

**UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations**



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AUDIT

OF

UNDP AFGHANISTAN

**National Area Based Development Programme
(Project No. 57359, Output Nos. 70832, 81443, 81444, 81449, 81451, and 81452)**

Report No. 1477

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Report on the Audit of UNDP Afghanistan
National Area Based Development Programme
(Project No. 57359, Output Nos. 70832, 81443, 81444, 81449, 81451, and 81452)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through SARB & Associates (the audit firm), conducted from 10 to 18 June 2015 an audit of the National Area Based Development Programme (Project No. 57359, Output Nos. 70832, 81443, 81444, 81449, 81451, and 81452) (the Project), which is nationally implemented¹ with direct support services provided by the UNDP Country Office in Afghanistan (the Office). The scope of the audit covered the expenditures incurred by the Office as direct support services to the Project. The expenditures incurred by the Government were the subject of a separate audit exercise. This was the first audit of the directly implemented part of the Project's activities.

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 statement² 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 by the Government, 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	NFI** (in \$ '000)
3,340	Unqualified	N/A	648	Qualified	210

* Expenditures recorded in the Combined Delivery Report were \$45.3 million. Excluded from the audit scope were transactions that relate to expenditures not processed or approved at the Office level (\$0.5 million), and expenditures incurred by the Government (\$41.5 million) which were subject to a separate audit conducted by external auditors that resulted in an unqualified opinion.

**NFI = Net Financial Impact

¹ The audit of nationally implemented projects, or NIM projects, is the responsibility of the respective UNDP Country Office. However, this NIM project was audited by OAI due to the extensive direct administrative support that the Country Office is providing to the Project.

² 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 qualified its opinion due to the Project's vehicle valued at \$210,000 that was reported stolen in May 2014. However, the Office did not take all appropriate and timely actions to recover or write-off the asset from the Statement of Assets.

Key recommendations: Total = 2, high priority = 1

The audit raised two recommendations, which aim to ensure the following; (a) reliability and integrity of financial and operational information (Recommendation 1, medium priority); and (b) safeguarding of assets (Recommendation 2, high priority).

The medium priority recommendation aimed to address the non-recording of expenditure in the year it was incurred.

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:

Assets lost not written-off (Issue 2)	The Project's vehicle, valued at \$210,000, was reported stolen in May 2014. However, the Office did not take all appropriate and timely actions to recover or write-off the assets from the Statement of Assets. At the time of the audit, it was not certain whether the vehicle could still be recovered (more than a year after it was reported stolen).
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Recommendation: The Office should take immediate action in accordance with the prescribed procedures pertaining to the lost or stolen asset.

Management comments and action plan

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

