



AUDIT

OF

UNDP AFGHANISTAN

ENHANCING LEGAL AND ELECTORAL CAPACITY FOR TOMORROW PROJECT
(Directly Implemented Project Nos. 57970 and 63078, Output Nos. 71801, 80393, 80394,
80395, 80396, 83558, 87512, 87513, and 87514)

Report No. 1385

Issue Date: 23 December 2014

Report on the audit of UNDP Afghanistan
Enhancing Legal and Electoral Capacity for Tomorrow (Project Nos. 57970 and 63078,
Output Nos. 71801, 80393, 80394, 80395, 80396, 83558, 87512, 87513, and 87514)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 3 to 21 August 2014, through Moore Stephens LLP (the audit firm), conducted an audit of the Enhancing Legal and Electoral Capacity for Tomorrow Project (Project Nos. 57970 and 63078, Output Nos. 71801, 80393, 80394, 80395, 80396, 83558, 87512, 87513, and 87514) (the Project), which is directly implemented and managed by the UNDP Country Office in Afghanistan (the Office). The last audit of the Project was conducted by OAI in 2013 and covered project expenditure from 1 January to 31 December 2012.

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 Combined Delivery Report, which includes expenditure for the period from 1 January to 31 December 2013 and the accompanying Funds Utilization statement¹ as of 31 December 2013 as well as Statement of Assets as of 31 December 2013. The audit did not include activities and expenses incurred or undertaken at the "responsible party" level, and expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters), or where supporting documentation was not retained at the UNDP Country Office level. The audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

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	Amount (in \$ '000)	Opinion	NFI** (in \$ '000)
11,514	Unqualified	11,691	Qualified	272

* Expenditures recorded in the Combined Delivery Report were \$45.7 million. Excluded from the audit scope were transactions that relate to expenditures not processed or approved at the Office level (\$10.3 million), and expenditures incurred at the "responsible party" level (\$23.6 million) and other United Nations agencies (\$0.3 million). The expenditures incurred at the "responsible party" level (\$23.6 million) were subject to a separate audit conducted by external auditors, which resulted in an unqualified opinion.

** NFI = Net Financial Impact

The audit firm qualified its opinion on the Project's Statement of Fixed Assets due to assets amounting to \$271,512 (or 2.3 percent of total assets) that were not in use by this Project.

¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) depreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

The audit firm issued an unqualified opinion on the Funds Utilization statement.

Key recommendations: Total = 4, high priority = 1

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 recommendation is presented below:

Poor audit trail for general ledger journal entries (Issue 3)

Information and documentation was not available to show a detailed breakdown and to support the calculation of amounts recorded in journal entries.

Recommendation: Maintain complete internal working documents, including a transaction listing of the items being allocated to demonstrate the reason for and the calculation of the general ledger journal entries.

Implementation status of previous OAI audit recommendations: Report No. 1169, 13 November 2013

Total recommendations: 7
Implementation status: 98%

The pending recommendation pertains to weaknesses in monitoring the use of financial resources incurred by the Independent Election Commission. Its implementation is in progress.

Management comments and action plan

The Resident Representative accepted all of 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. Ostveiten
Director
Office of Audit and Investigations