

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP AFGHANISTAN

NATIONAL INSTITUTION BUILDING PROJECT
(Directly Implemented Project No. 58898)

Report No. 1248
Issue Date: 12 February 2014

**Report on the audit of UNDP Afghanistan
National Institution Building Project (Project No. 58898)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 8 October 2013 to 15 January 2014, through Anjum Asim Shahid Rahman, member firm of Grant Thornton International Ltd (the audit firm), conducted an audit of the National Institution Building Project, Project No. 58898 (the Project), which is directly implemented and managed by the UNDP Country Office in Afghanistan (the Office).

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit covered the Project's Statement of Expenditure (Combined Delivery Report) for the period from 1 January to 31 December 2012 and Statement of Assets as of 31 December 2012.

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

Audit results

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

| Project Expenditure | | | Project Assets | | |
|------------------------|-----------|---------------------|------------------------|-----------|---------------------|
| Amount (in \$ '000) | Opinion | NFI (in \$ '000) | Amount (in \$ '000) | Opinion | NFI (in \$ '000) |
| 4,828 | Qualified | 441 | 731 | Qualified | 6 |

NFI = Net Financial Impact

The audit firm qualified its opinion on the Project's Statement of Expenditure due to the following: staff salaries of another project totalling \$84,000 were charged to this Project; inadequate supporting documents for expenses totalling \$357,000; and depreciation understated by \$5,117. The Project's Statement of Fixed Assets was qualified due to the understatement of the depreciation costs of the fixed assets acquired in 2012.

Key recommendations: Total = 6, high priority = 3

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendations are presented below:

| | |
|---------------------------------|---|
| Finance management (Issue 1) | <u>Expenses of different project charged to National Institution Building Project.</u> Staff salaries relating to another project amounting to \$84,000 were charged to the Project. |
|---------------------------------|---|

Recommendation: Recognize expenditure only in their relevant projects.

- (Issue 2) Unsupported common services and rent expense. There were inadequate supporting documents to validate the rent and common services expenditure amounting to \$357,000.
- Recommendation: Charge expenditure to the Project only when transactions are supported with adequate and proper documents.
- Fixed assets
(Issue 3) Non-compliance with International Public Sector Accounting Standards. The Project's Statement of Fixed Assets showed the value of assets at acquisition without any adjustment for depreciation charges. This was not in compliance with the Standard requiring that assets should be depreciated over their useful life and disclosed in the financial statements.
- Recommendation: Properly recognize in Atlas project assets acquired from 1 January 2012 so that depreciation costs are determined and reflected in the Project's Statement of Fixed Assets.

Implementation status of previous OAI audit recommendations: Report No. 1037, 19 April 2013.

Total recommendations: 4

Implementation status: Two recommendations were implemented and the other two were withdrawn, as a decision was taken to close the Project by the end of 2013.

Management comments and action plan

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



Helge S. Osttveiten
Director
Office of Audit and Investigations