

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP PAKISTAN

FATA TRANSITION AND RECOVERY PROGRAMME
(Directly Implemented Project No. 88875, Output Nos. 95343 and 101748)

Report No. 1852

Issue Date: 14 September 2017

**Report on the Audit of UNDP Pakistan
FATA Transition and Recovery Programme
(Project No. 88875, Output Nos. 95343 and 101748)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Deloitte from 2 May to 2 June 2017, conducted an audit of FATA Transition and Recovery Programme, Project No. 88875, Output Nos. 95343 and 101748 (the Project), which is directly implemented and managed by the UNDP Country Office in Pakistan (the Office). This was the first audit of the Project.

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 included expenses for the period from 1 January to 31 December 2016 and the accompanying Funds Utilization statement¹ 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 at the "responsible party" level, 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 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	NFM** (in \$ '000)	Amount (in \$ '000)	Opinion
7,329	Qualified	427	871	Unqualified

*Expenditures recorded in the Combined Delivery Report were \$16,683,030. Excluded from the audit scope were expenses processed and approved by other UNDP offices outside of the country (\$589,806). Also excluded were expenses incurred at the "responsible party" level (\$8,764,535), which were subject to a separate audit that resulted in an unqualified opinion.

**NFM= Net Financial Misstatement

The audit firm qualified its opinion on project expenses due to costs totaling \$427,345 that were found not related to the Project, unsupported, or disbursed not in accordance with the contract terms.

At the time the audit report is being issued, OAI is investigating complaints related to responsible parties who are implementing some activities of the 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.

Key recommendation(s): Total = 7, high priority = 2

The seven recommendations aim 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. All high (critical) priority recommendations are presented below:

Excess payments made to subcontractor (Issue 1.1) The Office paid the vendor for services rendered relating to damage assessments of schools and other facilities using a rate that was not in accordance with the contract terms. This action resulted in an overpayment of \$16,848. Further, the Office did not provide evidence of approval when the scope of work was revised.

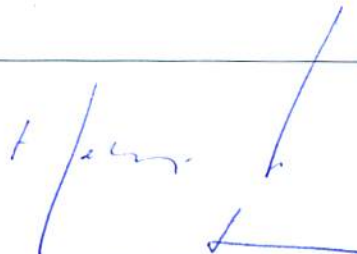
Recommendation: The Office should ensure all payments made are in accordance with contract terms and any changes in scope of work should be approved. The management should also take necessary measures to recover from the vendor excess payment of \$16,848.

Costs of other projects charged to the Project (Issues 2.1 and 2.2) Payroll expenses of \$260,600 and construction costs of \$149,897 of another project were charged to the Project. The Office clarified that these expenses were actually for the Project. However, there was a lack of documentation or details of these expenses to support that they indeed relate to the Project.

Recommendation: The Office should ensure that all expenses charged to the Project are supported with adequate documentation. All expenses should be reviewed and approved at appropriate level, before processing and recording expenses.

Management comments and action plan

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



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