



AUDIT

OF

UNDP CHAD

**PROGRAMME DE RENFORCEMENT DE LA GOUVERNANCE LOCALE ET DE LA TRANSITION
DES REGIONS AFFECTEES PAR LES CRISES ET L'INSECURITE ALIMENTAIRE
(Directly Implemented Project, Output No. 82362)**

Report No. 1316

Issue Date: 2 September 2014

Report on the audit of UNDP CHAD
Programme de renforcement de la gouvernance locale et de la transition des régions affectées par les crises et l'insécurité alimentaire, (Output No. 82362)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 5 to 23 May 2014, through Moore Stephens LLP (the audit firm), conducted an audit of *Programme de renforcement de la gouvernance locale et de la transition des régions affectées par les crises et l'insécurité alimentaire*, Output No. 82362 (the Project), which is directly implemented and managed by the UNDP Country Office in Chad (the Office). This was the first audit of the Project.

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 2013 and the accompanying Funds Utilization statement¹ as of 31 December 2013 as well as Statement of Assets as of 31 December 2013. The audit did not include activities and expenses incurred or undertaken by other "UN Agencies". In addition, the audit did not cover the Statement of Cash Position as of 31 December 2013 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)
4,174**	Qualified	206	314	Disclaimer	314

*NFI = Net Financial Impact

**Expenditures recorded in the Combined Delivery Report were \$4,194,487. Excluded from the audit scope were expenditures that are recorded in the "UN Agencies" column (\$20,782).

The audit firm qualified its opinion on project expenditure due to activities not related to the Project financed and reported as expenses in the Combined Delivery Report.

The audit firm issued a disclaimer on the Project's assets because of the following weaknesses in asset management: assets not identifiable because they were not tagged; net book value not reported in the statement of assets; and physical verification of assets not conducted by the Office on a regular basis as required; and most of the Project's assets were located outside of the country's capital and could not be verified by the auditors.

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.


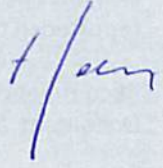
Key recommendations: Total = 6, high priority = 3

For high (critical) priority recommendations, 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. All high (critical) priority recommendations are presented below:

Activities not related to the Project reported in the Combined Delivery Report (Issue 1)	<p>Activities not related to the Project valued at \$205,576 were financed and reported in the statement of expenditures.</p> <p><u>Recommendation:</u> Only record finance expenses approved in the Project Document and the annual work plan.</p>
Weaknesses in asset management (Issue 2)	<p>The asset physical verification was not conducted as required and the Project's assets were not tagged or insured. Furthermore, the audit firm noted that the net book value of assets was not indicated in the Statement of Assets.</p> <p><u>Recommendation:</u> Strengthen management of assets by: (a) conducting asset physical verification on a regular basis; (b) tagging all assets, recording the tag numbers in Atlas for tracking purposes; (c) insuring all assets; and (d) reporting the net book value in the Statement of Assets.</p>
Lack of Steering Committee meetings and non-submission of quarterly reports (Issue 4)	<p>The Project Document recommended the setting up of a Steering Committee that should meet on a quarterly basis and provide support, guidance and supervision to the Project. The auditors noted that only one Steering Committee meeting took place in 2013. Furthermore, financial and annual reports required in the Project Document were not submitted to UNDP.</p> <p><u>Recommendation:</u> Adhere to provisions stipulated in the Project Document.</p>

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.



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