cost can be reliably measured.

Attractive assets are items that are considered 'attractive', and thus are susceptible to theft or loss. Expenditure incurred on these items is charged as an expense in the year of purchase. Cameras, laptops, cell phones, PDAs, projectors and all other items owned, used and controlled by UNDP and issued to individuals for their official use, valued below US\$500 but higher than US\$300 are classified as attractive assets.

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.

Management Letter

1. Transport Equipment – Expense for the year 2012 overstated Condition

We noted that expense for the year 2012 pertaining to transportation is overstated by USD 40,161 due to the transaction shown in Annex A.

The Country Office explained that under IPSAS environment un-vouchered receipt is recorded as an expense against its corresponding liability at the end of each month which is called receipt accrual. These entries are then reversed at the beginning of the following month by HQ batch process, under the assumption that associated invoices will arrive at some point in the future and be vouchered and recorded as an expense. These receipts posting and reversal will continue to be accrued till the receipt is actually vouchered. As you can see from the attached NSGP expenditure report from 01 Jan. 2012 to 31 Jan 2013 all reversals ran by HQ has resulted in zero balance and thus have no impact on the future year expenditure. The expenditure charged via voucher ID AFG10-00120856-1-1-ACCR-DST is a valid charge for 2012 and hence does not represent double charging of the same expense.

However, receipt accrual is designed to bridge the timing difference between the receipt of goods / services and the receipt of invoice. It is understandable that this is recorded without invoice but the other documentations confirming the occurrence of the transaction should be attached. As evident from Transaction ID UNDP1-0004834650-01-JAN-2013-47 in the below report the second reversal was made on January 01, 2013. The net effect of the first three transactions which is appearing in the CDR for the year 2012 is a debit of USD 40,161. The grand total of the GL journal became zero only on January 01, 2013 which is not reflected in the CDR for the year 2012.

Transaction Type	Transaction id	Account	Description	Accounting Date	Total
GL Journal	UNDP1-0004792382-31-DEC-2012-47	72215	31 Dec 2012 RA posting	31-Dec-12	40,160.95
	UNDP1-0004797759-31-DEC-2012-47	72215	Unpost Journal ID0004792382 RA of 31DEC2012	31-Dec-12	(40,160.95)
	UNDP1-0004797762-31-DEC-2012-47	72215	31 Dec 2012 RA posting	31-Dec-12	40,160.95
	UNDP1-0004834650-01-JAN-2013-47	72215	Reversal of 31/12/2013 Receipt Accrual journal ID0004797762	1-Jan-13	(40,160.95)
GL Journal Total					-

Therefore the expenditure for the year from January 01, 2012 to December 31, 2012 is overstated by 40,161 and impacts our cut off assertion.

Criteria

Expenses incurred by the project over a specified year should be fairly presented in accordance with UNDP accounting policies. As per IPSAS expenses are recognized when goods are delivered and services are rendered.

Cause

UNDP1-0004797762-31-DEC-2012-47 was a system generated transaction which was charged as expenditure in the Combined Delivery Report of the project by the UNDP Headquarter without any actual occurrence of the expense. However, this amount was rectified (reversed) on January 01, 2013 as shown in the following report.

USD Amount					
Transaction Type	Transaction Id	Account	Description	Accounting Date	Total
GL Journal	UNDP1-0004792382-31-DEC-2012-47	72215	31 Dec 2012 RA posting	31-Dec-12	40,160.95
	UNDP1-0004797759-31-DEC-2012-47	72215	Unpost Journal ID0004792382 RA of 31DEC2012	31-Dec-12	(40,160.95)
	UNDP1-0004797762-31-DEC-2012-47	72215	31 Dec 2012 RA posting	31-Dec-12	40,160.95
	UNDP1-0004834650-01-JAN-2013-47	72215	Reversal of 31/12/2013 Receipt Accrual journal ID0004797762	1-Jan-13	(40,160.95)
GL Journal Total					-

Effect

The project’s expenditure for the year for the year 2012 is overstated by USD 40,161 and correspondingly understated in the year 2013. Another impact of this cut off error is that the CDR is now showing an overspending of USD 38,479 under the head transportation equipment which was budgeted as USD 42,000. (The expense charged in the CDR shows USD 80,479.)

Priority

High

Recommendation

We recommend that expenditure should be recognized in their proper accounting period.

Management Comments

Agreed

Disposal

Independent Auditors’ Report on Statement of Expenditure

2. Expenditure recognized but not incurred in 2012

Condition

We noted that the voucher ID 00119955, details of which are shown in Annex B, was closed in the system. However, expenditure amounting to USD 22,230 was charged as expense in the CDR for the year 2012.

The Country Office explained that Voucher ID 00119955 and related PO 15761 was closed in January 2013 crediting the funds back to the project (see attached report). Since the supplier could not finish the job due to security restrictions (please refer to the note indicated on PO 18239). The payment was processed in 2013 after completion of the activities therefore, it does not impact the 2013 expenditure as the same amount was credited back to the project in 2013 as a result of closure of voucher ID 00119955 and related PO # 15761.

However, as per the receiving and inspection report, attached with voucher ID 130851, which serves as the evidence of receipt of goods or delivery of services, services were received in October 2013. Based on IPSAS, expense is recognized when goods are delivered and services are rendered, therefore, this expenditure pertains to the year 2013.

Criteria

As per IPSAS expenditure is recognized when goods are delivered and services are rendered.

Cause

Purchase Order number 15671 was issued on May 27, 2012 based on which voucher ID 00119955 was raised and expenditure was charged to the project on December 12, 2012. However, services were received in October 2013. Therefore, this voucher and the relevant PO were closed in the system and actual expenditure based on PO 18239 was incurred on October 12, 2013 via voucher ID 130851.

Effect

Expenditure for the year 2012 is overstated by USD 22,230. It impacts cut off assertion as according to IPSAS criteria, the expenditure should have been recorded in the year 2013.

Priority

High

Recommendation

We recommend that compliance with IPSAS should be ensured and expenditure should only be recognized in their proper accounting year. This amount should not be reported expenditure in the project’s CDR for the year 2012.

Management Comments

Agreed

Disposal

Independent Auditors’ Report on Statement of Expenditure

3. Expenditure pertaining to 2011 as per criteria but recorded in 2012

Condition

We noted that expenditure amounting to USD 138,494 pertains to the year 2011 as per the given criteria. However, it has been charged as expense in the CDR for the year 2012.

List of such instances is given in Annex C.

According to the Country Office:

- Transaction AFG10-00111968-1-1-ACCR-DST pertains to the shipment charges for the previous received services by NSGP where these costs were not included in the initial PO 15135 therefore this is shipment costs for already delivered services which were processed by a separate PO. (See note indicated on PO 15544).
- Transaction AFG10-00111677-1-1-ACCR-DST pertains to an IC holder who worked extra days in Dec.11 and later the contract modality changed from IC to FT. Therefore the certification of the extra days worked was done in 2012 and payment processed accordingly (Please refer to the attached email from the Supervisor).
- Transaction AFG10-00109520-2-1-ACCR-DST was processed instead of initial PO 14586 for which receipt could not be downloaded because the items were selected as UNDP assets although the assets were for government counterparts. (Please refer to the note indicated on PO 15135).
- Transaction AFG10-00110385-2-1-ACCR-DST please refer to the note prepared by SCMO.
- Transaction AFG10-00110145-4-1-ACCR-DST pertains to the custom clearance charges for the previous received services by projects and CO therefore the custom clearances costs were processed by a separate PO. For already delivered goods.
- UNDP1-0004293325-14-MAR-2012-1 Transaction pertains to cost recovery of services from projects for fuel expenses therefore the recovery was made in 2012.

The management highlight the circumstances for each transaction as to why expenditures were recorded for the year from January 01, 2012 to December 31, 2012 rather than in 2011. However, based on the given criteria for expense recognition, the expenditure pertained to the year from January 01, 2011 to December 31, 2011. The same is also evident from the management comments whereby it is stated that goods already received (in 2011), services already delivered (in 2011) however in PO had to be issued in 2012 etc.

Criteria

Prior to January 2012, UN Accounting Policy (UNSAS) was applicable as per which expenditure was recognized when Purchase Order was issued. From January 01, 2012 UNDP decided to implement International Public Sector Accounting Standards (IPSAS) as per which expenditure is recognized when goods are delivered and services are rendered.

Cause

1. For the transactions 1 and 8 in Annex C, although services were received in 2011, however purchase order was not issued and hence expenditure was not recorded in the correct year.
2. For transaction 2, 3, 4, 5, 6 in Annex C, purchase order was issued in 2011 and as per criteria expenditure should have been recorded in 2011 at the time of issuing the PO. However expenditure has been recorded in 2012.
3. For the last transaction in Annex C, although supporting documents show that fuel was consumed in 2011, the project was charged this amount in March 2012 via a GL journal.

Effect

Expenditure for the year 2012 is overstated by USD 138,494. It impacts cut off assertion as according to criteria laid out in UNSAS and IPSAS the expenditure should have been recorded in the year 2011.

Priority

High

Recommendation

We recommend that expenditure should only be recognized in their proper accounting period keeping in mind the criteria outlined in both UNSAS and IPSAS. This amount should not be reported as expenditure in the project's Combined Delivery Report for the year from January 01, 2012 to December 31, 2012.

Management Comments

Agreed

Disposal

Independent Auditors' Report on Statement of Expenditure

4. Noncompliance of IPSAS

Condition

We observed that the statement of fixed assets for NSGP as of December 31, 2012 shows the acquisition cost of all the assets without any adjustment for depreciation charge. This contravenes the requirements of International Public Sector Accounting Standards (IPSAS) that an asset should be depreciated over its useful life and disclosed in the financial statements at its net book value.

Criteria

Paragraph 43 of IPSAS 17 "Property, Plant, and Equipment" states *'after recognition as an asset, an item of property, plant, and equipment shall be carried at its cost, less any accumulated depreciation and any accumulated impairment losses.'*

Similarly, where an entity recognizes its Property Plant & Equipment under International Public Sector Accounting Standard *IPSAS-17 Property Plant & Equipment*, guidance is given in paragraph - 99 to the standard, which states,

"IPSAS 3 (Accounting policies, changes in accounting estimates and errors) requires an entity to retrospectively apply accounting policies unless it is impracticable to do so. Therefore, when an entity initially recognizes an item of property, plant, and equipment at cost in accordance with this Standard, it shall also recognize any accumulated depreciation and any accumulated impairment losses that relate to that item, as if it had always applied those accounting policies."

However, UNDP POPP states "Development project assets that meet the use and control criteria but were procured before 1 January 2012 will be physically verified and identified and tracked over a 3 year period outside of Atlas using and excel template in Share Point maintained by Administrative Service division (ASD), and recorded in Atlas as a "one off" by January 01, 2015 if they remain in use (i.e. if they have not been transferred to the beneficiaries or disposed of by January 01, 2015."

Cause

The above extract of POPP is referring to paragraph 95 of IPSAS 17; *"an entity is not required to recognize property, plant, and equipment for a five years period following the first adoption of accrual accounting in accordance with IPSASs."*

However, while complying with paragraph 95, paragraph 101 should also be considered. Paragraph 101 states that relief is given on first time adoption because *"there are often difficulties in compiling comprehensive information on the existence and valuation of assets. For this reason, for a five-year period following the date of first adoption of accrual accounting in accordance with IPSASs, entities are not required to comply fully with the requirements of paragraph 14."*

UNDP CO and the project are not facing such difficulty in gathering information on the existence or valuation of assets as bi-annual asset verification exercise is carried out every year and reports are prepared that outline sufficient detail in respect of all the assets e.g. asset description, location, custodian, acquisition cost etc.

In the presence of such comprehensive information, the existence and the valuation of all fixed assets could easily have been determined and hence, retrospective depreciation calculated and charged. The project has not recognized depreciation on assets acquired prior

to 2012 due to the Headquarter instructions as mentioned in the above extract of POPP. However, the UNDP Country Office did not completely record assets acquired during 2012 in the Atlas system.

Effect

The assets acquired in 2012 are also shown in the Statement of Fixed Assets at their acquisition cost of USD 2,160 which is in contravention of both IPSAS as well as POPP. These assets have not been adjusted for depreciation charge amounting to USD 437. Depreciation expense shown in the Statement of Expenditure is USD 31 which is understated by USD 406.

Priority

High

Recommendation

We recommend that UNDP Country Office properly recognize in Atlas the project assets acquired from January 01, 2012 onwards so that depreciation costs are determined and reflected in the Project's Statement of Fixed Assets.

Management Comments

Agreed. The CO has increased its efforts in maintaining an accurate and up-to-date records of assets in Atlas. Training to project and CO staff has been provided and will be repeated regularly. Any missing items will be included in Atlas.

Disposal

Independent Auditors' Report on Statement of Fixed Assets
Independent Auditors' Report on Statement of Expenditure

5. Non verification of Fixed Assets

Condition

We were unable to verify the existence of the fixed assets amounting to USD 9,744. Detail is given in Annex D.

Criteria

Asset is recognized as UNDP catalogue if it meets the 'use and control' criteria. UNDP has control of an asset when it can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Cause

1. All the above assets except for item 3 are located in the President office and due to security constraints we were unable to physically verify these assets.
2. For item 3 above, the custodian of the asset was on leave.

Effect

Existence of fixed assets amounting to USD 9,744 out of a total of USD 20,306 which is 48% of the total value of assets reported in the Statement of Fixed Assets cannot be verified.

Priority

High

Recommendation

We recommend that necessary arrangements be made for the physical verification of these assets. Assets can be brought to the country office for verification. However, if the UNDP program staff could not have access to and control over these assets, then these should not be appearing in the Statement of Fixed Assets and may be transferred to the government counterpart via proper disposal process.

Management Comments

Agreed

Disposal

Independent Auditors' Report on Statement of Fixed Assets

6. Expenditure charged in incorrect accounts

Condition

We noted that certain expenditures have been charged in the incorrect account codes and consequently clubbed in the incorrect budgetary accounts.

Detail of instances is given in Annex E.

Criteria

Expenses incurred by the project over a specified year should be correctly classified in the Combined Delivery Report by charging to the correct accounts based on the nature of the expense.

Cause

The approved Annual Work Plan for the project did not have expenditure allocated to the budgetary accounts to which these transactions should have been charged giving due consideration to the nature of the expense.

Effect

It affects the fair presentation of the expenditure due to misclassification.

Priority

Medium

Recommendation

We recommend that that the Annual Work Plan should be approved after due consideration of the nature of the estimated expenditure. Expenditure should be charged to the correct account to achieve fair presentation of the Combined Delivery Report.

Management Comments

The CO will take corrective action on the transactions mentioned under this observation.

Disposal

Management Letter

ANNEXURES

ANNEX – A

Transaction ID	Accounting Date	Account	Account Description	USD Amount
UNDP1-0004797762-31-DEC-2012-47	12/31/2012	72215	Transportation Equipment	40,161

ANNEX – B

Voucher ID	Accounting Date	Account	Account Description	USD Amount
AFG10-00119955-1-1-ACCR-DST	12/13/2012	72220	FURNITURE	1,870
AFG10-00119955-2-1-ACCR-DST	12/13/2012	72505	STATIONERY OTHER OFFICE SUPP	8,260
AFG10-00119955-3-1-ACCR-DST	12/13/2012	72399	OTHER MATERIALS AND GOODS	2,600
AFG10-00119955-4-1-ACCR-DST	12/13/2012	72505	STATIONERY OTHER OFFICE SUPP	2,800
AFG10-00119955-5-1-ACCR-DST	12/13/2012	72399	OTHER MATERIALS AND GOODS	600
AFG10-00119955-6-1-ACCR-DST	12/13/2012	72399	OTHER MATERIALS AND GOODS	1,600
AFG10-00119955-7-1-ACCR-DST	12/13/2012	72399	OTHER MATERIALS AND GOODS	1,600
AFG10-00119955-8-1-ACCR-DST	12/13/2012	72399	OTHER MATERIALS AND GOODS	1,800
AFG10-00119955-9-1-ACCR-DST	12/13/2012	72405	ACQUISITION OF COMMUNIC EQUIP	1,100
Total				22,230

ANNEX – C

S. No	Voucher ID	Accounting Date	Account	Account Description	USD Amount	Reason
1	AFG10-00111968-1-1-ACCR-DST	4/15/2012	71630	SHIPMENT	2,650	Services were received in December 2011. PO should have been raised in 2011.
2	AFG10-00109520-2-1-ACCR-DST	1/22/2012	72140	SVC CO-INFORMATION TECHNOLOGY	39,309	PO was issued on 27th December 2011.
3	AFG10-00109520-3-1-ACCR-DST	1/22/2012	72140	SVC CO-INFORMATION TECHNOLOGY	35,685	PO was issued on 27th December 2011.
4	AFG10-00110385-2-1-ACCR-DST	2/23/2012	72405	ACQUISITION OF COMMUNIC EQUIP	24,700	PO was issued on 29th December 2011.

S. No	Voucher ID	Accounting Date	Account	Account Description	USD Amount	Reason
5	AFG10-00110145-4-1-ACCR-DST	2/15/2012	72405	ACQUISITION OF COMMUNIC EQUIP	16,200	PO was issued on 29th December 2011.
6	AFG10-00110385-1-1-ACCR-DST	2/23/2012	72810	ACQUIS OF COMPUTER SOFTWARE	16,900	PO was issued on 29th December 2011.
7	UNDP1-0004293325-14-MAR-2012-1	3/14/2012	73410	Maint, Oper of Transport Equip	2,270	Fuel consumed was for the year of July to December 2011.
8	AFG10-00111677-1-1-ACCR-DST	4/3/2012	71305	LOCAL CONSULT.-SHT TERM-TECH	780	Services rendered in December 2011, PO should have been raised in 2011.
Total					138,494	

ANNEX – D

S. No	TAG_NUMBER	SERIAL_ID	DESCRIPTION	Acquisition Cost
1	NSGP/00026	CFGY2	Dell Laptop Computer Latitude E6410	\$1,610
2	NSGP/00027	6CCKQMI	Dell Laptop Computer Latitude E6410	\$1,733
3	NSGP/00028	C9GKQMI	Dell Laptop Computer Latitude E6410	\$1,733
4	NSGP/00030	V510B1LETV	I-PAD Apple 64 GB	\$1,080
5	NSGP/00032	BK01YK1	Dell Laptop Computer 1569	\$1,733
6	NSGP/00034	BZ577R1	Dell Laptop Computer Latitude E6410	\$1,854
Total				\$9,744

ANNEX – E

Voucher ID	Accounting Date	Account	Account code	Expenditure Account	USD Amount	Description	Should have been charged to	
							Account code	Expenditure Account
AFG10-00109520-2-1-ACCR-DST	1/22/2012	72140	SVC CO-INFORMATION TECHNOLOGY	72100 'Contractual Services-Companies'	39,309	Computer servers purchased	72805 'ACQUIS OF COMPUTER Hardware'	72800 'Information Technology Equipmt'
AFG10-00109520-3-1-ACCR-DST	1/22/2012	72140	SVC CO-INFORMATION TECHNOLOGY	72100 'Contractual Services-Companies'	35,685	Computer servers purchased	72805 'ACQUIS OF COMPUTER Hardware'	72800 'Information Technology Equipmt'
UNDP1-0004702106-24-DEC-2012-6	12/24/2012	72405	ACQUISITION OF COMMUNIC EQUIP	72400 "Communic & Audio Visual Equip"	55,620	Computers purchased	72805 'ACQUIS OF COMPUTER Hardware'	72800 'Information Technology Equipmt'
UNDP1-0004702106-24-DEC-2012-6	12/24/2012	72405	ACQUISITION OF COMMUNIC EQUIP	72400 "Communic & Audio Visual Equip"	763	Printers purchased	72815 'Inform Technology Supplies'	72800 "Information Technology Equipmt"
UNDP1-0004702106-24-DEC-2012-2	12/24/2012	72405	ACQUISITION OF COMMUNIC EQUIP	72400 "Communic & Audio Visual Equip"	50,058	Computers purchased	72805 'ACQUIS OF COMPUTER Hardware'	72800 'Information Technology Equipmt'
UNDP1-0004702106-24-DEC-2012-2	12/24/2012	72405	ACQUISITION OF COMMUNIC EQUIP	72400 "Communic & Audio Visual Equip"	3,225.6	Printers purchased	72815 'Inform Technology Supplies'	72800 "Information Technology Equipmt"
UNDP1-0004702106-24-DEC-2012-8	12/24/2012	72405	ACQUISITION OF COMMUNIC EQUIP	72400 "Communic & Audio Visual Equip"	34,268.75	Computers purchased	72805 'ACQUIS OF COMPUTER Hardware'	72800 'Information Technology Equipmt'
UNDP1-0004702106-24-DEC-2012-8	12/24/2012	72405	ACQUISITION OF COMMUNIC EQUIP	72400 "Communic & Audio Visual Equip"	1,526	Printers purchased	72815 'Inform Technology Supplies'	72800 "Information Technology Equipmt"
UNDP1-0004658118-01-DEC-2012-2	12/1/2012	72405	ACQUISITION OF COMMUNIC EQUIP	72400 "Communic & Audio Visual Equip"	30,132.95	Printers purchased	72815 'Inform Technology Supplies'	72800 "Information Technology Equipmt"

Voucher ID	Accounting Date	Account	Account code	Expenditure Account	USD Amount	Description	Should have been charged to	
							Account code	Expenditure Account
UNDP1-0004702106-24-DEC-2012-14	12/24/2012	72405	ACQUISITION OF COMMUNIC EQUIP	72400 "Communic & Audio Visual Equip"	18,540	Computers purchased	72805 'ACQUIS OF COMPUTER Hardware'	72800 'Information Technology Equipmt'
UNDP1-0004702106-24-DEC-2012-14	12/24/2012	72405	ACQUISITION OF COMMUNIC EQUIP	72400 "Communic & Audio Visual Equip"	763	Printers purchased	72815 'Inform Technology Supplies'	72800 "Information Technology Equipmt"
UNDP1-0004518879-31-JUL-2012-2	7/31/2012	73410	Maint, Oper of Transport Equip	73400 'Rental & Maint of Other Equip'	2,016.14	Fuel purchased	72311 'Fuel, Petroleum and other oils'	72300 'Materials & Goods'
AFG10-00112645-2-1-ACCR-DST	5/7/2012	71205	INTL CONSULTANTS-SHT TERM-TECH	71200 'International Consultants'	7,500	Individual contractor	71405 'Service Contracts-Individuals'	71400 'Contractual Services - Individ'
AFG10-00111677-1-1-ACCR-DST	4/3/2012	71305	LOCAL CONSULT.-SHT TERM-TECH	71300 'National Consultants'	780	Individual contractor	71405 'Service Contracts-Individuals'	71400 'Contractual Services - Individ'
AFG10-00117917-1-1-ACCR-DST	10/30/2012	71405	SERVICE CONTRACTS-INDIVIDUALS	71400 'Contractual Services - Individ'	3,929.59	LoA staff salary	71305 'Local Consult.- Sht Term-Tech'	71300 'Local Consultants'
AFG10-00118364-1-1-ACCR-DST	11/11/2012	71405	SERVICE CONTRACTS-INDIVIDUALS	71400 'Contractual Services - Individ'	1820	LoA staff salary	71305 'Local Consult.- Sht Term-Tech'	71300 'Local Consultants'
AFG10-00117827-1-1-ACCR-DST	10/24/2012	71405	SERVICE CONTRACTS-INDIVIDUALS	71400 'Contractual Services - Individ'	600	LoA staff salary	71305 'Local Consult.- Sht Term-Tech'	71300 'Local Consultants'
AFG10-00117830-1-1-ACCR-DST	10/24/2012	71405	SERVICE CONTRACTS-INDIVIDUALS	71400 'Contractual Services - Individ'	600	LoA staff salary	71305 'Local Consult.- Sht Term-Tech'	71300 'Local Consultants'

Voucher ID	Accounting Date	Account	Account code	Expenditure Account	USD Amount	Description	Should have been charged to	
							Account code	Expenditure Account
AFG10-00117832-1-1-ACCR-DST	10/24/2012	71405	SERVICE CONTRACTS-INDIVIDUALS	71400 'Contractual Services - Individ'	600	LoA staff salary	71305 'Local Consult.- Sht Term-Tech'	71300 'Local Consultants'
AFG10-00117833-1-1-ACCR-DST	10/24/2012	71405	SERVICE CONTRACTS-INDIVIDUALS	71400 'Contractual Services - Individ'	600	LoA staff salary	71305 'Local Consult.- Sht Term-Tech'	71300 'Local Consultants'
AFG10-00117893-1-1-ACCR-DST	10/30/2012	71405	SERVICE CONTRACTS-INDIVIDUALS	71400 'Contractual Services - Individ'	600	LoA staff salary	71305 'Local Consult.- Sht Term-Tech'	71300 'Local Consultants'
AFG10-00117899-1-1-ACCR-DST	10/30/2012	71405	SERVICE CONTRACTS-INDIVIDUALS	71400 'Contractual Services - Individ'	600	LoA staff salary	71305 'Local Consult.- Sht Term-Tech'	71300 'Local Consultants'
AFG10-00119204-1-1-ACCR-DST	12/2/2012	71405	SERVICE CONTRACTS-INDIVIDUALS	71400 'Contractual Services - Individ'	600	LoA staff salary	71305 'Local Consult.- Sht Term-Tech'	71300 'Local Consultants'
AFG10-00118519-1-1-ACCR-DST	11/14/2012	71405	SERVICE CONTRACTS-INDIVIDUALS	71400 'Contractual Services - Individ'	2,700	LoA staff salary	71305 'Local Consult.- Sht Term-Tech'	71300 'Local Consultants'
AFG10-00118579-1-1-ACCR-DST	11/17/2012	71405	SERVICE CONTRACTS-INDIVIDUALS	71400 'Contractual Services - Individ'	2,700	LoA staff salary	71305 'Local Consult.- Sht Term-Tech'	71300 'Local Consultants'