



KPMG Taseer Hadi & Co.

**UNITED NATIONS OFFICE FOR PROJECT SERVICES
(UNOPS)**

FINANCIAL AUDIT REPORT

2017

**PROJECT NAME: ENHANCING ENERGY SECURITY IN AFGHANISTAN THROUGH
RENEWABLE ENERGY SOLUTIONS**

PROJECT NUMBER: 11994-006

PERIOD COVERED: 01 April 2016 to 30 September 2017

COUNTRY: AFGHANISTAN

AUDITOR: KPMG TASEER HADI & Co.



KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building, Blue Area
Islamabad, Pakistan
Telephone 92 (51) 282 3558, Fax 92 (51) 282 2671

Independent Auditor's Report

To: The Director
Internal Audit and Investigations Group (IAIG),
United Nations Office for Project Services (UNOPS)

Opinion

We have audited the interim financial report of the project Enhancing Energy Security in Afghanistan through Renewable Energy Solutions (REN), project No. 11994-006 ("the Project") of the United Nations Office for Project Services (UNOPS) for the period from 01 April 2016 to 30 September 2017, and notes, comprising significant accounting policies and other explanatory information (together "the financial statement").

In our opinion, the accompanying financial statement of the Project for the period from 01 April 2016 to 30 September 2017 is prepared, in all material respects, in accordance with the cash receipts and disbursements basis of accounting described in Note 2.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are independent of the Project in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to UNOPS and donor of the Project. As a result, the financial statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.



KPMG Taseer Hadi & Co.

Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for preparation and fair presentation of this financial statement in accordance with the cash receipts and disbursements basis of accounting described in Note 2, for determining the acceptability of the basis of accounting, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of Project's internal control.
- Obtain an understanding of internal control relevant to the audit 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.



KPMG Taseer Hadi & Co.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the schedule or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditors' report is Atif Zamurrad Malik.

KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad

Date : 24 July 2018



INTERIM FINANCIAL REPORT

Project : 11994-006 - Enhancing energy security in Afghanistan through Renewable Energy solutions
Partner(s): 1131 - Government of Japan,
 1327 - Afghanistan,

As on: 30-Sep-2017

Income:

Contributions	2016	5,000,000.00	
			<u>5,000,000.00</u>
Interest	2016	37,925.74	
	2017	14,826.76	
			<u>52,752.50</u>
Total Income	A		5,052,752.50

Less: Project Expenses

Period-Years

2016	Project(s) Expense	703,690.41	
	Management Fees	39,165.26	
	Net Exchange Gain/Loss	250.31	
			<u>743,105.98</u>
2017	Project(s) Expense	3,732,037.26	
	Management Fees	164,209.64	
	Net Exchange Gain/Loss	27.94	
			<u>3,896,274.84</u>

Total Expenditure	B		4,639,380.82
--------------------------	----------	--	---------------------

Less: Project Advances	C		1,024.29
-------------------------------	----------	--	----------

Less: Project Capitalised Assets	D		0.00
---	----------	--	------

Project Cash Balance	A-B-C-D		412,347.39
-----------------------------	----------------	--	-------------------

Less: Commitments	E		339,714.40
--------------------------	----------	--	------------

Project Fund Balance	A-B-C-D-E		72,632.99
-----------------------------	------------------	--	------------------

*** Books for the reporting period have not been closed yet. Management Fees include projections for open period(s). ***

Notes:

* All amounts are in USD. Transactions in non-USD have been converted to USD at the UN operational rate of exchange as on the date of the transaction.

* This is an interim statement provided for information purposes only. Figures are not final.

* Project advances include operational advances, prepayments, petty cash, and any VAT payments to suppliers that have yet to be recovered.

*2016 Management fee will be adjusted by - US\$ 8,202.88, the correction will be reflected in 2017

Certified by:

Karla CIENFUEGOS
 Finance Specialist
 CSG IPAS, UNOPS HQ

Comment:

Date: 24 July 2018

United Nations Office for Project Services (UNOPS)
Project: Enhancing Energy Security in Afghanistan through Renewable Energy Solutions
Funded by the Government of Japan
Notes to the Interim Financial Report
For the period from 01 April 2016 to 30 September 2017

1 Status and nature of operations

The United Nations Office for Project Services (UNOPS) is an operational arm of the United Nations, supporting the successful implementation of its partners' peace buildings, humanitarian and development project around the world.

The Government of Japan through the Embassy of Japan in Copenhagen agreed to support the Government of Afghanistan in Enhancing Energy Security in Afghanistan through Renewable Energy Solutions ("the Project") which consists of two major components as below:

- Installation of hybrid (solar/wind) power plant in Herat province of Afghanistan.
- Feasibility study of Macroyan Waste Water Treatment Plant expansion and Rehabilitation located in Kabul, Afghanistan so as to enter alia extract biogas.

The overall objective of the Project in to contribute to enhance the renewable energy solutions in Herat province of Afghanistan and support the Government of Afghanistan's efforts towards producing renewable energy.

2 Basis of accounting and significant accounting policies

2.1 Basis of Accounting

The interim financial report has been prepared to report the grant received and expenditure incurred by the project in accordance with the grant agreement signed with the donor. The financial statements include grant income received from the donor and the expenditure charged to the project using the following basis of accounting:

- a) Grant income and interest is recognized when received; and
- b) Expenditure is recognized when paid, except:
 - Management fee, which is charged @ 4.40% of grant income.

The financial statement is prepared to assist the project to comply with the reporting instructions of donor. Hence, the financial statement may not be suitable for another project.

2.2 Significant accounting policies

The accounting policies set out below have been applied in preparation of the Statement.

(a) Equipment

Cost of equipment is expensed at the time of purchase.

(b) Exchange Rate

All project expenditures incurred in currency other than USD was recorded using the United Nations Operational rate of exchange in effect on the date of each transaction.

(c) Commitments

Expenses committed against open purchase orders are presented as commitments.

UNITED NATIONS OFFICE FOR PROJECT SERVICES

Project ID: 11994-006, "Enhancing Energy Security in Afghanistan through Renewable Energy Solutions"

Responsibility Statement by Management

The United Nations Office for Project Services (UNOPS) management is responsible for the preparation, integrity and fair presentation of the Financial Statements ("Statement") of the UNOPS Project ID. 11994-006, "Enhancing Energy Security in Afghanistan through Renewable Energy Solutions" ("the Project"). The Statement presented in has been prepared in accordance with the requirement of the applicable UNOPS regulations and rules.

We do hereby state that, in our opinion:

Interim Financial Statement

The Interim Financial Statement as reported presents fairly in all material aspects, the expenditure of US\$ 4,639,380.82 incurred by the UNOPS office for the period from 01 April 2016 to 30 September 2017 in accordance with the accounting policies set out in the Notes to the Statement and in conformity with approved activities and budgets of UNOPS Project ID. 11994-006, "Enhancing Energy Security in Afghanistan through Renewable Energy Solutions".

 Meron Mekuriaw

Name: Meron Mekuriaw

Regional Finance
Management Officer

Asia Region

Copenhagen, Denmark

Date: 19 July 2018



Name: Sanjay Mathur

Regional Director

Asia Region

Bangkok

Date: 24 July 2018

Scott Hackney CPEng
Head of Programme

 UNOPS

 19/07/18

Name: Scott Hackney

Head of Programme

AFOC Asia Region

Kabul

Date: