

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP HAITI

Reduction de la Vulnérabilité, Gestion Bassins Versants Sud II
(Directly Implemented Project No. 60857, Output No. 85351)

Report No. 1527

Issue Date: 3 September 2015

Report on the Audit of UNDP Haiti
Reduction de la Vulnérabilité (Project No. 60857, Output No. 85351)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Fabel, Werner & Schnittke (the audit firm), from 21 June to 4 July 2015, conducted an audit of Reduction de la Vulnérabilité (Project No. 60857), Output No. 85351 (Gestion bassins versants Sud II) (the Project), which is directly implemented and managed by the UNDP Country Office in Haiti (the Office). The last audit of the Project was conducted by OAI in 2014 and covered project expenditure from 1 January to 31 December 2013.

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit covered the Project's Combined Delivery Report, which includes expenditure for the period from 1 January to 31 December 2014 and the accompanying Funds Utilization statement¹ as of 31 December 2014 as well as Statement of Assets. The audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit results

Based on the audit report and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenditure			Project Assets		
Amount (in \$ '000)	Opinion	NFI* (in \$ '000)	Amount (in \$ '000)	Opinion	NFI (in \$ '000)
3,078	Qualified	424	4	Unqualified	-

*NFI = Net Financial Impact

The audit firm qualified its opinion due to understated project expenditure of \$424,000. This amount included General Management Support fees with a value of \$215,982 that had not been accounted for in the financial statements of 2013 (as reported in the 2013 audit report), and for which no corrective measure was introduced in 2014. Further, administrative fees of \$199,100 incurred in 2014 were also not recorded in the Combined Delivery Report, as well as other items amounting to \$9,570 regarding depreciation costs not recorded, as well as commitments without supporting documentation.

Key recommendations: Total = 5, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are five medium (important) priority recommendations, which means, "Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP." These recommendations include actions to address administrative fees not included in the Combined Delivery Report,

¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) depreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

purchases completed before authorization, commitments not supported by evidence, allocation of expenses to the wrong accounting period, and training needs of staff on fraud awareness.

The five recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendations 2, 3, 4 and 5); and (b) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 1).

Implementation status of previous OAI audit recommendations: Report No. 1353, 8 August 2014.

Total recommendations: 4

Implemented: 3

In progress: 1

The pending recommendation pertains to unrecorded General Management Support fees incurred in 2013. Its implementation is in progress.

Management comments and action plan

The UN Resident Coordinator/UNDP Resident Representative accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.



Helge S. Ostveiten
Director
Office of Audit and Investigations



Ms. Yvonne Helle
UNDP Haiti
Senior Country Director

UNDP Haiti
Gestion bassins versants Sud II
Project ID 00060857
Output ID 00085351
FY 2014
Executive Summary

Fabel, Werner & Schnittke GmbH

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Executive Summary

We performed an audit of the financial reports to the project “Gestion bassins versants Sud II”, Project ID 00060857, Output ID 00085351, for the year ended 31 December 2014. Our fieldwork was performed in Haiti from 21 June to 4 July 2015.

The project “Reducing the vulnerability of the population and infrastructure in the South department – Phase II” is a continuation of the project “Sud I” (output ID 00076792). The project was designed to be implemented under UNDP Direct Project Implementation (DIM) and is focused on environmental issues in the South of Haiti, in particular, on the development of the co-management plan of the Hydrographic Unit of Aquin-St. Louis du Sud. The intervention area is centered on the hydrographic units of Aquin-St. Louis du Sud, Les Cayes and Tiburon-Port Salut and the Cavaillon River watershed.

Our audit opinion on the Statement of Expenditures is qualified, while our audit opinion on the Statement of Fixed Assets is unqualified for the period under review.

As a result of our audit, we have raised five (5) audit findings, detailed in our management letter, with a net financial impact totalling \$424,650.77, as summarized below:

No.	Description	Priority	Impact in \$
1	Fraud awareness of staff members	Medium	0
2	Administration fee 2013 correction not implemented Administration fee 2014 not included in CDR	Medium	215,981.94 199,099.81
3	Purchase before authorization, depreciation not recorded	Medium	171.52
4	Commitments not supported by evidence	Medium	7,968.00
5	Allocation to the wrong accounting period	Medium	1,429.50
	Total		424,650.77

Berlin, 17 August 2015

Frank Fabel, Audit Partner
Executive Director

Emmanuel Bruce-Attah
Lead Auditor

Christophe Cathala,
Senior Auditor



OAI
Clayton, City of Knowledge
UN House, Building 128
Panama City, Republic of Panama

UNDP Haiti
Gestion bassins versants Sud II
Project ID 00060857
Output ID 00085351
Audit Report 2014

Fabel, Werner & Schnittke GmbH

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Report of the Independent Auditors to UNDP

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization Statement (“the Statement”) of the project “Gestion bassins versants Sud II”, Output ID 00085351 for the period from 1 January to 31 December 2014.

Management is responsible for the preparation of the Statement for the project “Gestion bassins versants Sud II”, Output ID 00085351, 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.

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 (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statements are 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.

In accordance with an internal calculation, General Management Support (GMS) fees with a value of \$215,981.94 for 2013 were not accounted for in the financial statements of 2013, and a correction was not introduced in 2014. UNDP Haiti calculated that the administrative fees arising in 2014 amounts to \$199,099.81, and these fees are also not recorded in the attached financial statements. Thus, under the condition that UNDP wants to charge the project with the agreed GMS, the expenses in the attached financial statements are currently underestimated for 2013 and 2014.



In our opinion, the attached statement of expenses, except for the reason described in the preceding paragraph, presents fairly, in all material respects, the expenses of \$3,077,887.64 incurred by the project “Gestion bassins versants Sud II”, Output ID 00085351 for the period from 1 January to 31 December 2014, in accordance with agreed upon accounting policies, and were:

- (i) in conformity with the approved project budget;
- (ii) for the approved purposes of the project;
- (iii) in compliance with the relevant UNDP regulations and rules, policies and procedures; and,
- (iv) supported by properly approved vouchers and other supporting documents.

Emphasis of Matter

Without further qualifying our opinion, we would like to draw your attention to the following points:

Depreciation expenses are by \$171.52 higher than indicated.

The financial statements contain a line with commitments. These commitments include purchase orders which are no longer valid and are thus overstated by \$7,968.00.

Travel expenses amounting to \$1,429.50, which relate to the 2014, were recorded in 2015.

We noted that the project under audit as being implemented following the DIM modality did not use a dedicated bank account and accordingly a statement of cash position was not produced.



Berlin, 17 August 2015

Frank Fabel, Audit Partner
Executive Director

Emmanuel Bruce-Attah
Lead Auditor

Christophe Cathala,
Senior Auditor



Combined Delivery Report By Project



Report ID: unglcdp

Page 1 of 5
Run Time: 30-06-2015 23:06:53

Selection Criteria :

Business Unit : HT110
Period : Jan-Dec (2014)
Selected Project Id : 00060857
Selected Fund Code : ALL
Selected Dept. IDs : B0508
Selected Outputs : 00085351

Project Id : 00060857 Réduction de la Vulnérabilité		Period :	Jan-Dec (2014)	
Output # : 00085351 Gestion BassinsVersants Sud II		Impl. Partner :	99999 UNDP	
		Location :		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Dept: 50805 (Haiti - Energy & Environmnt)

Fund : 04000 (Core Programme, UNU Centre)

33001 - Change(s) in accounting policy	0.00	1,417.37	0.00	1,417.37
63360 - Medical Exams(incl Pre-empl)	0.00	208.79	0.00	208.79
71205 - Intl Consultants-Sht Term-Tech	0.00	32,020.00	0.00	32,020.00
71305 - Local Consult.-Sht Term-Tech	0.00	11,531.79	0.00	11,531.79
71405 - Service Contracts-Individuals	0.00	79,904.56	0.00	79,904.56
71410 - MAIP Premium SC	0.00	343.06	0.00	343.06
71415 - Contribution to Security SC	0.00	4,362.51	0.00	4,362.51
71530 - UNV-Rest and Recuperation	0.00	4,668.00	0.00	4,668.00
71605 - Travel Tickets-International	0.00	1,276.00	0.00	1,276.00
71610 - Travel Tickets-Local	0.00	0.00	0.00	0.00
71615 - Daily Subsistence Allow-Intl	0.00	3,410.00	0.00	3,410.00
71620 - Daily Subsistence Allow-Local	0.00	33,806.59	0.00	33,806.59
71635 - Travel - Other	0.00	152.00	0.00	152.00
72115 - Svc Co-Natural Resources & Env	0.00	19,132.74	0.00	19,132.74
72220 - Furniture	0.00	286.10	0.00	286.10
72315 - Food & Textile Products	0.00	193.41	0.00	193.41
72399 - Other Materials and Goods	0.00	946.99	0.00	946.99
72410 - Acquisition of Audio Visual Eq	0.00	11.01	0.00	11.01
72425 - Mobile Telephone Charges	0.00	1,302.88	0.00	1,302.88
72440 - Connectivity Charges	0.00	39.56	0.00	39.56
72815 - Inform Technology Supplies	0.00	552.88	0.00	552.88
73107 - Rent - Meeting Rooms	0.00	550.00	0.00	550.00
73120 - Utilities	0.00	2,250.54	0.00	2,250.54
73410 - Maint, Oper of Transport Equip	0.00	10,176.90	0.00	10,176.90
74210 - Printing and Publications	0.00	277.53	0.00	277.53
74220 - Translation Costs	0.00	4,693.45	0.00	4,693.45
74525 - Sundry	0.00	337.17	0.00	337.17
74599 - UNDP cost recovery chrgs-Bills	0.00	461.37	0.00	461.37
74605 - Prepaid Project Expenses	0.00	15.73	0.00	15.73
74696 - PP&E Expensed Items	0.00	2,102.62	0.00	2,102.62
74710 - Land Transport	0.00	213.15	0.00	213.15
75709 - Learning - training of counter	0.00	1,935.00	0.00	1,935.00
75710 - Participation of counterparts	0.00	2,962.70	0.00	2,962.70
75711 - TrnWrkshp&Conf - Stipends	0.00	410.99	0.00	410.99
75712 - TrnWrkshp&Conf - Honorariums	0.00	1,199.59	0.00	1,199.59
76125 - Realized Loss	0.00	9.04	0.00	9.04
76135 - Realized Gain	0.00	-111.06	0.00	-111.06
77640 - Dep Exp Owned - F&F	0.00	128.66	0.00	128.66
Total for Fund 04000	0.00	223,179.62	0.00	223,179.62

Fund : 30000 (PROGRAMME COST SHARING)

61305 - Salaries - IP Staff	0.00	78,762.31	0.00	78,762.31
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Combined Delivery Report By Project

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2



Combined Delivery Report By Project



Project Id : 00060857 Réduction de la Vulnérabilité	Period :	Jan-Dec (2014)		
Output # : 00085351 Gestion BassinsVersants Sud II	Impl. Partner :	99999 UNDP		
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Total for Fund 30000	0.00	2,844,283.02	0.00	2,844,283.02
Total for Dept : 50805	0.00	3,067,462.64	0.00	3,067,462.64
Dept: 50809 (Haiti - Service Center)				
Fund : 04000 (Core Programme, UNU Centre)				
71405 - Service Contracts-Individuals	0.00	9,117.50	0.00	9,117.50
71410 - MAIP Premium SC	0.00	40.23	0.00	40.23
71415 - Contribution to Security SC	0.00	417.38	0.00	417.38
Total for Fund 04000	0.00	9,575.11	0.00	9,575.11
Total for Dept : 50809	0.00	9,575.11	0.00	9,575.11
Dept: 50850 (Haiti-UN Sister Agency)				
Fund : 30000 (PROGRAMME COST SHARING)				
71620 - Daily Subsistence Allow-Local	0.00	849.89	0.00	849.89
Total for Fund 30000	0.00	849.89	0.00	849.89
Total for Dept : 50850	0.00	849.89	0.00	849.89
Total for Output : 00085351	0.00	3,077,887.64	0.00	3,077,887.64
Project Total :	0.00	3,077,887.64	0.00	3,077,887.64

Digitally signed by Jean
Renand Valiere
Date: 2015.07.01 10:28:59
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Frank Fabel, Audit Partner
FWS GmbH
14 August 2015

Signed By : _____ Date : _____
Signed By : _____ Date : 01/07/2015

Safiou Easo Ouro-Doni
Deputy Country Director Operations
UNDP-Haiti



UN Development Programme

Report ID: unglcdp

Combined Delivery Report By Project



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Run Time: 30-06-2015 23:06:54

Selection Criteria :

Business Unit : HT10

Period : Jan-Dec (2014)

Selected Project Id : 00060857

Selected Fund Code : ALL

Selected Dept. IDs : B0508

Selected Outputs : 00085351

Project Id : ALL		Period : Jan-Dec (2014)		
Output # : ALL		Impl. Partner :		
		Location :		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
50805 - Haiti - Energy & Environmnt	0.00	3,067,462.64	0.00	3,067,462.64
50809 - Haiti - Service Center	0.00	9,575.11	0.00	9,575.11
50850 - Haiti-UN Sister Agency	0.00	849.89	0.00	849.89



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

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Run Time: 30-06-2015 23:06:25

Funds Utilization

Selection Criteria :

Business Unit : HT110
Period : Jan-Dec (2014)
Selected Project Id : 00060857
Selected Fund Code : ALL
Selected Dept. IDs : B0508
Selected Outputs : 00085351

Project/Award: 00060857 Réduction de la Vulnérabilité

Period : As at Dec 31, 2014

Output #	00085351	Impl. Partner :99999 UNDP	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			3,731.03
Inventory			0.00
Prepayments			0.00
Commitments			186,124.85



Report of the Independent Auditor to UNDP on the Statement of Fixed Assets

We have audited the accompanying Statement of Fixed Assets (“the Statement”) of the project “Gestion bassins versants Sud II”, Output ID 00085351, as of 31 December 2014.

Management is responsible for the preparation of the Statement for the project “Gestion bassins versants Sud II”, Output ID 00085351, 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.

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 (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statements are 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.

In our opinion, the attached Statement of Fixed Assets presents fairly, in all material respects, the balance of inventory of the project “Gestion bassins versants Sud II”, Output ID 00085351, amounting to \$3,731.04 as of 31 December 2014 in accordance with UNDP accounting policies.

Berlin, 17 August 2015

Frank Fabel, Audit Partner
Executive Director

Emmanuel Bruce-Attah
Lead Auditor

Christophe Cathala,
Senior Auditor

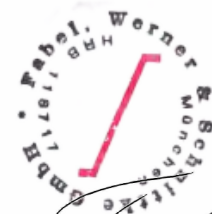
Inventory/Asset 2014

Project	Fund code	Donor	Impl Agency	Department	Description	Business unit	Asset ID	TAG Number	Acquisition Date	In Service Date	Cost,USD	Net Book Value
85351	4000	12	1981	50805	A Desks	HTI10	1864	1864	7/11/2014	7/11/2014	1,929.85	1,865.52
					A Desks		1865	1865	7/11/2014	7/11/2014	1,929.85	1,865.52
Grand total											\$ 3,859.70	\$ 3,731.04

M. Kameari
Dec. 2014

[Signature]

30
12 2014



[Signature]

Frank Fabel, Audit Partner
FWS GmbH
14 August 2015



Ms. Yvonne Helle
UNDP Haiti
Senior Country Director

Management Letter to Project “Réduction de la Vulnérabilité: Gestion des bassins versants Sud II”, Output ID 00085351, FY 2014

Dear Ms. Helle,

In addition to our audit report we would like to draw your attention to the following points:

A. Follow-up of the Prior Year Audit Observations

In the last year, some of the responsible parties did not produce traceable reports to support project expenses based on funds received from UNDP Haiti (the Office). The Office agreed to review the process in order to reduce the risk that UNDP funds are used for/in unauthorized transactions. Furthermore, the Office requested responsible parties to open separate bank accounts to be used for keeping project funds. This measure was intended to ensure that UNDP funds are not mixed with other financial resources, thus making the controls and reporting more streamlined. During the present audit we found that reporting of the responsible parties were traceable based on the evidence provided. The recommendations were considered to be implemented.

The General Management Support (GMS) fee was not correctly determined as disclosed in prior year audit report. The Office agreed with our opinion. However, required corrections for \$ 215,981.94 were not recorded in 2014.

Fabel, Werner & Schnitzke GmbH

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B. Audit Observations in 2015

B.1 Fraud Awareness

Criteria

Section 6 of the UNDP Anti-Fraud Policy determines that all staff members have the responsibility to report fraud. Hotline numbers and details are provided. Protection against retaliation is assured.

Condition

At a meeting with four members of the project management team, two senior staff said they did perform the annual financial disclosure exercise, but all four said they did not know what to do should they become aware of fraud. They were not aware of the fraud hotline.

Risk

There is the risk that known fraud activity will not be reported.

Priority: Medium

Recommendation

Although this project is closing, we suggest that UNDP staff who have not taken fraud awareness training should take the training within the next nine months. It would be good if the learning results were verifiable.

Management Response

Management promised that it “will review the manner in which different categories of staff are made aware of the UNDP Anti-Fraud Policy. (...) As per internal procedures, fraudulent activities should be reported at to a supervisor or at a higher level, this person will then be responsible to gather information and evidence in order to activate subsequent measures.” The Office of Audit and Investigation explained to us that the hotline is available to everyone on <http://www.undp.org/hotline/>.



B.2 Administrative Fee

Criteria

The Office has a contractual right to charge the project a 7 percent administration fee on the net project expenses and a 1 percent management fee on the grand total.

Condition

During our audit performed in 2014, UNDP recalculated the GMS fee for 2013 and determined the amounts as indicated below (letter from Ms. Argueta as of 30 May 2014). During our audit in 2015, UNDP determined the GMS fee for the year 2014 as follows (all amounts in \$):

	2013	2014
A: Expenses in the submitted CDRs	3,172,440.56	3,077,887.64
B: Booked fees on account 75105	0	0
C: Booked fees on account 75110	0	0
D: Net CDR (A – B – C = D)	3,172,440.56	3,077,887.64
E: GMS taxable amounts ¹	3,085,456.34	2,844,283.02
F: GMS calculated be Haiti CO ²	215,981.94	199,099.81
G: GMS in CDR (B + C = G)	0	0
E: Amount to be corrected	215,981.94	199,099.81

Management agreed in the previous audit period, that the correction for 2012 and 2013 should be introduced in the next accounting period (FY2014). Management issued a memorandum (14 October 2014) that the corrections have to be introduced. This was not done – there are no corrections related to the year 2013 in account 75105 in the year 2014. In 2014, the Office determined that the GMS fee should be \$199,099.81, which is equivalent to 7 percent of the direct costs of \$2,844,283.02. Once again these fees have not yet been introduced into the financial statements.

Risk

There is a risk that the final users of the financial report are not informed on pending fees.

¹ Source: UNDP Haiti. UNDP Haiti subtracts certain “Trac”-funds from D.

² Determined as 7 percent of line E. Management explained that the 1 percent fee is calculated by HQs.



Priority: Medium

Recommendation

We recommended introducing the pending GMS fees into the financial statements 2014. Management said in its response on 5 August 2015, that this was not possible because of technical reasons. Consequently, the observation is introduced in our audit report. We recommend introducing the corrections in the next accounting period and disclosing the particularities in notes to the financial statements.

Management Response

“As shown in attached documents, the correction related to the management fees for 2013 was posted by a journal entry as calculated with an amount of \$ 215,981.94. Since the correction was made in June 2015, it can no longer be reflected in the 2014 CDR which is already final for the ATLAS system. For transparency, in the 2015 financial and programmatic report, the project will be asked to put the emphasis on the necessary regularization made to recover GMS for previous years. In order to fully address the issue, we have also developed a Standard Operation Procedure and we have organized a training workshop with the participation of all the programme staff in order to ensure compliance (supporting documents available). In this session, the relevant data that affect the calculation of the GMS in the ATLAS system module was shown and guidance has been provided.”

B.3 Depreciation

Criteria

Depreciation will commence from the month of acquisition and will continue on a monthly basis until the asset attains its full established useful life or is transferred, sold or donated. Source: Section 1.1 <https://info.undp.org/global/popp/asm/pages/equipment-depreciation-reconciliations-reports-and-centralized-functions.aspx>).

Condition

In the statement of undepreciated fixed assets, two desks are registered:

Asset ID	TAG No.	Acquisition date	In service date	Cost in \$	Net Book Value
1864	1864	7/11/2014	7/11/2014	1,929.85	1,865.52
1865	1865	7/11/2014	7/11/2014	<u>1,929.85</u>	<u>1,865.52</u>
				3,859.70	3,731.04



A check by skype conference call showed that these desks are present: one of them is still unpacked. In accounts, depreciation for every desk was determined with \$64.33 in 2014, i.e. with 6 monthly tranches at \$10.72 each, as it is visible in account 77640. The monthly rate is correctly determined with \$1,929.85, divided through 180 months (i.e. 15 years), which equals \$10.72 per month.³

In fact, the two desks were bought in November 2013, which is proven by the original invoice. Both desks were ready for use; thus both should be depreciated starting November 2013. According to the documents, the delivery date was 24 November 2013. The invoice is dated 21 November 2013. The pro forma invoice of the supplier was issued on 27 August 2013, the *bon de commande* was issued on 20 November 2013 – but the requisition was only issued on 24 June 2014, and the purchase order was authorized on 25 June 2014 (i.e. first the items were bought, and then the purchase was authorized).

Based on the original invoice, depreciation cost in 2014 would then be determined as follows: 12 months for 2 desks with a monthly rate \$10.72, which is equal to \$257.28, and not \$128.66 as it is currently recorded. Additionally, a correction of the error in the previous year has to be booked in 2014: 2 months for 2 desks with a monthly rate \$10.72, which is equal to \$42.88.

The remaining book value as of 31 December 2014 would then be \$3,559.52 for both desks (i.e. \$3,731.04 minus \$171.52). The correction booking would be:

Debit depreciation costs \$171.52 (i.e. \$257.28 + \$42.88 – \$128.66)

Credit accumulated depreciation \$171.52

Evidently, a purchase should first be authorized, before the item is bought.

Impact

Depreciation is underestimated by \$171.52, and the value of the assets in the statement of undepreciated assets is overestimated by the same amount.

Priority: Medium

³ It is irritating that in other statements of undepreciated assets, another date format is used (example 79750: the acquisition date is registered with dd/mm/yyyy). Obviously, in the statement of undepreciated assets for output 85351, the format mm/dd/yyyy was used.



Recommendation

Corrections should be made in the next accounting period. Only those items should be bought that are actually needed. Unused items can be sold or donated. Purchases should be done after authorization.

Management Response

“The difference in the depreciation expense is due to the wrong acquisition date in the inventory list. The correction was made and we already asked GSSC to make available in the inventory asset of the project, the exact depreciation expense in account number 77640 with the correct remaining value.”

B.4 Commitments

Criteria

Long outstanding open purchase orders do not represent a current financial commitment for the project.

Condition

There are unused Purchase Orders (PO) from previous years, which show up as *commitments* in the financial statements. The following list shows the amounts of POs pending as of 31 December 2014:

PO ID	Account	Amount in \$	Check
12503	71530	1,100.00	PO date from 2013, unused travel costs
14295	72105	85,837.38	NPO agreement - last part to be paid out in 2015
14295	72105	(1,845.96)	NPO agreement - last part to be paid out in 2015
12912	71530	1,100.00	PO date from 2013, unused travel costs
14294	72105	(2,058.84)	NPO agreement - last part to be paid out in 2015
14294	72105	95,736.10	NPO agreement - last part to be paid out in 2015
14311	71530	1,284.00	PO date from 2013, unused travel costs
13518	71530	1,100.00	Payment request in January 2014, PO in April 2014
13796	71530	1,128.00	PO date from 2013, unused travel costs
14361	71305	496.17	Last part to be paid out in 2015
14361	71305	(8.00)	Last part to be paid out in 2015
13473	71530	1,128.00	PO date from 2014, unused travel costs
13575	71530	1,128.00	PO date from 2013, unused travel costs
		186,124.85	



In our opinion, the POs 12503, 12912, 14311, 13518, 13796, 13473 and 13575 are no longer necessary. The total of these POs amounts to \$7,968.00.

Risk

There is a risk that the financial system is charged with unnecessary data. This could also negatively affect internal control procedures.

Priority: Medium

Recommendation

The POs should be cancelled, if not used.

Management Response

“The supporting evidence transmitted for those POs are related in fact to Rest and Recuperation entitlement already paid to staff (all those PO are now closed). Therefore, we won’t use any PO for those kind of payment to avoid such situation where PO is created and the payment for the same purpose is made by request of payment. This explains pending commitments while the related expenses were already paid.”

B.5 Allocation to Correct Accounting Period

Criteria

As UNDP uses IPSAS, the accrual basis of accounting should be used.

Condition

Travel expenses that occurred in 2014 were booked in 2015:

Account	Account Description	Description	Journal Date	Amount \$
71620	DAILY SUBSISTENCE ALLOW-LOCAL	DSA_Nuits 22 & 29 Nov 2014PauP	01-Jan-15	476.50
71620	DAILY SUBSISTENCE ALLOW-LOCAL	DSA_Nuits 22 & 29 Nov 2014PauP	01-Jan-15	476.50
71620	DAILY SUBSISTENCE ALLOW-LOCAL	DSA_Nuits 22 & 29 Nov 2014PauP	01-Jan-15	476.50
	Total			1,429.50



Impact

Expenses are underestimated by \$1,429.50.

Priority: Medium

Recommendation

Expenses should be recognized when occurred, not when paid.

Management Comment

“In fact, those 3 agronomists submitted their F10 for DSA (travel claim form for the Daily Subsistence Allowance) on January 20th of 2015. Even if the travel occurred in November 2014, the ATLAS system does not allow to book the expenses in this accounting period. We take into account the observation and therefore, staff will be asked to make sure to submit their F10 on time especially before the end of accounting period.”

We look forward to discussing our management letter with you and would be pleased to provide any further information or assistance which may be required.



Berlin, 17 August 2015

Frank Fabel, Audit Partner
Executive Director

Emmanuel Bruce-Attah
Lead Auditor

Christophe Cathala,
Senior Auditor



Annex 1: Audit Finding Priority Ratings

The following categories of priorities are used:

High (Critical)	Action is considered imperative to ensure that UNDP 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, through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in the management letter.