

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



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP SOMALIA**

**SOMALI INSTITUTIONAL DEVELOPMENT**  
**(Directly Implemented Project No. 51402, Output Nos. 63985, 83241, 85765 and 91939)**

**Report No. 1490**

**Issue Date: 8 December 2015**

## Report on the Audit of UNDP Somalia Somali Institutional Development (Project No. 51402, Output Nos. 63985, 83241, 85765 and 91939) Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Baker Tilly Merali's (the audit firm), conducted from 8 June to 9 September 2015 an audit of Somali Institutional Development (Project No. 51402, Output Nos. 63985, 83241, 85765 and 91939) (the Project), which is directly implemented and managed by the UNDP Country Office in Somalia (the Office). The last audit of the Project was conducted by OAI in 2014 and covered project expenditure from 1 January 2012 to 31 December 2013.

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 to 31 December 2014 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2014 as well as Statement of Assets as of 31 December 2014. 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 and general administration. The audit did not cover information systems as the Project did not have its own information systems and relied on the Office and the Atlas system (enterprise resource planning system of UNDP). Further, 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 **satisfactory**, which means, "Internal controls, governance and risk management processes as applicable to the Project were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity." The details of the audit results are presented in the table below:

Project Expenditure		Project Assets	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
6,563	Unqualified	33	Unqualified

**Key recommendations:** Total = 1, high priority = 1

The recommendation aims to ensure the reliability and integrity of financial and operational information.

<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.

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:

Advances recorded as expenditure (Issue 2)

Advances amounting to \$95,704 given to responsible partners were recorded as expenditure at the point of making the advances rather than upon receipt of supporting documentation for cash incurred.

Recommendation: The Office should record advances given to responsible parties as advances and only record them as expenses when accounted for with satisfactory financial reports and verified supporting documents.

**Implementation status of previous OAI audit recommendations:** Report No. 1335, 6 November 2014.

Total recommendations: 2

Implemented: 1

Withdrawn: 1

The withdrawn recommendation pertains to staffing requirements not being met. OAI withdrew the recommendation due to the project closure and programme redesign, which made the recommendation no longer relevant.

**Management comments and action plan**

The United Nations Resident Coordinator and UNDP Resident Representative accepted the recommendation and is in the process of implementing it. Comments and/or additional information provided have been incorporated into the report, where appropriate.



Helge S. Osttveiten  
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