



**AUDIT**

**OF**

**UNDP BANGLADESH**

**URBAN PARTNERSHIPS FOR POVERTY REDUCTION**  
**(Directly Implemented Project No. 58224)**

**Report No. 1212**  
**Issue Date: 17 January 2014**

## Report on the audit of UNDP Bangladesh Urban Partnerships for Poverty Reduction (Project No. 58224) Executive Summary

From 8 September to 2 October 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through S.P. Chopra & Co (the audit firm), conducted an audit of Urban Partnerships for Poverty Reduction, Project No. 58224 (the Project), which is directly implemented and managed by the UNDP Country Office in Bangladesh (the Office). The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The last audit of the Project was conducted by OAI in 2012.

The Project reported expenditure totalling \$21.6 million during the period from 1 January to 31 December 2012, of which \$10.9 million was implemented by UNDP. The Project was funded by the United Kingdom and UNDP.

### Audit scope and objectives

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 UNDP implemented portion of the Project's Statement of Expenditure (Combined Delivery Report) for the period from 1 January to 31 December 2012 and Statement of Assets as of 31 December 2012.

### 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	Amount (in \$ '000)	Opinion
10,957	Unqualified	1,058	Unqualified

### Key issues and recommendations

The audit raised 5 issues and resulted in 5 recommendations, of which 4 (80 percent) were ranked high (critical) priority, meaning "Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP and may affect the organization at the global level."

The high priority recommendations are as follows:

Project management (Issue 1)	<u>Inadequate project oversight</u> . Project Steering Committee meetings and Project Management Board meetings did not take place as required by the Project Document. OAI recommends that the Project Steering Committee and Project Management Board meetings take place regularly, in accordance with the Project Document.
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Project management (Issue 2)	<u>Monthly progress reports not reviewed by the Project Management Board.</u> There was no evidence indicating that the monthly progress reports prepared at the township level were reviewed by the Project Management Board. OAI recommends that the review of progress reports be documented and relevant issues be discussed and reported at the Project Board level.
Asset management (Issue 4)	<u>Weaknesses within asset management.</u> A physical verification of assets was not completed in 2012, although the verification was subsequently completed in 2013. The audit also noted inadequate segregation of duties between staff responsible for asset management and staff performing the verification. In addition, the project asset list was prepared in Excel, and the Asset Focal Point was able to make changes to the asset list without senior management approval. OAI recommends that asset verification be completed twice per year, that duties be properly segregated, and that any amendments made to the asset list be approved by senior management.
(Issue 5)	<u>Asset list not updated and partially unsupported.</u> Between 2011 and 2012, the acquisition values for 104 assets were modified without adequate supporting documentation. Furthermore, the asset list contained 1,163 items awaiting disposal with an acquisition cost of \$244,735. OAI recommends that changes to the asset list be supported with adequate supporting documentation, and that obsolete assets be disposed of in accordance with the corporate policy.

The implementation status of previous OAI audit recommendations (Report No. 1027, 23 May 2013) was also validated. Of the six recommendations, five were fully implemented and the remaining recommendation was in progress.

#### Management's comments

The Resident Representative accepted all the recommendations and is in the process of implementing them.



Helge S. Osttveiten  
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