

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT OF UNDP HAITI
APPUI AU PROCESSUS ÉLECTORAL
(Directly Implemented Project No. 76471, Output No. 87841)
Report No. 1661/Corr. 1
Issue Date: 9 November 2016

Corrigendum
Executive Summary, page i

Existing text

Project Expenditure*			Project Assets		
Amount (in \$ '000)	Opinion	NFI** (in \$ '000)	Amount (in \$ '000)	Opinion	NFI (in \$ '000)
25,551	Qualified	1,607	44	Unqualified	-

The audit firm qualified its opinion on financial findings totalling \$1,606,940, which represents amounts included in the CDR and Funds Utilization statement that were either (i) not in conformity with the approved budget; (ii) not for the approved purposes of the project; (iii) not in compliance with the relevant regulations and rules, policies and procedures of UNDP; or (iv) not supported by properly approved vouchers and other supporting documents. These findings represent 6.3 percent of the total expenditure amount reported and are therefore considered material in the context of this audit.

Should read

Project Expenditure*			Project Assets		
Amount (in \$ '000)	Opinion	NFI** (in \$ '000)	Amount (in \$ '000)	Opinion	NFI (in \$ '000)
25,551	Qualified	1,483	44	Unqualified	-

The audit firm qualified its opinion on financial findings totalling \$1,483,243, which represent amounts included in the CDR and Funds Utilization statement that were either (i) not in conformity with the approved budget; (ii) not for the approved purposes of the project; (iii) not in compliance with the relevant regulations and rules, policies and procedures of UNDP; or (iv) not supported by properly approved vouchers and other supporting documents. These findings represent 5.8 percent of the total expenditure amount reported and are therefore considered material in the context of this audit.

Corrigendum
Executive Summary, page ii

Existing text

Weak cash advance
monitoring system
(Issue 1)

The Office recorded advances to third parties in the CDR amounting to \$937,769 as expenditure, at the point of voucher approval and transaction posting in the system. Furthermore, the audit found that transactions amounting to \$669,371 were not adequately supported by documentation. Therefore, expenditure totalling \$1,606,940 was either unspent or not adequately documented at the level of the third party as at year-end. These advances constituted direct cash transfers and therefore, the amount of \$1,606,940 should not have been recorded as expenditure in the 2015 CDR. In addition, Funding Authorization and Certificate of Expenditure (FACE) forms were not used as provided for by UNDP financial regulations, and financial reporting was not in accordance with the Letter of Agreement (LoA) requirements.

Should read

Weak cash advance
monitoring system
(Issue 1)

The Office recorded advances to third parties in the CDR amounting to \$937,569 as expenditure, at the point of voucher approval and transaction posting in the system. Furthermore, the audit found that transactions amounting to \$545,674 were not adequately supported by documentation. Therefore, expenditure totalling \$1,483,243 was either unspent or not adequately documented at the level of the third party as at year-end. These advances constituted direct cash transfers and therefore, the amount of \$1,483,243 should not have been recorded as expenditure in the 2015 CDR. In addition, Funding Authorization and Certificate of Expenditure (FACE) forms were not used as provided for by UNDP financial regulations, and financial reporting was not in accordance with the Letter of Agreement (LoA) requirements.

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AUDIT

OF

UNDP HAITI

APPUI AU PROCESSUS ÉLECTORAL
(Directly Implemented Project No. 76471, Output No. 87841)

Report No. 1661

Issue Date: 7 October 2016

Report on the Audit of UNDP Haiti
Appui au Processus Électoral
(Project No. 76471, Output No. 87841)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 27 June to 8 July 2016, conducted an audit of *Appui au Processus Électoral* (Project No. 76471, Output No. 87841) (the Project), which is directly implemented and managed by the UNDP Country Office in Haiti (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** (CDR), which includes expenditure for the period from 1 January to 31 December 2015 and the accompanying Funds Utilization statement¹ as well as Statement of Assets as of 31 December 2015. 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 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	NFI** (in \$ '000)	Amount (in \$ '000)	Opinion	NFI (in \$ '000)
25,551	Qualified	1,607	44	Unqualified	-

* Expenditures recorded in the Combined Delivery Report were \$39,282,800. Excluded from the audit scope were transactions that related to expenditures of other United Nations agencies (\$922,921) and expenditures not processed or approved by the Office (\$12,779,360 related to payroll and material costs, and \$29,656 related to travel and consultancy fees).

**NFI = Net Financial Impact

The audit firm qualified its opinion on financial findings totalling \$1,606,940, which represents amounts included in the CDR and Funds Utilization statement that were either (i) not in conformity with the approved budget; (ii) not for the approved purposes of the project; (iii) not in compliance with the relevant regulations and rules, policies and procedures of UNDP; or (iv) not supported by properly approved vouchers and other supporting documents. These findings represent 6.3 percent of the total expenditure amount reported and are therefore considered material in the context of this audit.

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 = 1, high priority = 1

The audit resulted in one high (critical) priority recommendation. The recommendation aims to ensure the reliability and integrity of financial and operational information.

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:

Weak cash advance
monitoring system
(Issue 1)

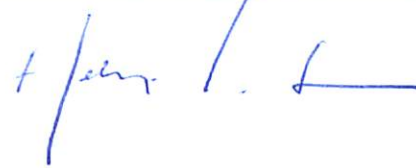
The Office recorded advances to third parties in the CDR amounting to \$937,769 as expenditure, at the point of voucher approval and transaction posting in the system. Furthermore, the audit found that transactions amounting to \$669,371 were not adequately supported by documentation. Therefore, expenditure totalling \$1,606,940 was either unspent or not adequately documented at the level of the third party as at year-end. These advances constituted direct cash transfers and therefore, the amount of \$1,606,940 should not have been recorded as expenditure in the 2015 CDR. In addition, Funding Authorization and Certificate of Expenditure (FACE) forms were not used as provided for by UNDP financial regulations, and financial reporting was not in accordance with the Letter of Agreement (LoA) requirements.

As a result of the issues highlighted above, it was difficult to determine the exact amount of expenditure incurred by third parties and the balance of funds available at the quarterly cut-off dates. This made adequate oversight by the Office over the efficiency of the budget and cash management systems difficult.

Recommendation: The monitoring of cash advances should be improved by ensuring compliance with the LoA reporting requirements and increasing the oversight over advances. Specifically, the Office and the responsible party should prepare quarterly financial reports, accompanied by the required supporting documentation. Any transactions questioned by the Office should be listed separately, and expenditure should not be recorded by the Office until it has been reported through a FACE form.

Management comments and action plan

The UN Resident Coordinator/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. The audit opinion on the project expenditure has been changed after the acceptance of the recommendation, reflecting the material impact of the issue raised.

A handwritten signature in blue ink, which appears to read 'H. Osttveiten', is enclosed within a rectangular box.

Helge S. Osttveiten
Director
Office of Audit and Investigations