



AUDIT

OF

UNDP AFGHANISTAN

THE LAW AND ORDER TRUST FUND FOR AFGHANISTAN
(Project No. 89620, Output Nos. 95736, 95850, 95853, 95854, 95856, 95857, 95858 and 95859)

Report No. 1847

Issue Date: 23 August, 2017

**Report on the Audit of UNDP Afghanistan
The Law and Order Trust Fund for Afghanistan
(Project No. 89620, Output Nos. 95736, 95850, 95853, 95854, 95856, 95857, 95858 and 95859)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Deloitte (the audit firm), from 22 May 2017 to 19 June 2017, conducted an audit of The Law and Order Trust Fund for Afghanistan Project No. 89620, Output Nos. 95736, 95850, 95853, 95854, 95856, 95857, 95858 and 95859 (the Project), which is nationally implemented¹ with direct support services by the UNDP Country Office in Afghanistan (the Office). The expenditure incurred by the Government were the subject of a separate audit exercise. The last audit of the Project was conducted by OAI in 2016 and covered project expenditure from 1 January to 31 December 2015.

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 2016 and the accompanying Funds Utilization statement² as of 31 December 2016 as well as Statement of Assets as of 31 December 2016. 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). The audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for 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
7,689	Unqualified	885	Unqualified

*Expenditures recorded in the Combined Delivery Report were \$11,121,525. Excluded from the audit scope were transactions that relate to expenditures processed and approved by other UNDP offices outside of the country (\$3,432,759).

Key recommendations: Total = 3, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are three medium (important) priority recommendations, which means, "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to

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) undepreciated 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.

address non-capitalization of fixed assets, incorrect depreciation of vehicles, and under-utilization of project budget in 2016.

The three recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendations 1 and 2); and (b) effectiveness and efficiency of operations (Recommendation 3).

Implementation status of previous OAI audit recommendations: Report No. 1689, 14 July 2016

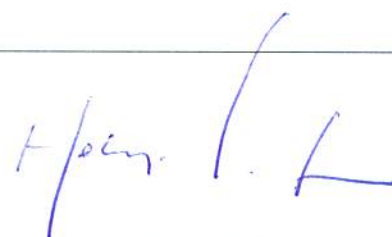
Total recommendations: 4

Implemented: 2

The two outstanding recommendations pertained to actions to address depreciation costs incorrectly charged to the Project, and payments processed with inadequate supporting documents.

Management comments and action plan

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

A handwritten signature in blue ink, appearing to read 'H. Ostveiten', is enclosed within a rectangular box.

Helge S. Ostveiten
Director
Office of Audit and Investigations