



AUDIT

OF

UNDP Pakistan

**Peace and Development Programme in Pakistan
(Directly Implemented Project No. 74261)**

**Report No. 988
Issue Date: 19 June 2013**

**Report on the audit of UNDP Pakistan
Peace and Development Programme in Pakistan (Project No. 74261)
Executive Summary**

From 18 October 2012 to 15 January 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through Ernst & Young Ford Rhodes Sidat Hyder - Pakistan (the audit firm), conducted an audit of the Peace and Development Programme in Pakistan, Project No. 74261 (the Project), which is directly implemented and managed by the UNDP Country Office in Pakistan (the Office). The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The last audit of the Office was conducted by OAI in 2012.

The Project reported expenditure totalling \$9.9 million during the period from 1 January 2010 to 31 March 2012. The Project was funded by Japan.

Audit scope and objectives

The audit work covered financial transactions as well as internal controls and systems for the purpose of expressing an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations, as well as assess compliance with UNDP regulations, rules, policies and procedures and donor agreements. The audit covered the Project's Statement of Expenditure (Combined Delivery Report) for the period from 1 January 2010 to 31 March 2012 and Statement of Assets as of 31 March 2012. It also reviewed the relevant systems, procedures and practices in place as they relate to the Project, in the areas of: organization and staffing, project management, human resources management, financial and cash management, procurement, asset management, information systems and general administration.

Audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, OAI assessed the management of the Project as **partially satisfactory**, which means "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." The details of the audit results are presented in Figures 1 and 2.

Figure 1: Summary results of the financial audit

Project Expenditure			Project Assets	
Amount (in \$ '000)	Opinion	NFI (in \$ '000)	Amount (in \$ '000)	Opinion
9,859	Qualified	107	742	Unqualified

NFI = Net Financial Impact

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

- (a) Expenses amounting to \$107,000 were not recorded in the Combined Delivery Report for the period ending 31 March 2012. This amount related to expenses which were incurred by responsible parties during the reporting periods, but were not recorded in the Combined Delivery Report since the responsible parties were late in submitting financial reports to the Office.

- (b) Expenses amounting to \$3.389 million had been classified into the incorrect chart of accounts. Included in these misclassifications were various types of expenses amounting to \$1.178 million, \$2.169 million and \$42,000 for the periods ending 31 December 2010, 31 December 2011 and 31 March 2012, respectively, and which had been incorrectly recorded in the 'grants to institutions' account.

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 six issues and resulted in no recommendations, mainly because the Project had already ended. Among the issues raised in this report, the most significant are presented below:

- Project management (Issue 1) Absence of effective evaluation of civil society organizations for award of Project Cooperation Agreements. The capacity assessment tool used to screen the eligible civil society organizations for the technical assessment did not specify any criteria for providing scores or ratings. Further, the language used in the capacity assessment reports was occasionally exaggerated. The audit firm identified nine instances where the technical assessment team allocated high scores to the civil society organizations despite their lack of prior experience in the selected geographic locations and thematic areas of award, and lack of adequate staff. Project Cooperation Agreements amounting to \$1.3 million were awarded to these civil society organizations.
- Human resources management (Issue 3) Lack of controls to detect addition or deletion of employees in the payroll system. The Human Resources Associate can add or delete employees in the payroll system. System generated notifications for additions or deletions of employees from the payroll could not be generated from the beginning of the Project until January 2012. There were no substitute manual controls available to mitigate the risks associated with the payroll system prior to January 2012.

Management's comments

The Resident Representative agreed with all six issues raised.



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



United Nations Development Programme Pakistan

Financial Audit Report

Peace and Development Programme in Pakistan

Project ID: 00074261

Audit Period: From 01 January 2010 to 31 March 2012

Contents

Financial Statements Certification

- Certification on Statement of expenditure (CDR) 1
- Statement of expenditure (CDR)..... 3
- Certification on Statement of Assets 13
- Statement of Assets 15

Independent auditors' Report to the United Nation Development Programme (UNDP) in respect of "Peace and Development Programme" (Project ID 00074261)

We have audited the accompanying statements of expenditure [Combined Delivery Reports (CDRs)] of the UNDP Project "Peace and Development Programme" under Project ID **00074261** (here-in-after referred to as "the statements") for the periods ended 31 December 2010, 31 December 2011 and 31 March 2012 (periods taken as a whole).

Management is responsible for the preparation of the statements of the UNDP Project "Peace and Development Programme" under Project ID 00074261 and for such internal control as management determines is necessary to enable the preparation of the statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these statements based on our audit. We have conducted audit in accordance with International Standards on Auditing. Those standards require us to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Project's preparation of the statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statements.

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

- a) Expenses amounting to \$0.107 million were not recorded in the CDR for the period ending 31 March 2012. This amount relates to expenses which were incurred by RPs during the reporting periods but were not recorded in the CDRs as financial reports from RPs were submitted to the Office late; and



- b) expenses amounting to \$3.389 million had been classified into incorrect chart of accounts. Included in these misclassifications are various types of expenses aggregating to \$1.178 million, \$2.169 million and \$0.042 million for the periods ending 31 December 2010, 31 December 2011 and 31 March 2012 respectively which have been incorrectly entered into the account namely “grants to institutions”.

In our opinion, except for the matter stated in paragraphs (a) and (b) above, the statements present fairly, in all material respects, the expenses of \$9.859 million incurred by the Project for the period from 01 January 2010 to 31 March 2012 in accordance with the UNDP accounting policies and such expenses were:

- a) in conformity with the approved Project budgets;
- b) for the approved purposes of the Project;
- c) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and
- d) supported by properly approved vouchers and other supporting documents.

We draw attention to the fact that, during the period, the Office’s management has used two different accounting policies with respect to recognition of assets in the statements in respect of this Project. Prior to 31 December 2011, these were charged off as expenses in the statements, whereas subsequent thereto, these have been recognized as assets and related depreciation has been charged in the statements. The policy change resulted from UNDP Executive Board’s decision to adopt International Public Sector Accounting Standards (IPSAS) w.e.f 01 January 2012.

We draw attention to the fact that, during the period, the Office’s management has followed two different accounting policies with respect of charging of expenditure in the statements. Prior to 31 December 2011, these were charged off on disbursement basis, whereas subsequent thereto, these have been charged on accrual basis. The policy change resulted from UNDP Executive Board’s decision to adopt International Public Sector Accounting Standards (IPSAS) w.e.f 01 January 2012.



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Engagement Partner: Omar Mustafa Ansari

Date: 21 May 2013

Place: Karachi - Pakistan

**UNDP PAKISTAN Project ID 00074261
Peace and Development Programme**

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



UN Development Programme
Report ID: ungl143p

Combined Delivery Report By Project

Page 1 of 2
Run Time: 16-05-2013 09:05:23

Selection Criteria :

Business Unit : PAK10
Period : Jan-Dec (2010)
Selected Award Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Projects : 00074261

Award Id : 00058104 Peace & Development Programme	Period : Jan-Dec (2010)
Project # : 00074261 Peace & Development Programme	Impl. Partner : 02373 UNDP (Direct Execution)
	Location :

	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
Dept: 42403 (Pakistan - Crisis Prev & Rcvry)					
Fund : 30000 (Programme Cost Sharing)					
66105 - Overtime & Night Differential	0.00	383.87	0.00	0.00	383.87
71205 - Intl Consultants-Sht Term-Tech	0.00	6,786.00	0.00	0.00	6,786.00
71405 - Service Contracts-Individuals	0.00	30,730.27	0.00	3,229.36	33,959.63
71610 - Travel Tickets-Local	0.00	1,334.54	0.00	645.16	1,979.70
71620 - Daily Subsistence Allow-Local	0.00	9,479.24	0.00	1,893.21	11,372.45
71635 - Travel - Other	0.00	102.72	0.00	0.00	102.72
72120 - Svc Co-Trade and Business Serv	0.00	63,799.72	0.00	8,970.59	72,770.31
72125 - Svc Co-Studies & Research Serv	0.00	64,526.63	0.00	0.00	64,526.63
72130 - Svc Co-Transportation Services	0.00	229.99	0.00	0.00	229.99
72165 - Svc Co-Social Svcs, Social Sci	0.00	160,488.06	0.00	0.00	160,488.06
72205 - Office Machinery	0.00	67,922.06	0.00	0.00	67,922.06
72210 - Machinery and Equipment	0.00	27,835.00	0.00	0.00	27,835.00
72220 - Furniture	0.00	6,165.00	0.00	0.00	6,165.00
72330 - Medical Products	0.00	106,605.70	0.00	0.00	106,605.70
72405 - Acquisition of Communic Equip	0.00	0.00	0.00	0.00	0.00
72440 - Connectivity Charges	0.00	175,599.24	0.00	0.00	175,599.24
72520 - Electronic Media	0.00	1,637.04	0.00	0.00	1,637.04
72605 - Grants to Instit & other Benef	0.00	1,178,400.02	0.00	0.00	1,178,400.02
72615 - Micro Capital Grants-Other	0.00	39,756.78	0.00	0.00	39,756.78
73410 - Maint, Oper of Transport Equip	0.00	118.12	0.00	0.00	118.12
74120 - Capacity Assessment	0.00	87,536.86	0.00	0.00	87,536.86
74225 - Other Media Costs	0.00	271.45	0.00	0.00	271.45
74525 - Sundry	0.00	22,081.00	0.00	0.00	22,081.00
75115 - Facilities & Admin - OH & Ind	0.00	1,731,297.00	0.00	0.00	1,731,297.00
76125 - Realized Loss	0.00	189.68	0.00	0.00	189.68
76135 - Realized Gain	0.00	- 1,097.16	0.00	0.00	- 1,097.16
Total for Fund 30000	0.00	3,782,178.83	0.00	14,738.32	3,796,917.15
Total for Dept : 42403	0.00	3,782,178.83	0.00	14,738.32	3,796,917.15
Total for Project : 00074261	0.00	3,782,178.83	0.00	0.00	3,796,917.15
Award Total :	0.00	3,782,178.83	0.00	0.00	3,796,917.15



Signed By :

[Signature]
Douglas Hageman
Country Director s.i.
United Nations Development Programme
Islamabad, Pakistan

Date :

16 May 2013

**UNDP PAKISTAN Project ID 00074261
Peace and Development Programme**

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



UNDP UN Development Programme
Report ID: ungl143p

Combined Delivery Report By Project

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

Selection Criteria :

Business Unit : PAK10
Period : Jan-Dec (2010)
Selected Award Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Projects : 00074261

Award Id : 00058104	Peace & Development Programme	Period :	Jan-Dec (2010)				
Project # :	Peace & Development Programme	Impl. Partner :	None				
		Location :					
			Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
42403 - Pakistan - Crisis Prev & Rcvry			0.00	3,782,178.83	0.00	14,738.32	3,796,917.15



**UNDP PAKISTAN Project ID 00074261
Peace and Development Programme**

**Statement of expenditure (CDR)
For the period from 1 January 2010 to 31 December 2011**



UN Development Programme
Report ID: ungl143p

Page 1 of 3
Run Time: 16-05-2013 09:05:44

Combined Delivery Report By Project

Selection Criteria :

Business Unit : PAK10
Period : Jan-Dec (2011)
Selected Award Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Projects : 00074261

Award Id : 00058104 Peace & Development Programme	Period : Jan-Dec (2011)
Project # : 00074261 Peace & Development Programme	Impl. Partner : 02373 UNDP (Direct Execution)
	Location :

	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
Dept: 42401 (Pakistan - Central)					
Fund : 30000 (Programme Cost Sharing)					
75709 - Learning - training of counter	0.00	119.08	0.00	0.00	119.08
Total for Fund 30000	0.00	119.08	0.00	0.00	119.08
Total for Dept : 42401	0.00	119.08	0.00	0.00	119.08
Dept: 42403 (Pakistan - Crisis Prev & Rcvry)					
Fund : 30000 (Programme Cost Sharing)					
66105 - Overtime & Night Differential	0.00	281.43	0.00	0.00	281.43
71205 - Intl Consultants-Sht Term-Tech	70,842.00	0.00	0.00	0.00	70,842.00
71210 - Intl Consultants-Sht Term-Supp	0.00	0.00	0.00	0.00	0.00
71305 - Local Consult.-Sht Term-Tech	68,479.03	118,071.94	0.00	9,662.95	196,213.92
71310 - Local Consult.-Short Term-Supp	0.00	52,415.17	0.00	0.00	52,415.17
71405 - Service Contracts-Individuals	0.00	288,460.12	0.00	-3,229.36	285,230.76
71605 - Travel Tickets-International	0.00	0.00	0.00	0.00	0.00
71610 - Travel Tickets-Local	0.00	1,803.98	0.00	-408.23	1,395.75
71620 - Daily Subsistence Allow-Local	0.00	70,153.38	0.00	-1,893.21	68,260.17
71635 - Travel - Other	0.00	1,270.21	0.00	0.00	1,270.21
71640 - Prepaid Travel Advance	0.00	999.60	0.00	0.00	999.60
72105 - Svc Co-Construction & Engineer	20,908.27	176,335.70	0.00	11,334.49	208,578.46
72110 - Svc Co-Agricultural Management	0.00	0.00	0.00	0.00	0.00
72115 - Svc Co-Natural Resources & Env	0.00	36,439.01	0.00	0.00	36,439.01
72120 - Svc Co-Trade and Business Serv	0.00	186,789.91	0.00	-8,970.59	177,819.32
72125 - Svc Co-Studies & Research Serv	0.00	39,896.46	0.00	0.00	39,896.46
72145 - Svc Co-Training and Educ Serv	0.00	17,286.80	0.00	0.00	17,286.80
72160 - Svc Co-Education & Health Serv	0.00	5,397.74	0.00	0.00	5,397.74
72170 - Svc Co-Humanitarian Aid & Relf	98,419.12	2,349,376.59	0.00	0.00	2,447,795.71
72205 - Office Machinery	0.00	68,700.00	0.00	0.00	68,700.00
72210 - Machinery and Equipment	0.00	407,514.62	0.00	0.00	407,514.62
72215 - Transportation Equipment	0.00	-13,578.14	0.00	0.00	-13,578.14
72315 - Food & Textile Products	0.00	101.86	0.00	0.00	101.86
72330 - Medical Products	0.00	0.00	0.00	0.00	0.00
72350 - Medical Kits	0.00	174.01	0.00	0.00	174.01
72370 - Security related goods and mat	0.00	3,761.19	0.00	0.00	3,761.19
72405 - Acquisition of Communic Equip	0.00	4,842.01	0.00	0.00	4,842.01
72406 - Security communication equipme	0.00	142.82	0.00	0.00	142.82
72410 - Acquisition of Audio Visual Eq	0.00	539.44	0.00	0.00	539.44
72415 - Courier Charges	0.00	136.69	0.00	0.00	136.69
72420 - Land Telephone Charges	0.00	1,738.45	0.00	0.00	1,738.45
72425 - Mobile Telephone Charges	0.00	108.89	0.00	0.00	108.89
72430 - Postage and Pouch	0.00	108.57	0.00	0.00	108.57
72435 - E-mail-Subscription	0.00	4,800.00	0.00	0.00	4,800.00
72440 - Connectivity Charges	0.00	6,789.98	0.00	0.00	6,789.98
72505 - Stationery & other Office Supp	0.00	69,598.28	0.00	0.00	69,598.28
72605 - Grants to Instit & other Benef	0.00	2,168,856.23	0.00	0.00	2,168,856.23
72710 - Hospitality-Vouchered Expenses	0.00	444.08	0.00	0.00	444.08
72805 - Acquis of Computer Hardware	0.00	337,875.36	0.00	0.00	337,875.36
72815 - Inform Technology Supplies	0.00	5,183.34	0.00	0.00	5,183.34
73105 - Rent	18,000.00	34,456.00	0.00	0.00	52,456.00



**UNDP PAKISTAN Project ID 00074261
Peace and Development Programme**

**Statement of expenditure (CDR)
For the period from 1 January 2010 to 31 December 2011**



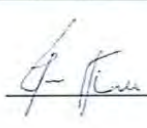
UN Development Programme
Report ID: ungl143p

Combined Delivery Report By Project

Page 2 of 3
Run Time: 16-05-2013 09:05:44

Award Id : 00058104 Peace & Development Programme	Period : Jan-Dec (2011)				
Project # : 00074261 Peace & Development Programme	Impl. Partner :	02373 UNDP (Direct Execution)			
	Location :				
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
73107 - Rent - Meeting Rooms	0.00	- 1,697.63	0.00	0.00	- 1,697.63
73110 - Custodial & Cleaning Services	0.00	15,765.54	0.00	0.00	15,765.54
73115 - Moving Expenses	0.00	0.00	0.00	0.00	0.00
73120 - Utilities	0.00	4,453.35	0.00	1,701.64	6,154.99
73125 - Common Services-Premises	0.00	41,814.34	0.00	0.00	41,814.34
73305 - Maint & Licensing of Hardware	0.00	188.45	0.00	0.00	188.45
73405 - Rental & Maint-Other Office Eq	0.00	6,878.62	0.00	0.00	6,878.62
73410 - Maint, Oper of Transport Equip	0.00	38,078.26	0.00	0.00	38,078.26
74105 - Management and Reporting Svcs	0.00	80.77	0.00	0.00	80.77
74210 - Printing and Publications	0.00	17,778.74	0.00	9,093.27	26,872.01
74215 - Promotional Materials and Dist	0.00	5,091.26	0.00	0.00	5,091.26
74225 - Other Media Costs	0.00	174.42	0.00	0.00	174.42
74310 - Contributions to JIU	0.00	23.80	0.00	0.00	23.80
74505 - Insurance	0.00	375.54	0.00	0.00	375.54
74525 - Sundry	33,059.07	1,099.50	0.00	0.00	34,158.57
75105 - Facilities & Admin - Implement	0.00	395,140.25	0.00	0.00	395,140.25
75115 - Facilities & Admin - OH & Ind	0.00	- 1,465,514.00	0.00	0.00	- 1,465,514.00
75705 - Learning costs	0.00	280.85	0.00	0.00	280.85
75707 - Learning - subsistence allowan	0.00	1,100.24	0.00	0.00	1,100.24
75710 - Participation of counterparts	0.00	274.96	0.00	0.00	274.96
76120 - Unrealized Loss	0.00	12,244.87	0.00	0.00	12,244.87
76125 - Realized Loss	0.00	12,737.39	0.00	0.00	12,737.39
76130 - Unrealized Gain	0.00	- 6,985.87	0.00	0.00	- 6,985.87
76135 - Realized Gain	0.00	- 9,423.50	0.00	0.00	- 9,423.50
Total for Fund 30000	309,707.49	5,517,231.87	0.00	17,290.96	5,844,230.32
Total for Dept : 42403	309,707.49	5,517,231.87	0.00	17,290.96	5,844,230.32
Dept: 42404 (Pakistan - Dem. Governance)					
Fund : 30000 (Programme Cost Sharing)					
71620 - Daily Subsistence Allow-Local	0.00	31.12	0.00	0.00	31.12
Total for Fund 30000	0.00	31.12	0.00	0.00	31.12
Total for Dept : 42404	0.00	31.12	0.00	0.00	31.12
Dept: 42450 (Pakistan-UN Sister Agency)					
Fund : 30000 (Programme Cost Sharing)					
71620 - Daily Subsistence Allow-Local	0.00	62.24	0.00	0.00	62.24
Total for Fund 30000	0.00	62.24	0.00	0.00	62.24
Total for Dept : 42450	0.00	62.24	0.00	0.00	62.24
Total for Project : 00074261	309,707.49	5,517,444.31	0.00	0.00	5,844,442.76
Award Total :	309,707.49	5,517,444.31	0.00	0.00	5,844,442.76

Signed By :



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

Date :



16 May 2013

**UNDP PAKISTAN Project ID 00074261
Peace and Development Programme**

**Statement of expenditure (CDR)
For the period from 1 January 2011 to 31 December 2011**



UN Development Programme
Report ID: ungl143p

Combined Delivery Report By Project

Page 3 of 3
Run Time: 16-05-2013 09:05:52

Selection Criteria :

Business Unit : PAK10
Period : Jan-Dec (2011)
Selected Award Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Projects : 00074261

Award Id : 00058104	Peace & Development Programme	Period :	Jan-Dec (2011)					
Project # :	Peace & Development Programme	Impl. Partner :	None					
		Location :						
				Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
42401 - Pakistan - Central				0.00	119.08	0.00	0.00	119.08
42403 - Pakistan - Crisis Prev & Rcvry				309,707.49	5,517,231.87	0.00	17,290.96	5,844,230.32
42404 - Pakistan - Dem. Governance				0.00	31.12	0.00	0.00	31.12
42450 - Pakistan-UN Sister Agency				0.00	62.24	0.00	0.00	62.24



**UNDP PAKISTAN Project ID 00074261
Peace and Development Programme**

**Statement of expenditure (CDR)
For the period from 1 January 2010 to 31 December 2012**



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 1 of 5
Run Time: 04-12-2012 04:12:28

Selection Criteria :

Business Unit : PAK10
Period : Jan-March (2012)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00074261

Project Id : 00058104 Peace & Development Programme	Period :	Jan-March (2012)		
Output # : 00074261 Peace & Developmnt Programe	Impl. Partner :	02373 UNDP (Direct Execution)		
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Dept: 42401 (Pakistan - Central)

Fund : 30000 (PROGRAMME COST SHARING)

73120 - Utilities	0.00	387.28	0.00	387.28
75105 - Facilities & Admin - Implement	0.00	27.11	0.00	27.11
Total for Fund 30000	0.00	414.39	0.00	414.39

Total for Dept : 42401

Dept: 42402 (Pakistan - UN Dev Coord)

Fund : 30000 (PROGRAMME COST SHARING)

71620 - Daily Subsistence Allow-Local	0.00	225.74	0.00	225.74
75105 - Facilities & Admin - Implement	0.00	15.80	0.00	15.80
Total for Fund 30000	0.00	241.54	0.00	241.54

Total for Dept : 42402

Dept: 42403 (Pakistan - Crisis Prev & Rcvry)

Fund : 30000 (PROGRAMME COST SHARING)

71305 - Local Consult.-Sht Term-Tech	0.00	3,604.53	0.00	3,604.53
71405 - Service Contracts-Individuals	0.00	84,047.40	0.00	84,047.40
71610 - Travel Tickets-Local	0.00	696.78	0.00	696.78
71620 - Daily Subsistence Allow-Local	0.00	4,446.94	0.00	4,446.94
71635 - Travel - Other	0.00	174.40	0.00	174.40
72125 - Svc Co-Studies & Research Serv	0.00	5,637.88	0.00	5,637.88
72170 - Svc Co-Humanitarian Aid & Relf	0.00	13,733.28	0.00	13,733.28
72311 - Fuel, petroleum and other oils	0.00	0.00	0.00	0.00
72370 - Security related goods and mat	0.00	0.00	0.00	0.00
72415 - Courier Charges	0.00	1.41	0.00	1.41
72420 - Land Telephone Charges	0.00	0.00	0.00	0.00
72425 - Mobile Telephone Charges	0.00	0.00	0.00	0.00
72440 - Connectivity Charges	0.00	1,247.86	0.00	1,247.86
72505 - Stationery & other Office Supp	0.00	0.00	0.00	0.00
72605 - Grants to Instit & other Benef	0.00	41,721.56	0.00	41,721.56
72610 - Micro Capital Grants-Credit	0.00	20,661.40	0.00	20,661.40
73110 - Custodial & Cleaning Services	0.00	0.01	0.00	0.01
73120 - Utilities	0.00	-387.28	0.00	-387.28
73125 - Common Services-Premises	0.00	380.47	0.00	380.47
73405 - Rental & Maint-Other Office Eq	0.00	0.00	0.00	0.00



**Statement of expenditure (CDR)
For the period from 1 January 2010 to 31 December 2012**




UN Development Programme
Report ID: unglcdrp


Combined Delivery Report By Project

Page 2 of 5
Run Time: 04-12-2012 04:12:28

Project Id : 00058104 Peace & Development Programme	Period : Jan-March (2012)			Total Exp
Output # : 00074261 Peace & Developmnt Programe	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
73410 - Maint, Oper of Transport Equip	0.00	13,096.16	0.00	13,096.16
74210 - Printing and Publications	0.00	9,582.08	0.00	9,582.08
74525 - Sundry	0.00	356.66	0.00	356.66
75105 - Facilities & Admin - Implement	0.00	13,935.44	0.00	13,935.44
75709 - Learning - training of counter	0.00	76.11	0.00	76.11
76120 - Unrealized Loss	0.00	4,262.85	0.00	4,262.85
76125 - Realized Loss	0.00	0.01	0.00	0.01
76135 - Realized Gain	0.00	- 67.38	0.00	- 67.38
Total for Fund 30000	0.00	217,208.57	0.00	217,208.57
Total for Dept : 42403	0.00	217,208.57	0.00	217,208.57
Total for Output : 00074261	0.00	217,864.50	0.00	217,864.50
Project Total :	0.00	217,864.50	0.00	217,864.50



Signed By :  Date : _____

Signed By :  Date : 16 May 2013

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

**Statement of expenditure (CDR)
For the period from 1 January 2010 to 31 December 2012**



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 3 of 5
Run Time: 04-12-2012 04:12:29

Selection Criteria :

Business Unit : PAK10
Period : Jan-March (2012)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00074261

Project Id : ALL	Period : Jan-March (2012)				
Output # : ALL	Impl. Partner :				
	Location :	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
42401 - Pakistan - Central		0.00	414.39	0.00	414.39
42402 - Pakistan - UN Dev Coord		0.00	241.54	0.00	241.54
42403 - Pakistan - Crisis Prev & Rcvry		0.00	217,208.57	0.00	217,208.57



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



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 4 of 5
Run Time: 04-12-2012 04:12:30

Funds Utilization

Selection Criteria :

Business Unit : PAK10
Period : Jan-March (2012)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00074261

Project/Award: 00058104 Peace & Development Programme	Period : As at Mar 31, 2012
---	-----------------------------

Output #	Impl. Partner :02373 UNDP (Direct Execution)	UNDP AMOUNT
Outstanding NEX advances		1,084,579.58
Undepreciated Fixed Assets		0.00
Inventory		0.00
Prepayments		0.00
Commitments		19,132.73



**Statement of expenditure (CDR)
For the period from 1 January 2010 to 31 December 2012**



UN
DP UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 5 of 5
Run Time: 04-12-2012 04:12:38

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

Selection Criteria :

Business Unit : PAK10
Selected Project(s): ALL
Selected Fund Code : ALL
Selected Output(s): 00074261

Project Id : 00058104 Peace & Development Programme				
Output # : 00074261 Peace & Developmnt Programme				
Impl. Partner : 02373 UNDP (Direct Execution)				
Description	Account	Fund	Donor	Amount
Unliquidated Obligations	21015	30000-Programme	00141-JPN	32,029.28
Total for Output : 00074261				32,029.28
Project Total :				32,029.28



NOTES :

UNDP adopted IPSAS on 1 January 2012 which recognizes an expense based on goods received and/or services rendered. Consequently, expenses related to some IPSAS opening balance would be duplicated in the 2012 CDRs because of the following:

1. Goods received or services rendered in 2012 on non-fixed asset open purchase orders raised prior to 2012 would be recognized as an expense in 2012. These were ULOs in 2011
2. 2012 Inventory opening balances would be expensed in 2012 when goods are consumed or delivered
3. 2012 Prepaid opening balances would be expensed in 2012 when goods are received or services rendered

Independent auditors' Report to the United Nation Development Programme (UNDP) in respect of "Peace and Development Programme" (Project ID 00074261)

We have audited the accompanying statement of assets ("the statement") of the UNDP Project "Peace and Development Programme" under Project ID 00074261 as at 31 March 2012.

Management is responsible for the preparation of the statement of UNDP Project "Peace and Development Programme" under Project ID 00074261 and for such internal control as management determines is necessary to enable the preparation of the statement that are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the statement based on audit. We conducted audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Project's preparation of the statement of assets in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statement.

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

In our opinion, the statement presents fairly, in all material respects, the balance of assets of the UNDP Project "Peace and Development Programme" under Project ID 00074261 amounting to \$0.742 million as at 31 March 2012 in accordance with the UNDP accounting policies.



We draw attention to the fact that, during the period, the Office's management has used two different accounting policies with respect to recognition of assets in the statements of expenditure (CDR) in respect of this Project. Prior to 31 December 2011, these were charged off as expenses in the statements of expenditure, whereas subsequent thereto, these have been recognized as assets and related depreciation has been charged in the statements of expenditure. The policy change resulted from UNDP Executive Board's decision to adopt International Public Sector Accounting Standards (IPSAS) w.e.f 01 January 2012.

A handwritten signature in blue ink that reads 'Ernst & Young Ford Rhodes Sidat Hyder'.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Engagement Partner: Omar Mustafa Ansari

Date: 21 May 2013

Place: Karachi - Pakistan

\

UNDP PAKISTAN Project ID 00074261
Peace and Development Programme
Statement of Assets
As at 31 March 2012

Statement of Assets and Equipment
as at March 31, 2012

UNDP Country Office: Pakistan
Project title: Sustainable Development through Peace Building, Governance and Economic Recovery in KPK
Award ID: 00058104
Project ID: 00074261
Period covered from inception of project: January 01, 2009 to March 31, 2012

DISCRIPTION	LOCATION	CUSTODY / OWNERSHIP
Digital Camera Nikon Cool Pix	Islamabad	UNDP
HP 4430S	Islamabad	UNDP
HP 4430S	Islamabad	UNDP
HP 4430S	Islamabad	UNDP
HP 4430S	Islamabad	UNDP
Multimedia Projector Dell	Islamabad	UNDP
Panasonic Conference Phone	Islamabad	UNDP
Digital Camera Canon Japan	Islamabad	UNDP
Scanner HP	Islamabad	UNDP
Motorolla HF Radio Set	Islamabad	UNDP
Printer LEXMARK	Islamabad	UNDP
Thuraya Satellite Phone	Islamabad	UNDP
Thuraya Satellite Phone	Islamabad	UNDP
Digital Camera Nikon Cool Pix	Peshawar	UNDP
Digital Camera Nikon Cool Pix	Peshawar	UNDP
Digital Camera Nikon Cool Pix	Peshawar	UNDP
Panasonic Conference Phone	Peshawar	UNDP
Scanner HP	Peshawar	UNDP
UPS APC 650VAC	PaRRSA	PaRRSA / UNDP
Fax Machines Panasonic KX-FL402CX	PaRRSA	PaRRSA / UNDP

TAG_NUMBER	SERIAL_ID	PROFILE ID	QUANTITY	ACQUISITION DATE	COST IN USD
PD/DC/002	70159564	Information and Telecommunication ICT	1	6, Apr, 11	520.96
UNDP/CPRU/P-D/COMP/0014	CNU12551G2	Information and Telecommunication ICT	1	5, Sep, 11	842.22
UNDP/CPRU/P-D/COMP/0015	CNU12551FJ	Information and Telecommunication ICT	1	5, Sep, 11	842.22
UNDP/CPRU/P-D/COMP/0016	CNU12545SR	Information and Telecommunication ICT	1	5, Sep, 11	842.22
UNDP/CPRU/P-D/COMP/0017	CNU12545TJ	Information and Telecommunication ICT	1	5, Sep, 11	842.22
PSH/MMP-1	CN-OCF90150081-6BQ-053D	Information and Telecommunication ICT	1	2010	-
PD/CP/001	01BV8002189	Information and Telecommunication ICT	1	24, May, 11	699.59
PSH/DC1	1330744408	Information and Telecommunication ICT	1	2010	-
PSH/SC1	CN85WTHOG1	Information and Telecommunication ICT	1	2010	-
PSH/HFR1	749HFV8785	Information and Telecommunication ICT	1	2010	-
PSH/PR4	350086k	Information and Telecommunication ICT	1	2010	-
PD/THR/001	IEMI-3560-1300-6120-70-6	Information and Telecommunication ICT	1	11, Jul, 11	1,613.67
PD/THR/002	IEMI-3560-1300-6365-56-6	Information and Telecommunication ICT	1	11, Jul, 11	1,613.67
PSH/DC2	70159559	Information and Telecommunication ICT	1	6, Apr, 11	520.96
PSH/DC3	70159636	Information and Telecommunication ICT	1	6, Apr, 11	520.96
PSH/DC4	70159641	Information and Telecommunication ICT	1	6, Apr, 11	520.96
PSH/TP1	9KBVA001202	Information and Telecommunication ICT	1	24, May, 11	699.59
PSH/SC2	CN09E75310	Information and Telecommunication ICT	1	24, May, 11	630.58
Yes	Yes	Information and Telecommunication ICT	20	30, Sep, 10	1,481.48
Yes	Yes	Information and Telecommunication ICT	10	30, Sep, 10	2,410.35



Handwritten signature and date: 21/5/13



UNDP PAKISTAN Project ID 00074261
Peace and Development Programme
Summary of Statement of Assets
As at 31 March 2012

DISCRPTION	LOCATION	CUSTODY / OWNERSHIP
HP Compaq DX 7500 MT EV/AP PC	PaRRSA	PaRRSA / UNDP
Toshiba Satellite L640 LAPTOP	PaRRSA	PaRRSA / UNDP
Sony Cyber Shot Standard DSC-S3000/S DIGITAL CAMERA	PaRRSA	PaRRSA / UNDP
Sony Movie Camera Model HDR-R550	PaRRSA	PaRRSA / UNDP
Sony Digital Camera Professional Model HX-1	PaRRSA	PaRRSA / UNDP
Toshiba Multi-Function Digital copiers E-studio 305	PaRRSA	PaRRSA / UNDP
HP LAPTOP 4430S	PaRRSA	PaRRSA / UNDP
MULTIMEDIA PROJECTORS PLC-XW 300 with Screen	PaRRSA	PaRRSA / UNDP
PRINTER HP P2055DN	PaRRSA	PaRRSA / UNDP
UPS BK650-AS 250VA SEAL	PaRRSA	PaRRSA / UNDP
SCANNER Microtek ASD1-2015C	PaRRSA	PaRRSA / UNDP
FAX Machines Canon Plain Paper Laser Fax Model L-140	PaRRSA	PaRRSA / UNDP
DESKTOP PCs Dell Vostro Mini Tower 460 with 17" LCD	PaRRSA	PaRRSA / UNDP
HP Scan Jet 5590 SCANNER	PaRRSA	PaRRSA / UNDP
HP Proliant ML-370-G6 Server	P-BOS	P-BOS / UNDP
Multi-Media LCD Projector (Media-Vision)	P-BOS	P-BOS / UNDP
Photo copier	P-BOS	P-BOS / UNDP
HP Probook 4430s Notebook	P-BOS	P-BOS / UNDP
HP Probook 4430s Notebook	P-BOS	P-BOS / UNDP
HP Probook 4430s Notebook	P-BOS	P-BOS / UNDP
Hewlett-Packard (HP), Color Multi Function Printer	P-BOS	P-BOS / UNDP
HP CP 1215 Color Laserjet Printer	P-BOS	P-BOS / UNDP
HP CP 1215 Color Laserjet Printer	P-BOS	P-BOS / UNDP
Haier Air Conditioner 2 Ton	P-BOS	P-BOS / UNDP
Haier Air Conditioner 2 Ton	P-BOS	P-BOS / UNDP

TAG_NUMBER	SERIAL_ID	PROFILE ID	QUANTITY	ACQUISITION DATE	COST IN USD
Yes	Yes	Information and Telecommunication ICT	20	30,Sep,10	19,494.42
Yes	Yes	Information and Telecommunication ICT	10	18,Dec,10	9,101.59
Yes	Yes	Information and Telecommunication ICT	35	06,Jun,11	3,166.79
Yes	Yes	Information and Telecommunication ICT	10	06,Jun,11	11,521.07
Yes	Yes	Information and Telecommunication ICT	15	26,May,11	6,853.06
Yes	Yes	Information and Telecommunication ICT	50	13,Jul,11	97,173.14
Yes	Yes	Information and Telecommunication ICT	100	27,Jul,11	84,817.43
Yes	Yes	Information and Telecommunication ICT	4	18,Dec,10	4,202.00
Yes	Yes	Information and Telecommunication ICT	150	24,Aug,11	49,020.00
Yes	Yes	Information and Telecommunication ICT	300	04,Sep,11	23,113.15
Yes	Yes	Information and Telecommunication ICT	300	07,Jul,11	68,700.00
Yes	Yes	Information and Telecommunication ICT	300	15,Sep,11	65,638.53
Yes	Yes	Information and Telecommunication ICT	300	05,Oct,11	249,627.17
Yes	Yes	Information and Telecommunication ICT	10	30,Sep,10	5,232.22
LOA-UNDP/2011/Server/01	Base unit: CN71280GJ1 LCD Monitor: CNCD49TRBL	Information and Telecommunication ICT	1	14/11/2011	5,802.33
LOA-UNDP/2011/Multimedia/02	501-7008331-8	Information and Telecommunication ICT	1	14/11/2011	1,604.65
LOA-UNDP/2011/Photo copier/03	0503361Y	Information and Telecommunication ICT	1	15/10/2011	3,422.27
LOA-UNDP/2011/Laptop/01	CNU131054P	Information and Telecommunication ICT	1	14/11/2011	1,720.93
LOA-UNDP/2011/Laptop/02	CNU12305FB	Information and Telecommunication ICT	1	14/11/2011	1,720.93
LOA-UNDP/2011/Laptop/03	CNU12300CQ	Information and Telecommunication ICT	1	14/11/2011	1,720.93
LOA-UNDP/2011/Printer/01	CNG9C8L135	Information and Telecommunication ICT	1	14/11/2011	569.77
LOA-UNDP/2011/Printer/02	CNDJ932086	Information and Telecommunication ICT	1	14/11/2011	546.51
LOA-UNDP/2011/Printer/03	CNDJ93208D	Information and Telecommunication ICT	1	14/11/2011	546.51
LOA-UNDP/2011/AC/01	AARM752120ADB490390	Information and Telecommunication ICT	1	25/7/2011	671.38
LOA-UNDP/2011/AC/02	AAB752120QAD890378	Information and Telecommunication ICT	1	25/7/2011	671.38




**UNDP PAKISTAN Project ID 00074261
Peace and Development Programme**

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

DISCRIPTION	LOCATION	CUSTODY / OWNERSHIP
HP Scanjet 5590 Scanner Flated with PDF	P-BOS	P-BOS / UNDP
HP Pro 3130 Business Desktop	P-BOS	P-BOS / UNDP
	P-BOS	P-BOS / UNDP
	P-BOS	P-BOS / UNDP
	P-BOS	P-BOS / UNDP
HP Pro 3130 Business Desktop	P-BOS	P-BOS / UNDP
	P-BOS	P-BOS / UNDP
	P-BOS	P-BOS / UNDP
HP Pro 3130 Business Desktop	P-BOS	P-BOS / UNDP
	P-BOS	P-BOS / UNDP
	P-BOS	P-BOS / UNDP
HP Pro 3130 Business Desktop	P-BOS	P-BOS / UNDP
	P-BOS	P-BOS / UNDP
	P-BOS	P-BOS / UNDP
HP Pro 3130 Business Desktop	P-BOS	P-BOS / UNDP
	P-BOS	P-BOS / UNDP
	P-BOS	P-BOS / UNDP
HP Pro 3130 Business Desktop	P-BOS	P-BOS / UNDP
	P-BOS	P-BOS / UNDP
	P-BOS	P-BOS / UNDP
SANTAK 1KVA Imported UPS With Pure Sign Wave	P-BOS	P-BOS / UNDP
SANTAK 1KVA Imported UPS With Pure Sign Wave	P-BOS	P-BOS / UNDP
SANTAK 1KVA Imported UPS With Pure Sign Wave	P-BOS	P-BOS / UNDP

TAG_NUMBER	SERIAL_ID	PROFILE ID	QUANTITY	ACQUISITION DATE	COST IN USD
LOA-UNDP/2011/Scanner/01	CN95KTS0DZ	Information and Telecommunication ICT	1	14/11/2011	459.30
LOA-UNDP/2011/Desktop/01	CPU: SGH116T1Z1	Information and Telecommunication ICT	1	14/11/2011	806.98
	LCD: CNG0330HWN	Information and Telecommunication ICT	1		
	K/Board: BAUJQ01VB08BMA	Information and Telecommunication ICT	1		
LOA-UNDP/2011/Desktop/02	CPU: SGH116T1ZR	Information and Telecommunication ICT	1	14/11/2011	806.98
	LCD: CNG0350KRH	Information and Telecommunication ICT	1		
	K/Board: BAUJQ01VB08BY1	Information and Telecommunication ICT	1		
LOA-UNDP/2011/Desktop/03	CPU: SGH116T200	Information and Telecommunication ICT	1	14/11/2011	806.98
	LCD: CNG0330ICS	Information and Telecommunication ICT	1		
	K/Board: BAUJQ01VB086VW	Information and Telecommunication ICT	1		
LOA-UNDP/2011/Desktop/04	CPU: SGH116T1Z5	Information and Telecommunication ICT	1	14/11/2011	806.98
	LCD: CNG1151DR3	Information and Telecommunication ICT	1		
	K/Board: BAUJQ01VB086XX	Information and Telecommunication ICT	1		
LOA-UNDP/2011/Desktop/05	CPU: SGH116T201	Information and Telecommunication ICT	1	14/11/2011	806.98
	LCD: CNG0330HWG	Information and Telecommunication ICT	1		
	K/Board: BAUJQ01VB086VN	Information and Telecommunication ICT	1		
LOA-UNDP/2011/Desktop/06	CPU: SJH116T12T	Information and Telecommunication ICT	1	14/11/2011	806.98
	LCD: CN40350L56	Information and Telecommunication ICT	1		
	K/Board: BAUJQ01VB086XT	Information and Telecommunication ICT	1		
LOA-UNDP/2011/Desktop/07	CPU: SGH116T12T	Information and Telecommunication ICT	1	14/11/2011	806.98
	LCD: CNG0350L56	Information and Telecommunication ICT	1		
	K/Board:BAUJQ01VB086XT	Information and Telecommunication ICT	1		
LOA-UNDP/2011/UPS/01	1105200100	Information and Telecommunication ICT	1	14/11/2011	229.07
LOA-UNDP/2011/UPS/02	1105200096	Information and Telecommunication ICT	1	14/11/2011	229.07
LOA-UNDP/2011/UPS/03	1105200095	Information and Telecommunication ICT	1	14/11/2011	229.07




UNDP PAKISTAN Project ID 00074261
Peace and Development Programme
Summary of Statement of Assets
As at 31 March 2012

DISCRPTION	LOCATION	CUSTODY / OWNERSHIP
SANTAK 1KVA Imported UPS With Pure Sign Wave	P-BOS	P-BOS / UNDP
SANTAK 1KVA Imported UPS With Pure Sign Wave	P-BOS	P-BOS / UNDP
SANTAK 1KVA Imported UPS With Pure Sign Wave	P-BOS	P-BOS / UNDP
SANTAK 1KVA Imported UPS With Pure Sign Wave	P-BOS	P-BOS / UNDP
Bracket/Wall Fan	P-BOS	P-BOS / UNDP
Bracket/Wall Fan	P-BOS	P-BOS / UNDP
Bracket/Wall Fan	P-BOS	P-BOS / UNDP
Bracket/Wall Fan	P-BOS	P-BOS / UNDP
Bracket/Wall Fan	P-BOS	P-BOS / UNDP
Bracket/Wall Fan	P-BOS	P-BOS / UNDP
Bracket/Wall Fan	P-BOS	P-BOS / UNDP
Bracket/Wall Fan	P-BOS	P-BOS / UNDP
Bracket/Wall Fan	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP

TAG_NUMBER	SERIAL_ID	PROFILE ID	QUANTITY	ACQUISITION DATE	COST IN USD
LOA-UNDP/2011/UPS/04	1105200029	Information and Telecommunication ICT	1	14/11/2011	229.07
LOA-UNDP/2011/UPS/05	1105200052	Information and Telecommunication ICT	1	14/11/2011	229.07
LOA-UNDP/2011/UPS/06	1105200053	Information and Telecommunication ICT	1	14/11/2011	229.07
LOA-UNDP/2011/UPS/07	1105200031	Information and Telecommunication ICT	1	14/11/2011	229.07
LOA-UNDP/2011/Wall Fan/01	N/A	Office Equipment	1	9/7/2011	37.21
LOA-UNDP/2011/Wall Fan/02	N/A	Office Equipment	1	9/7/2011	37.21
LOA-UNDP/2011/Wall Fan/03	N/A	Office Equipment	1	9/7/2011	37.21
LOA-UNDP/2011/Wall Fan/04	N/A	Office Equipment	1	9/7/2011	37.21
LOA-UNDP/2011/Wall Fan/05	N/A	Office Equipment	1	9/7/2011	37.21
LOA-UNDP/2011/Wall Fan/06	N/A	Office Equipment	1	9/7/2011	37.21
LOA-UNDP/2011/Wall Fan/07	N/A	Office Equipment	1	9/7/2011	37.21
LOA-UNDP/2011/Wall Fan/08	N/A	Office Equipment	1	9/7/2011	37.21
LOA-UNDP/2011/Table/01	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/02	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/03	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/04	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/05	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/06	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/07	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/08	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/09	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/10	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/11	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/12	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/13	N/A	Furniture	1	9/7/2011	44.19



UNDP PAKISTAN Project ID 00074261
Peace and Development Programme

Summary of Statement of Assets
As at 31 March 2012

DISCRIPTION	LOCATION	CUSTODY / OWNERSHIP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Table (Glass)	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP

TAG_NUMBER	SERIAL_ID	PROFILE ID	QUANTITY	ACQUISITION DATE	COST IN USD
LOA-UNDP/2011/Table/14	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/15	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/16	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/17	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/18	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/19	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/20	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/21	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Table/22	N/A	Furniture	1	9/7/2011	44.19
LOA-UNDP/2011/Chair/01	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/02	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/03	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/04	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/05	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/06	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/07	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/08	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/09	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/10	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/11	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/12	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/13	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/14	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/15	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/16	N/A	Furniture	1	9/7/2011	36.05

5 of 6




**UNDP PAKISTAN Project ID 00074261
Peace and Development Programme**

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

DISCRIPTION	LOCATION	CUSTODY / OWNERSHIP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Computer Chairs	P-BOS	P-BOS / UNDP
Officer Chair	P-BOS	P-BOS / UNDP
Officer Chair	P-BOS	P-BOS / UNDP
Officer Table (Glass)	P-BOS	P-BOS / UNDP
Officer Table (Glass)	P-BOS	P-BOS / UNDP
Sofa Set	P-BOS	P-BOS / UNDP
Table Set	P-BOS	P-BOS / UNDP
Small Cabinet locker	P-BOS	P-BOS / UNDP
Rechargeable Fans	P-BOS	P-BOS / UNDP
Rechargeable Fans	P-BOS	P-BOS / UNDP
Rechargeable Fans	P-BOS	P-BOS / UNDP

TAG_NUMBER	SERIAL_ID	PROFILE ID	QUANTITY	ACQUISITION DATE	COST IN USD
LOA-UNDP/2011/Chair/17	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/18	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/19	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Chair/20	N/A	Furniture	1	9/7/2011	36.05
LOA-UNDP/2011/Officer chair/01	N/A	Furniture	1	9/7/2011	98.84
LOA-UNDP/2011/Officer chair/02	N/A	Furniture	1	9/7/2011	98.84
LOA-UNDP/2011/Officer Table/01	N/A	Furniture	1	9/7/2011	104.65
LOA-UNDP/2011/Officer Table/02	N/A	Furniture	1	9/7/2011	104.65
LOA-UNDP/2011/Sofa set/01	N/A	Furniture	1	9/7/2011	139.53
LOA-UNDP/2011/Table set/01	N/A	Furniture	1	9/7/2011	87.21
LOA-UNDP/2011/Cabinet set/01	N/A	Furniture	1	9/7/2011	81.40
LOA-UNDP/2011/Cabinet set/01	N/A	Office Equipment	1	9/7/2011	46.51
LOA-UNDP/2011/Cabinet set/01	N/A	Office Equipment	1	9/7/2011	46.51
LOA-UNDP/2011/Cabinet set/01	N/A	Office Equipment	1	9/7/2011	46.51
TOTAL					741,816.75

A. Hagan
21/5/13



Certified By



Douglas Hageman
Country Director a.i.
UNDP, Pakistan

Ernst & Young

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve potential.

For more information, please visit www.ey.com

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients

EYFRSH in Pakistan is a member firm of Ernst & Young Global Limited (EYGL), a company incorporated under the laws of England & Wales. EYFRSH is legally an independent Partnership firm, registered under the law of Partnership as applicable in Pakistan.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road,
Karachi, Pakistan

Phone: (92 51) 2870290 - 92
(92 21-3) 5638238 – 42

Fax: (92 51) 2870293

E-mail: omar.mustafa@pk.ey.com
ashoke.kumar@pk.ey.com

© Ernst & Young 2013.
All rights reserved.

United Nations Development Programme Pakistan

Management Letter

Peace and Development Programme in Pakistan

Project ID: 00074261

Audit Period: From 01 January 2010 to 31 March 2012

Contents

- 1. Executive Summary 1
 - 1.1 Audit Rating 2
 - 1.2 Key issues and recommendations 3
- 2. Audit Objectives, Scope and Operational Overview 4
 - 2.1 Audit Objectives and Scope 4
 - 2.2 Audit Scope 5
 - 2.3 Project Audit Visit Data 6
 - 2.4 Operational Overview 6
- 3. Detailed Audit Observations..... 8
 - 3.1 Organization & staffing..... 8
 - 3.2 Project management..... 8
 - 3.3 Human resource management.....10
 - 3.4 Cash and financial management.....12
 - 3.5 Procurement management.....13
 - 3.6 Assets management14
 - 3.7 General administration management14
 - 3.8 Information system management.....14
- Definitions of audit terms - Ratings and Priorities15
 - A. Audit ratings15
 - B. Priorities of audit recommendations16
- Glossary.....17

1. Executive Summary

We have been engaged by the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) to conduct audit of the Project Peace and Development Programme in Pakistan, [Project ID: 00074261, Award ID: 00058104] (the Project) directly implemented by UNDP Pakistan (the Office). The audit was conducted from 18 October 2012 to 15 January 2013.

The purpose of the audit was to provide reasonable assurance with regard to the following areas:

- a) Reliability and integrity of Project financial and operational information;
- b) Effectiveness and efficiency of Project operations;
- c) Safeguarding of assets; and
- d) Compliance with legislative mandates, regulations and rules, policies and procedures, as well as donor agreements.

The audit scope included the following aspects of the Project:

- a) Reviewing the Combined Delivery Reports of the Project for the period from 01 January 2010 to 31 March 2012; and
- b) Reviewing the Statement of Assets and Equipment held by the Project as at 31 March 2012.

The audit covered programme and operations, and other relevant activities of the Project undertaken by management during the period from 1 January 2010 to 31 March 2012 at the Office. During the period reviewed, the Project recorded expenses were totalling to \$9.859 million.

1.1 Audit Rating

Audit assessed the overall level of internal control with respect to the Project (Peace and Development Programme in Pakistan – Project ID: 00074261) is considered to be Project Office as **Partially Satisfactory**, which means that “Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.”

Audit Areas	Not Assessed/Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
Organization & Staffing				
Project Management				
Human Resource Management				
Cash & Financial Management				
Procurement Management				
Assets Management				
General Administration Management				
Information System Management				
Follow up of previous audits				

1.2 Key issues and recommendations

1.2.1. The audit raised 20 issues that resulted in 14 recommendations, all of the recommendations were ranked as low priority, meaning “Action is desirable and should result in enhanced control or better value for money”. Issues with low priority were reported separately to the management of the Office.

We wish to express our appreciation to the management and staff of the Office for the assistance and cooperation extended to the audit team during the course of our engagement.

A handwritten signature in blue ink that reads 'Ernst & Young Ford Rhodes Sidat Hyder'.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Engagement Partner: Omar Mustafa Ansari

Date: 21 May 2013

Place: Karachi - Pakistan

2. Audit Objectives, Scope and Operational Overview

2.1 Audit Objectives and Scope

2.1.1. The purpose of the audit undertaken by Ernst & Young Ford Rhodes Sidat Hyder & Co. was to:

- Provide an assurance that there exists an adequate operational and internal control systems to ensure that the Projects are properly managed in accordance with the policies and procedures of UNDP for the achievement of their objectives with due regard for economy and efficiency.
- Express an opinion on whether the expense incurred and recorded in the Combined Delivery Reports of the Project for the period from 01 January 2010 to 31 March 2012 present fairly the expense incurred on the Projects and whether the expense were incurred according to the approved budgets, for the approved purposes of the Project and were incurred according to the UNDP policies and guidelines and were supported by properly approved vouchers and invoices; and
- Express an opinion on the Statement of Assets and Equipment held by the Project as at 31 March 2012 whether the statement present fairly the balance of the inventory of the Projects in all material respects.

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

- a) Reliability and integrity of Project financial and operational information;
- b) Effectiveness and efficiency of Project operations;
- c) Safeguarding of assets; and
- d) Compliance with legislative mandates, regulations and rules, policies and procedures, as well as donor agreements.

2.2 Audit Scope

2.2.1. The audit reviewed the operations for the period from 1 January 2010 to 31 March 2012 covering the following areas:

- i. **Organization and staffing:** Assessed the overall Project structure for effective workflows and management arrangements, including assignment of authority, accountability and responsibility to employee;
- ii. **Project Management:** Assessed the management aspects in terms of approval of the Project, financial management of Project funds, and monitoring of implementation towards achievement of objectives. This included reporting to the, Steering Committee, Project Board and/or Donors;
- iii. **Human Resources:** Assessed competitiveness and transparency of the recruitment process; and effectiveness of the management of Project personnel, including contract administration, performance evaluation and payment of salaries and allowances;
- iv. **Financial and Cash Management:** Assessed the compliance with UNDP policies with respect to the safe custody and adequate management of cash, commitment of expenses against approved budget, disbursement or payment against liabilities and cash advances to field offices, Project employee, etc;
- v. **Procurement:** Assessed whether goods, services and civil works for the Project are procured competitively and in a transparent manner in accordance with UNDP policies and procedures. This included management of obligations and appropriate assessment of goods or services delivered and monitoring performance of the contractors, before payment;
- vi. **Asset Management:** Assessed whether Project assets are adequately recorded, safeguarded, monitored, including periodic physical verification of their use and existence;
- vii. **General Administration:** These included areas of operations not specifically covered above and for which expenses were charged to the Project covering such areas as; travel of Project employee, use and maintenance of Project vehicles, lease and maintenance of office premises;
- viii. **Information Systems:** This includes assessment of efficiency and security of information system established and maintained from project funds and their adequacy to meet management and reporting requirements to the projects. Based on our discussion with OAI, access to Atlas system is restricted to the UNDP Project employees. Therefore, our procedures are restricted to inquiries only; and
- ix. **Follow up on previous audits:** As per Project Manager, this is the first year of audit. Therefore, this section is not applicable.

2.3 Project Audit Visit Data

2.3.1. The Office funded \$7.4 million to twenty nine Responsible Parties (RPs) for the implementation of the Project activities. The audit firm performed the financial audit and audit of internal controls and systems of the expenses amounted to \$6.6 million incurred by the nine RPs which covers 89% of total funding.

2.3.2. The audit was carried out at the Office during the period 18 October 2012 to 15 January 2013. The debriefing meeting was held on 22 January 2012 to discuss the key issues / observations noticed during the audit. The preliminary audit findings were communicated to the Office on 31 January 2012. Management responses to our findings were received on 14 March 2013 and further comments and explanations were provided on April 26, 2013. The management responses have been taken into consideration in finalizing this audit report.

2.4 Operational Overview

Project Background

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

2.4.2. The Office allocated the total grant of \$9.859 million for the Project which was contributed by the Government of Japan. The Project had 18 personnel as at 31 March 2012.

Management

2.4.3. The Project is implemented through the DIM modality by the Office in consultation with its partners.

Project operations

2.4.4. The Project is managed by a Project Manager recruited by the Office. The Project Manager is responsible for day-to-day management and decision-making for the Project, as well as ensuring that the Project produces the results specified in the Project document, to the required standard of quality and within the specified constraints of time and cost. The Project Manager is assisted by an administrative team.

Brief Overview of the Project

Audit Period	1 January 2010 to 31 March 2012
Budget allocated during the audit period	\$9,859,224
Expenses during the audit period	\$9,859,224
Percentage Utilization	100%

2.4.5. The reporting currency for the report is United States Dollar (\$). All the amounts in functional currency (i.e. Pakistani Rupees) are converted at the rate of 85 per 1\$ for reporting purpose. Amounts are rounded off to nearest million.

2.4.6. Since this project is executed under the Direct Implementation (DIM) modality. In such case the Office is responsible for overall performance and achievement of project objectives even though they may engage Responsible Party (RP) for execution of project activities. Our assessment of internal controls and ratings for internal control areas is based on the assessment of the controls established and implemented by the Office and RPs relevant to this project.

2.4.7. The audit firm would like to remind that although audit was performed with due professional care, an audit of internal controls and systems is not a guarantee that all control weaknesses or frauds will be detected. Also matters arising during our review, which are not regarded as report issues, were brought to the attention of UNDP at the time of the review.

3. Detailed Audit Observations

3.1 Organization & staffing

Satisfactory

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

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

3.2 Project management

Partially Satisfactory

The audit firm reviewed the management aspects in terms of approval of the Project, financial management of the Project funds, and monitoring of implementation towards achievement of objectives. This included reporting to the, Steering Committee, Project Board and / or Donors.

3.2.1. The audit firm reviewed the project management structure and noted the following internal control improvements for the Office to consider adopting in the future:

- a) The Office did not develop a formal process for capturing the complaints at the regional offices of the Project. Project Manager informed that the minor issues identified by the complainants were resolved on site however logs were not maintained for record purpose. The audit firm recommends that formal complaint management system should be developed and all the complaints received should be logged and their resolution should be documented; and
- b) The audit firm noted that the project budget was developed at award level (for Peace and Development projects), budgets specific to the project was not developed. The audit firm reviewed the activity wise CDRs with the output wise budget available in the donor agreement at award level and noted that there were minor deviations of actual expenses with the donor approved budget. However, overall CDRs were consistent with the donor approved budget. The audit firm recommends that Project Manager should develop project level budgets and perform the variance analysis between budgets and actual expenditure.

Issue 1 **Absence of effective evaluation of Civil society Organizations for award of PCAs**

The audit firm reviewed the process for award of PCAs and noted that the Office has two processes for the evaluation the Civil society Organizations (CSOs) applied for the PCAs. At the initial stage the Office performs the capacity assessment of the CSOs as a screening tool to select the eligible CSOs for the technical assessment. At the final stage all the shortlisted CSOs are examined under the technical assessment criteria such as organization capacity, past experience, team skills, etc and are allocated scores in each area. All the CSOs who score more than the minimum scoring criteria are considered for the award of the PCA.

The audit firm noted that the capacity assessment tool provides a narrative report on the eligibility of the CSOs and did not specify any criteria to give scores or ratings to the CSOs. Further, the language used in the capacity assessment report was occasionally over exaggerating and appeared to be stereotyped. Similar phrases were repeated for the CSOs having substantially different experience and background from each other.

Additionally, during review of scores awarded to CSOs under the technical assessment, the audit firm identified nine instances where technical assessment team allocated exaggerated scores to the CSOs despite of absence of prior experience in the selected geographic locations, thematic areas of award and adequate staff strength as per proposals submitted by them. Total award of PCAs amounted to \$1.3 million to these CSOs.

Comment:

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

Issue 2 **Weaknesses noted in the Project management at the Office**

The audit firm noted the following weaknesses in the project management structure of the Project:

- a) Project monitoring was performed by the field offices in accordance with the monitoring plan. However, during review of field monitoring reports, the audit firm noted that follow up logs of risks and observations identified during the field visits by the monitoring team were not documented. In the absence of all follow up documentation, effectiveness of the risks and observations checked during the field visits could not be assessed; and
- b) The audit firm noted various non compliances of the PCA clauses by the RPs such as absence of safety and security policy, absence of prior approval for expenses in excess to prescribed limits, absence of dedicated bank account for the funds received from the Office, delay in submission of periodic reports and absence of intimation or return of remaining funds to the Office at the completion of the Project.

Comment:

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

In view of the above identified instances and control weaknesses, this area is rated partially satisfactory.

3.3 Human resource management**Satisfactory**

The audit firm reviewed the competitiveness and transparency of the recruitment process; and effectiveness of the management of Project personnel, including contract administration, performance evaluation and payment of salaries and allowances.

Issue 3 Weaknesses noted in the Human Resource management at the Office

The audit firm noted the following weaknesses in the Human Resource management structure of the Project at Office:

- a) Human Resource (HR) Associate can add or delete employees in the payroll system. Upon any addition or deletion of an employee, a system generated email is sent to the HR manager as well as Project manager. However, system generated notifications for additions or deletions of employees from payroll system could not be generated from the beginning of the Project till January 2012. The audit firm identified that there were no substitute manual controls available to mitigate the risks associated with the payroll system prior to January 2012;
- b) The audit firm reviewed the 11 personnel files of the employees and noted that various documents were not available in the personnel files at the time of review and was provided subsequently by the Office which indicate absence of effective controls over personnel files management; and
- c) As per policy, minimum two reference letters should be obtained at the time of recruitment. However, four instances were identified where reference letters were not signed or emailed by referees. Further, three instances were identified where only one reference letter was obtained instead of two.

Comment:

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

Issue 4 **Weaknesses noted in the Human Resource management functions at the Responsible Parties**

The audit firm conducted the audit of PCAs awarded to the RPs and noted the following weaknesses in the HR management functions:

- i) In six projects with RPs firm noted absence of certain important policies and procedures in HR manual of six RPs such as policies and procedures for reference check of the selected employees, issuance of offer letters to the selected employees, job advertisements and attendance of the employees. Therefore, these policies were not followed by the RPs during the Project period.
- ii) In three RPs, the audit firm noted, absence of employees' signed job descriptions; absence of confidentiality clause in the employment contracts of the RPs. absence of offer letters and educational documents of Project employees.

Additionally, the audit firm also identified that one RP did not maintain the personal files for Project employee hired under the PCA.

Comment:

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

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

The audit firm reviewed the compliance with UNDP policies with respect to the safe custody and adequate management of cash, commitment of expenses against approved budget, disbursement or payment against liabilities and cash advances to field offices, Project employee, etc.

Issue 5 Inappropriate classifications of expenses in CDRs

The Office did not follow the chart of accounts for the Project and identified five transactions amounted to \$40,560 were posted in inappropriate account codes. The audit firm also noted that the Office did not classify the grants to RPs in relevant account heads of the CDR rather all the grants amounted to \$3.4 million were classified in account code 72605 “Grant to institute & other benefits” which is not appropriate classification of the project expenses.

The audit firm reviewed the cash and financial management functions of the RPs applicable to the Project and noted one instance where RP set off the interest income on bank deposits, amounted to \$24,520 generated on the funds disbursed by the Office under the PCA, with sundry expenses and not reported separately in the financial report submitted to the Project Manager.

Additionally, three RPs did not follow the PCAs’ budgets which resulted incorrect classification of expenses amounted to \$21,508.

Comment:

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

Issue 6 **Overstatement in CDRs due to delay in receipts of financial reports from the Responsible Parties**

According to clarification mentioned in the interoffice memo dated 10 October 2011 regarding the accounting treatment for the disbursement of funds to the RP and recognition of the expenses in the CDRs, *“All the disbursement to the RPs shall be recorded as advance and will only be recorded as expense in the CDRs on the receipts of financial reports from the RPs.”*

However, the audit firm identified that the Office did not follow the interoffice memo and continued the practice of recording funds disbursement to RP under Letter of Agreement as expense in CDRs which resulted overstatement of expenses in 2012 CDR amounted to \$106,505 compare to the financial reports submitted by the RP to Project Manager at the cut off date i.e. 31 March 2012.

In addition the audit firm noted that for other cut-off dates i.e. as of 31 December 2010 and 31 December 2011, adjustment of advances against expenses reported by RPs was not performed. Consequently individual CDRs remain understated or overstated by indeterminate amounts.

Comment:

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

In view of the above identified instances and control weaknesses, this area are rated partially satisfactory.

3.5 Procurement management

Satisfactory

The audit firm reviewed whether goods, services and civil works for the Project are procured competitively and in a transparent manner in accordance with UNDP policies and procedures. This included management of obligations and appropriate assessment of goods or services delivered and monitoring performance of the contractors, before payment.

The audit firm noted few low risk observations, which have been reported to Office for information and control improvements.

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

3.6 Assets management**Satisfactory**

The audit firm reviewed whether the Project assets are adequately recorded, safeguarded, monitored, including periodic physical verification of their use and existence.

The audit firm noted few low risk observations, which have been reported to Office for information and control improvements.

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

3.7 General administration management**Satisfactory**

The audit firm reviewed the areas of operations not specifically covered above and for which expenses were charged to the Project covering such areas as; travel of Project employee, use and maintenance of Project vehicles, lease and maintenance of office premises.

The audit firm noted few low risk observations, which have been reported to Office for information and control improvements.

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

3.8 Information system management**Satisfactory**

The audit firm procedures for Office were restricted to inquiries only since access to ATLAS was restricted. For RPs; the audit performed assessment of efficiency and security of information system established / maintained and their adequacy to meet management and reporting requirements to the projects.

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

Definitions of audit terms - Ratings and Priorities

A. Audit ratings

Within the operational audit context, performance refers to the economy, efficiency, and effectiveness of operations under management’s control. Operational audits assess the extent to which resources are acquired and utilized with due regard to economy and efficiency and whether management has put in place mechanisms to accurately monitor and assess whether the programs are meeting planned objectives. Operational audits do not report on the achievement of results.

Performance also refers to the manner in which activities are conducted – i.e. whether they are conducted in accordance with UNDP values. UNDP values encompass the notions of prudence and probity, as well as the necessity of taking acceptable risks.

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

B. Priorities of audit recommendations

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

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.

Glossary

CDR	Combined Delivery Reports
CSO	Civil society Organization
DSA	Daily Subsistence Allowance
GL	General Ledger
HR	Human Resource
RP	Responsible Party
M&E	Monitoring and Evaluation
NCE	No Cost Extension
OAI	Office of Audit and Investigations
PCA	Project Cooperation Agreement
PO	Purchase Order
PKR	Pakistani Rupees
ToR	Terms of Reference
The Office	UNDP Pakistan
The audit firm	Ernst & Young Ford Rhodes Sidat Hyder & Co.
\$	United States Dollar

Ernst & Young

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve potential.

For more information, please visit www.ey.com

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients

EYFRSH in Pakistan is a member firm of Ernst & Young Global Limited (EYGL), a company incorporated under the laws of England & Wales. EYFRSH is legally an independent Partnership firm, registered under the law of Partnership as applicable in Pakistan.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road,
Karachi, Pakistan

Phone: (92 51) 2870290 - 92
(92 21-3) 5638238 – 42

Fax: (92 51) 2870293

E-mail: aqueel.merchant@pk.ey.com
ashoke.kumar@pk.ey.com

© Ernst & Young 2013.
All rights reserved.