



AUDIT

OF

UNDP COLOMBIA

Desarrollo Económico Incluyente Urbano
(Directly Implemented Project, Project No. 77717, Output No. 88328)

Report No. 1534

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Report on the audit of UNDP Colombia
Desarrollo Económico Incluyente Urbano, Project No. 77717, Output No. 88328
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), conducted from 22 June to 3 July 2015 an audit of Desarrollo Económico Incluyente Urbano (Project No. 77717, Output No. 88328) (the Project), which is directly implemented and managed by the UNDP Country Office in Colombia (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 2014 and the accompanying Funds Utilization statement¹ as of 31 December 2014 as well as Statement of Assets as of 31 December 2014. The audit did not include activities and expenses incurred or undertaken at the "responsible party" level, or expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters), or where supporting documentation was not retained at the UNDP Country Office level. In addition, 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*.

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
3,969	Unqualified	2	Unqualified

*Expenditures recorded in the Combined Delivery Report were \$4,609,202. Excluded from the audit scope were expenditures processed and approved by other UNDP offices outside of the country (\$640,117).

Key recommendations: Total = 2, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are two 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 weaknesses in project monitoring and the settlement of questionable project expenditures with a responsible party.

Notwithstanding the above, OAI wishes to draw attention to one of the auditors' observations under finding No. 1: "During our visit to the partner in Santa Marta we reviewed the list of payments charged to the project and

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.

identified a number of consultants who never worked for the project, for a total of COP 18,262,500 (\$8,917 approximately). It is possible that this issue is more widespread." OAI believes that this particular matter calls for close follow-up by the Office so as to properly address this irregularity without delays.

The two recommendations aim to ensure the reliability and integrity of financial and operational information.

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.



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