



AUDIT

OF

UNDP Pakistan

**Early Recovery Programme in Pakistan
(Directly Implemented Project No. 76295)**

**Report No. 990
Issue Date: 19 June 2013**

**Report on the audit of UNDP Pakistan
Early Recovery Programme in Pakistan (Project No. 76295)
Executive Summary**

From 18 October 2012 to 15 January 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through Ernst & Young Ford Rhodes Sidat Hyder - Pakistan (the audit firm), conducted an audit of the Early Recovery Programme in Pakistan, Project No. 76295 (the Project), which is directly implemented and managed by the UNDP Country Office in Pakistan (the Office). The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The last audit of the Office was conducted by OAI in 2012.

The Project reported expenditure totalling \$5.7 million during the period from 1 January 2010 to 31 March 2012. The Project was funded by UNDP and Japan.

Audit scope and objectives

The audit work covered financial transactions as well as internal controls and systems for the purpose of expressing an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations, as well as assess compliance with UNDP regulations, rules, policies and procedures and donor agreements. The audit covered the Project's Statement of Expenditure (Combined Delivery Report) for the period from 1 January 2010 to 31 March 2012 and Statement of Assets as of 31 March 2012. It also reviewed the relevant systems, procedures and practices in place as they relate to the Project, in the areas of: organization and staffing, project management, human resources management, financial and cash management, procurement, asset management, information systems and general administration.

Audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, OAI assessed the management of the Project as **partially satisfactory**, which means "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." The details of the audit results are presented in Figures 1 and 2.

Figure 1: Summary results of the financial audit

Project Expenditure			Project Assets	
Amount (in \$ '000)	Opinion	NFI (in \$ '000)	Amount (in \$ '000)	Opinion
5,689	Qualified	55	58	Unqualified

NFI = Net Financial Impact

The audit firm qualified its opinion on project expenditure due to the following:

- (a) Expenses amounting to \$425,000 for the period ending 31 December 2011 had been classified into the incorrect chart of accounts. This amount represents various types of expenses which the Office had incorrectly recorded in the 'grants to institutions' account.

- (b) Inadequate supporting documents were provided for expenses amounting to \$55,000, thus the audit firm was unable to ascertain the acceptability and chargeability of these expenses to the Combined Delivery Report.

Figure 2: Internal controls and systems audit ratings summary

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Organization and staffing				
2. Project management				
3. Human resources management				
4. Financial and cash management				
5. Procurement				
6. Asset management				
7. Information systems				
8. General administration				

Key issues and recommendations


The audit raised 13 issues and resulted in no recommendations, mainly because the Project had ended. Among the issues raised in this report, those that could be considered the most significant are presented below:

Human resources management (Issue 4) Lack of controls to detect addition or deletion of employees in the payroll system. The Human Resources Associate can add or delete employees in the payroll system. System generated notifications for additions or deletions of employees from the payroll could not be generated from the beginning of the Project until January 2012. There were no substitute manual controls available to mitigate the risks associated with the payroll system prior to January 2012.

Asset management (Issue 12) Assets not returned to the Project. Six responsible parties did not return project assets amounting to \$18,452 to the Office after the completion of the Project.

Management's comments

The Resident Representative agreed with all 13 issues raised.



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