

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP SOMALIA**

**SOMALIA INSTITUTIONAL DEVELOPMENT PROJECT**  
**(Directly Implemented Project No. 51402, Output No. 63985)**

**Report No. 1335**

**Issue Date: 6 November 2014**

**Report on the audit of UNDP Somalia  
Somalia Institutional Development Project  
(Project No. 51402, Output No. 63985)  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 20 May to 20 June 2014, through BDO East Africa (the audit firm), conducted an audit of Somalia Institutional Development Project (Project No. 51402), Output No. 63985, (the Project), which is directly implemented and managed by the UNDP Country Office in Somalia (the Office). This was the first audit of the Project.

The audit work covered financial transactions as well as internal controls and systems for the purpose of expressing an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations, as well as assess compliance with UNDP regulations, rules, policies and procedures and donor agreements. The audit covered the Project's Combined Delivery Report, which includes expenditure for the period from 1 January 2012 to 31 December 2013 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2013 as well as Statement of Assets as of 31 December 2013. It also reviewed the relevant systems, procedures and practices in place as they relate to the Project, in the areas of: organization and staffing, project management, human resources management, financial and cash management, procurement, asset management, information systems and general administration. 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*.

**Overall audit rating**

Based on the audit report and corresponding management letter submitted by the audit firm, OAI assessed the management of the Project as **partially satisfactory**, which means, "Internal controls, governance and risk management processes as applicable to the Project's financial statements were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." This rating was mainly due to key positions that remained vacant for extended periods and inadequate management of project assets. The details of the audit results are presented in the table below:

FY	Project Expenditure*		Project Assets*	
	Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
2012	3,577	Unqualified	-	-
2013	3,836	Unqualified	29	Unqualified

\* The Combined Delivery Report for Project No. 51402 pertains to three Outputs, but only one (Output No. 63985) was within the scope of this audit.

The audit firm issued an unqualified opinion on the Funds Utilization statement.

<sup>1</sup> 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 = 2, high priority = 1

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. The high (critical) priority recommendation is presented below:

Project staff requirements not met (Issue 1)	Four key positions remained vacant for extended periods of time (between one and two years).  <u>Recommendation:</u> Put in place a recruitment action plan to address gaps in staffing.
--	--

**Management comments and action plan**

The UN Resident Coordinator/UNDP Resident Representative accepted both 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. Osttveiten  
Director  
Office of Audit and Investigations