

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



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP PAPUA NEW GUINEA**

**BOUGAINVILLE RECOVERY PROJECT**  
**(Directly Implemented Project, Output No. 60353)**

**Report No. 1395**

**Issue Date: 15 September 2014**

**Report on the audit of UNDP Papua New Guinea  
Bougainville Recovery Project (Output No. 60353)  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 19 to 30 May 2014, through Moore Stephens LLP (the audit firm), conducted an audit of Bougainville Recovery Project, Output No. 60353 (the Project), which is directly implemented and managed by the UNDP Country Office in Papua New Guinea (the Office). The last audit of the Office was conducted by OAI in 2011.

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 2012 to 31 December 2013 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2013 as well as Statement of Assets as of 31 December 2012. The audit did not include 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:

Year	Project Expenditure*			Project Assets		
	Amount (in \$ '000)	Opinion	NFI** (in \$ '000)	Amount (in \$ '000)	Opinion	NFI** (in \$ '000)
2012	566	Unqualified	-	19	Adverse	19
2013	141	Unqualified	-	0	N/A	N/A

\*Expenditures recorded in the Combined Delivery Report were \$876,365 for 2012 and \$464,970 for 2013. Excluded from the audit scope were expenditures not processed or approved at the Office level (\$310,330 for 2012 and \$323,803 for 2013).

\*\*NFI = Net Financial Impact

The audit firm issued an adverse opinion on project assets for 2012 due to weaknesses in asset management. For financial year 2013 no assets were held by the project, thus an opinion was not applicable.

The audit firm issued an unqualified opinion on the Funds Utilization statement.

<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.

**Key Recommendations:** Total = 8, high priority = 2

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. All high (critical) priority recommendations are presented below:

Double payment of rental invoice (Issue 3)	An amount of \$3,515 relating to rent for an office located in the country was recorded twice in Atlas. The same invoice was used as supporting documentation for a Request for Direct Payment.  <u>Recommendation:</u> Use only original documents as a basis for payment. Supporting documents should be stamped and dated to avoid double payments.
Weaknesses in asset management (Issue 5)	There were inconsistencies noted in the fixed assets register maintained for 2012, as it did not include the purchase prices and dates of acquisition of assets. Furthermore, the register included obsolete assets, while several other items were not recorded in the register at all.  <u>Recommendation:</u> Conduct a full review of fixed assets and assign purchase prices and dates of acquisition, dispose of obsolete assets, and include assets that qualify in the fixed assets register.

**Management comments and action plan**

The Resident Representative accepted all eight 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  
Director  
Office of Audit and Investigations

**UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)  
AUDIT REPORT**

**22 July 2014**

**FINANCIAL AUDIT OF THE UNDP DIRECTLY IMPLEMENTED (DIM)  
PROJECT  
BOUGAINVILLE RECOVERY PROJECT**

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Project name:	Bougainville Recovery Project
UNDP Country Office:	Papua New Guinea
Atlas Project number:	49466
Atlas Output number:	60353
Auditor:	Moore Stephens LLP
Period subject to audit:	1 January 2012 to 31 December 2013

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## EXECUTIVE SUMMARY

Moore Stephens LLP conducted the financial audit of Bougainville Recovery Project (Project ID 49466 and Output no. 60353) (the project), directly implemented by UNDP Papua New Guinea for the period 1 January 2012 to 31 December 2013. The audit was undertaken on behalf of UNDP, Office of Audit and Investigations (OAI).

We have issued audit opinions as summarised in the table below and as detailed in the next section:

<b>Statement of Expenditure 2012</b>	Unqualified
<b>Statement of Expenditure 2013</b>	Unqualified
<b>Statement of Fixed Assets 2012</b>	Adverse
<b>Statement of Fixed Assets 2013</b>	Not applicable

As a result of our audit, we have raised eight audit findings with a financial impact totalling \$ 22,599.83 as summarised below:

No.	Description	Year	Priority	Amount \$
1	Quotes and pro-forma invoices accepted as supplier invoices	2012	Medium	-
2	Expenditure recorded in 2012 but relating to earlier periods	2012	Medium	-
3	Double payment of rental invoice	2012	High	3,515.08
4	Expenditure items recorded in un-depreciated fixed assets listing	2012	Medium	19,084.75
5	Weaknesses in asset management	2012/13	High	-
6	Expenditure recorded under incorrect account codes	2012/13	Medium	-
7	Lack of monitoring of requests for payment	2013	Medium	-
8	Payroll costs not matched to correct budget output	2012/13	Medium	-
<b>Total</b>				<b>22,599.83</b>
<b>Total findings (expenditure) 2012 \$</b>				<b>3,515.08</b>
<b>Total findings (assets) 2012 \$</b>				<b>19,084.75</b>
<b>Total findings (expenditure) 2013 \$</b>				<b>-</b>
<b>Total findings (assets) 2013 \$</b>				<b>-</b>



Mark Henderson  
Partner

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22 July 2014

## THE AUDIT ENGAGEMENT

### **Audit Objectives and Scope**

The objective of the financial audit was to express an opinion on the DIM project's financial statements which include:

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January 2012 and 31 December 2013 and the funds utilization as at 31 December 2013 are fairly presented in accordance with UNDP accounting policies and that the expenses 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; and (iv) supported by properly approved vouchers and other supporting documents. The Combined Delivery Report (CDR) and the accompanying Funds Utilization statement are the mandatory and official statements upon which the audit opinion should be expressed. Other forms of statement of expenses that may be prepared by a project office are not accepted.
- Expressing an opinion on whether the statement of fixed assets presents fairly the balance of assets of the UNDP project as at 31 December 2013. This statement must include all assets available as at 31 December 2013 and not only those purchased in a given period. Where a DIM project does not have any assets or equipment, it will not be necessary to express such an opinion.

The scope of the audit relates only to transactions concluded and recorded against the UNDP DIM project between 1 January 2012 and 31 December 2013. The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of "responsible parties", unless the inclusion of these expenses is specifically required in the request for proposal; and
- Expenses processed and approved in locations outside the country such as UNDP Regional Centres and UNDP Headquarters and where the supporting documentation is not retained at the level of the UNDP country office.

## AUDIT OPINIONS

### Independent Auditor's Report to UNDP - Bougainville Recovery Project

#### Statement of Expenditure - 2012

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization statement totalling \$ 876,365.77 ("the statement") of the UNDP project 49466 'Bougainville Recovery Project' for the period from 1 January to 31 December 2012. CDR expenditure totalling \$ 310,330.13 comprising expenditure not processed or approved by UNDP - Papua New Guinea was not within the scope of our audit.

Management is responsible for the preparation of the statement for the Bougainville Recovery Project and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Unqualified Opinion**

In our opinion, the attached Combined Delivery Report (CDR) and Funds Utilization statement presents fairly, in all material respects, the expenses of \$ 566,035.64 incurred by the UNDP project 'Bougainville Recovery Project' for the period 1 January to 31 December 2012 in accordance with UNDP accounting policies and were i) in conformity with the approved budget; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.



## Independent Auditor's Report to UNDP - Bougainville Recovery Project

### Statement of Expenditure - 2013

We have audited the accompanying Statement of Expenditure ('the statement') totalling \$ 464,970.08 of the UNDP project 49466 Bougainville Recovery Project for the period from 1 January to 31 December 2013. CDR expenditure totalling \$ 323,803.91 comprising expenditure not processed or approved by UNDP - Papua New Guinea was not within the scope of our audit.

Management is responsible for the preparation of the statement for the Bougainville Recovery Project and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Unqualified Opinion**

In our opinion, the attached Statement of Expenditure presents fairly, in all material respects, the expenses of \$ 141,166.17 incurred by the project Bougainville Recovery Project for the period 1 January to 31 December 2013 in accordance with UNDP accounting policies and were i) in conformity with the approved budget; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.

## Independent Auditor's Report to UNDP - Bougainville Recovery Project

### Statement of Fixed Assets - 2012

#### Adverse Opinion

We have audited the accompanying Statement of Assets ('the Statement') of the UNDP project number 49466, "Bougainville Recovery Project" as at 31 December 2012.

Management is responsible for the preparation of the statement for "Bougainville Recovery Project" and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Basis for Adverse Opinion**

We have made financial findings totalling \$ 19,084.75, as set out in the Management Letter section of our report, which represents the excess of the total recorded in the Statement of Fixed Assets and Equipment presented to us for audit over the total of assets held by the project as at 31 December 2012. These findings represent 100 % of the total assets reported by the project and are therefore considered material in the context of our audit.

#### **Adverse Opinion**

In our opinion based on the significance of the matter described in the Basis for Adverse Opinion paragraph, the statement of assets does not give a true and fair view of the balance of inventory of the UNDP project Bougainville Recovery Project audited by us amounting to \$ 19,084.75 as at 31 December 2012 in accordance with UNDP accounting policies.

**Independent Auditor's Report to UNDP - Bougainville Recovery Project**  
**Statement of Fixed Assets - 2013**

We noted that the UNDP project "Bougainville Recovery Project" had no assets or equipment in 2013 and accordingly an opinion on Statement of Fixed Assets was not applicable.

## MANAGEMENT LETTER

The findings related to the audit of the financial statements are discussed in our management letter below. The year to which the finding relates is highlighted in the title.

<b>Finding n°:</b> 1	<b>Title:</b> Quotes and pro-forma invoices accepted as supplier invoices (2012)
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### Observation:

UNDP should maintain books and records that are accurate, complete and up to date and clearly identify all transactions. UNDP are required to maintain original documentation including bills, invoices, receipts and any other relevant documentation.

We were provided with supporting documents for the three transactions detailed below, but in each case a final supplier invoice was not provided. UNDP Country Office accepted quotes and pro-forma invoices as final supplier invoices, instead of contacting the suppliers to request a final invoice.

Adequate documentation was nonetheless verified to evidence these costs, therefore this finding does not have a financial impact.

Date	Provider	Total amount PGK	Total amount \$
16/07/2012	STI Trading Ltd*	6,772.72	3,420.57
02/02/2012	Printing Systems**	4,303.60	2,120.00
08/06/2012	Pacific Travel Agency***	11,820.70	5,790.05
<b>Total</b>		<b>22,987.02</b>	<b>11,510.62</b>

\* Supporting documents consisted of internally generated documents (such as payment voucher and purchase order) and a quote from the supplier.

\*\* Supporting documents consisted of internally generated documents (such as payment voucher and purchase order) and a pro-forma invoice from the supplier.

\*\*\* Supporting documents consisted of internally generated documents (such as payment voucher and purchase order) and a quote and flight itinerary from the supplier.

**Priority:** Medium

### Recommendation:

Adequate supporting documents should be maintained to support all costs recorded in Atlas. These documents should include a final invoice from the supplier. Where it has not been possible to obtain such information from the supplier, a note should be added to the file to explain the efforts that have been made to get hold of the required documents and the reasons that have prevented these documents from being obtained.

### Management comments:

The CO notes this recommendation and will make every effort to obtain invoices from suppliers. However as agreed with the auditor, that in the event that this is not possible given the locality and sensitivities on the ground that there should be documentation to note this case by case.

<b>Finding n°: 2</b>	<b>Title:</b> Expenditure recorded in 2012 but relating to earlier periods
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**Observation:**

The CO should only include expenditure in Atlas that has been incurred in accordance with the applicable accounting principles. The UNDP is subject to the rules defined by IPSAS, which includes the use of accruals, which are defined in the UNDP Financial Rules and Regulations as "amounts due for goods and services received but not yet disbursed". IPSAS only became effective at UNDP on 1 January 2012. The year 2012 was therefore a transitional year and as such some accruals at year end 2011 may not have been taken into account during the year end closing process that occurred in early 2012.

Indeed, we noted that the amounts claimed below related to services received or activities carried out in 2009, 2010 or 2011. As such, these services or activities are considered to have been incurred before 2012 and accordingly should have been accrued for in earlier periods. This finding has no financial effect because we have not seen any documentation to suggest that the costs have been claimed in more than one CDR.

The transactions subject to cut-off errors are detailed below:

Ref.	Date	Supplier	Amount claimed PGK	Amount claimed \$	Amount relating to prior periods PGK	Year expenditure incurred
20204	11/05/2012	PNG Telikom Corporation	11,983.29	5,471.82	13,096.20	2011
20430	02/04/2012	PNG Power Ltd	6,346.03	2,897.73	4,006.03	2011
20456	12/04/2012	Judith Raban	21,000.00	9,589.04	21,000.00	2011
20229	02/02/2012	Travel Link Cars	8,000.00	3,652.97	8,000.00	2011
20222	02/02/2012	Hitron Ltd	7,816.00	3,568.95	3,908.00	2011
20575	17/05/2012	Hitron Ltd	3,908.00	1,784.47	3,908.00	2011
21033	11/10/2012	Panakei Youth Centre	8,204.55	3,746.37	8,204.55	2009/2010
21048	12/10/2012	John Mauroko	10,500.00	4,794.52	10,500.00	2009/2010
<b>Total</b>			<b>77,757.87</b>	<b>35,505.88</b>	<b>72,622.78</b>	

**Priority:** Medium

**Recommendation:**

We recommend that all expenditure is recorded in the correct period and amounts due for goods and services received but not yet disbursed should be accrued for at year-end. To ensure that this occurs, the project finance team should carry out an analysis of open purchase orders prior to the year end to identify any costs that have been incurred during the year. These purchase order should be followed up with the supplier and invoices should be requested so that the payment can be processed and the expenditure recognised on Atlas prior to the year end.

**Management comments:**

The CO notes this recommendation however would like to highlight that there has been issues with delayed invoicing from suppliers because the project activities are carried in very remote areas of the Bougainville and reliability of services (electricity, communication even transportation) is a challenge hence as in most cases where there has been disputed invoices that the back and forth

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with the suppliers can be for very lengthy periods.

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**Finding n°: 3**

**Title:** Double payment of rental invoice (2012)

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**Observation:**

We noted that an amount of 6,995 PGK (\$ 3,515.08), relating to the Arawa office rent for April/May 2012 was recorded twice in Atlas. The same invoice was used as supporting documentation each time for the Request for Direct Payment. It was clear from a review of this documentation that rent for the same month had been paid twice.

The transactions concerned are detailed below:

Ref.	Date	Supplier	Amount claimed (PGK)	Comment
20561	15/05/2012	Josephine Harepa	6,995	1 month's rent
20736	10/07/2012	Josephine Harepa	13,990	2 month's rent

The total double payment amounted to 6,995 PGK (\$ 3,515.08).

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**Priority:** High

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**Recommendation:**

We recommend that only original documents should be used as a basis for payment and that when paid, the supporting document should be stamped, paid and dated so that it is clear that payment is no longer required. Where payments are required for a regular basis and for a regular amount (such as monthly rental invoices), the supporting documents should be checked carefully to ensure that they relate to the correct period and to ensure that they have not been submitted previously.

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**Management comments:**

The CO acknowledges this recommendation and this has been implemented. This sum has been deducted from the rent in 2014.

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<b>Finding n°:</b> 4	<b>Title:</b> Expenditure items recorded in un-depreciated fixed assets listing (2012)
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**Observation:**

An analysis of the CDR value for un-depreciated fixed assets for 2012 and 2013 showed that the amount recorded for 2012 (\$ 19,084.75) consisted of five items of expenditure that should not have been capitalised. Further details are given in Annex 2, which shows that the amounts recorded as assets actually relate to vehicle repairs, internet services and diesel fuel.

This error was corrected during 2013 and the value was reduced to zero for 2013, however the error was noted after the 2012 CDR had been finalised and as such it was not possible for the asset balance in the 2012 CDR to be retrospectively corrected.

**Priority:** Medium

**Recommendation:**

No recommendation is made because the error was corrected in 2013.

<b>Finding n°: 5</b>	<b>Title: Weaknesses in asset management (2012 &amp; 2013)</b>
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**Observation:**

As noted by Finding 4, un-depreciated fixed assets totalled \$ 0 in the 2013 CDR and the same should have applied to the 2012 CDR. Nonetheless, we noted that project management maintained a Fixed Asset Register (FAR) for the project (note that this is a separate register to the Statement of Fixed Assets shown in Annex 4 to this report). We undertook a review of this document and noted the following weaknesses:

- No values were assigned to the listed fixed assets. It is understood that, prior to 2012, no fixed asset register had been maintained. As a result, the assets recorded have not been matched to purchase invoices and their values and dates of acquisition are not recorded;
- The age of fixed assets have been estimated by staff;
- Assets purchased for the GBV project were recorded in the same FAR as the project under audit;
- The FAR includes assets that are not functioning due to disrepair, as well as functioning fixed assets that are not used;
- The FAR was not complete. The audit verification discovered three items that were not recorded; and
- Fixed assets were not marked with their unique asset identification number and did not show the UNDP logo.

As well as suggesting that project asset management procedures require general improvement, the existence of a project fixed asset register complete with project assets suggests that un-depreciated fixed assets in Atlas (recorded as \$ 0 in 2013) may not have been updated to record any project assets recorded in the project FAR.

**Priority: High****Recommendation:**

We recommend that a full review of fixed assets be undertaken to:

- Identify those assets that are no longer used and to instigate procedures to dispose of these assets;
- Identify assets that do not relate to the project and remove them from the FAR;
- Trace fixed assets to their purchase invoices and assign values and dates of acquisition;
- To classify assets according to their value as per UNDP rules and regulations; and
- To update Atlas by correcting the value of un-depreciated fixed assets in the CDR for any assets that qualify for inclusion as recorded in the project FAR.

**Management comments:**

The CO acknowledges the recommendations. UNDP globally following adoptions of IPSAS and revision of the UNDP asset policy has been working with the CO to ensure that the FAR data quality is maintained.

The CO has completed the following:

- Removal of assets not related to the project from the Fix Asset Register
- Corrected the value of un-depreciated fixed assets in the CDR for any assets that qualify for inclusion as recorded in the project FAR hence this does not appear in the 2013 CDR.
- The CO has progressed well and is working with the project to identification of assets that are no longer are used and has already started the disposal procedure asset.



<b>Finding n°:</b> 6	<b>Title:</b> Expenditure recorded under incorrect account codes (2012 & 2013)
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**Observation:**

The UNDP Programme and Operations Policies and Procedures requires that accurate and complete financial records are maintained. This acts as an aid to the financial reports that are produced from the accounting records and also reduces the risk of error.

However, we found that a large proportion of project transactions had been assigned incorrect Atlas codes. Of the 56 non-payroll transactions tested, 26 (46% in number) were found to have been assigned incorrect Atlas account codes.

See Annex 4 for details.

**Priority:** Medium

**Recommendation:**

To ensure accurate recording of expenditures, the CO should enhance controls over the recording and classification of account codes used to record transactions.

We recommend that a quarterly review of the CDR should be undertaken to correct any such errors that have not been detected at the time of approval.

**Management comments:**

The CO notes the recommendation. This is a DIM project and the CO in direct support to this is increasing its capacities in the Finance Unit to address these and other technical complexities in compliance with UNDP Financial procedures and IPSAS.as in finding 1 the increased capacities in Finance Unit to support this DIM project.

<b>Finding n°:</b> 7	<b>Title:</b> Lack of monitoring of requests for payment (2013)
<p><b>Observation:</b></p> <p>Key requirements in ensuring an accurate and complete set of financial files are effective financial control policies and procedures. Requests for payment are entered into Atlas and can be monitored on the system once they have been entered. However, if Requests for Payment are not entered into Atlas for reasons such as lack of supporting documentation or approval, there is currently no means by which the status of these requests can be monitored.</p> <p>An important control over requests for payments is a register recording all requests for payment created or received, and recording the progress of all requests until either payment or cancellation.</p> <p>Such a register was maintained by at the Buka office, but the register record files were lost when a laptop was damaged in 2013 and no subsequent register records were made available to the audit when requested.</p>	
<p><b>Priority:</b> Medium</p>	
<p><b>Recommendation:</b></p> <p>In order to ensure that all requests for payment have been processed in a timely manner, a register of requests for payment should be kept and the status of these requests should be monitored on a regular basis until payment or cancellation, to ensure that all requests are processed and that they are processed in a timely manner. A copy of this information should be taken on at least a weekly basis and stored off site to reduce the risk of information loss.</p>	
<p><b>Management comments:</b></p> <p>The CO notes the recommendation and has already recruited vacant positions in the Programme Unit as well as recruiting 2 programme associates with the intention to strengthen the oversight support to this and other projects in the Governance portfolio.</p>	

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**Finding n°: 8**

**Title: Payroll costs not matched to correct budget output (2012 & 2013)**

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**Observation:**

The Bougainville Recovery Project, is one of two outputs under a larger Project titled 'Bougainville Programme'. Each output has its own budget.

However for 'staff payroll' and 'service contracts - individual', which are budgeted for under both outputs, all staff payroll costs have been assigned to the Bougainville Recovery Project.

A similar situation exists for all other costs, which have all been assigned to the other output entitled 'Peace Building in Bougainville'.

In these cases, costs have not been recorded according to the budget and so detailed budgetary control is only possible at a global level. The scope to control expenditure through a detailed review of actual expenditure against budget at a project level is significantly compromised by this approach.

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**Priority: Medium**

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**Recommendation:**

We recommend that prior to project commencement, costs should be assigned to outputs according to the activities within each output. This will allow a higher degree of budgetary control over both outputs and at the programme level.

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**Management comments:**

The CO notes the recommendation and confirms that this recommendation is completed. The Project in 2013 was going through a transition with the closure of the old ATLAS output and the transfer of activities to the new ATLAS output. UNDP rules allows for the old project to remain active for up to 12months to allow commitments against the old project to be cleared before the project is completely closed. In 2014 the CO has only one ATLAS output for this project.

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22 July 2014

**Annexes**

**Annex 1: Combined Delivery Reports 2012 and 2013**

**2012**



UN Development Programme  
Report ID: unglcdp

Combined Delivery Report By Project

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Run Time: 21-03-2014 09:03:48

Project ID : 00045466 UN Bougainville Programme	Period :	Jan-Dec (2012)		
Output # : 00060353 Bougainville Recovery	Impl. Partner :	02510 Department of National Plann		
	Location :	Papua New Guinea		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
74210 - Printing and Publications	0.00	28.31	0.00	28.31
74415 - Compensation Payment	0.00	461.46	0.00	461.46
74505 - Insurance	0.00	20,687.41	0.00	20,687.41
74515 - Claims and Adjustments	0.00	119.55	0.00	119.55
74525 - Sundry	0.00	- 58.65	0.00	- 58.65
74696 - PP&E Expensed Items	0.00	2,991.56	0.00	2,991.56
74710 - Land Transport	0.00	- 2,831.27	0.00	- 2,831.27
74725 - Other L.T.S.H.	0.00	9,066.68	0.00	9,066.68
75110 - Facilities & Admin - Services	0.00	3,111.65	0.00	3,111.65
75705 - Learning costs	0.00	13,807.98	0.00	13,807.98
76125 - Realized Loss	0.00	0.02	0.00	0.02
76135 - Realized Gain	0.00	- 0.05	0.00	- 0.05
77386 - Contribution to ICT_TA	0.00	1,475.55	0.00	1,475.55
77630 - Dep Exp Owned - ITC	0.00	345.39	0.00	345.39
<b>Total for Fund 04000</b>	<b>0.00</b>	<b>695,940.55</b>	<b>0.00</b>	<b>695,940.55</b>
<b>Fund : 26920 (CPR TTF-Conflict - Open)</b>				
71620 - Daily Subsistence Allow-Local	0.00	1,718.82	0.00	1,718.82
72120 - Svc Co-Trade and Business Serv	0.00	33,680.68	0.00	33,680.68
72140 - Svc Co-Information Technology	0.00	3,405.65	0.00	3,405.65
72425 - Mobile Telephone Charges	0.00	1,272.27	0.00	1,272.27
72440 - Connectivity Charges	0.00	2,767.30	0.00	2,767.30
72505 - Stationery & other Office Supp	0.00	237.07	0.00	237.07
73104 - Leased Building	0.00	29,420.06	0.00	29,420.06
73105 - Rent	0.00	451.09	0.00	451.09
74710 - Land Transport	0.00	2,121.84	0.00	2,121.84
76125 - Realized Loss	0.00	4.59	0.00	4.59
76135 - Realized Gain	0.00	- 9.68	0.00	- 9.68
77670 - Dep Exp-Hvy Mac & Equip	0.00	25.50	0.00	25.50
<b>Total for Fund 26920</b>	<b>0.00</b>	<b>75,095.19</b>	<b>0.00</b>	<b>75,095.19</b>
<b>Fund : 30000 (PROGRAMME COST SHARING)</b>				
71405 - Service Contracts-Individuals	0.00	5,296.77	0.00	5,296.77
71620 - Daily Subsistence Allow-Local	0.00	3,020.68	0.00	3,020.68
72120 - Svc Co-Trade and Business Serv	0.00	5,463.18	0.00	5,463.18
72135 - Svc Co-Communications Service	0.00	0.00	0.00	0.00
73410 - Maint, Oper of Transport Equip	0.00	49.20	0.00	49.20
74710 - Land Transport	0.00	53.00	0.00	53.00
75105 - Facilities & Admin - Implement	0.00	1,155.09	0.00	1,155.09
76125 - Realized Loss	0.00	289.61	0.00	289.61
77660 - Dep Exp Owned -Vehicle	0.00	2,618.54	0.00	2,618.54
<b>Total for Fund 30000</b>	<b>0.00</b>	<b>17,946.07</b>	<b>0.00</b>	<b>17,946.07</b>
<b>Fund : 30071 (Programme Cost Sharing GOV1)</b>				
71620 - Daily Subsistence Allow-Local	0.00	1,652.82	0.00	1,652.82
72605 - Grants to Instit & other Benef	0.00	53.08	0.00	53.08
76135 - Realized Gain	0.00	- 0.26	0.00	- 0.26



UN Development Programme  
Report ID: unglcdrp

Combined Delivery Report By Project

Page 3 of 7  
Run Time: 21-03-2014 09:03:48

Project Id : 00049466 UN Bougainville Programme	Period :	Jan-Dec (2012)		
Output # : 00060353 Bougainville Recovery	Impl. Partner :	02510 Department of National Plann		
	Location :	Papua New Guinea		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
<b>Total for Fund 30071</b>	0.00	1,705.64	0.00	1,705.64
<b>Total for Dept : 42603</b>	0.00	790,687.45	0.00	790,687.45
<b>Dept: 42604 (Papua New Gu - Dem. Governance)</b>				
<b>Fund : 04000 (Core Programme, UNU Centre)</b>				
71405 - Service Contracts-Individuals	0.00	918.67	0.00	918.67
71610 - Travel Tickets-Local	0.00	667.76	0.00	667.76
71620 - Daily Subsistence Allow-Local	0.00	1,642.95	0.00	1,642.95
71635 - Travel - Other	0.00	175.37	0.00	175.37
72130 - Svc Co-Transportation Services	0.00	354.17	0.00	354.17
72215 - Transportation Equipment	0.00	875.64	0.00	875.64
72420 - Land Telephone Charges	0.00	5,789.04	0.00	5,789.04
72440 - Connectivity Charges	0.00	8,863.37	0.00	8,863.37
72705 - Hospitality-Special Events	0.00	288.11	0.00	288.11
73105 - Rent	0.00	1,000.00	0.00	1,000.00
73125 - Common Services-Premises	0.00	6,512.56	0.00	6,512.56
73405 - Rental & Maint-Other Office Eq	0.00	2,529.64	0.00	2,529.64
73410 - Maint, Oper of Transport Equip	0.00	4,469.89	0.00	4,469.89
74525 - Sundry	0.00	168.34	0.00	168.34
76125 - Realized Loss	0.00	278.54	0.00	278.54
76135 - Realized Gain	0.00	-0.01	0.00	-0.01
<b>Total for Fund 04000</b>	0.00	34,534.04	0.00	34,534.04
<b>Fund : 26920 (CPR TTF-Conflict - Open)</b>				
72140 - Svc Co-Information Technology	0.00	53.08	0.00	53.08
72440 - Connectivity Charges	0.00	188.61	0.00	188.61
73410 - Maint, Oper of Transport Equip	0.00	1,742.27	0.00	1,742.27
76135 - Realized Gain	0.00	-0.26	0.00	-0.26
<b>Total for Fund 26920</b>	0.00	1,983.70	0.00	1,983.70
<b>Fund : 30000 (PROGRAMME COST SHARING)</b>				
71620 - Daily Subsistence Allow-Local	0.00	1,510.34	0.00	1,510.34
72440 - Connectivity Charges	0.00	23.68	0.00	23.68
74505 - Insurance	0.00	51.51	0.00	51.51
75105 - Facilities & Admin - Implement	0.00	110.99	0.00	110.99
76135 - Realized Gain	0.00	0.00	0.00	0.00
<b>Total for Fund 30000</b>	0.00	1,696.52	0.00	1,696.52
<b>Fund : 30071 (Programme Cost Sharing GOV1)</b>				
72605 - Grants to Instit & other Benef	0.00	47,700.20	0.00	47,700.20
76135 - Realized Gain	0.00	-236.14	0.00	-236.14
<b>Total for Fund 30071</b>	0.00	47,464.06	0.00	47,464.06

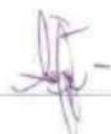


UN Development Programme  
Report ID: ungdtp

Combined Delivery Report By Project

Page 4 of 7  
Run Time: 25-04-2014 08:0

Project Id : 00049466 UN Bougainville Programme	Period :	Jan-Dec (2012)		
Output # : 00060353 Bougainville Recovery	Impl. Partner :	02510 Department of National Plann		
	Location :	Papua New Guinea		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Total for Dept : 42604	0.00	85,678.32	0.00	85,678.32
Total for Output : 00060353	0.00	876,365.77	0.00	876,365.77
Project Total :	0.00	876,365.77	0.00	876,365.77

Signed By: Agenta Anthony  Date: 31 Dec 2012

Signed By: Mark Henderson Date: \_\_\_\_\_

Mark Henderson  
Partner  
Moore Stephens LLP  
22 July 2014



UN Development Programme  
Report ID: unglcdp

Combined Delivery Report By Project

Page 5 of 7  
Run Time: 21-03-2014 09:03:49

Selection Criteria :

Business Unit : PNG10  
Period : Jan-Dec (2012)  
Selected Project Id : 00049466  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00060353

Project id : ALL	Period : Jan-Dec (2012)			
Output # : ALL	Impl. Partner :			
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
42603 - Papua New - Crisis Prev &Rcvry	0.00	790,687.45	0.00	790,687.45
42604 - Papua New Gu - Dem. Governance	0.00	85,678.32	0.00	85,678.32



UN Development Programme  
Report ID: unglcdp

Combined Delivery Report By Project

Page 6 of 7  
Run Time: 21-03-2014 09:03:07

**Funds Utilization**

Selection Criteria :

Business Unit : PNG10  
Period : Jan-Dec (2012)  
Selected Project Id : 00049466  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00060353

Project/Award: 00049466 UN Bougainville Programme	Period : As at Dec 31, 2012
---	-----------------------------

Output #	Impl. Partner :02510 Department of National Plann	UNDP AMOUNT
00060353		
Outstanding NEX advances		0.00
Undepreciated Fixed Assets		19,084.77
Inventory		0.00
Prepayments		0.00
Commitments		0.00



**2013**



UN Development Programme  
Report ID: unglodrp

Combined Delivery Report By Project

Page 2 of 4  
Run Time: 24-04-2014 17:04:41

Project Id : 00049466 UN Bougainville Programme	Period : Jan-Dec (2013)			
Output # : 00060353 Bougainville Recovery	Impl. Partner : 02510 Department of National Plann			
	Location : Papua New Guinea			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Dept: 42604 (Papua New Gu - Dem. Governance)				
Fund: 04000 (Core Programme, UNU Centre)				
73410 - Maint, Oper of Transport Equip	0.00	2,922.63	0.00	2,922.63
76110 - Foreign Exch Translation Loss	0.00	55.34	0.00	55.34
Total for Fund 04000	0.00	2,977.97	0.00	2,977.97
Total for Dept: 42604	0.00	2,977.97	0.00	2,977.97
Total Output: 00060353	0.00	464,970.08	0.00	464,970.08
<b>Project Total :</b>	<b>0.00</b>	<b>464,970.08</b>	<b>0.00</b>	<b>464,970.08</b>

Signed By: Agustin Anthony (CIA) Date: 31/02/13

Signed By: [Signature] Date: \_\_\_\_\_

Mark Henderson  
Partner  
Moore Stephens LLP  
22 July 2014



UN Development Programme  
Report ID: unglcdrp

Combined Delivery Report By Project

Page 3 of 4  
Run Time: 21-03-2014 09:03:22

Selection Criteria :

Business Unit : PNG10  
Period : Jan-Dec (2013)  
Selected Project Id : 00049466  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00060353

Project Id : ALL	Period : Jan-Dec (2013)			
Output # : ALL	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
42603 - Papua New - Crisis Prev & Rcvry	0.00	461,992.11	0.00	461,992.11
42604 - Papua New Gu - Dem. Governance	0.00	2,977.97	0.00	2,977.97



UN Development Programme  
Report ID: unglcdrp

Combined Delivery Report By Project

Page 4 of 4  
Run Time: 21-03-2014 09:03:22

**Funds Utilization**

Selection Criteria :

Business Unit : PNG10  
Period : Jan-Dec (2013)  
Selected Project Id : 00049466  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00060353

Project/Award: 00049466 UN Bougainville Programme	Period : As at Dec 31, 2013
---	-----------------------------

Output # 00060353	Impl. Partner :02510 Department of National Plann	UNDP AMOUNT
Outstanding NEX advances		0.00
Undepreciated Fixed Assets		-0.00
Inventory		0.00
Prepayments		0.00
Commitments		0.00

**Annex 2: Statement of Assets and Equipment**

Asset Management Detail Report

UN Development Programme

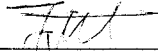
Page 1 of 10


Report ID: UNAM5558 Run Time: 22/05/2014 3:05

Business Unit: PNG10 Country: Papua New Guinea Category: In Service Project Type: All Amount: >= 500 From/To date: 1-Jan-12 ~ 31-Dec-12

Operating Unit: Department: Impl Agency: Donor:

Business unit	Asset ID	Profile ID	Description	TAG Number	Serial Number	Model	Location	Acquisition Date	Currency	Cost	Depreciation	Quantity	Operating Unit	Department	Impl Agency	Donor	Project	Fund code	
PNG10	000000000825	MTRV4	A Vehicles - Repair Supplies	000000000825			PNG10	30/01/2012	USD	13,092.68	2,618.54	1	PNG	42603	001981	11344	00060353	30000	Not asset - vehicle repair
PNG10	000000000826	ITC11	A Satellite receivers	000000000826			PNG10	27/06/2012	USD	1,973.73	345.39	1	PNG	42603	001981	12	00060353	04000	Internet service (no vouc
PNG10	000000000827	ITC11	A Satellite receivers	000000000827			PNG10	27/06/2012	USD	1,973.73		1	PNG	42603	001981	12	00060353	04000	Internet service (no vouc
PNG10	000000000830	ITC11	A Satellite receivers	000000000830			PNG10	27/06/2012	USD	1,973.73		1	PNG	42603	001981	12	00060353	04000	Internet service (no vouc
PNG10	000000000839	HYME1	A Diesel generators	000000000839			PNG10	17/12/2012	USD	3,060.31	25.50	1	PNG	42603	001981	11234	00060353	26920	Diesel fuel (No voucher n
										22074.18	2989.43								
										Undepreciated Fixed Assets as per CDR		19084.75							

  
 Jorg Schimmel  
 ARR Programme

  
 Mark Henderson  
 Partner  
 Moore Stephens LLP  
 22 July 2014

### Annex 3: Audit finding priority ratings

The following categories of priorities are used:

- |                               |   |
|-------------------------------|---|
| <b>High<br/>(Critical)</b>    | 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.   |
| <b>Medium<br/>(Important)</b> | Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.   |
| <b>Low</b>                    | Action is considered desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the Auditors directly with the Office management, during the exit meeting and through a separate memo subsequent to the fieldwork. <b>Therefore, low priority recommendations are not included in the audit report.</b> |

**Annex 4: Expenditure recorded under incorrect account code (Finding 6)**

Voucher Mo.	Description	Account Code	Account description	PGK	Comment
00021047	S) Capital Grants - Local GOVT	72630	Capital Grants - Local GOVT	22,419.10	Not Grant - District Level Development Management and Coordination Technical Meeting
00021098	F10.Reimbursement_Excess Cost	74415	Compensation Payment	952.00	Excess baggage related to Travel not Compensation Payments
00021099	TEC: DSA Claim	74515	Claims and Adjustments	9,285.40	DSA related to travel not Claims and adjustments
00020561	Arawa office monthly rent	73104	Leased Building	6,995.00	73100 Rental & Maintenance-Premises not Leased building (Arawa office)
00020567	Leased Building	73104	Leased Building	15,000.00	73100 Rental & Maintenance-Premises not Leased building (Arawa office)
00020723	Leased Building	73104	Leased Building	22,407.00	73100 Rental & Maintenance-Premises not Leased building (Buka office)
00020736	Leased Building	73104	Leased Building	13,990.00	73100 Rental & Maintenance-Premises not Leased building (Arawa office)
00020740	Leased Building	73104	Leased Building	15,000.00	73100 Rental & Maintenance-Premises not Leased building (Siwai office/Lynchar House)
00020980	Leased Building	73104	Leased Building	24,660.00	73100 Rental & Maintenance-Premises not Leased building (Arawa office)
00020981	Leased Building	73104	Leased Building	28,290.00	73100 Rental & Maintenance-Premises not Leased building (Buka office)
00021376	Leased Building	73104	Leased Building	11,781.82	Security service not leased building (Siwai office/Lynchar House)
00021377	Leased Building	73104	Leased Building	27,272.73	73100 Rental & Maintenance-Premises not Leased building (Siwai office/Lynchar House)
00021379	Leased Building	73104	Leased Building	8,974.00	73100 Rental & Maintenance-Premises not Leased building (Buka office)
00021382	Leased Building	73104	Leased Building	3,927.27	Security service not leased building (Siwai office/Lynchar House)
00020439	-	73120	Utilities	11,724.00	Communications not utilities
00020934	E) Commercial facility rental	73125	Common Services-Premises	24,660.00	73100 Rental & Maintenance-Premises not Common Services (Arawa office)
00020456	4QRT 2011 BUKA OFFICE RENT	73405	Rental & Maint-Other Office Eq	21,000.00	73100 Rental & Maintenance-Premises not Equipment rental (Buka office)
00020436	-	74505	Insurance	3,513.84	Maintenance not insurance
00020706	-	74505	Insurance	5,672.00	Cost of internet not insurance.
00020229	-	74505	Insurance	8,000.00	Cost of transport not insurance.
00020222	-	71405	Service Contracts-Individuals	7,816.00	Internet connectivity not service contract individual

<b>Voucher Mo.</b>	<b>Description</b>	<b>Account Code</b>	<b>Account description</b>	<b>PGK</b>	<b>Comment</b>
00020225	-	71405	Service Contracts-Individuals	4,303.60	No Invoice. Paper supply not service contract individual
00020527	-	71405	Service Contracts-Individuals	2,560.00	Fuel supplies not service contract individual
00020575	-	71405	Service Contracts-Individuals	3,908.00	Internet connectivity not service contract individual
00020223	-	71405	Service Contracts-Individuals	850.00	Maintenance - not service contract individual
00021006	MAF: Toners for Printer	77386	Contribution to ICT_TA	1,418.00	Internet Connectivity not Contribution to ICT_TA