UNOPS (IAIG) Internal Audit and Investigation Group Copenhagen

Second Customs Reform and Trade Facilitation Project (SCRTFP)

Project No. 00075434

Auditor’s Reports
For the period from 28 December 2010 to 21 March 2012
AUDITOR'S REPORTS

United Nations Office for Project Services

Second Customs Reform and Trade Facilitation Project (SCRTFP)

Project No: 00075434
Period Covered: 28 December 2010 to 21 March 2012
Date of Report: 07 February 2012
Audit Opinion for Financial Audit Report on Project ID 00075434

To: Director IAIG
UNOPS- Internal Audit and Investigation Group (IAIG) Copenhagen

Report on financial statement

We have audited the accompanying statement of receipt and disbursement of the project Second Customs Reform and Trade Facilitation Project (SCRTP) (Atlas ID 0075434) of UNOPS, for the period from 28 December 2010 to 21 March 2012 and a summary of significant accounting policies and other explanatory information (together “the financial statement”). The financial statement has been prepared by management using the cash receipts and disbursements basis of accounting described in Note 2.1.

Management’s Responsibility for the Statement

Management of the Project is responsible for the preparation and fair presentation of this financial statement in accordance with the cash receipts and disbursements basis of accounting described in the Note 2.1; and for such internal control as management determines is necessary to enable the preparation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statement 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 entity’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 overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

W/M
Opinion

In our opinion, the financial statement presents fairly, in all material respects, the cash receipts and disbursements of the project Second Customs Reform and Trade Facilitation Project (SCRT) (Atlas project ID 00075434) for the period from 28 December 2010 to 21 March 2012 in accordance with the cash receipts and disbursements basis of accounting described in Note 2.1.

In particular, we confirm the following:

- that income and expenditures have been accounted for as per the accounting policies set out in the Statement of Receipt and Disbursement;
- expenditure was incurred in accordance with the provision of the activity inputs under the relevant project agreements and are supported by proper documentation; and
- the transactions were in accordance with the organization’s financial rules and regulations and other applicable rules.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2.1 to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to UNOPS IAIG. As a result, the financial statement may not be suitable for another purpose.

KPMG Afghanistan Limited
07 February 2013
Kabul
United Nations Office for Project Services (UNOPS)
Second Customs Reform and Trade Facilitation Project (SCRTFP)
Project No. 00075434

Statement of Receipts and Disbursements
For the period from 28 December 2010 to 21 March 2012

<table>
<thead>
<tr>
<th>Grant Receipts</th>
<th>Note</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds Received</td>
<td>3</td>
<td>18,931,868</td>
</tr>
</tbody>
</table>

Disbursements

<table>
<thead>
<tr>
<th>Disbursements</th>
<th>Note</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Costs</td>
<td>4</td>
<td>671,927</td>
</tr>
<tr>
<td>Subcontract Services</td>
<td>5</td>
<td>5,632,798</td>
</tr>
<tr>
<td>Equipments</td>
<td>6</td>
<td>407,255</td>
</tr>
<tr>
<td>Operations Costs</td>
<td>7</td>
<td>770,710</td>
</tr>
<tr>
<td>Facilities and Administrations</td>
<td>8</td>
<td>195,306</td>
</tr>
</tbody>
</table>

Total

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Closing balance</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>11,253,872</td>
</tr>
</tbody>
</table>

The annexed notes 1 to 9 form an integral part of this statement.

Weeda Momand  
Project Support Officer  
SCRTFP-UNOPS

Shahid Meezan  
Team Leader & Chief Technical Advisor  
SCRTFP-UNOPS

Klisa Johnstone  
Senior Financial Management Officer  
AGOC-UNOPS
United Nations Office for Project Services (UNOPS)
Second Customs Reform and Trade Facilitation Project (SCRTFP)
Project No. 00075434

Notes to Statement of Receipts and Disbursements
For the period from 28 December 2010 to 21 March 2012

1. Status and objectives

A Financing Agreement (Grant No. H568-AF) was signed on 28 June 2010 between the World Bank (WB) through International Development Association (IDA) and the Government of Islamic Republic of Afghanistan (GOIRA) for implementation of Second Customs Reform and Trade Facilitation Project ("the Project") for an aggregated amount of SDR 33.3 million (Special Drawing Rights) equivalent to US$ 50.48 million.

The Project is implemented by UNOPS Afghanistan Operation Center (AGOC) under a Management Service Agreement (MSA) signed between UNOPS and Afghan Customs Department (ACD) on 25 December 2010.

The Project has the five major components including: a) Country-wide computerization of customs clearance operations, b) Installation of executive information systems for customs allowing real time monitoring of operations, c) Development of possible options for cross border customs-to-customs cooperation, d) Provision of selected customs infrastructure to enable modernized operations and e) Technical assistance to support the development of an adequate regulatory, administrative and institutional framework for customs.

2. Summary of Significant accounting policies

2.1 Basis of preparation

The Statement of Receipts and Disbursements ("the financial statement") has been prepared on specific reporting format wherein funds are recognized when received and disbursements when paid rather than when accrued or incurred except for UNOPS management support costs, which are charged at an aggregated percentage of 9.3% of the total eligible expenditure and are classified as I) Allocable cost being UNOPS AGOC support and II) Facilities & Administrative being UNOPS HQ support cost and are applied @ 2.5% and 7% respectively, of the total operating costs for the periods as agreed with The World Bank for the total ceiling amount of US$ 3,598,453.

2.2 Foreign currency transactions

This financial statement has been prepared in US Dollar (US$). Transactions in currencies other than US$ are translated to US$ using United Nations applicable currency exchange rates for reporting purpose.

Weeda Momand
Project Support Officer
SCRTFP-UNOPS

Shahid Meezan
Team Leader/Chief Technical Advisor
SCRTF Project-UNOPS

Kiisa Johnstone Tembere
Senior Financial Management Officer
AGOC-UNOPS

Ahmad Javed Nawabi
Deputy Team Leader
SCRTFP-00075434
United Nations Office for Project Services (UNOPS)
Second Customs Reform and Trade Facilitation Project (SCRTFP)
Project No. 00075434

Notes to Statement of Receipts and Disbursements
For the period from 28 December 2010 to 21 March 2012

3. Funds Received

This represents the funds received for the period from 28 December 2010 to 21 March 2012 from the World Bank (WB) for implementation of the Project as per the Financing Agreement (Grant No. H568-AF) dated 28 June 2010. Details of the fund received during the reporting period are:

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-Mar-11</td>
<td>First Advance Payment from WB</td>
<td>8,720,000</td>
</tr>
<tr>
<td>13-Dec-11</td>
<td>Second Advance Payment from WB</td>
<td>3,173,758</td>
</tr>
<tr>
<td>13-Mar-12</td>
<td>Third Advance Payment from WB</td>
<td>7,038,110</td>
</tr>
</tbody>
</table>

**Total:** 18,931,868

<table>
<thead>
<tr>
<th>Budget Account</th>
<th>Description</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>61300</td>
<td>Salary &amp; Post Adjustment Cost- IP Staff</td>
<td>36,342</td>
</tr>
<tr>
<td>62300</td>
<td>Recurrent Payroll Costs- IP Staff</td>
<td>11,055</td>
</tr>
<tr>
<td>63300</td>
<td>Non-Recurrent Payroll- IP Staff</td>
<td>2,872</td>
</tr>
<tr>
<td>63500</td>
<td>Insurance and Security Costs</td>
<td>2,131</td>
</tr>
<tr>
<td>64300</td>
<td>Staff Management Costs- IP Staff</td>
<td>11,323</td>
</tr>
<tr>
<td>71200</td>
<td>International Consultants</td>
<td>411,619</td>
</tr>
<tr>
<td>71300</td>
<td>Local Consultants</td>
<td>196,585</td>
</tr>
</tbody>
</table>

**Total:** 671,927

4. Personnel Costs

5. Subcontract Services

<table>
<thead>
<tr>
<th>Budget Account</th>
<th>Description</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>71400</td>
<td>Contractual Services- Individual</td>
<td>680,729</td>
</tr>
<tr>
<td>72100</td>
<td>Contractual Services- Companies</td>
<td>1,345,430</td>
</tr>
<tr>
<td>72600</td>
<td>Grants</td>
<td>3,606,639</td>
</tr>
</tbody>
</table>

**Total:** 5,632,798
United Nations Office for Project Services (UNOPS)
Second Customs Reform and Trade Facilitation Project (SCRTFP)
Project No. 00075434

Notes to Statement of Receipts and Disbursements
For the period from 28 December 2010 to 21 March 2012

<table>
<thead>
<tr>
<th>Budget Account</th>
<th>Description</th>
<th>USS</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. 65100</td>
<td>After Service Insurance</td>
<td>4,259</td>
</tr>
<tr>
<td>65100</td>
<td>Travel</td>
<td>67,356</td>
</tr>
<tr>
<td>65100</td>
<td>Supplies</td>
<td>10,589</td>
</tr>
<tr>
<td>73100</td>
<td>Rental &amp; Maintenance- Premises</td>
<td>27,911</td>
</tr>
<tr>
<td>73200</td>
<td>Premises Alternations</td>
<td>603,705</td>
</tr>
<tr>
<td>73400</td>
<td>Rental &amp; Maintenance of Other Equipment</td>
<td>16,367</td>
</tr>
<tr>
<td>74500</td>
<td>Miscellaneous Expenses</td>
<td>40,523</td>
</tr>
<tr>
<td></td>
<td>Operations Costs</td>
<td>770,710</td>
</tr>
</tbody>
</table>

8. Facilities and Administrations

<table>
<thead>
<tr>
<th>Budget Account</th>
<th>Description</th>
<th>USS</th>
</tr>
</thead>
<tbody>
<tr>
<td>75100</td>
<td>Facilities and Administration (@ 7%)</td>
<td>195,306</td>
</tr>
<tr>
<td></td>
<td></td>
<td>195,306</td>
</tr>
</tbody>
</table>

9. Closing Balance

This represents Project's closing (unspent) balances from the funds received during the reporting period as at 21 March 2012.

Woeda Momand
Project Support Officer
SCRTFP-UNOPS

Shahid Meezan
Team Leader & Chief Technical Advisor
SCRTFP-UNOPS

Kilsa Johnstone TOMBERE
Senior Financial Management Officer
AGOC-UNOPS
Audit Opinion for Financial Audit Report on Project ID 00075434

To: Director IAIG
UNOPS- Internal Audit and Investigation Group (IAIG) Copenhagen

Report on Status of Non-expendable Property

We have audited the accompanying statement of non-expendable property (“the Statement”) of the project Second Customs Reform and Trade Facilitation Project (SCRTFP) (Atlas ID 0075434) of UNOPS as at 21 March 2012.

Management’s Responsibility for the Statement

Management of the Project is responsible for the preparation and fair presentation of this Statement in accordance with the basis of accounting described in the Note 2.1; and for such internal control as management determines is necessary to enable the preparation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Statement is free of 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 entity’s preparation and fair presentation of the Statement 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 entity’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 overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Statement presents fairly, in all material respects, the balance of non-expendable property of the project Second Customs Reform and Trade Facilitation Project (SCRTFP) (Atlas ID 0075434) as at 21 March 2012.

[Signature]
Basis of Accounting

Without modifying our opinion, we draw attention to Note 2.1 to the Statement, which describes the basis of accounting. The Statement is prepared to provide information to UNOPS IAIG. As a result, the Statement may not be suitable for another purpose.

KPMG Afghanistan Limited
07 February 2013
Kabul
United Nations Office for Project Services (UNOPS)
Second Customs Reform and Trade Facilitation Project (SCRTFP)
Project No. 00075434

Notes to Statement of Non expendable Property
As at 21 March 2012

1. Status and objectives

A Financing Agreement (Grant No. H568-AF) was signed on 28 June 2010 between the World Bank (WB) through International Development Association (IDA) and the Government of Islamic Republic of Afghanistan (GOIRA) for implementation of Second Customs Reform and Trade Facilitation Project ("the Project") for an aggregated amount of SDR 33.3 million (Special Drawings Rights) equivalent to US$ 50.48 million.

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2. Summary of significant policies

2.1 Basis of preparation

The Statement of Non-expendable Property ("the Statement") has been prepared in accordance with UNOPS accounting requirements. The Statement contains the assets purchased from the Project funds.

Weeda Momand  
Project Support Officer  
SCRTFP-UNOPS

Shahid Meezan  
Team Leader/Chief Technical Advisor  
SCRTF Project-UNOPS

Kiisa Johnstone Tombere  
Senior Financial Management Officer  
AGOC-UNOPS

Ahmad Aved Nawabi  
Deputy Team Leader  
SCRTFP 00075434  
UNOPS