



**AUDIT**

**OF**

**UNDP TIMOR-LESTE**

**SUPPORT TO THE TIMORESE ELECTORAL CYCLE PROJECT**  
**(Directly Implemented Project No. 00053311)**

**Report No. 910**  
**Issue Date: 12 March 2013**

## Report on the audit of UNDP Timor-Leste - Support to the Timorese Electoral Cycle Project (Project ID 53311) Executive Summary

From 3 to 30 April 2012 the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through Lochan & Co. (the audit firm), conducted an audit of Support to the Timorese Electoral Cycle Project (Project ID 53311) (the Project), which is directly implemented and managed by the UNDP Country Office in Timor-Leste (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 \$2.3 million during the period from 1 January to 31 December 2011. The following donors contributed to the Project: Japan, Swedish International Development Cooperation Agency, Ireland Aid and UNDP.

### Audit scope and objectives

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

### Audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, OAI assessed the management of the Project as **satisfactory**, which means "Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity." The details of the audit results are presented in Figures 1 and 2.

Figure 1: Summary results of the financial audit

Project Expenditure		Project Assets		Cash	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
2,328	Unqualified	222	Unqualified	-	Not applicable*

\*No separate bank account was held by the project

Figure 2: Internal controls and systems audit ratings summary

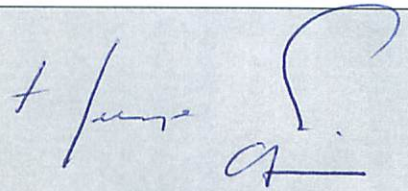
Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Organization and staffing				
2. Project management				
3. Human resources management				
4. Financial and cash management				
5. Procurement				
6. Asset management				
7. Information systems				
8. General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

### Key issues and recommendations

The audit raised three issues and resulted in three recommendations, all ranked medium (important) priority, meaning "Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to address variances between project budget and actual delivery, variations between planned and actual positions and non-maintenance of asset records.

### Management's comments

The Country Director accepted all recommendations and is in the process of implementing them.



Helge S. Osttveiten  
Director  
Office of Audit and Investigations

# United Nations Development Programme Timor-Leste



**Financial Audit Report**  
**Support to the Timorese Electoral Cycle**  
**Project ID: 00053311**  
**Audit Period – 01 January 2011 to 31 December 2011**

**Lochan & Co.**  
Chartered Accountants

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**UNDP TIMOR-LESTE**  
**Project ID 53311**  
**“Support to the Timorese Electoral Cycle”**

**Certification for Statement of Expenditure**

We have audited the accompanying Combined Delivery Report (“the statement”) of the UNDP project **00053311 (Award ID 45179), Support to the Timorese Electoral Cycle** for the period 01 January 2011 to 31 December 2011. The statement is the responsibility of the management of **Support to the Timorese Electoral Cycle** project. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with International Standards of Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached statement of expenditure presents fairly, in all material respects, the expenditure of **US\$ 2,328,453.54** incurred by the project “Support to the Timorese Electoral Cycle” for the period 01 January 2011 to 31 December 2011 in accordance with the accounting policies set out in the note to the statement. The expenditures incurred 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



Rajeev Lochan FCA  
Partner

Lochan & Co  
Chartered Accountants

Dated: 28<sup>th</sup> January 2013  
Place: New Delhi

**UNDP TIMOR-LESTE**  
**Project ID 53311**  
**Support to the Timorese Electoral Cycle**

**Certification for Statement of Assets and Equipments**

We have audited the accompanying schedule of assets ("the schedule") of the UNDP project number **00053311 (Award ID 45179), Support to the Timorese Electoral Cycle** as at 31 December 2011. This schedule is the responsibility of the management of the project. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with International Standards of Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached schedule of assets presents fairly, in all material respects, the balance of inventory of the UNDP **project number 00053311**, amounting to US\$ 221,884.08 as at 31 December 2011



Rajeev Lochan FCA  
Partner

Lochan & Co  
Chartered Accountants

Dated: 28<sup>th</sup> January 2013  
Place: New Delhi

**UNDP TIMOR-LESTE**  
**Project ID 53311**  
**Support to the Timorese Electoral Cycle**

**Statement of Cash Position**  
As at 31 December 2011

Since the project does not have its separate bank account, certification on Statement of Cash Position is not applicable.



Rajeev Lochan FCA  
Partner

Lochan & Co  
Chartered Accountants

Dated: 28<sup>th</sup> January 2013  
Place: New Delhi



**Combined Delivery Report By Project**

UN Development Programme  
Ref ID: ungl143p

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**Selection Criteria:**

Project Name: TLS10  
Period: Jan-Dec (2011)  
Project Award Id: 00045179  
Project Fund Code: ALL  
Project Dept. IDs: B0402  
Project Projects: 00053311

Project Id: 00045179 Support to 2007 National Elect	Period: Jan-Dec (2011)
Project #: 00053311 Support to the Electoral Cycle	Impl. Partner: 99999 UNDP
	Location: UNDP Timor Leste

	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
<b>40201 (East Timor - Central)</b>					
<b>20012 (DGTTF on Elect Cycle Support)</b>					
72420 - Land Telephone Charges	0.00	- 166.40	0.00	0.00	- 166.40
<b>Total for Fund 20012</b>	<b>0.00</b>	<b>- 166.40</b>	<b>0.00</b>	<b>0.00</b>	<b>- 166.40</b>
<b>30000 (Programme Cost Sharing)</b>					
72420 - Land Telephone Charges	0.00	- 156.00	0.00	0.00	- 156.00
73105 - Rent	0.00	2,297.32	0.00	0.00	2,297.32
73120 - Utilities	0.00	1,290.12	0.00	0.00	1,290.12
73406 - Maintenance of Equipment	0.00	270.40	0.00	0.00	270.40
74220 - Translation Costs	0.00	208.00	0.00	0.00	208.00
75105 - Facilities & Admin - Implement	0.00	284.23	0.00	0.00	284.23
<b>Total for Fund 30000</b>	<b>0.00</b>	<b>4,194.07</b>	<b>0.00</b>	<b>0.00</b>	<b>4,194.07</b>
<b>Total for Dept: 40201</b>	<b>0.00</b>	<b>4,027.67</b>	<b>0.00</b>	<b>0.00</b>	<b>4,027.67</b>
<b>40204 (East Timor - Dem. Governance)</b>					
<b>04000 (TRAC (Lines 1.1.1 and 1.1.2))</b>					
61305 - Salaries - IP Staff	0.00	13,539.06	0.00	0.00	13,539.06
61310 - Post Adjustment - IP Staff	0.00	6,160.27	0.00	0.00	6,160.27
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	3,594.24	0.00	0.00	3,594.24
62315 - Contrib. to medical, social in	0.00	155.82	0.00	0.00	155.82
62320 - Mobility, Hardship, Non-remova	0.00	5,614.27	0.00	0.00	5,614.27
63515 - Security-related Costs	0.00	2,309.11	0.00	0.00	2,309.11
63530 - Contribution to Separations	0.00	984.96	0.00	0.00	984.96
63535 - Contribution to Security	0.00	1,575.96	0.00	0.00	1,575.96
63540 - Contribution to Training	0.00	984.96	0.00	0.00	984.96
65115 - Contributions to ASHI Reserve	0.00	1,969.95	0.00	0.00	1,969.95
65135 - Payroll Mgt Cost Recovery ATLA	0.00	230.18	0.00	0.00	230.18
71405 - Service Contracts-Individuals	0.00	10,745.41	0.00	0.00	10,745.41
71505 - UN Volunteers-Stipend & Allow	0.00	6,151.05	0.00	0.00	6,151.05
71510 - UNV Settling-In-Grant	0.00	411.84	0.00	0.00	411.84
71535 - UNV-Medical Insurance	0.00	1,959.36	0.00	0.00	1,959.36
71540 - UNV-Global Charges	0.00	2,019.26	0.00	0.00	2,019.26
71550 - UNV-Resettlement Allowance	0.00	512.64	0.00	0.00	512.64
71605 - Travel Tickets-International	0.00	64.48	0.00	0.00	64.48
71615 - Daily Subsistence Allow-Intl	0.00	362.75	0.00	0.00	362.75
72310 - Minerals, Mining & Metal Prdcts	0.00	1,093.24	0.00	0.00	1,093.24
72505 - Stationery & other Office Supp	0.00	74.88	0.00	0.00	74.88
73105 - Rent	0.00	5,062.56	0.00	0.00	5,062.56
74210 - Printing and Publications	0.00	2,371.20	0.00	0.00	2,371.20
74225 - Other Media Costs	0.00	12,052.55	0.00	0.00	12,052.55
<b>Total for Fund 04000</b>	<b>0.00</b>	<b>80,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>80,000.00</b>
<b>20012 (DGTTF on Elect Cycle Support)</b>					
61305 - Salaries - IP Staff	0.00	13,539.06	0.00	0.00	13,539.06



*[Handwritten signature]*

Combined Delivery Report By Project

Development Programme  
ungl143p

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Project ID : 00045179 Support to 2007 National Elect	Period : Jan-Dec (2011)
Project # : 00053311 Support to the Electoral Cycle	Impl. Partner : 99999 UNDP
	Location : UNDP Timor Leste

	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
61310 - Post Adjustment - IP Staff	0.00	0.00	0.00	0.00	0.00
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	0.00	0.00	0.00	0.00
62315 - Contrib. to medical, social in	0.00	135.06	0.00	0.00	135.06
62320 - Mobility, Hardship, Non-remova	0.00	2,807.14	0.00	0.00	2,807.14
63530 - Contribution to Separations	0.00	492.48	0.00	0.00	492.48
63535 - Contribution to Security	0.00	185.41	0.00	0.00	185.41
63540 - Contribution to Training	0.00	0.00	0.00	0.00	0.00
65115 - Contributions to ASHI Reserve	0.00	0.00	0.00	0.00	0.00
65135 - Payroll Mgt Cost Recovery ATLA	0.00	115.09	0.00	0.00	115.09
71205 - Intl Consultants-Sht Term-Tech	0.00	274,672.32	0.00	0.00	274,672.32
71405 - Service Contracts-Individuals	0.00	7,070.28	0.00	0.00	7,070.28
71605 - Travel Tickets-International	0.00	1,036.33	0.00	0.00	1,036.33
71610 - Travel Tickets-Local	0.00	146.64	0.00	0.00	146.64
71615 - Daily Subsistence Allow-Intl	0.00	11,288.16	0.00	0.00	11,288.16
71620 - Daily Subsistence Allow-Local	0.00	48.88	0.00	0.00	48.88
71635 - Travel - Other	153.00	5,499.92	0.00	0.00	5,652.92
72105 - Svc Co-Construction & Engineer	910.00	410.80	0.00	0.00	1,320.80
72405 - Acquisition of Communic Equip	124.00	3,168.12	0.00	0.00	3,292.12
72425 - Mobile Telephone Charges	0.00	2,177.91	0.00	0.00	2,177.91
72505 - Stationery & other Office Supp	1,451.75	5,802.51	0.00	0.00	7,254.26
73105 - Rent	0.00	4,976.11	0.00	0.00	4,976.11
73120 - Utilities	3,113.50	1,760.46	0.00	0.00	4,873.96
73405 - Rental & Maint-Other Office Eq	1,462.25	2,400.88	0.00	0.00	3,863.13
73406 - Maintenance of Equipment	0.00	503.36	0.00	0.00	503.36
74210 - Printing and Publications	0.00	218.40	0.00	0.00	218.40
74505 - Insurance	0.00	546.00	0.00	0.00	546.00
74510 - Bank Charges	5.00	0.20	0.00	0.00	5.20
75709 - Learning - training of counter	3,870.00	- 3,851.85	0.00	0.00	18.15
75710 - Participation of counterparts	30.50	1.22	0.00	0.00	31.72
total for Fund 20012	11,120.00	335,150.89	0.00	0.00	346,270.89

fund : 30000 (Programme Cost Sharing)					
61305 - Salaries - IP Staff	0.00	137,929.56	0.00	0.00	137,929.56
61310 - Post Adjustment - IP Staff	0.00	74,282.11	0.00	0.00	74,282.11
61360 - Other payroll costs IP	0.00	6,224.40	0.00	0.00	6,224.40
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	48,263.79	0.00	0.00	48,263.79
62315 - Contrib. to medical, social in	0.00	1,600.82	0.00	0.00	1,600.82
62320 - Mobility, Hardship, Non-remova	0.00	25,264.22	0.00	0.00	25,264.22
62330 - Rental Supplements - IP Staff	0.00	52,696.29	0.00	0.00	52,696.29
63515 - Security-related Costs	0.00	6,157.63	0.00	0.00	6,157.63
63530 - Contribution to Separations	0.00	4,615.12	0.00	0.00	4,615.12
63535 - Contribution to Security	0.00	7,986.87	0.00	0.00	7,986.87
63540 - Contribution to Training	0.00	5,107.60	0.00	0.00	5,107.60
64308 - Appointments-Lump Sum	0.00	10,376.67	0.00	0.00	10,376.67
65115 - Contributions to ASHI Reserve	0.00	10,215.33	0.00	0.00	10,215.33
65135 - Payroll Mgt Cost Recovery ATLA	0.00	1,035.78	0.00	0.00	1,035.78
71205 - Intl Consultants-Sht Term-Tech	0.00	201,897.28	0.00	0.00	201,897.28
71405 - Service Contracts-Individuals	0.00	115,535.02	0.00	0.00	115,535.02
71605 - Travel Tickets-International	0.00	26,088.33	0.00	0.00	26,088.33
71610 - Travel Tickets-Local	0.00	244.40	0.00	0.00	244.40
71615 - Daily Subsistence Allow-Intl	0.00	8,336.22	0.00	0.00	8,336.22
71620 - Daily Subsistence Allow-Local	0.00	10,167.87	0.00	0.00	10,167.87
71625 - Daily Subsist Allow-Mtg Partic	0.00	13,300.19	0.00	0.00	13,300.19
71630 - Shipment	0.00	253.16	0.00	4,631.28	4,884.44
71635 - Travel - Other	14.00	0.56	0.00	0.00	14.56
72105 - Svc Co-Construction & Engineer	320.00	12.80	0.00	0.00	332.80
72210 - Machinery and Equipment	0.00	7,338.24	0.00	0.00	7,338.24
72215 - Transportation Equipment	0.00	45,516.22	0.00	524,743.66	570,259.88
72310 - Minerals, Mining & Metal Prdcts	0.00	732.70	0.00	0.00	732.70
72402 - Building Maintenance	0.00	66.56	0.00	0.00	66.56



SEE ANNEX



Combined Delivery Report By Project

UN Development Programme  
Project ID: ungl143p

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Award Id : 00045179 Support to 2007 National Elect		Period : Jan-Dec (2011)			
Project #: 00053311 Support to the Electoral Cycle		Impl. Partner : 99999 UNDP			
		Location : UNDP Timor Leste			
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
72405 - Acquisition of Communic Equip	66.00	26,856.93	0.00	212,724.15	239,647.08
72406 - Security communication equipme	0.00	5,064.80	0.00	0.00	5,064.80
72410 - Acquisition of Audio Visual Eq	0.00	67,118.00	0.00	17,875.00	84,993.00
72425 - Mobile Telephone Charges	0.00	8,627.48	0.00	0.00	8,627.48
72440 - Connectivity Charges	0.00	14,669.62	0.00	0.00	14,669.62
72445 - Common Services-Communications	0.00	1,336.29	0.00	0.00	1,336.29
72505 - Stationery & other Office Supp	181.00	11,722.74	0.00	0.00	11,903.74
72510 - Publications	0.00	925.60	0.00	0.00	925.60
72515 - Print Media	0.00	0.00	0.00	0.00	0.00
72520 - Electronic Media	0.00	150.80	0.00	0.00	150.80
72715 - Hospitality Catering	0.00	325.52	0.00	0.00	325.52
73104 - Leased Building	0.00	3,442.40	0.00	0.00	3,442.40
73105 - Rent	0.00	51,736.41	0.00	0.00	51,736.41
73120 - Utilities	1,406.10	10,794.16	0.00	0.00	12,200.26
73125 - Common Services-Premises	0.00	1,651.00	0.00	0.00	1,651.00
73405 - Rental & Maint-Other Office Eq	137.00	2,929.65	0.00	0.00	3,066.65
73406 - Maintenance of Equipment	0.00	4,222.92	0.00	0.00	4,222.92
73410 - Maint, Oper of Transport Equip	0.00	1,615.59	0.00	0.00	1,615.59
74205 - Audio Visual Productions	0.00	380.90	0.00	0.00	380.90
74210 - Printing and Publications	0.00	2,544.57	0.00	0.00	2,544.57
74215 - Promotional Materials and Dist	0.00	1,047.80	0.00	0.00	1,047.80
74220 - Translation Costs	0.00	2,631.55	0.00	0.00	2,631.55
74505 - Insurance	0.00	0.00	0.00	0.00	0.00
74510 - Bank Charges	5.00	0.20	0.00	0.00	5.20
74599 - UNDP cost recovery chrgs-Bills	0.00	0.00	0.00	0.00	0.00
74705 - Port Operation	0.00	3,491.05	0.00	9,375.00	12,866.05
75105 - Facilities & Admin - Implement	0.00	75,517.46	0.00	0.00	75,517.46
75115 - Facilities & Admin - OH & Ind	0.00	890.97	0.00	0.00	890.97
75705 - Learning costs	327.05	169.08	0.00	0.00	496.13
75707 - Learning - subsistence allowan	0.00	1,892.80	0.00	0.00	1,892.80
75710 - Participation of counterparts	2,595.45	103.82	0.00	0.00	2,699.27
75711 - TrnWrkshp&Conf - Stipends	306.00	125.60	0.00	0.00	431.60
75712 - TrnWrkshp&Conf - Honorariums	208.50	8.34	0.00	0.00	216.84
total for Fund 30000	5,566.10	1,123,239.79	0.00	769,349.09	1,898,154.98
total for Dept : 40204	16,686.10	1,538,390.68	0.00	769,349.09	2,324,425.87
total for Project : 00053311	16,686.10	1,542,418.35	0.00	0.00	2,328,453.54
Award Total :	16,686.10	1,542,418.35	0.00	0.00	2,328,453.54

For Lochan & Co.  
Chartered Accountants

Rajeev Lochan, FCA  
Partner

Signed By:

Date:

27/4/12

**Combined Delivery Report By Project**

UN Development Programme  
Report ID: ungl143p

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Run Time: 27-04-2012 08:04:59

Location Criteria:

Reporting Unit: TLS10  
Period: Jan-Dec (2011)  
Project Award Id: 00045179  
Project Fund Code: ALL  
Project Dept. IDs: B0402  
Project Projects: 00053311

Award # : 00045179 Support to 2007 National Elect		Period :	Jan-Dec (2011)		
Project # : Support to the Electoral Cycle		Impl. Partner :	None		
		Location :	UNDP Timor Leste		
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
40201 - East Timor - Central	0.00	4,027.67	0.00	0.00	4,027.67
40204 - East Timor - Dem. Governance	16,686.10	1,538,390.68	0.00	769,349.09	2,324,425.87





## UNDP Timor Leste

o Cẩm Thuỷ / 28/12/11

8/16/2011 1 1401 250 USD  
8/16/2011 1 1401 250 USD  
22,884.08  
28/12/11

Lochan, FCA  
Partner







# United Nations Development Programme Timor-Leste



## Management Letter

### Support to the Timorese Electoral Cycle

Project ID: 00053311

Audit Period – 01 January 2011 to 31 December 2011

**Lochan & Co.**  
Chartered Accountants

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## SECTION – I

### 1.0 Executive Summary

We have been engaged by the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) to conduct audit of the project **Support to the Timorese Electoral Cycle [Project ID: 00053311; Award ID: 00045179] (Project)** directly implemented by UNDP Timor-Leste. The audit was conducted from 17 April 2012 to 30 April 2012.

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

During the period reviewed, the Project recorded expenditures totalling **US\$ 2,328,453.54**.

### 1.1 Audit rating:

Audit assessed the Project Office as **satisfactory**, which means that "internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity."

### 1.2 Key issues and recommendations:

The audit raised 3 issues, which were mainly caused by inadequate planning and inadequate guidance or supervision at country office level. To address these issues, three recommendations were made which were ranked '**Medium (important)**' priority.

We wish to express our appreciation to the management and staff of UNDP Timor-Leste for the assistance and cooperation extended to the audit team.



**Rajeev Lochan** FCA  
Partner

**Lochan & Co**  
Chartered Accountants

Place: New Delhi  
Date: 28<sup>th</sup> January 2013

### Rating Summary

In our opinion, the overall level of internal control with respect to the project "Support to the Timorese Electoral Cycle [Project ID: 00053311; Award ID: 00045179]" is considered to be **Satisfactory**.

Area	Rating	Unsatisfactory	Partially Satisfactory	Satisfactory
Organization and Staffing	Satisfactory			
Project Management	Satisfactory			
Human Resources	Satisfactory			
Finance and Cash Management	Satisfactory			
Procurement	Satisfactory			
Assets Management	Satisfactory			
Information Systems	Not Applicable			
General Administration	Satisfactory			
Follow up on Previous Audit	Not Applicable			

## SECTION - II

### 2.0 Audit Objectives, Scope and Operational Overview

#### 2.1 Audit Objectives and Scope

The overall objectives and scope of the audit are detailed below.

##### Audit Objectives

- Provide an assurance that there exists an adequate operational and internal control systems to ensure that the projects are properly managed in accordance with the policies and procedures of UNDP for the achievement of their objectives with due regard for economy and efficiency.
- Express an opinion on whether the expenditure incurred and recorded in the Combined Delivery Reports of the Project for the period from 01 January 2011 to 31 December 2011 present fairly the expenditure incurred on the projects and whether the expenditure were incurred according to the approved budgets, for the approved purposes of the projects and were incurred according to the UNDP policies and guidelines and were supported by properly approved vouchers and invoices; and
- Express an opinion on the Statement of Assets and Equipment held by the Project as at 31 December 2011 whether the statements of inventory present fairly the balance of the inventory of the projects in all material respects.

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

- a) reliability and integrity of project financial and operational information;
- b) effectiveness and efficiency of project operations;
- c) safeguarding of assets and
- d) compliance with legislative mandates, regulations and rules, policies and procedures, as well as donor agreements.

##### Audit Scope

The audit reviewed the operations for one year period covering the following areas:

- Overall Organization and Staffing
- Donors' Arrangements
- Project Management
- Human Resources
- Finance and Cash Management
- Procurement
- Assets Management
- Information System
- General Administration and
- Follow up of Previous Audits

The audit was carried out in accordance with the International Standards on Auditing. This includes an approved planning memorandum and risk assessment exercise carried out prior to the audit, based on information provided by UNDP Timor-Leste as per list of documents sent with announcement letter. Relevant samples of documents and transactions for the period of audit were reviewed. Discussions were held with UNDP Timor-Leste staff and in the field throughout the audit.

As informed by the country office, no audit for the project has been conducted in the last three years; therefore follow up of previous year audit is not applicable.

#### 2.1.1 Project Audit Visit Data

The audit was carried out at the UNDP CO, Timor-Leste during the period 17 April 2012 to 30 April 2012. The debriefing meeting was held on 30 April 2012 to discuss the key issues/ observations noticed during our audit. The preliminary audit findings were communicated to the Project on 10 July 2012. Management responses to our findings were received on 26 July 2012. The management's responses have taken care into consideration in finalizing this audit report.

## 2.2 Operational Overview

### 2.2.1 Project Background

The elections held in 2007 were the first national elections in the post-independence period, conducted by the Timorese election authorities. Administered by the Technical Secretariat for Electoral Administration (STAE) and supervised by the National Commission on Elections (CNE), the three national elections in 2007 were widely considered to have been free, fair and in line with international standards.

While STAE and CNE took charge of organizing and supervising these elections, their work was done with strong material support from the international community, including UNDP electoral project. This support was provided mainly during the electoral period. In this context it was generally recognized that true capacity development cannot take place in the run-up to an election, where the imperative is on operational details. Longer-term support from donors in developing the capacities of the electoral management bodies (EMBs) and political parties is still needed, particularly in the lead-up to the coming elections. In response, UNDP Electoral project was revised in 2008 to reflect shift in approach from a short-term focus on the election event to one of working throughout the electoral cycle, from post-electoral to pre-electoral to electoral. The key project outputs are:

- Enhanced capacity of the Electoral Management Bodies (STAE and CNE) to fulfil their administrative and supervisory mandates and to organize and conduct free and fair Suco and local elections. The project aims to further build the capacity of Timor-Leste's EMBs (STAE and CNE) through technical assistance, advisory and training programs particularly in the lead up of the National Elections 2012.
- Electoral laws and processes that enhance participation and free, fair and credible elections.
- Institutional capacity of the political parties strengthened and a more tolerant political environment promoted.

### 2.2.2 Management

The project is directly implemented (DIM) by UNDP Timor-Leste in consultation with its partners. The Project Board is the overall authority for the project and is responsible for its initiation, direction, review and eventual closure. Project Board comprises of following members:

- Project Executive: UN Resident Coordinator or his delegated representative
- Senior Supplier: Representatives of the development partners contributing to the project
- Senior Beneficiary: Representatives of STAE and CNE (and other beneficiaries invited as relevant)

### 2.2.3 Project Operations

The project is coordinated by a Project Manager, recruited by UNDP who is overseeing the implementation. The Project Manager is responsible for day-to-day management and decision-making for the project, as well as ensuring that the project produces the results specified in the project document, to the required standard of quality and within the specified constraints of time and cost. The Project Manager is assisted by an administrative team. Short-term advisers have been fielded as required as part of project teams. The Project Manager reports to Project Board.

### 2.2.4 Monitoring and Evaluation

The monitoring and evaluation mechanism is in place as mentioned in the project document. The Project Management Unit (PMU) is working for implementation of the project. PMU is reporting to the Project Board.

### 2.2.5 Brief Overview of the Project

Project duration	March 2008 to December 2012
Audit period	January 2011 to December 2011
Total Budget of project	US\$ 7,618,687.00
Budget during the audit period -2011	US\$ 3,086,194.62
Expenditure during the audit period	US\$ 2,328,453.54
Percentage Utilisation	75.45%

## SECTION – III

### 3.0 Detailed Audit Observations

#### 3.1 Organization and Staffing

Satisfactory

No observation

#### 3.2 Project Management

Satisfactory

##### Observation No. 1.1: Low rate of delivery in term of utilization of financial resources

- The total budget as per the latest revision in budget dated 26.10.2011 was US\$ 3,086,194.62 whereas the actual expenditure incurred as per CDR is US\$ 2,328,453.54. Hence there was low rate of delivery equal to 75.45%.
- The management explained that the 2011 delivery was particularly influenced by US\$ 760,000 procurement initiated and committed in 2011 and finalized in 2012.
- Audit firm disagrees with management explanation. The procurement of US\$ 760,000 has been considered in CDR for 2011 on the basis of "Encumbrances" as the POs were issued for procurements during the year 2011.

##### Observation No. 1.2: Variances between budgeted and actual expenditure

- The project expenditures are required to be analyzed regularly and explanations obtained/documentated for significant exceptions (example: larger than 20 percent)
- The budget and actual expenditure are compared in three tables. The first comparison is for Activity wise comparison, the second for Donor code wise comparison and third for Account code wise comparison (refer Table - A, Table - B and Table - C attached as annexure).
- **Activity wise comparison**
  - In **activity 1:** "management" the actual expenditure was US\$ 602,699.45 compared to the budgeted expenditure of US\$ 1,041,605.58. Thus, there was an under utilization of US\$ 438,906.13 (42.14%).
- **Donor code wise comparison**
  - In case of donor Japan Government (**JPN**) (**donor code 141**) the actual expenditure was US\$ 1,017,720.89 in comparison to the budgeted expenditure of US\$ 1,753,702.26 Thus there was an under utilization of US\$ 735,981.37 (41.97%).
- **Account code wise comparison**
  - From the account code wise comparison as mentioned in Table- C, following points were concluded:
    - In 8 account codes there was no budget but expenditure of US\$ 210,048.66 is charged under these account codes.
    - In 1 account code there is budget of US\$ 126,897.66 but no expenditure has been incurred against the same.
    - In 3 account codes expenditure is over utilized which is ranging from 248.02% to 25.55%.
    - In 6 account codes, the expenditure is underutilized ranging from 92.83% to 34.92%.
  - On the basis of analysis, audit firm has concluded that either there was lacking in budget preparation or the transactions were not recorded in the correct accounting codes.
- The management explained that there are always deviations between budgeted amount and actual expenditures because during the projection phase it can never ever be anticipated accurately the project activities and cost associated. It was further explained that several factors influence the deviation starting such as processes aimed at increasing cost efficiencies as well as other activities not envisaged in the project budget may come up as priority for UNDP in response to the Government needs.
- The audit firm understands that some deviations are bound to occur between the budgeted and actual expenditure as the anticipation cannot be hundred percent correct at any time. However, as already stated only major deviations have been considered (i.e. more than 20%). The difference in some of the items ranging to more than 100% reflects the lack of proper planning.

Cause

Inadequate Planning

<b>Risk</b>	Programmatic
<b>Priority</b>	Medium (Important)
<b>Impact 1.1:</b> <ul style="list-style-type: none"> <li>The low rate of delivery in terms of utilization of financial resources indicates that either the planning was inappropriate or the budget was planned at a higher side or the short or non implementation of project activities thus leaving unutilized funds.</li> </ul>	
<b>Impact 1.2:</b> <ul style="list-style-type: none"> <li>The variations between budgeted and actual expenditure reflects lacking in budgetary monitoring which may affect effective implementation of project activities.</li> </ul>	
<b>Recommendation 1.1:</b> <ul style="list-style-type: none"> <li>The project management should analyse the reasons for low rate of delivery and strive to achieve a reasonable rate of delivery in terms of utilization of financial resources so that the expected project outcomes can be achieved on a timely basis.</li> </ul>	
<b>Recommendation 1.2:</b> <ul style="list-style-type: none"> <li>Project management team should exercise more effective monitoring over the budget and expenditure. This should include: <ul style="list-style-type: none"> <li>Ensuring that expenditure is recorded in the same donor, activity and accounting code where it is budgeted.</li> <li>Comparing the project expenditure on regular basis and reasons for significant variances should be documented. Further follow up action should be undertaken for such variances.</li> </ul> </li> </ul>	
<b>Management Comments 1.1:</b> <ul style="list-style-type: none"> <li>In the initial CO delivery target for 2011, Support to Timorese Electoral Cycle Project contributed with only US\$ 1.3 Million based on funds availability. However, the budget was subsequently revised on receiving the Japanese cost-sharing contribution in December 2011. Please note that out of total contributions of 3,095,476.2 received in 2011, the contribution of Government of Japan at the amount US \$1,753,702.26 was received only in December 2011 and due to the year-end closure of 2011 accounts the amount was not possible to be spent in full. Hence, the difference between total contribution received and the amount encumbered until December-end 2011 including reported Un-liquidated Obligations (ULO's) as well was phased over to the 2012 Project Budget (US \$735,987.97) to cover remaining activities related to presidential and parliamentary election held respectively in March and July 2012.</li> </ul>	
<b>Management Comments 1.2:</b> <ul style="list-style-type: none"> <li>The management acknowledges in particular the observation made in regard to excess of more than 20% of actual expenditures against budgeted ones. This issue will be addressed by strengthening its oversight tools by asking the Project Manager to monitor, analyze and report quarterly on budget management to the Programme Officer. In addition, Project budget management will be set as one of the key performance targets for both Project Manager and Programme Officer.</li> <li>The comments of Observation 1.12 related to late contribution received by Government of Japan are relevant to "Donor wise comparison" observation. The Government of Japan Contribution was received in December 2011 and for this reason only the amount of US \$1,017,714.29 was encumbered with accounting date of December 2011 and the rest was phased over to 2012 budget to cover remaining Project activities in support to parliamentary and presidential elections held respectively in March and July 2012.</li> </ul>	
<b>Audit Firm's Comment on Management Comments 1.1:</b> <ul style="list-style-type: none"> <li>The AWP for 2011 was revised on receiving the Japanese cost-sharing contribution in December 2011. As the contribution of Government of Japan amounting to US\$ 1,753,702.26 was received only in December 2011, why the AWP for 2011 was revised knowing that the funds received from Government of Japan could not be utilized during 2011 itself; rather including the same in AWP for 2012.</li> </ul>	
<b>Responsible Manager:</b> Project Manager	
<b>Expected Completion Date:</b> 31 December 2012	
<b>Status of Recommendation:</b>	

### 3.3 Human Resource

Satisfactory

#### Observation No. 2: Variation between planned positions and actual positions

The deployment of project staff for the project is required to be in accordance with the planned positions in AWP. However

- some positions included in AWP 2011 were not actually filled such as:
  - National Legal Adviser (CNE)
  - Training and Capacity Building Coordinator for STAE
  - Two District Resource Centre Coordinators
  - Driver
- Resource did not worked for the planned period:
  - One of the legal advisors worked for 6 months (from January to June 2011) while it was planned for 12 months.
  - The Coordinator of Resource Centres has worked for 3 months (from January to March 2011) while it was planned for 12 months.
- Program management explained that it is not an abnormal issue and it does not pose any risk to UNDP as long as the structure in place is efficient and cost-effective for delivery of the project results as per the update Annual and Quarterly Work Plans that take into considerations the staffing needs as they emerged and response to the priority identified by the national institution.
- Management has provided various reasons for the same, the relevant reason as explained by management for the recruitment of National Legal Advisers (CNE) is that CNE requested for recruitment against this position at the end of 2011 and accordingly recruitment process was started which concluded in 2012 when the two national advisers started effectively working in support of the 2012 national elections.
- The reasons provided by management for vacancy of different positions may be correct, but in such case, the question arises why these changes were not reflected in the revised AWP and revised budget.

<b>Cause</b>	Inadequate Planning
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<b>Risk</b>	Programmatic
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<b>Priority</b>	Medium (Important)
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#### Impact:

- The delay in recruitment or recruitment for a period less than the planned period may affect the efficiency and effectiveness of the project activities. It also has an impact for the lower financial delivery of the project.

#### Recommendation 2:

- For effective implementation of project activities the project personnel should be recruited as envisaged in the Annual Work Plan. The duration of the contract of project personnel should be for the period as planned in AWP.
- Where there is change in requirements of project personnel due to future development in project the reasons for the same should be recorded and the revised budget and AWP should be approved from competent authority.

#### Management Comments:

- The observation and recommendations are noted and the management will consider and address the points made when new projects will start in the near future as this Project will end by the end of 2012

**Responsible Manager:** Project Manager

**Expected Completion Date:** No specific date for completion can be given.

**Status of Recommendation:**

### 3.4 Finance and cash Management

Satisfactory

No observations



### 3.5 Procurement

Satisfactory

No observations

### 3.6 Asset Management

Satisfactory

#### Observation No. 3: Maintenance of asset records

- As per asset management guidelines of UNDP, proper records should be maintained for capital assets, non capital assets and consumable items.
- Project was not maintaining proper asset records for capital assets, non-capital assets and consumable items.
- The project provided a list for capital assets dated 30.06.2010 and confirmed that same assets list was valid as on 31.12.2010. Further a list was provided containing capital items and non capital items as on 31.12.2011. In addition to this detail of items procured during the year 2011 was provided.
- However no records were provided for the equipment issued to staff members and received back from them. No separate control sheet was maintained for recording the movement of equipments.
- The management explained that many changes occurred throughout the year in order to clean-up the accounts held under UNSAS accounting methodology to adopt them to IPSAS. Further, the CO has gone through comprehensive exercise resulted in cleaning-up the accounts as per old system and the final result is certified by HQ.

<b>Cause</b>	Lack of or inadequate guidance or supervision at country office level
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<b>Risk</b>	Operational
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<b>Priority</b>	Medium (Important)
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#### Impact:

- Non maintenance of proper assets records dilutes the control over assets and increases the risk which might lead to loss and/ or misuse of the assets.

#### Recommendation 3:

- The project management should maintain the records for each category of the assets such as capital, non-capital and consumables items.

#### Management Comments:

- The recommendations are acknowledged but the observation belongs to the past which is no longer a reality.
- The management of DIM projects assets has changed as of 1 January 2012 with IPSAS implementation and the CO has full control and oversight on projects assets as well and is in compliance with the corporate standards, part of which is maintaining of records both in excel sheets and ATLAS as well for those assets over which UNDP has a control. As per the new guidelines, the opening balance of pre-2012 Projects assets exist, currently verified and reported in an excel sheet meantime that new assets acquired as of 1 January 2012 are included and reported under management assets.

<b>Responsible Manager:</b> Project Manager
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<b>Expected Completion Date:</b> Completed
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<b>Status of Recommendation:</b>
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### 3.7 Information System

Not Applicable

### 3.8 General Administration

Satisfactory

No observations



## SECTION – IV

### 4.1 Categorization of audit findings by priorities

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

**High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP and may affect the organization at the global level.

**Medium (Important)** Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP.

**Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.

### 4.2 Definition of Standard Audit Ratings:-

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

### 4.3 Project Organization Structure



## SECTION - V

### 5.0 Annexure

**Table - A**

#### Activity wise Budget Analysis for 2011

(Amount in US\$)

Activities/ Outcomes	Budgeted Expenditure (A)	Actual Expenditure (B)	Difference (A-B)	% Difference
ACTIVITY1 – Management	1,041,605.58	602,699.45	438,906.13	42.14%
ACTIVITY2 - Support to STAE	1,695,853.47	1,361,297.49	334,555.98	19.73%
ACTIVITY3 - Support to CNE	104,000.00	103,546.40	453.60	0.44%
ACTIVITY4 - Support to political party	228,735.57	245,180.80	(16,445.23)	-7.19%
ACTIVITY5 - Political party resource centre	16,000.00	15,736.00	264.00	1.65%
<b>Grand Total</b>	<b>3,086,194.62</b>	<b>2,328,460.14</b>	<b>757,734.48</b>	<b>24.55%</b>

**Table - B**

#### Donor wise Budget Analysis for 2011

(Amount in US\$)

Donor Code	Donor	Budgeted Expenditure (A)	Actual Expenditure (B)	Difference (A-B)	% Difference
11211	IRE AID	426,968.10	405,214.99	21,753.11	5.09%
141	JPN	1,753,702.26	1,017,720.89	735,981.37	41.97%
555	SIDA	479,419.77	479,419.77	-	0.00%
12	UNDP	426,104.49	426,104.49	-	0.00%
<b>Total</b>		<b>3,086,194.62</b>	<b>2,328,460.14</b>	<b>757,734.48</b>	<b>24.55%</b>

**Table - C**

**Account code wise Budget Analysis for 2011**

(Amount in US\$)

Account codes	Account Description	Budgeted Expenditure (A)	Actual Expenditure (B)	Difference (A-B)	% Difference
61300	Salary and Post ADJ Cost-IP Staff	591,719.83	251,674.46	340,045.37	57.47%
62300	Recurrent Payroll Costs-IP Staff	-	140,131.65	(140,131.65)	-100.00%
63500	Insurance and Security Costs	-	30,400.10	(30,400.10)	-100.00%
64300	Staff Mgmt Costs - IP Staff	-	10,376.67	(10,376.67)	-100.00%
65100	After Service Insurance	-	13,566.33	(13,566.33)	-100.00%
71100	ALD Employee Costs	126,897.66	-	126,897.66	100.00%
71200	International Consultants	740,440.00	476,569.60	263,870.40	35.64%
71400	Contractual Services Individual	220,484.38	133,350.71	87,133.67	39.52%
71500	UN Volunteers	5,000.00	11,054.15	(6,054.15)	-121.08%
71600	Travel	23,500.00	81,783.98	(58,283.98)	-248.02%
72100	contractual Services Companies	23,062.80	1,653.60	21,409.20	92.83%
72200	Equipment and furniture	587,000.00	576,924.50	10,075.50	1.72%
72300	Materials & Goods	-	1,825.94	(1,825.94)	-100.00%
72400	Communication and Audio Visual Equipment'	397,098.00	360,084.87	37,013.13	9.32%
72500	Supplies	16,176.00	20,309.28	(4,133.28)	-25.55%
72700	Hospitality/Catering	-	325.52	(325.52)	-100.00%
73100	Rental and Maintenance of Premises	76,638.22	87,530.14	(10,891.92)	-14.21%
73400	Rental and Maintenance of other Equipment	12,000.00	13,542.05	(1,542.05)	-12.85%
74200	Audio Visual and Print Production Costs	133,413.47	21,454.97	111,958.50	83.92%
74500	Miscellaneous	-	556.40	(556.40)	-100.00%
74700	Transport, Shipping and handle	-	12,866.05	(12,866.05)	-100.00%

Account codes	Account Description	Budgeted Expenditure (A)	Actual Expenditure (B)	Difference (A-B)	% Difference
75100	Facilities and Administration	117,848.79	76,692.66	41,156.13	34.92%
75700	Training, Workshops and Conferences	14,915.47	5,786.51	9,128.96	61.20%
<b>Total</b>		<b>3,086,194.62</b>	<b>2,328,460.14</b>	<b>757,734.48</b>	<b>24.55%</b>

## Glossary

AUSAID	Australian Agency for International Development
AWP	Annual Work Plan
CDR	Combined Delivery Report
CNE	National Electoral Commission
CO	Country Office
DIM	Direct Implementation
DRC	District Resource Centre
EMB	Electoral Management Bodies
FCA	Fellow Chartered Accountants
HQ	Headquarters
HR	Human Resource
ICF	Internal Control Framework
IP	Implementing Partner
IPSAS	International Public Sector Accounting Standard
IT	Information Technology
JPN	Japan Government
OAI	Office of Audit and Investigations
PBB	Project Budget Balance
PD	Project Document
PMU	Project Management Unit
PO	Purchase Order
RADT	Request for Asset Transfer or Disposal
SIDA	Swedish International Development Agency
STAE	Technical Secretariat for Electoral Administration
ULO	Un-liquidated Obligations
UN	United Nations
UNDP	United Nations Development Programme
US\$	United States Dollar

