



**AUDIT**

**OF**

**UNDP SOUTH SUDAN**

**IGAD (Intergovernmental Authority on Regional Development)**  
**REGIONAL INITIATIVE FOR CAPACITY ENHANCEMENT IN SOUTHERN SUDAN PROJECT**  
**(Directly Implemented Project No. 77742)**

**Report No. 1118**  
**Issue Date: 29 April 2013**

**Report on the audit of UNDP South Sudan  
IGAD (Intergovernmental Authority on Regional Development) Regional Initiative for Capacity  
Enhancement in Southern Sudan Project (Project No. 77742)  
Executive Summary**

From 8 to 19 October 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through Ernst & Young, Nairobi (the audit firm), conducted an audit of IGAD Regional Initiative for Capacity Enhancement in Southern Sudan Project (Project No. 77742) which is directly implemented and managed by the UNDP Country Office in South Sudan (the Office). The audit firm was under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

The project reported expenditure totalling \$3.6 million during the period from 1 January to 31 December 2011. The project was funded by Norway.

### Audit scope and objectives

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 review of the Project's Statement of Expenditure (Combined Delivery Report) for the period from 1 January to 31 December 2011 and Statement of Assets and Statement as of 31 December 2011. 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, information systems and general administration.

### Audit rating

Based on the audit report submitted by the audit firm, OAI assessed the management of the Projects as **satisfactory**, which means "Internal controls, governance and risk management processes 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 Figures 1 and 2.

Figure 1: Summary results of the financial audit

Project Expenditure		Project Assets		Cash	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
3,551	Unqualified	280	Unqualified	-	Not Applicable*

\*No separate bank account was held by the project

Figure 2: Internal controls and systems audit ratings summary

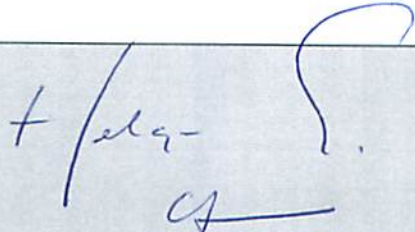
Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Organization and staffing				
2. Project management				
3. Human resources				
4. Finance				
5. Procurement				
6. Asset management				
7. Information systems				
8. General administration				

### Key issues and recommendations

The audit raised two issues and resulted in two recommendations, both of which were ranked medium (important) priority, which means "Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to address missing or lost assets as well as weak control over the movement of assets.

### Management's comments

The UNDP Resident Representative accepted both recommendations and is in the process of implementing them.



Helge S. Osttveiten  
Director  
Office of Audit and Investigations

UNITED NATIONS DEVELOPMENT PROGRAMME SOUTH SUDAN

PROJECT TITLE: IGAD REGIONAL INITIATIVE FOR CAPACITY ENHANCEMENT IN SOUTHERN SUDAN

IMPLEMENTED BY UNDP THROUGH THE DIRECT IMPLEMENTATION MODALITY (DIM)

AWARD NUMBER: 00061386

PROJECT NUMBER: 00077742

AUDIT REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

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## **1. INTRODUCTION**

### **1.1. BACKGROUND**

#### **1.1.1. UNDP Country Office**

UNDP supports priorities of the Government of South Sudan by implementing the Country Programme Action Plan (CPAP). This is mainly done by supporting projects that are directly implemented by UNDP on behalf of the Government through the Direct Implementation Modality (DIM). Under the DIM, UNDP assumes overall management responsibility and accountability for the projects.

UNDP works with the Government, UN agencies, civil society and development partners in four broad programmatic areas; democratic governance, economic development, social and human development, and conflict prevention and security.

#### **1.1.2. Project background**

Sudan gained independence since 1956 and immediately sunk into prolonged conflict, resulting in the loss of over two million lives in the South alone. Southern Sudan marked a critical juncture with the signing of the Comprehensive Peace Agreement (CPA) in January 2005, which paved the way for a new political dispensation, providing for the formation of a Government of National Unity (GNU), a Government of Southern Sudan (GOSS) within the ten states of Southern Sudan, the resumption of a multiparty democracy, decentralization to the states, a referendum on self-determination for the South, and the adoption of universal human rights standards.

The process of rebuilding lives after years of conflict, decades of underdevelopment and devastation of the region's economic, political and social structures has commenced. Establishing momentum towards recovery is dependent on South Sudan maintaining sustained peace, security and leadership commitment to strengthen democratic governance. However, serious challenges are posed by insecurity and abject poverty, which continue to affect a large majority of the population. Around three million people (including thousands of ex-combatants) have yet to be returned and reintegrated into the communities; basic rule-of-law is weak; reconciliation between many fractured communities affected by generations of conflict is at a nascent stage; service delivery across all sectors remains inadequate; and inefficient, accountable and transparent systems for decentralized governance have yet to be properly implemented. These challenges have resulted in the Government having limited capabilities required to adequately protect the citizens and deliver services to them. The situation is most acute at the state and; local government levels, where governance capabilities are stretched thin on the ground.

The IGAD regional Initiative for capacity Enhancement in Southern Sudan project supports state-building through the identification and deployment of 200 qualified civil servants from IGAD member states (Uganda, Kenya and Ethiopia). The Civil

Servants are contracted by the Government of the Republic of their counties and deployed in strategic functions within GoSS ministries, commissions and state-level local government to strengthen institutional capacity through provision of surge capacity and transferring longer-term capacity, in order to strengthen delivery of services to the people of Southern Sudan.

**Project Objective:**

The objective of the project was to strengthen key Government institutions to ensure credible and efficient governance, effective service delivery and strong public administration in the pre- and immediate post referendum periods.

The project had the following key outputs:

- 200 Civil Service Support Officers from IGAD Member States with significant skills, experience and professionalism identified, deployed and managed.
- South-South linkages between South Sudan and regional countries public sector agencies and think tanks in IGAD Member States developed and activated.
- Project management activities are carried out properly.

**1.1.3. Sources of Funding for the Project**

The project was solely funded by Norwegian Government to the extent of US\$ 8,399,451.

**1.1.4. Project Audit**

Ernst & Young was contracted to carry out the audit of the IGAD Regional Initiative for Capacity Enhancement in Southern Sudan, project number 00077742 for the period from 1 January 2011 to 31 December 2011. We conducted the field work from 8 October 2012 to 19 October 2012.

**1.2. AUDIT OBJECTIVES**

The objective of the audit is to determine the regularity of the receipt, custody, expenditure, and accounting for UNDP resources and assess the overall operational and internal control system for management of the project.

The specific objectives of the audit were:

- Express an opinion on whether the Combined Delivery Reports (statement of expenditure), including disbursements and encumbrances of the Project for the audit period presents fairly, in all material respects, expenditures incurred on the project; and whether these expenditures were incurred:



- i) in conformity with the approved project budgets;
  - ii) for the approved purposes of the project;
  - iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP;
  - iv) in accordance with donor grant terms; and
  - v) supported by properly approved vouchers and other supporting documents.
- Express an opinion on whether the projects' statement of assets as at 31 December 2011 presents fairly, in all material respects, the balance of inventory of the projects.
- Express an opinion on whether the projects' Statement of Cash Position as at 31 December 2011 presents fairly, in all material respects, the cash and bank balances of the projects. (Statement of Cash Position is required only if there was a separate bank account for the project).
- Provide an overall assessment of the operational and internal control systems that are in place for the management of the Project(s) so that related transactions are processed in accordance with UNDP policies and procedures and for the achievement of the projects objectives.

### 1.3. SCOPE OF AUDIT

We conducted our audit in accordance with International Standards on Auditing. The scope of the audit was limited to the expenditure incurred by UNDP directly in implementation of the project which is defined as including all UNDP disbursements and encumbrances listed in the Combined Delivery Report.

The audit covered the overall project's management system, monitoring and evaluation system, financial and accounting system as well as follow-up on previous audit recommendations. The audit work included the review of all project reports and records which includes:

- The Combined Delivery Report (CDR)/ Statement of Expenditure of the project for the year ended 31 December 2011.
- The Statement of Assets of the project as at 31 December 2011.
- The Statement of Cash Position of the project as at 31 December 2011. (Statement of Cash Position was required only if there was a separate bank account for the DIM project).

In order to achieve the audit objectives as well as cover the operations mentioned above, we covered the following areas as they are performed at the project level:



**Organization and Staffing:**

We assessed the organization structure of the project in terms of its effectiveness and efficiency for the management of the project, taking into account the framework of authorities, workflows, staffing level and necessary internal controls including the different levels of delegated authority for different operational functions and distribution of project management responsibilities to achieve project goals while ensuring appropriate segregation of duties in general so as to minimize risks.

**Programme and project management:**

We assessed the management aspects in terms of project approvals (including incorporating Local Project Appraisal Committee recommendations into the project document), work plans, budget formulation, project resources, monitoring and evaluation of implementation towards achievement of project objectives including constitution and functioning of project Board, field visits, review meetings and the coordination and consultation mechanisms with the stakeholders, and periodic project progress reporting against planned objectives and work plans. In addition, we reviewed:

- i) the areas of coverage of such authorization;
- ii) business unit capacity assessment for implementation of DIM projects;
- iii) Exit strategy and national capacity building;
- iv) Identifying and recovering costs attributable to implementing the project.

**Human Resources:**

We assessed the timeliness of recruitment of competent personnel for clearly defined tasks and responsibilities through a competitive and transparent process and the continued management of project personnel including review of their performance, and the payment of salaries and allowances in accordance with UNDP HR policies. In respect of casual or other staff not subject to UNDP HR policies and who are temporarily loaned or seconded from the local authorities for engagement at the field level, we reviewed the control of their assignments and the appropriateness of the salary, allowances and benefits paid.

**Finance:**

We assessed the adequacy of the accounting and reporting systems used for the management of project resources; and the adequacy of internal controls for compliance with UNDP policies with respect to the safe custody and adequate management of cash, commitment of expenditures against approved budget, disbursement or payments against liabilities and cash advances to field offices as well as project staff.

**Procurement:**

We assessed whether goods (supplies, equipment) and services for the project are procured competitively and in a transparent manner in accordance with UNDP policies and procedures; and these are of a quality and quantity that are actually required for the project. Our review covered:

- the integrity of the entire procurement process from the initial identification of needs;
- the formulation of specifications;

- solicitation of bids/tenders/proposals from vendors;
- evaluation of vendor offers in response to solicitations;
- the award of contracts;
- the appropriate assessment of goods or services delivered and the payment for received goods or services; and;
- monitoring performance of the contractors.

**Assets Management:**

We assessed whether project assets are adequately recorded, safeguarded, monitored, including periodic physical verification of their use and existence, and controlled to ensure that the assets are adequately used and only for project purposes. Assets are defined as all items with an acquisition value exceeding \$1,000 (such as vehicles and office equipment), or, for attractive items, exceeding \$400, the costs of which are charged to the project expenditure or which are received in kind as donations from third parties.

**Cash Management:**

We reviewed the safeguarding of all cash (including bank accounts) held separately for the purposes of the project either in the UNDP country office or at the project field offices, including cash held as advances or imprest in any sub-office or field office, where applicable.

**Information Systems:**

We assessed the efficiency and security of the information systems established and maintained from project funds and their adequacy to meet the management and reporting requirements of the project.

**General Administration:**

We assessed other relevant areas of operations for which expenditures are charged to the project covering such areas as: travel of project staff, use and maintenance of project vehicles, shipping services, lease and maintenance of office premises and facilities, communications, and records maintenance.

**Follow up on previous audits:**

We assessed the status of implementation of the previous audits' recommendations done within the last three years, where applicable.

**Scope limitation:**

The scope of our audit was limited to the UNDP Disbursements and Encumbrances columns of the Combined Delivery Report. Government and other UN Agencies' disbursements were not included in the audit scope. Such scope limitation will not be a reason for issuing a modified opinion.

#### **1.4. AUDIT METHODOLOGY**

The audit was performed using the Ernst & Young Global Audit methodology (GAM), which requires general planning and identification of areas of audit significance, as well as evaluating risk inherent in significant accounts. This approach addresses the established internal control standards of UNDP and International Standards of Auditing (ISA).

## **1.5. EXECUTIVE SUMMARY**

### **a) Statement of Expenditure/ Combined Delivery Report (CDR)**

We verified the expenditure incurred by UNDP South Sudan through the Direct Implementation Modality as reported in the Combined Delivery Report. Refer to section 3 of this report for details.

### **b) Statement of assets**

We obtained a listing of assets purchased under the project and on a sample basis; we physically verified some of the material assets. The assets held under the project as at 31 December 2011 were worth US\$ 280,098. Refer to section 5 of this report for details.

### **c) Statement of cash position**

The project did not maintain a separate bank account as at 31 December 2011. We have therefore not issued an opinion on the statement of cash position.

### **d) Management Letter**

Refer to section 6 of this report.

### **e) Follow up on prior year audit recommendations**

The project has not been audited under the audit of DIM projects in the past three year; therefore there were no recommendations for follow-up.

2. CERTIFICATION OF THE STATEMENT OF EXPENDITURE - COMBINED DELIVERY REPORT (CDR)

Auditor's report to:

The Chief, Regional Audit Centre for Eastern and Southern Africa and;  
The Resident Representative, UNDP South Sudan

We have audited the accompanying statement of expenditure ("the statement") of the UNDP project number 00077742, IGAD Regional Initiative for Capacity Enhancement in Southern Sudan for the period from 1 January 2011 to 31 December 2011.


The statement is the responsibility of the management of the project. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with International Standards of Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached statement of expenditure presents fairly, in all material respects, the expenditure of US\$ 3,551,142 incurred by the project, IGAD Regional Initiative for Capacity Enhancement in Southern Sudan for the period from 1 January 2011 to 31 December 2011 in accordance with the accounting policies set out in the notes to the statement. The expenditures incurred were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; (iv) in accordance with donor grant terms; and (v) supported by properly approved vouchers and other supporting documents.

Auditor's Name: Ernst & Young

Auditor's Signature: 

Date: 

Address: Tongping  
Vivacell/SPLM Driveway  
Off Airport Road  
Juba, South Sudan.

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3. STATEMENT OF EXPENDITURE (CDR)  
FOR THE PERIOD 1 JANUARY 2011 TO 31 DECEMBER 2011

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**Selection Criteria :**

Business Unit : SSD10  
Period : Jan-Dec (2011)  
Selected Award Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Projects : 00077742

Award Id : 00061386 IGAD Regional Initiative for C		Period :	Jan-Dec (2011)		
Project # : 00077742 IGAD Regional Initiative		Impl. Partner :	02885 UNDP (Direct Execution)		
		Location :	Sudan (Juba)		
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp

Dept: 47101 (South Sudan - Central)

Fund : 30000 (Programme Cost Sharing)

72405 - Acquisition of Communic Equip	0.00	29,025.00	0.00	0.00	29,025.00
74510 - Bank Charges	0.00	435.39	0.00	0.00	435.39
75105 - Facilities & Admin - Implement	0.00	2,062.23	0.00	0.00	2,062.23
<b>Total for Fund 30000</b>	<b>0.00</b>	<b>31,522.62</b>	<b>0.00</b>	<b>0.00</b>	<b>31,522.62</b>

**Total for Dept : 47101 0.00 31,522.62 0.00 0.00 31,522.62**

Dept: 47104 (South Sudan - DemGovernance)

Fund : 04000 (TRAC (Lines 1.1.1 and 1.1.2))

71610 - Travel Tickets-Local	0.00	7,000.00	0.00	0.00	7,000.00
71620 - Daily Subsistence Allow-Local	0.00	47,725.78	0.00	0.00	47,725.78
73505 - Reimb to UNDP for Supp Srvs	0.00	547.26	0.00	0.00	547.26
76135 - Realized Gain	0.00	0.00	0.00	0.00	0.00
<b>Total for Fund 04000</b>	<b>0.00</b>	<b>55,273.04</b>	<b>0.00</b>	<b>0.00</b>	<b>55,273.04</b>

Fund : 30000 (Programme Cost Sharing)

61305 - Salaries - IP Staff	0.00	5,243.46	0.00	0.00	5,243.46
61310 - Post Adjustment - IP Staff	0.00	1,704.12	0.00	0.00	1,704.12
62305 - Dependency Allowances-IP Staff	0.00	244.05	0.00	0.00	244.05
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	1,553.43	0.00	0.00	1,553.43
62315 - Contrib. to medical, social in	0.00	1,512.03	0.00	0.00	1,512.03
62320 - Mobility, Hardship, Non-remova	0.00	728.93	0.00	0.00	728.93
63310 - Repat. Grant -IP	0.00	5,109.43	0.00	0.00	5,109.43
63365 - Special Oper Living Allow-IP	0.00	3,808.00	0.00	0.00	3,808.00
63515 - Security-related Costs	0.00	749.51	0.00	0.00	749.51
63530 - Contribution to Separations	0.00	173.70	0.00	0.00	173.70
63535 - Contribution to Security	0.00	277.89	0.00	0.00	277.89
63540 - Contribution to Training	0.00	173.70	0.00	0.00	173.70
64310 - Separations - IP Staff	0.00	26,515.00	0.00	0.00	26,515.00
64320 - Reassignments - IP Staff	0.00	15,110.00	0.00	0.00	15,110.00
64321 - Reassignment-Ticket Costs	0.00	2,167.00	0.00	0.00	2,167.00
65115 - Contributions to ASHI Reserve	0.00	347.37	0.00	0.00	347.37
65135 - Payroll Mgt Cost Recovery ATLA	0.00	55.32	0.00	0.00	55.32
71205 - Intl Consultants-Sht Term-Tech	0.00	1,393,530.53	0.00	0.00	1,393,530.53
71210 - Intl Consultants-Sht Term-Supp	0.00	45,000.00	0.00	0.00	45,000.00
71305 - Local Consult.-Sht Term-Tech	0.00	27,187.50	0.00	0.00	27,187.50
71405 - Service Contracts-Individuals	0.00	29,109.57	0.00	0.00	29,109.57
71505 - UN Volunteers-Stipend & Allow	0.00	2,437.00	0.00	0.00	2,437.00
71510 - UNV Settling-In-Grant	0.00	4,996.85	0.00	0.00	4,996.85
71530 - UNV-Rest and Recuperation	0.00	2,246.00	0.00	0.00	2,246.00
71605 - Travel Tickets-International	0.00	107,158.02	0.00	0.00	107,158.02
71610 - Travel Tickets-Local	0.00	20,362.29	0.00	0.00	20,362.29
71615 - Daily Subsistence Allow-Intl	0.00	59,001.51	0.00	0.00	59,001.51
71620 - Daily Subsistence Allow-Local	0.00	343.93	0.00	0.00	343.93
71625 - Daily Subsist Allow-Mtg Partic	0.00	5,498.00	0.00	0.00	5,498.00
71635 - Travel - Other	0.00	4,167.69	0.00	0.00	4,167.69





Award Id : 00061386 IGAD Regional Initiative for C		Period : Jan-Dec (2011)			
Project # : 00077742 IGAD Regional Initiative		Impl. Partner : 02885 UNDP (Direct Execution)			
		Location : Sudan (Juba)			
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
71640 - Prepaid Travel Advance	0.00	93,400.00	0.00	0.00	93,400.00
72120 - Svc Co-Trade and Business Serv	0.00	117,530.56	0.00	160.42	117,690.98
72140 - Svc Co-Information Technology	0.00	352,500.00	0.00	0.00	352,500.00
72205 - Office Machinery	0.00	129.31	0.00	0.00	129.31
72210 - Machinery and Equipment	0.00	2,500.00	0.00	0.00	2,500.00
72325 - Chemical, Glass, NonMetallic Prd	0.00	1,861.70	0.00	0.00	1,861.70
72350 - Medical Kits	0.00	39,690.00	0.00	0.00	39,690.00
72399 - Other Materials and Goods	0.00	1,135.05	0.00	0.00	1,135.05
72405 - Acquisition of Communic Equip	0.00	2,783.11	0.00	0.00	2,783.11
72425 - Mobile Telephone Charges	0.00	671.39	0.00	0.00	671.39
72440 - Connectivity Charges	0.00	1,258.68	0.00	0.00	1,258.68
72505 - Stationery & other Office Supp	0.00	1,183.50	0.00	0.00	1,183.50
72715 - Hospitality Catering	0.00	222,469.22	0.00	0.00	222,469.22
73125 - Common Services-Premises	0.00	187,669.58	0.00	0.00	187,669.58
73405 - Rental & Maint-Other Office Eq	0.00	879.31	0.00	0.00	879.31
73410 - Maint, Oper of Transport Equip	0.00	0.00	0.00	0.00	0.00
73420 - Leased Vehicles	0.00	3,208.33	0.00	0.00	3,208.33
73505 - Reimb to UNDP for Supp Srvs	0.00	32,637.93	0.00	0.00	32,637.93
74210 - Printing and Publications	0.00	6,318.11	0.00	0.00	6,318.11
74225 - Other Media Costs	0.00	344.83	0.00	0.00	344.83
74325 - Contrib.To CO Common Security	0.00	62,556.52	0.00	0.00	62,556.52
74505 - Insurance	0.00	140,686.00	0.00	0.00	140,686.00
74510 - Bank Charges	0.00	27,994.71	0.00	0.00	27,994.71
74525 - Sundry	0.00	11,173.10	0.00	0.00	11,173.10
74710 - Land Transport	0.00	50.00	0.00	0.00	50.00
75105 - Facilities & Admin - Implement	0.00	226,288.06	0.00	0.00	226,288.06
75705 - Learning costs	0.00	155,543.99	0.00	0.00	155,543.99
76125 - Realized Loss	0.00	14.24	0.00	0.00	14.24
76135 - Realized Gain	0.00	-61.54	0.00	0.00	-61.54
<b>Total for Fund 30000</b>	<b>0.00</b>	<b>3,458,927.52</b>	<b>0.00</b>	<b>160.42</b>	<b>3,459,087.94</b>
<b>Total for Dept : 47104</b>	<b>0.00</b>	<b>3,514,200.56</b>	<b>0.00</b>	<b>160.42</b>	<b>3,514,360.98</b>
<b>Dept: 47108 (South Sudan - Poverty Reductn)</b>					
<b>Fund : 30000 (Programme Cost Sharing)</b>					
71405 - Service Contracts-Individuals	0.00	882.76	0.00	0.00	882.76
71610 - Travel Tickets-Local	0.00	4,000.00	0.00	0.00	4,000.00
74510 - Bank Charges	0.00	32.04	0.00	0.00	32.04
75105 - Facilities & Admin - Implement	0.00	344.03	0.00	0.00	344.03
<b>Total for Fund 30000</b>	<b>0.00</b>	<b>5,258.83</b>	<b>0.00</b>	<b>0.00</b>	<b>5,258.83</b>
<b>Total for Dept : 47108</b>	<b>0.00</b>	<b>5,258.83</b>	<b>0.00</b>	<b>0.00</b>	<b>5,258.83</b>
<b>Total for Project : 00077742</b>	<b>0.00</b>	<b>3,550,982.01</b>	<b>0.00</b>	<b>0.00</b>	<b>3,551,142.43</b>
<b>Award Total:</b>	<b>0.00</b>	<b>3,550,982.01</b>	<b>0.00</b>	<b>0.00</b>	<b>3,551,142.43</b>

Signed By :

*Amanda Sumaya*

Date :

31/10/12



**Selection Criteria :**

Business Unit : SSD10  
Period : Jan-Dec (2011)  
Selected Award Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Projects : 00077742

Award Id : 00061386 IGAD Regional Initiative for C		Period :	Jan-Dec (2011)		
Project # : IGAD Regional Initiative		Impl. Partner :	None		
		Location :	Sudan (Juba)		
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp

47101 - South Sudan - Central	0.00	31,522.62	0.00	0.00	31,522.62
47104 - South Sudan - DemGovernance	0.00	3,514,200.56	0.00	160.42	3,514,360.98
47108 - South Sudan - Poverty Reductn	0.00	5,258.83	0.00	0.00	5,258.83

**Note:**

The scope of Ernst & Young's audit was limited to the UNDP Disbursements and Encumbrances columns of the Combined Delivery Report

**ERNST & YOUNG**  
Certified Public Accountants  
Tongping  
Vivacell/SPLM Driveway  
Off Airport Road  
Juba, South Sudan

### **3.1. NOTES TO THE STATEMENT OF EXPENDITURE**

#### **3.1.1. Accounting Policies**

The principal accounting policies adopted by the project management in the preparation of the combined Delivery Report (CDR) are set below:-

##### **i) Basis of Accounting**

The statement of expenditure has been prepared on a cash basis of accounting modified to accrue for outstanding obligations at the end of the financial period. Under this basis of accounting, expenditure is recognized when paid for rather than when incurred and income is recognized when received.

##### **ii) Foreign Currency Transactions**

Transactions in foreign currency are translated into US\$ at the monthly exchange rate. This rate is arrived at through negotiation with the bank at the beginning of every month. Exchange differences arising on the translations are dealt with in the Combined Delivery Report (CDR).

#### 4. CERTIFICATION OF THE STATEMENT OF ASSETS

Auditor's report to:

The Chief, Regional Audit Centre for Eastern and Southern Africa and;  
The Resident Representative, UNDP South Sudan

We have audited the accompanying schedule of assets ("the schedule") of the UNDP project number 00077742, IGAD Regional Initiative for Capacity Enhancement in Southern Sudan as at 31 December 2011.


This schedule is the responsibility of the management of the project. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with International Standards of Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached statement of inventory presents fairly, in all material respects, the balance of inventory of the UNDP project number 00077742, amounting to US\$ 280,098 as at 31 December 2011 in accordance with the accounting policies set out in the note to the schedule.

Auditor's Name: Ernst & Young

Auditor's Signature: 

Date: 8/11/2012

Address: Tongping  
Vivacell/SPLM Driveway  
Off Airport Road  
Juba, South Sudan.

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5. STATEMENT OF ASSETS

AS AT 31 DECEMBER 2011

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DEMOCRATIC GOVERNANCE UNIT

Assets ICAD Project (Instock), period from 01/01/2011 to 31/12/2011

Count	BUSINESS/Asset ID	Profile ID	Descr	Status	Serial ID	Cost USD	Project ID	Location
1	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1S-AO1	1,539.00	00077742	UNDP Main Office J
2	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1M-AO1	1,539.00	00077742	UNDP Main Office J
3	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1K-AO1	1,539.00	00077742	UNDP Main Office J
4	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1C-AO1	1,539.00	00077742	UNDP Main Office J
5	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1B-AO1	1,539.00	00077742	UNDP Main Office J
6	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1A-AO1	1,539.00	00077742	UNDP Main Office J
7	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1Z-AO1	1,539.00	00077742	UNDP Main Office J
8	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1Y-AO1	1,539.00	00077742	UNDP Main Office J
9	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1X-AO1	1,539.00	00077742	UNDP Main Office J
10	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1W-AO1	1,539.00	00077742	UNDP Main Office J
11	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1V-AO1	1,539.00	00077742	UNDP Main Office J
12	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1U-AO1	1,539.00	00077742	UNDP Main Office J
13	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1T-AO1	1,539.00	00077742	UNDP Main Office J
14	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1S-AO1	1,539.00	00077742	UNDP Main Office J
15	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1R-AO1	1,539.00	00077742	UNDP Main Office J
16	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1Q-AO1	1,539.00	00077742	UNDP Main Office J
17	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1P-AO1	1,539.00	00077742	UNDP Main Office J
18	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1O-AO1	1,539.00	00077742	UNDP Main Office J
19	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1N-AO1	1,539.00	00077742	UNDP Main Office J
20	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1M-AO1	1,539.00	00077742	UNDP Main Office J
21	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1L-AO1	1,539.00	00077742	UNDP Main Office J
22	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1K-AO1	1,539.00	00077742	UNDP Main Office J
23	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1J-AO1	1,539.00	00077742	UNDP Main Office J
24	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1I-AO1	1,539.00	00077742	UNDP Main Office J
25	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1H-AO1	1,539.00	00077742	UNDP Main Office J
26	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1G-AO1	1,539.00	00077742	UNDP Main Office J
27	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1F-AO1	1,539.00	00077742	UNDP Main Office J
28	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1E-AO1	1,539.00	00077742	UNDP Main Office J
29	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1D-AO1	1,539.00	00077742	UNDP Main Office J
30	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1C-AO1	1,539.00	00077742	UNDP Main Office J
31	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1B-AO1	1,539.00	00077742	UNDP Main Office J
32	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1A-AO1	1,539.00	00077742	UNDP Main Office J
33	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1Z-AO1	1,539.00	00077742	UNDP Main Office J
34	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1Y-AO1	1,539.00	00077742	UNDP Main Office J
35	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1X-AO1	1,539.00	00077742	UNDP Main Office J
36	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1W-AO1	1,539.00	00077742	UNDP Main Office J
37	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1V-AO1	1,539.00	00077742	UNDP Main Office J
38	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1U-AO1	1,539.00	00077742	UNDP Main Office J
39	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1T-AO1	1,539.00	00077742	UNDP Main Office J
40	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1S-AO1	1,539.00	00077742	UNDP Main Office J
41	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1R-AO1	1,539.00	00077742	UNDP Main Office J
42	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1Q-AO1	1,539.00	00077742	UNDP Main Office J
43	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1P-AO1	1,539.00	00077742	UNDP Main Office J
44	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1O-AO1	1,539.00	00077742	UNDP Main Office J
45	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1N-AO1	1,539.00	00077742	UNDP Main Office J
46	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1M-AO1	1,539.00	00077742	UNDP Main Office J
47	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1L-AO1	1,539.00	00077742	UNDP Main Office J
48	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1K-AO1	1,539.00	00077742	UNDP Main Office J
49	SSD	NA	Computer	In service	CH-OKODNP-12961-13T-GG1J-AO1	1,539.00	00077742	UNDP Main Office J





CSAP Final Asset Inventory

Count	BUSINESS	Asset ID	Profile ID	Descr	Status	Serial ID	Cost USD	Project ID	Location
106	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GG1C	1,539.00	00077742	Juba
107	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-14C-GEWX	1,539.00	00077742	Juba
108	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GGL1	1,539.00	00077742	Juba
109	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFUP	1,539.00	00077742	Juba
110	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFNM	1,539.00	00077742	Juba
111	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GGGS	1,539.00	00077742	Juba
112	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-14C-GEZ1	1,539.00	00077742	Juba
113	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13U-GGJM	1,539.00	00077742	Juba
114	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GG67	1,539.00	00077742	Juba
115	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFZ7	1,539.00	00077742	Juba
116	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13U-GEM8	1,539.00	00077742	Juba
117	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFUR	1,539.00	00077742	Juba
118	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-14C-GEU7	1,539.00	00077742	Juba
119	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13U-GF93	1,539.00	00077742	Juba
120	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFUJ	1,539.00	00077742	Juba
121	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-14C-GF1D	1,539.00	00077742	Juba
122	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13U-GF8W	1,539.00	00077742	Juba
123	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GG19	1,539.00	00077742	Juba
124	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13U-GFA4	1,539.00	00077742	Juba
125	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GG16	1,539.00	00077742	Juba
126	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GGFY	1,539.00	00077742	Juba
127	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GGK4	1,539.00	00077742	Juba
128	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFWY	1,539.00	00077742	Juba
129	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GF54	1,539.00	00077742	Juba
130	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GGHD	1,539.00	00077742	Torit
131	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GG35	1,539.00	00077742	Bor
132	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-14C-GFFB	1,539.00	00077742	Yambio
133	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13P-GFCU	1,539.00	00077742	Yambio
134	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GG9W	1,539.00	00077742	Bor
135	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13U-GEOT	1,539.00	00077742	Torit
136	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFMF	1,539.00	00077742	Torit
137	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GG34	1,539.00	00077742	Malakal
138	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFWV	1,539.00	00077742	Yambio
139	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFXB	1,539.00	00077742	Bentiu
140	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFTF	1,539.00	00077742	Rumbek
141	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GEVH	1,539.00	00077742	Bentiu
142	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFND	1,539.00	00077742	Rumbek
143	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-14Z-GF9T	1,539.00	00077742	Malakal
144	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13U-GF8K	1,539.00	00077742	Malakal
145	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFJO	1,539.00	00077742	Awail
146	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GG63	1,539.00	00077742	Yambio
147	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFGO	1,539.00	00077742	Rumbek
148	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GG5E	1,539.00	00077742	Juba
149	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GGLV	1,539.00	00077742	Rumbek
150	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GGKM	1,539.00	00077742	Rumbek
151	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GUT	1,539.00	00077742	Wau
152	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GG3D	1,539.00	00077742	Awail
153	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GGKC	1,539.00	00077742	Malakal
154	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13P-GFJV	1,539.00	00077742	Yambio
155	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GGOF	1,539.00	00077742	Bor
156	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GGKS	1,539.00	00077742	Malakal
157	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GFXO	1,539.00	00077742	Yambio
158	SSD	NA	Computer	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GGJR	1,539.00	00077742	Bor

Count	BUSINESS Asset ID	Profile ID	Desat	Status	Serial ID	Cost USD	Project ID	Location
159	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GF7J	1,539.00	00077742	Juba
160	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13U-GF4F	1,539.00	00077742	Malakal
161	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-G63F	1,539.00	00077742	Bentiu
162	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-G6MZ	1,539.00	00077742	Malakal
163	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFMC	1,539.00	00077742	Awail
164	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GEST	1,539.00	00077742	Wau
165	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFVN	1,539.00	00077742	Yambio
166	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GGMD	1,539.00	00077742	Juba
167	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13U-GF8O	1,539.00	00077742	Rumbek
168	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GF4F	1,539.00	00077742	Wau
169	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFPA	1,539.00	00077742	Juba
170	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13U-GF86	1,539.00	00077742	Juba
171	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFMJ	1,539.00	00077742	Yambio
172	SSD	NA	Dell laptop latitude D6410	In service	OKODNP-12961-13T-GGIL	1,539.00	00077742	Bentiu
173	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-15J-GFUK	1,539.00	00077742	Torit
174	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GFVU	1,539.00	00077742	Malakal
175	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-13T-GGA6	1,539.00	00077742	Malakal
176	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-14C-GHTX-A01	1,539.00	00077742	Juba
177	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-14C-GESX-A01	1,539.00	00077742	Juba
178	SSD	NA	Dell laptop latitude D6410	In service	CN-OKODNP-12961-14C-GWUK-A01	1,539.00	00077742	Juba
179	SSD	NA	Dell laptop latitude D6410	In service	CN-04373Y-12961-13T-GGPO-A01	1,539.00	00077742	Juba- DGU
180	SSD	NA	Dell laptop latitude D6410	In service	CN-04373Y-12961-13T-GGKP-A01	1,539.00	00077742	Juba- DGU
181	SSD	NA	Dell laptop latitude D6410	In service	CN-04373Y-12961-13U-GF9Z-A01	1,539.00	00077742	Juba- DGU
182	SSD	NA	Dell laptop latitude D6410	In service	CN-04373Y-12961-13U-GF12-A01	1,539.00	00077742	Juba- DGU
						280,098.00		

Assets Counted By:

Verified by:

Classified by:

Approved by:

Name: W. Williams Name: Ernest Young Name: W. Williams  
 Sign: (Signature) Sign: (Signature) Sign: (Signature)  
 Date: \_\_\_\_\_ Date: \_\_\_\_\_ Date: 25/10/11

**ERNST & YOUNG**  
 Certified Public Accountants  
 Tongping  
 Vivacell/SPLM Driveway  
 Off Airport Road  
 Juba, South Sudan

**5.1. NOTE TO THE STATEMENT OF ASSETS**

The assets and equipments purchased under the project are expensed in the year of acquisition. An asset register indicating all the assets purchased is usually maintained for the purpose of monitoring the assets. The status of the assets is updated on the asset register on completion of a physical verification exercise.

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6. MANAGEMENT LETTER

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**PRIVATE AND CONFIDENTIAL**

Our ref: 60814827/10/vn/304

08 November 2012

The Chief, Regional Audit Centre for Eastern and Southern Africa and;  
The Resident Representative, UNDP South Sudan

Dear Sirs,

**MATTERS ARISING DURING THE AUDIT OF THE IGAD REGIONAL INITIATIVE FOR  
CAPACITY ENHANCEMENT IN SOUTHERN SUDAN PROJECT FOR THE YEAR ENDED 31  
DECEMBER 2011**

In accordance with our Terms of Reference, we report to you matters arising during our normal audit of the IGAD Regional Initiative for Capacity Enhancement in Southern Sudan Project for the year ended 31 December 2011.

The management of the project is responsible for establishing and maintaining an internal control structure. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected.

Our review of the Project's systems of internal control is carried out as per the Terms of Reference to assist us in expressing an opinion on the Project's Statement of Expenditure (CDR), Statement of Assets and Statement of Cash Position. This work is not primarily directed towards the discovery of weaknesses, the detection of fraud or other irregularities (other than those which would influence us in forming an opinion) and should not, therefore, be relied upon to show that no other weaknesses or areas that require attention exist. Accordingly, the comments in this letter refer only to those matters, which have come to our attention during the course of our normal audit work and do not attempt to indicate all possible improvements, which a special review might develop.

In this letter, we bring to your attention the weaknesses, which we have discovered in the hope that you may derive a tangible benefit from this part of our audit.

<p><b>A) Background</b></p> <p>We have set out issues identified during the course of our normal audit work and have not attempted to indicate all possible improvements which a special review might develop. The management letter covers the following topics/issues:</p> <ul style="list-style-type: none"> <li>➤ A general review of a project's progress and timeliness in relation to progress milestones and the planned completion date, both of which should be stated in the project document or Annual Work Plan (AWP);</li> <li>➤ An assessment of a project's internal control system with equal emphasis on:                         <ul style="list-style-type: none"> <li>i) The effectiveness of the system in providing the project management with useful and timely information for the proper management of the project; and</li> <li>ii) The general effectiveness of the internal control system in protecting the assets and resources of the project.</li> </ul> </li> <li>➤ A description of any specific internal control weaknesses noted in the financial management of the project and the audit procedures followed to address</li> </ul>	<p>or compensate for the weaknesses. Recommendations to resolve/eliminate the internal control weaknesses noted have been included.</p>
<p><b>B) Priorities of Audit Recommendations</b></p> <p>The audit observations are categorized according to the priority of the audit recommendations and the possible causes of the issues. The categorized audit observation provides a basis by which the UNDP country office management is to address the issues.</p> <p>The following categories of priorities are used:</p>	
<p><b>High:</b></p> <p>Action is considered imperative to ensure that UNDP is not exposed to high risks. Failure to take action could result in major consequences and issues.</p>	
<p><b>Medium:</b></p> <p>Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.</p>	
<p><b>Low:</b></p> <p>Action is considered desirable and should result in enhanced control or better value for money.</p>	

C) Categories of possible causes of audit findings	D) Categories of risks
<p>The cause statement explains the underlying reason behind the identified problem/weakness. The cause is probably the most critical attribute of the finding.</p>	<p>The audit issues identified are classified in accordance to the following categories of risk:</p>
<p>The following is the listing of the pre-established cause statements that UNDP South Sudan has provided in the terms of references:</p>	<p><u>Environmental:</u>                  This pertains to natural disasters, pollution incidents and social and cultural, security and safety, and economic risks.</p>
<ul style="list-style-type: none"> <li>i) Lack of or inadequate corporate policies or procedures</li> <li>ii) Lack of or inadequate country office policies or procedures</li> <li>iii) Lack of or inadequate guidance or supervision at country office level</li> <li>iv) Inadequate oversight by Headquarters bureaux</li> <li>v) Lack of or insufficient resources (specify: financial, human, or technical resources)</li> <li>vi) Inadequate planning</li> <li>vii) Inadequate training</li> <li>viii) Human error</li> <li>ix) Intentional overriding of internal controls</li> <li>x) Inadequate management structure</li> </ul>	<p><u>Financial:</u>                  This pertains to external economic factors (such as interest rates, exchange rate fluctuation, inflation) and internal economic factors (such as co-financing difficulties, use of financing mechanisms, funding, reserve adequacy, currency, receivables, accounting/financial reporting, budget allocation and management, cash management/reconciliation, pricing/cost recovery).</p>
	<p><u>Organizational:</u>                  This pertains to institutional arrangements; institutional/execution capacity; implementation arrangements; country office capacity; governance; culture, code of conduct and ethics; accountability and compensation; succession planning and talent management; human resources processes and procedures.</p>



<p><b><u>Operational:</u></b>                      This pertains to process efficiency, operations-related human error/incompetence, internal controls, internal and external fraud, compliance and legal, procurement, technology, physical assets, infrastructure failure, and safety being compromised.</p>	<p>management; programme alignment; competition; stakeholder relations; UNDP reputation; UN coordination; UN reform.</p>
<p><b><u>Programmatic:</u></b>                      This pertains to risks relating to complex project design (size, larger/multi-country projects, technical complexity, innovativeness, and multiple funding sources), project management, programme-/project-related human error/incompetence, poor monitoring and evaluation, delivery, and programme management.</p>	<p><b>Standard audit ratings</b></p> <p>Each of the audit areas covered is rated in accordance to the definition of standard audit ratings below:</p>
<p><b><u>Political:</u></b>                      This pertains to corruption, government commitment, political will, political instability, change in government, armed conflict and instability, adverse public opinion/media intervention.</p>	<p><b>Standard Rating</b></p> <p><b>Definition</b></p> <p><b>Satisfactory:</b></p> <p>Internal controls and risk management practices were adequately established and functioning well. No high risk areas were identified. Overall, the office objectives are likely to be achieved.</p>
<p><b><u>Regulatory:</u></b>                      This pertains to new unexpected regulations and policies; critical policies or legislation fails to pass or progress in the legislative process.</p>	<p><b>Partially Satisfactory:</b></p> <p>Internal controls and risk management practices were generally established and functioning, but needed improvement. One or more high and medium risk areas were identified that may impact on the achievement of office objectives.</p>
<p><b><u>Strategic:</u></b>                      This pertains to partnerships failing to deliver; strategic vision, planning and communication; leadership and</p>	

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**Unsatisfactory:**

Internal controls and risk management practices were either not established or not functioning well. The majority of issues identified were high risk. Hence, the overall office objectives are not likely to be achieved.

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**F) Summary of points arising from current year's audit**

Ref	Summary of the findings	Overall rating
6.1	Organization and Staffing No exceptions noted	Satisfactory
6.2	Programme and project management No exceptions noted	Satisfactory
6.3	Human Resources No exceptions noted	Satisfactory
6.4	Finance No exceptions noted	Satisfactory
6.5	Procurement No exceptions noted	Satisfactory
6.6	Assets Management	Partially Satisfactory
6.6.1	Weak controls over asset movement	
6.6.2	Many cases of theft/loss of assets	
6.7	Cash Management No exceptions noted	Satisfactory
6.8	Information Systems	Satisfactory

Ref	Summary of the findings	Overall rating
	No exceptions noted	
6.9	General Administration No exceptions noted	Satisfactory
6.10	Follow up on previous audits There were no prior year recommendations for follow-up.	N/A

## 6.6. Assets Management

### 6.6.1. Weak controls over asset movement

Observation	Cause	Risk	Recommendation	Management Comments	Location: UNDP
We noted that the controls over the movement of assets in and out of the UNDP South Sudan Country Office are weak. Physical checks or registration of assets such as laptops is not carried out for persons entering or leaving the compound.	Lack of or inadequate guidance or supervision at country office level	Operational	<p>Management should strengthen procedures over the movement of assets in and out of the UNDP compound.</p> <p>Persons entering or leaving the compound should be required to record details of the laptops or assets that they are carrying.</p>	<p><u>Preventive measures:</u> UNDP will continue to tighten security measures to prevent unauthorized exit of general office assets, security arrangements to ensure personal and UNDP-issued items of staff are also be in place. In order to effectively prevent such incidents in the future, UNDP will ensure our doors, windows, drawers and safes are properly locked at the end of the day as well as during staff absence from the office. If there is any suspicion that keys have been compromised, then staff members are responsible to report the incidence and ensure that locks are replaced immediately. Unit safes can also be used to keep sensitive/valued items.</p> <p><u>Control of Office Keys:</u> UNDP will ensure that staff/units to submit their office keys [labelled] to security at the reception at the end of the day; unless otherwise decided by the Unit Head. This procedure will also ensure</p>	<p>Priority:  Medium</p>

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Observation	Cause	Risk	Recommendation	Management Comments	Location: UNDP
				<p>that in times of an emergency; fire etc, access to the office by security is possible. Keys to safes/drawers should however be carried by authorized unit staff. UNDP Security will maintain a key register to record the issue and receipt of keys. For staff working in Government offices, UNDP advises staff to always ensure your valued items are kept either in a safe or on hand.</p> <p><u>Staff Accountability:</u> Staff are personally accountable for UNDP-issued items and may therefore be financially liable in the event that it is ascertained that the loss was as a result of negligence</p>	<p>Expected Completion Date: November 30, 2012</p>

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#### 6.6.2. Cases of theft/loss of assets

Observation	Cause	Risk	Recommendation	Management Comments	Location: UNDP
We noted twenty one (21) laptops for the project and one motorbike were reported missing from the UNDP store in Juba.	Inadequate country office policies and procedures	Operational	Management should put in place adequate physical and other detect controls over the movement of assets in and out of the organization to safeguard against losses of assets.	The matter is being handled by the Office of Audit and Investigation (OAI).	Priority:  Medium
					Expected Completion Date: December 31, 2012

We would be grateful if you could keep us informed of changes that are made to existing systems from time to time.

We take this opportunity to express our gratitude to you and your staff for the co-operation and assistance, which we received during the course of our audit.

Yours faithfully,

A handwritten signature in blue ink, appearing to be 'Tongping', written over a horizontal line.

Ernst & Young  
Tongping  
Vivacell/SPLM Driveway  
Off Airport Road  
Juba, South Sudan.