



AUDIT

OF

UN ELECTORAL SUPPORT PROJECT
(Directly Implemented Project No. 105005,
Output Nos. 106325, 106326, 106327, 111484 and 117164)

IN

UNDP AFGHANISTAN

Report No. 2531
Issue Date: 10 August 2022

**Report on the Audit of UNDP Afghanistan
UN Electoral Support Project
(Project No. 105005, Output Nos. 106325, 106326, 106327, 111484 and 117164)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through BDO LLP (the audit firm), from 15 to 19 May 2022, conducted an audit of 'UN Electoral Support Project' (Project No. 105005, Output Nos. 106325, 106326, 106327, 111484 and 117164) (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, through BDO LLP in 2021 and covered project expenses from 1 January 2019 to 31 December 2020.

The audit firm conducted a financial audit in accordance with the International Standards of Auditing (ISA), the 700 series, 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 expenses for the period from 1 January to 31 December 2021 and the accompanying Funds Utilization statement¹ as of 31 December 2021 as well as Statement of Assets as of 31 December 2021. The audit did not include 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* of the Institute of Internal Auditors (The IIA).

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 Expenses*				Project Assets	
Amount (in \$ '000)	Opinion	NFM** (in \$ '000)	Impact on CDR	Amount (in \$ '000)	Opinion
1,937	Qualified	175	Overstatement	41	Unmodified

*Expenses recorded in the Combined Delivery Report were \$7,159,298. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP Offices outside of the country in the amount of \$5,222,488.

**NFM= Net Financial Misstatement

The audit firm qualified its opinion on project expenses due to expenditure recorded in the incorrect accounting period, and salaries paid and recorded twice. The resulting financial impact, including general management support costs (GMS), was a material overstatement of the financial statements in the amount of \$175,270, comprising \$146,344 of expenditures recorded in the incorrect period, and \$28,926 of salaries paid twice. The net financial impact represented 9 percent of the Project's audited expenditures directly incurred by the Office for the period 1 January to 31 December 2021.

Key recommendations Total = 2, high priority = 0

¹ 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.



The audit did not result in any high (critical) priority recommendations. There are two 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 address expenditures recorded in the incorrect accounting period and salaries paid and recorded twice due to errors in the initial payment made in 2018. OAI will also expect the Office to make efforts to recover the double payment of salaries amounting to \$28,926.

The two recommendations aim to ensure reliability and integrity of financial and operational information.

Implementation status of previous OAI audit recommendations:

The previous audit (Report No. 2373, issued on 17 August 2021) did not result in any recommendations.

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.

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Director
Office of Audit and Investigations