

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP AFGHANISTAN

Law and Order Trust Fund for Afghanistan
(Project Nos. 85894, 89137 and 89620)

Report No. 1689

Issue Date: 14 July 2016

**Report on the Audit of UNDP Afghanistan
Law and Order Trust Fund for Afghanistan
(Project Nos. 85894, 89137, and 89620)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 11 to 29 May 2016, through SARB & Associates (the audit firm), conducted an audit of the Law and Order Trust Fund for Afghanistan, Project No. 85894 (Output Nos. 93369, 93383, 93384, 93385, 93386, 93387, 93388, 93389, 93390, 93391, 93392, 93393, 93394, 93395, 93396, 93397, 93556, 94750), Project No. 89137 (Output Nos. 95495, 95840, 95844, 95846, 95848, 95849), and Project No. 89620 (Output Nos. 95736, 95850, 95853, 95854, 95856, 95857, 95858, 95859) (the Project), which is nationally implemented¹ with direct support services by the UNDP Country Office in Afghanistan (the Office). The expenditures incurred by the Government were subject to a separate audit exercise. The last audit of the directly implemented part of the Project’s activities was conducted by OAI in 2015 and covered project expenditure from 1 January to 31 December 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 2015 and the accompanying Funds Utilization statement² as of 31 December 2015 as well as Statement of Assets as of 31 December 2015. 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 directly implemented part of 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
27,013	Unqualified	2,332	Unqualified

* Expenditures recorded in the Combined Delivery Report were \$480,923,096. Excluded from the audit scope were transactions that relate to expenditures processed by other United Nations agencies (\$2,240,920), expenditures processed and approved by other UNDP offices outside of the country (\$2,492,596), and expenditures incurred by the Government (\$449,176,316). The expenditures incurred by the Government were subject to a separate audit conducted by the same audit firm that resulted in an unqualified opinion.

¹ Nationally implemented projects, or NIM projects, are audited by the responsible unit in UNDP. However, this NIM project was audited by OAI due to the significant involvement of the Country Office in its implementation, and the subsequent materiality of the amount expended by UNDP.

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.

Key recommendations: Total = 4, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are four medium (important) priority recommendations, which means, "Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP." These recommendations include actions to address: (a) depreciation of assets not charged to the audited project valued at \$77,000; (b) excess charges of General Management Support fees against the Project by a net amount of \$18,000; (c) a payment processed without adequate supporting documents amounting to \$51,000; and (d) fuel expenses incurred for vehicles not belonging to the Project, amounting to \$187.

Implementation status of previous OAI audit recommendations: Report No. 1474, 21 August 2015

Total recommendations: 2

Implemented: 2

Management comments and action plan

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



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