



AUDIT

OF

UNDP AFGHANISTAN

ENHANCING LEGAL ELECTORAL CAPACITY FOR TOMORROW
(Directly Implemented Project Nos. 00050324 and 00071801)

Report No. 1153
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Report on the audit of UNDP Afghanistan - Enhancing Legal and Electoral Capacity for Tomorrow (Project IDs. 50324 and 71801)

Executive Summary

From 23 September to 15 November 2012 the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through Ernst & Young Ford Rhodes Sidat Hyder (the audit firm), conducted an audit of Enhancing Legal and Electoral Capacity for Tomorrow (Project IDs. 50324 and 71801) (the Project), which is directly implemented and managed by the UNDP Country Office in Afghanistan (the Office). The audit firm was under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

The Project reported expenditure totalling \$21 million during the period from 1 January to 31 December 2011. The following donors contributed to the Project: Australian Agency for International Development, Canadian International Development Agency, Denmark, Department for International Development, European Union, Germany, Italy, Japan, Netherlands, Norway, Republic of Korea, Spain, Swedish International Development Cooperation Agency, Switzerland, Turkey, United Kingdom, and US Agency for International Development.

Audit scope and objectives

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the results of the Project's operations. The audit covered the Project's Statement of Expenditure (Combined Delivery Report) for the period from 1 January to 31 December 2011 and Statement of Assets as of 31 December 2011. The audit firm did not verify the expenditures amounting to \$2.1 million relating to salaries of international staff processed at UNDP Copenhagen, and \$47,000 relating to other United Nations Agencies.

Follow-up on prior audit: The audit also verified the implementation status of the previous audit report on this Project issued on 24 April 2012 (Report No. 904). Two out of five recommendations were noted to be fully implemented.

Audit results

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

Project Expenditure (audited)			Project Assets			Cash	
Amount (in \$ '000)	Opinion	NFI (in \$ '000)	Amount (in \$'000)	Opinion	NFI (in \$ '000)	Amount (in \$'000)	Opinion
18,865	Qualified	3,370	14,914	Unqualified	-	-	N/A*

NFI = Net Financial Impact,

*No separate bank account was held by the project

The audit firm qualified its opinion on project expenditure due to inadequate supporting documents (\$3 million), recording cash advances as expense (\$0.2 million), and overstatement of encumbrances (\$0.1 million).

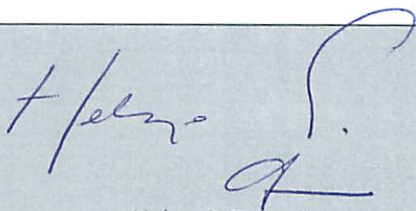
Key issues and recommendations

The audit raised seven issues and resulted in seven recommendations, of which six (86 percent) were ranked high (critical) priority, meaning "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."

Financial Management Issued No. 7.3	<u>Unsupported project expenditure.</u> The expenditures of \$3.0 million were not supported with adequate documentation such as invoices, contracts with vendors, receiving and inspection reports, and procurement documents. OAI recommends that the Office establishes a system to ensure payments are approved, and expenditures are supported with adequate documents and readily available for verification.
Financial Management Issue No. 7.4	<u>Weak controls over advances.</u> Cheques were issued under the name of staff of the government counterpart including the case of a cheque amounting to \$335,000. Furthermore, there was no reconciliation between advances received and expended, no evidence for the delegation of authority to the staff to receive cash advances, and insufficient audit evidence on the proper utilization of the funds. OAI recommends that the Office maintains a separate bank account to receive cash advances and conducts proper reconciliations of accounts including maintaining adequate supporting documents.
Financial Management Issue No. 7.6	<u>Ineligible transportation cost.</u> Instead of entering into a transportation contract, the government counterpart paid its temporary staff transportation allowances for a total of \$7.2 million, ranging from \$500 to \$750 per person per month. However, there was no documentation to support the rationale behind the choice of this approach and for applying different allowance rates for different provinces. Furthermore, the logbook of transportation allowances paid to the temporary staff was not available for review. OAI recommends that the Office undertakes and documents costs and benefit analysis in providing transportation to temporary staff in order to secure an optimal option to UNDP.

Management's comments

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



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