

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 statement¹ 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.

¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) depreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

Key Recommendations: Total = 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.

Recommendation: Use only original documents as a basis for payment. Supporting documents should be stamped and dated to avoid double payments.

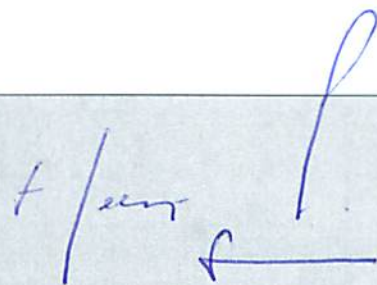
Weaknesses in asset management (Issue 5)

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.

Recommendation: 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