

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



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**AUDIT**

**OF**

**UNDP CENTRAL AFRICAN REPUBLIC**

**PROJET D'APPUI AU CYCLE ELECTORAL 2014-2016 EN RCA**  
**(Directly Implemented Project No. 86140, Output No. 93486)**

**Report No. 1811**

**Issue Date: 8 August 2017**

**Report on the Audit of UNDP Central African Republic  
Projet d'Appui au Cycle Électoral 2014-2016 en RCA  
(Project No. 86140, Output No. 93486)  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through KPMG SA (the audit firm), from 8 to 26 May 2017, conducted an audit of Projet d'Appui au Cycle Électoral 2014-2016 en RCA, Project No. 86140, Output No. 93486 (the Project), which is directly implemented and managed by the UNDP Country Office in Central African Republic (the Office). The last audit of the Project was conducted by OAI in 2016.

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 2016 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2016, as well as Statement of Assets as of 31 December 2016. 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). 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	NFM (in \$ '000)
7,539	Unqualified	179	Qualified	81

\*Expenditures recorded in the Combined Delivery Report were \$10,197, 636. Excluded from the audit scope were expenditures processed and approved by other UNDP offices outside of the country (\$2,658,856 million).

\*\*NFM= Net Financial Misstatement

The audit firm qualified its opinion on project assets due to an overstatement of fixed assets by a net amount of \$80,738. The overstatement was due to 16 items procured for governmental needs that were inadvertently reported as project assets (refer to issue 1).

### Key recommendations: Total = 3, high priority = 2

The three recommendations aim to ensure the following: (a) safeguarding of assets (Recommendation 1 – high priority); and (b) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendations 1 and 3 – high priority, Recommendation 2 – medium priority).

<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:

Overstatement of fixed assets (Issue 1)	A reconciliation of the project assets as recorded in the asset register in Atlas and as counted through a physical inventory conducted by the audit team revealed an overstatement of the assets by \$80,738. The Office management explained that the difference was due to assets purchased for the host country government, which were incorrectly recorded by the Office as owned by the Project.
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Recommendation: Management should do a regular review of the asset register maintained in Atlas to ensure that any errors are identified and corrected in a timely manner, and that owned assets are in line with UNDP policies and procedures.

Failure to implement prior period audit recommendations (Issue 3)	The audit recommendation raised in the prior period audit report, pertaining to the need to maintain and recognize assets in line with the Organization's policy and procedures, had still not been addressed by the Office up to the audit fieldwork dates. Subsequent to the audit, and as of 31 July 2017, the management of the Office took corrective action for the implementation of the recommendation.
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Recommendation: Management should develop a monitoring system to track and follow up on their action plans with respect to prior period recommendations.


**Implementation status of previous OAI audit recommendations:** Report No. 1667, 16 September 2016.

Total recommendations: 1

Implemented: 1

**Management comments and action plan**

The UN Resident Coordinator and UNDP Resident Representative accepted all the 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  
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