Management comments and action plan

The Representative of the Office accepted the recommendation and has already taken corrective action. Comments and/or additional information provided have been incorporated into the report, where appropriate.

Helge S. Ostveiten
Director
Office of Audit and Investigations
United Nations Development Programme (UNDP)


- Afghanistan -

For the year ended 31 December 2015
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Executive Summary

KPMG Geneva conducted the financial audit of UN Women project number 00091905 “Afghanistan Country Office Operations” (the project) for the period 1 January to 31 December 2015. The audit was undertaken on behalf of the Office of Audit and Investigations (OAI), United Nations Development Programme (UNDP).

We have issued audit opinions as summarized in the table below and as detailed in the next section:

<table>
<thead>
<tr>
<th>Project Trial Balance (PTB) Statement</th>
<th>Unqualified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Statement of Fixed Assets</td>
<td>Unqualified</td>
</tr>
</tbody>
</table>

Findings as a result of our audit are provided in the management letter on page 8.

KPMG SA

Pierre-Henri Pingeon               Henri Mwaniki
Auditor in Charge

Geneva, 29 July 2016
Audit Objectives and Scope

The objective of the financial audit was to express an opinion on the Directly Implemented Modality (DIM) project’s statements which include:

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January and 31 December 2015 are fairly presented in accordance with UN Women accounting policies and that the expenses incurred were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UN Women; and (iv) supported by properly approved vouchers and other supporting documents. The Project Trial Balance (PTB) certified by the UN Women Chief of Accounts is the mandatory and official Statement upon which the audit opinion should be expressed. Other forms of Statement of expenses that may be prepared by a project office are not acceptable.

- Expressing an opinion on whether the Project Statement of Fixed Assets presents fairly the balance of assets of the UN Women project as at 31 December 2015. This Statement must include all assets available as at 31 December 2015 and not only those purchased in the period. The Project Statement of Fixed Assets as at 31 December 2015, certified by the UN Women Chief of Accounts, is the mandatory and official Statement upon which the audit opinion should be expressed. Other forms of Project Statement of Fixed Assets that may be prepared by a project office are not acceptable. Where a DIM project does not have any assets or equipment, it will not be necessary to express such an opinion.

The scope of the audit relates only to transactions concluded and recorded against the UN Women DIM project, between 1 January and 31 December 2015. The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of “responsible parties”, unless the inclusion of these expenses is specifically required in the request for proposal; and

- Expenses processed and approved in locations outside the Country Office responsible for the project, such as expenditures initiated at UN Women Regional Offices and UN Women Headquarters for which the supporting documentation is not retained at the level of the UN Women country office.
Independent Auditors’ Report
Project Trial Balance (PTB) Statement

To: Office of Audit and Investigations (OAI), United Nations Development Programme (UNDP)

Audited Project: “Afghanistan Country Office Operations”
Period covered by the audited PTB Statement: From 1 January 2015 to 31 December 2015
Atlas Project Number to identify the PTB: 00091905
Location: Afghanistan

We have audited the accompanying Project Trial Balance (PTB) Statement of the UN Women project number 00091905 “Afghanistan Country Office Operations” for the period 1 January to 31 December 2015. The PTB expenditures totalling $1,516,852.34 are comprised of audited expenditures of $575,165.52 under the Directly Implemented Modality (DIM) and expenditures processed and approved outside the UN Women Country office in Afghanistan of $941,686.82 which were excluded from the scope of our audit.

Management’s Responsibility for the Project Trial Balance Statement
Management is responsible for the preparation of the PTB Statement for “Afghanistan Country Office Operations” project and for such internal control as management determines is necessary to enable the preparation of a Statement that is free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility
Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project’s preparation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion
In our opinion, the attached Project Trial Balance (PTB) Statement presents fairly, in all material respects, the expenses of $575,165.52 incurred by the project number 00091905 “Afghanistan Country Office Operations” for the period 1 January to 31 December 2015 in accordance with UN Women accounting policies and were i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UN Women; and (iv) supported by properly approved vouchers and other supporting documents.

KPMG SA

Pierre-Henri Pingeon                     Henri Mwaniki
Auditor in Charge

Geneva, 29 July 2016
Independent Auditors’ Report
Project Statement of Fixed Assets

To: Office of Audit and Investigations, United Nations Development Programme (UNDP)

Audited Project: “Afghanistan Country Office Operations”
Period covered by the Project Statement of Fixed Assets: 1 January 2015 to 31 December 2015
Atlas Project Number to identify the PTB: 00091905
Location: Afghanistan

We have audited the accompanying Project Statement of Fixed Assets of the UN Women project number 00091905, “Afghanistan Country Office Operations” as at 31 December 2015.

Management’s Responsibility for the Project Statement of Fixed Assets
Management is responsible for the preparation of the Statement for the “Afghanistan Country Office Operations” project and for such internal control as management determines is necessary to enable the preparation of a Statement that is free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility
Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project’s preparation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion
In our opinion, the attached Project Statement of Fixed Assets present fairly, in all material respects, the balance of inventory of the UN Women project number 00091905 “Afghanistan Country Office Operations” with a Net Book Value of $1,676 as at 31 December 2015 in accordance with UN Women accounting policies.

KPMG SA

Pierre-Henri Pingeon  Henri Mwaniki
Auditor in Charge

Geneva, 29 July 2016
Management Letter

To: Office of Audit and Investigations, United Nations Development Programme

Audited Project: “Afghanistan Country Office Operations”
Period covered: 1 January 2015 to 31 December 2015
Atlas Project Number to identify the PTB: 00091905
Location: Afghanistan

We have raised the following finding related to the project:

Observation

- Expenses accounted for under incorrect accounting codes

The detailed budget provides detailed account codes against which expenses should be reported. From our review of 90 expenditure samples, we noted six instances where expenses amounting to $5,935 as detailed below were posted to the wrong accounting codes:

<table>
<thead>
<tr>
<th>Voucher No.</th>
<th>Description</th>
<th>Date</th>
<th>Amount (USD)</th>
<th>Charged to account Code</th>
<th>Description</th>
<th>Correct account Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFG30-00013405-1-3-ACCR-DST</td>
<td>Payment made to vendor for purchase of two 512K Unlimited WIFI prepaid card</td>
<td>9-Dec-15</td>
<td>50</td>
<td>72410</td>
<td>Acquisition of audio visual equipment</td>
<td>72445</td>
<td>Common services-communications</td>
</tr>
<tr>
<td>AFG30-00013114-1-3-ACCR-DST</td>
<td>Payment made to a vendor account for purchase of two 512K Unlimited WIFI prepaid card</td>
<td>8-Nov-15</td>
<td>53</td>
<td>72405</td>
<td>Acquisition of communication equipment</td>
<td>72445</td>
<td>Common services-communications</td>
</tr>
<tr>
<td>AFG30-00012260-1-1-ACCR-DST</td>
<td>Salary paid to a coordinator for the month of January 2015 as he worked 20 days @ $150 per day</td>
<td>15-Feb-15</td>
<td>3,000</td>
<td>71205</td>
<td>Intl Consultants - Short term</td>
<td>71305</td>
<td>Local Consultants - Short term</td>
</tr>
<tr>
<td>AFG30-00013197-1-2-ACCR-DST</td>
<td>Payment made to a staff member on account of danger pay for the month of October 2015</td>
<td>19-Nov-15</td>
<td>1,600</td>
<td>63365</td>
<td>Special Operating Living Allowance</td>
<td>62335</td>
<td>Hazard duty station allowance-IP</td>
</tr>
</tbody>
</table>
The error above was caused due to inadequate review of costs posted to the account codes.

Though no impact to the overall expenses was noted, there is a risk that controls over the recording of expenses to the appropriate account codes may not be operating effectively which could potentially lead to future impacts on budgets as activities may not be implemented as planned.

- **Priority/Grading**
  Medium

- **Recommendation**

  KPMG recommends that expenses should be charged to the correct account code. Further there should be adequate review of the accounts codes indicated in the payment vouchers to ensure that expenses are captured in the appropriate expense categories as agreed in approved budget/work plan.

- **Management Comment and Action Points**

  Comments are noted and steps are taken to avoid recurrence of incorrect classification in future; Finance team has shared list of account codes with payment requesters (Program and Operations staff) to apply right account code while raising the requisition for payment. (See, distribution list attached). Finance team is further advised to adhere and re-check payment requisitions and mainly Fund Authorization and Certification of Expenditures Report (FACE forms) for application of correct account codes before processing the payment.

KPMG SA

Pierre-Henri Pingeon

Henri Mwaniki

*Auditor in Charge*

Geneva, 29 July 2016
Annex 1: Project Trial Balance (PTB) Statement
<table>
<thead>
<tr>
<th>Project</th>
<th>Account Code</th>
<th>Description</th>
<th>Total Per Asst</th>
<th>Total Per Asst Schedule</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>91305</td>
<td>13130</td>
<td>Communications &amp; IT Equipment</td>
<td>54,721.98</td>
<td>54,651.98</td>
<td>70.00</td>
</tr>
<tr>
<td>91305</td>
<td>13130</td>
<td>Unrestricted Asst</td>
<td>(54,721.98)</td>
<td>(54,651.98)</td>
<td>70.00</td>
</tr>
<tr>
<td>91305</td>
<td>13130</td>
<td>Accounted Acc - I.C</td>
<td>54,721.98</td>
<td>54,651.98</td>
<td>70.00</td>
</tr>
<tr>
<td>91305</td>
<td>13130</td>
<td>Accounted Acc - I.C</td>
<td>(54,721.98)</td>
<td>(54,651.98)</td>
<td>70.00</td>
</tr>
</tbody>
</table>

*Note: The difference is the accrual amount that was booked in Dec 2015 to revenue in Jan 2016.*

---

I hereby certify that the trial balance is extracted from U.N. Women's books and records, which has been audited by the United Nations Board of Audit for the year ended 31 December 2016.

Debbie Bihlo
Chief of Accounts

24 May 16

Félicien Ngoyen, Partner
KPMG SA, Geneva
29 July 2016

Henri Mwanzia, Senior Manager
KPMG SA, Geneva
29 July 2016
Annex 2:   Project Statement of Fixed Assets
Asset Schedule by Project as at the 31 December 2015

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>Operating Unit</th>
<th>Asset ID</th>
<th>Profile ID</th>
<th>Description</th>
<th>TAG Numbers</th>
<th>Serial Number</th>
<th>Model</th>
<th>Location</th>
<th>Acquisition Date</th>
<th>In Service Date</th>
<th>Cost, USD</th>
<th>Net Book Value</th>
<th>Quantity</th>
<th>Depreciation</th>
<th>Implant</th>
<th>Agency</th>
<th>Account</th>
<th>Project</th>
<th>Fund Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFG100</td>
<td>AFG</td>
<td>000000000075</td>
<td>IUNW_ITEB</td>
<td>APC Uninterruptable UPS</td>
<td>R51231300077</td>
<td>SUFED30001001</td>
<td>AFG00PB-08</td>
<td></td>
<td>6/28/2015</td>
<td>6/28/2015</td>
<td>1,779.44</td>
<td>1,676.00</td>
<td>1,676.00</td>
<td>0012001</td>
<td>0073001</td>
<td>00913005</td>
<td>W9000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

I hereby certify that the Asset Schedule is extracted from UN Women's books and records, which have been audited by the United Nations Board of Audit for the year ended 31 December 2015.

Donna Grimwade
Chief of Accounts
25-May-16
Date

Frankline Okumu
Asset Focal Point
25-May-16
Date

Pierre-Henri Pingeon, Partner
KPMG SA, Geneva
29 July 2016

Henri Mwaniki, Senior Manager
KPMG SA, Geneva
29 July 2016
Annex 3: Audit finding priority ratings

The following categories of priorities are used:

**High (Critical)** Action is considered imperative to ensure that UN Women is not exposed to high risks. Failure to take action could result in major consequences and issues.

**Medium (Important)** Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.

**Low** Action is considered desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the auditors directly with the Office management, during the exit meeting and through a separate memo subsequent to the fieldwork. **Therefore, low priority recommendations are not included in the audit report.**