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Observation No: 5
Audit area: Finance
Issue title: Records not provided

Condition

1. During the course of our audit we were not provided general ledgers and supporting documentation in respect of expenses pertaining to first quarter (Jan- March 2011) at Jalalabad and Kandahar offices. We were given the understanding by concerned management that the said record was sealed by Ministry of Finance after the Internal audit verification conducted by Government Internal audit department, hence it could not be unsealed without the prior approval of concerned Minister and President Office. Moreover, we were not provided with the internal audit reports of these two offices.

Province	Amount (Afs)	Exchange Rate	Amount (US\$)
Jalalabad	364,065,169	45.23	8,049,197
Kandahar	733,542,652	45.23	16,218,055
Total	1,097,607,821	45.23	24,267,252

2. We were not provided with the bank statements of accounts maintained for salary and food disbursements under LOTFA Project to verify that withdrawals from bank accounts are duly reconciled with the reported expenses and balances thereof.
3. EPS generates payroll sheets, on the basis of which, Form M-41 and M-16 are prepared and approved for transfer of salaries under LOTFA Project. However, we were not provided with the subsequent documentation/communication prepared on the basis of these forms to ensure that the disbursements by designated disbursement agent and or cash payments have been made to those staff appearing in M-41.

Criteria

Full and complete access to all the records and documents (including books of account, legal agreements, minutes of committee meetings, bank records, invoices and contracts etc) is essential to verify costs and ensure these being incurred in conformity with the provisions of the Project document and being processed adequately.

The project documents of UNDP (LOTFA) Phase-VI requires that "For audit and reporting purposes, MoF will be required by UNDP to produce evidence of, and bank statements related to: the amount received by the designated bank; the date, amounts, and exchange rate at the time of the withdrawals; all withdrawals made in local currency by MoF to the designated account; fees, if any, related to exchange transactions".

For tracking payments to police staff, as per standard practices, the information system should have the capability to record and trace the payments.

Cause

- Lack of/or inadequate guidance/supervision at the project level.

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- Inadequate planning
- Lack of/or insufficient technical resources

Impact or risk

Due to lack of adequate information regarding details of disbursement to police staff bank accounts, there is the risk of duplicate payments; un-authorized payment made to staff and difficulties in tracking such payments.

Recommendation

We recommend that the project management should take appropriate steps to ensure the availability of records and prior approvals should be sought from the concerned authorities before start of the audit.

We also recommend that Project management should ensure that payment record is maintained and entered into the system once the payment is made. The concerned staff should enter the payment records as per bank's funds disbursement in order to ensure that payment is made to the correct account numbers as per defined criteria in EPS.

Priority

High

Management comments

The point is noted and will be implemented in future.

Responsible Manager

Expected Completion Date