



**AUDIT**

**OF**

**UNCDF DIRECTLY IMPLEMENTED PROJECTS**

**LDC Fund to Develop Savings-led Market Leaders for Inclusive Finance (MicroLead)**  
**(Project No. 50991, Output No. 63268)**

**Support to Savings-led Microfinance Market Leaders to enter**  
**Underserved Countries (MicroLead Expansion)**  
**(Project No. 62259, Output No. 79668)**

**Report No. 1406**

**Issue Date: 13 November 2014**

**Report on the audit of UNCDF Directly Implemented Projects**  
**LDC Fund to Develop Savings-led Market Leaders for Inclusive Finance (MicroLead)**  
(Project No. 50991, Output No. 63268)  
**Support to Savings-led Microfinance Market Leaders to enter**  
**Underserved Countries (MicroLead Expansion)**  
(Project No. 62259, Output No. 79668)

**Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 18 to 28 August 2014, through Moore Stephens LLP (the audit firm), conducted an audit of the following two projects: LDC Fund to Develop Savings-led Market Leaders for Inclusive Finance (MicroLead) (Project No. 50991, Output No. 63268) and Support to Savings-led Microfinance Market Leaders to enter Underserved Countries (MicroLead Expansion) (Project No. 50991, Output No. 79668), herein referred to as “the Projects,” which are directly implemented and managed by the United Nations Capital Development Fund (UNCDF) Office in New York. This was the first audit of the Projects.

The audit work covered financial transactions for the purpose of expressing an opinion on whether the financial statements present fairly, in all material aspects, the Projects’ operations. The audit covered the Projects’ Combined Delivery Reports, which included expenses for the period from 1 January 2012 to 31 December 2013 and the corresponding accompanying Funds Utilization statements<sup>1</sup>, as well as Statements of Assets and Equipment as at 31 December 2013. The audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Projects.

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 reports and corresponding management letters submitted by the audit firm, the results are summarized in the table below:

Project No.	Expenditure*		Assets and Equipment	
	Amount (in \$’000)	Opinion	Amount (in \$’000)	Opinion
50991	5,526	Unqualified	5	Unqualified
62259	6,365	Unqualified	4	Unqualified

\* Total expenditure recorded in the Combined Delivery Reports and incurred by UNCDF for fiscal years 2012 and 2013.

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

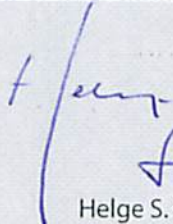
<sup>1</sup> The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) undepreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding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

**Key recommendations:** Total = 3, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are three 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 the lack of supporting documents (Project Nos. 50991 & 62259), and a cancelled transaction that was not removed from Atlas (Project No. 62259).

**Management comments and action plan**

The MicroLead Programme Manager and Deputy Director, UNCDF Financial Inclusion Practice Area accepted all of the three recommendations and are 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