



AUDIT

OF

UNDP AFGHANISTAN

Afghanistan Subnational Governance Programme
(Project No. 58922, Output Nos. 73419, 76102, 78991, 78993, and 79239)

Report No. 1476

Issue Date: 7 August 2015

**Report on the Audit of UNDP Afghanistan
Afghanistan Subnational Governance Programme
(Project No. 58922, Output Nos. 73419, 76102, 78991, 78993, and 79239)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 31 May to 17 June 2015, through Grant Thornton CJSC (the audit firm), conducted an audit of Afghanistan Subnational Governance Programme Project No. 58922, Output Nos. 73419, 76102, 78991, 78993, 79239 (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 2014 and covered project expenditure from 1 January 2013 to 31 July 2014.

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 2014 and the accompanying Funds Utilization statement¹ as of 31 December 2014 as well as Statement of Assets as of 31 December 2014. The audit did not include activities and expenses incurred or undertaken at the "responsible party" level, or 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	NFI** (in \$ '000)	Amount (in \$ '000)	Opinion
8,841	Qualified	83	3,695	Unqualified

* Expenditures recorded in the Combined Delivery Report were \$18.5 million. Excluded from the audit scope were transactions that relate to expenditures not processed or approved at the Office level (\$2.8 million) and expenditures incurred at the "responsible party" level (\$6.9 million). The expenditures incurred at the "responsible party" level which were subject to a separate audit conducted by external auditors that resulted in an unqualified opinion.

**NFI = Net Financial Impact

The audit firm qualified its opinion on the Project's 2014 Combined Delivery Report because it included 2012 and 2013 expenditures amounting \$83,265.

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.

Key recommendations: Total = 1, high priority = 1

The one recommendation aims to ensure the reliability and integrity of financial and operational information.

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:

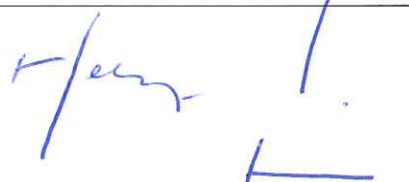
Inaccurate recording of expenditures (Issue 1) The 2014 Combined Delivery Report included expenditures amounting to \$83,265, which were incurred in 2012 and 2013.

Recommendation: The Office should record expenditures to the correct accounting period.

The previous audit (Report No. 1408, issued on 28 January 2015) had 12 recommendations, and based on OAI desk review, 2 are implemented while the remaining 10 are in progress.

Management comments and action plan

The Resident Representative accepted the recommendation and is in the process of implementing it. Comments provided have been incorporated into the report, where appropriate.



Helge S. Ostveiten
Director
Office of Audit and Investigations