

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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Resilient nations.*

AUDIT

OF

UNDP BANGLADESH

Urban Partnerships for Poverty Reduction
(Project No. 11492, Output No. 58224)

Report No. 1471

Issue Date: 10 September 2015

**Report on the Audit of UNDP Bangladesh
Urban Partnerships for Poverty Reduction
(Project No. 11492, Output No. 58224)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 23 June to 9 July 2015, through Moore Stephens (the audit firm), conducted an audit of Urban Partnerships for Poverty Reduction (Project No. 11492, Output No. 58224) (the Project), which is nationally implemented¹ with direct support services provided by the UNDP Country Office in Bangladesh (the Office). The scope of the audit covered the expenditures incurred by the Office as direct support services to the Project. The last audit of the Project was conducted by OAI in 2014 and covered project expenditure from 1 January to 31 December 2013.

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit covered the Project's Combined Delivery Report, which includes expenditure for the period from 1 January to 31 December 2014 and the accompanying Funds Utilization statement.² The audit did not include activities and expenses incurred or undertaken at the "responsible party" level, or expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters), or where the supporting documentation was not retained at the UNDP Country Office level. The audit did not cover the Statement of Assets as no assets were purchased by the Project. 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 submitted by the audit firm, the results are summarized in the table below:

Project Expenditure*	
Amount (in \$ '000)	Opinion
5,265	Unqualified

*Expenditures recorded in the Combined Delivery Report were \$13,711,949. Excluded from the audit scope were transactions totalling \$8,447,182 that relate to expenditures of other United Nations agencies (\$4,311,559) and expenditures processed and approved by other UNDP offices outside of the country (\$3,641,169). Also excluded were expenditures incurred by the Government (\$494,454) during the period January to December 2014 that were subject to a separate audit and an unqualified audit opinion.

The audit did not result in any recommendations.

¹ The audit of nationally implemented projects, or NIM projects, is the responsibility of the respective UNDP Country Office. However, this NIM project was audited by OAI due to the extensive direct administrative support that the Country Office is providing to the Project.

² 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.

Implementation status of previous OAI audit recommendations: Report No. 1386, 9 October 2014.

Total recommendations: 2

Implemented: 2



Antoine Khoury
Officer-in-Charge
Office of Audit and Investigations

UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)

AUDIT REPORT

12 August 2015

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

Urban Partnerships for Poverty Reduction

Project name:	Urban Partnerships for Poverty Reduction (UPPR)
UNDP Country Office:	Bangladesh
Atlas Project ID:	00011492
Atlas Output number:	00058224
Auditor:	Moore Stephens LLP
Period subject to audit:	1 January to 31 December 2014

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EXECUTIVE SUMMARY

Moore Stephens LLP conducted the financial audit of Urban Partnerships for Poverty Reduction (Project ID 00011492 and Output 00058224) (the project), directly implemented by UNDP Bangladesh for the year ended 31 December 2014. 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:

Statement of Expenditure	Unqualified
Statement of Fixed Assets	Not Applicable
Statement of Cash Position	Not Applicable

As a result of our audit, we have raised no audit findings.



Mark Henderson
Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

12 August 2015

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 and 31 December 2014 and the funds utilization as at 31 December 2014 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.
- Expressing an opinion on whether the statement of fixed assets presents fairly the balance of assets of the UNDP project as at 31 December 2014.
- Expressing an opinion on whether the statement of cash held by the project presents fairly the cash and bank balance of UNDP project as at 31 December 2014.

The scope of the audit relates only to transactions concluded and recorded against the UNDP DIM project between 1 January and 31 December 2014. 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 - Urban Partnerships for Poverty Reduction (UPPR)

Statement of Expenditure

Unqualified Opinion

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization statement totalling \$ 13,711,948.51 ("the statement") of the UNDP project 58224 'Urban Partnerships for Poverty Reduction' for the period from 1 January to 31 December 2014. CDR expenditure totalling \$ 8,447,182.42, comprised of other UN agency expenditure of \$ 4,311,559.44, government expenditure of \$ 494,454.15 and expenditure not processed or approved by UNDP Country Office Bangladesh of \$ 3,641,168.83, was not within the scope of our audit.

Management is responsible for the preparation of the statement for the Urban Partnerships for Poverty Reduction 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 CDR and Funds Utilization statement presents fairly, in all material respects, the expenses of \$ 5,264,766.09 incurred by the project 'Urban Partnerships for Poverty Reduction' for the period 1 January to 31 December 2014 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.



Mark Henderson
Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

12 August 2015

Independent Auditor’s Report to UNDP - Urban Partnerships for Poverty Reduction (UPPR)

Statement of Assets and Equipment

We noted that the UNDP project Urban Partnerships for Poverty Reduction had no assets or equipment and accordingly a Statement of Fixed Assets was not produced.

Independent Auditor’s Report to UNDP - Urban Partnerships for Poverty Reduction

Statement of Cash Position

We noted that the UNDP project Urban Partnerships for Poverty Reduction did not have a dedicated bank account for DIM project activities subject to audit and accordingly a Statement of Cash Position was not produced.

Annexes

Annex 1: Combined Delivery Report



Combined Delivery Report By Project

Selection Criteria :

Business Unit : BGD10
Period : Jan-Dec (2014)
Selected Project Id : 00011492
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00058224

Project Id : 00011492	URBAN POVERTY ALLEVIATION	Period :	Jan-Dec (2014)
Output # : 00058224	Urban Partnerships for Poverty	Impl. Partner :	00256 National Execution
		Location :	
		Govt Exp	UNDP Exp
		UN Agencies Exp	Total Exp

Dept: 39201 (Bangladesh - Central)

Fund : 30000 (PROGRAMME COST SHARING)

71205 - Intl Consultants-Sht Term-Tech	0.00	0.00	436,920.30	436,920.30
71305 - Local Consult.-Sht Term-Tech	0.00	0.00	207,350.08	207,350.08
71635 - Travel - Other	0.00	0.00	2,788.89	2,788.89
72615 - Micro Capital Grants-Other	0.00	0.00	3,595,522.23	3,595,522.23
74525 - Sundry	0.00	0.00	13,870.20	13,870.20
75105 - Facilities & Admin - Implement	0.00	301,809.16	0.00	301,809.16
75705 - Learning costs	0.00	0.00	55,107.74	55,107.74

Total for Fund 30000 **0.00** **301,809.16** **4,311,559.44** **4,613,368.60**

Total for Dept : 39201 **0.00** **301,809.16** **4,311,559.44** **4,613,368.60**

Dept: 39208 (Bangladesh - Poverty Reduction)

Fund : 04000 (Core Programme, UNU Centre)

61305 - Salaries - IP Staff	0.00	-187,120.07	0.00	-187,120.07
61310 - Post Adjustment - IP Staff	0.00	11,980.51	0.00	11,980.51
61360 - Other payroll costs IP	0.00	110.68	0.00	110.68
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	8,932.89	0.00	8,932.89
62315 - Contrib. to medical, social in	0.00	-40.20	0.00	-40.20
62320 - Mobility, Hardship, Non-remova	0.00	2,416.65	0.00	2,416.65
62340 - Annual Leave Expense - IP	0.00	-1,658.50	0.00	-1,658.50
63335 - Home Leave Trvl & Allow-IP Stf	0.00	308.32	0.00	308.32
63530 - Contribution to EOS Benefits	0.00	1,432.22	0.00	1,432.22
63535 - Contribution to Security	0.00	1,718.67	0.00	1,718.67
63540 - Contribution to Training	0.00	458.32	0.00	458.32
63545 - Contribution to ICT	0.00	572.89	0.00	572.89
63550 - Contributions to MAIP	0.00	190.98	0.00	190.98
63555 - Contribution to UN JFA	0.00	878.43	0.00	878.43
63560 - Contributions to Appendix D	0.00	114.57	0.00	114.57
65115 - Contributions to ASHI Reserve	0.00	3,055.43	0.00	3,055.43
65135 - Payroll Mgt Cost Recovery ATLA	0.00	257.52	0.00	257.52
71205 - Intl Consultants-Sht Term-Tech	0.00	2,894.32	0.00	2,894.32
71305 - Local Consult.-Sht Term-Tech	0.00	2,692.56	0.00	2,692.56
71310 - Local Consult.-Short Term-Supp	0.00	15,038.94	0.00	15,038.94
71405 - Service Contracts-Individuals	0.00	92,982.28	0.00	92,982.28
71410 - MAIP Premium SC	0.00	208.40	0.00	208.40
71415 - Contribution to Security SC	0.00	1,875.18	0.00	1,875.18
71610 - Travel Tickets-Local	0.00	-71.37	0.00	-71.37
71620 - Daily Subsistence Allow-Local	0.00	5,308.56	0.00	5,308.56
71635 - Travel - Other	0.00	17.43	0.00	17.43
72440 - Connectivity Charges	0.00	19.46	0.00	19.46

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Mark Henderson
Partner
Moore Stephens LLP
12 August 2015

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Operations Manager
Urban Partnerships for Poverty Reduction Project

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Md. Rafiqul Islam
Project Director

Combined Delivery Report By Project

UN Development Programme
 Report ID: unglcdrp

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Project Id	00011492	URBAN POVERTY ALLEVIATION	Period	Jan-Dec (2014)
Output #	00058224	Urban Partnerships for Poverty	Impl Partner	00256 National Execution
			Location	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
74210 - Printing and Publications	0.00	1,652.74	0.00	1,652.74
74525 - Sundry	0.00	232.61	0.00	232.61
76125 - Realized Loss	0.00	0.00	0.00	0.00
76135 - Realized Gain	0.00	- 1.06	0.00	- 1.06
77305 - Salaries - IP Staff-TA	0.00	20,186.43	0.00	20,186.43
77310 - Post Adjustment - IP Staff-TA	0.00	8,942.58	0.00	8,942.58
77315 - Contrib-Med,SocIns-IP Staff-TA	0.00	1,077.00	0.00	1,077.00
77320 - Assg hardship & mob allow-TA	0.00	1,833.35	0.00	1,833.35
77350 - Rental Supplements-IP Staff-TA	0.00	2,310.87	0.00	2,310.87
77357 - Repat. Grt/Comm Ann Lv-IP-TA	0.00	530.83	0.00	530.83
77375 - Contrib-Jt Staff Pens Fd-IP-TA	0.00	6,586.11	0.00	6,586.11
77385 - Contribution to Security	0.00	1,328.21	0.00	1,328.21
77386 - Contribution to ICT_TA	0.00	436.94	0.00	436.94
77395 - MAIP Premium TA/IP	0.00	145.64	0.00	145.64
77396 - PAYROLL MGT COST RECOVERY	0.00	386.28	0.00	386.28
77397 - Appendix D TA/IP	0.00	87.40	0.00	87.40
total for Fund 04000	0.00	10,311.00	0.00	10,311.00
Fund : 30000 (PROGRAMME COST SHARING)				
61305 - Salaries - IP Staff	0.00	437,212.51	0.00	437,212.51
61310 - Post Adjustment - IP Staff	0.00	99,336.58	0.00	99,336.58
61360 - Other payroll costs IP	0.00	480.95	0.00	480.95
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	73,043.29	0.00	73,043.29
62315 - Contrib. to medical, social in	0.00	1,962.45	0.00	1,962.45
62320 - Mobility, Hardship, Non-remova	0.00	22,440.25	0.00	22,440.25
62340 - Annual Leave Expense - IP	0.00	10,509.90	0.00	10,509.90
63335 - Home Leave Trvl & Allow-IP Stf	0.00	2,466.68	0.00	2,466.68
63350 - Reimb of Income Tax-IP Staff	0.00	14,135.00	0.00	14,135.00
63530 - Contribution to EOS Benefits	0.00	12,115.10	0.00	12,115.10
63535 - Contribution to Security	0.00	14,538.19	0.00	14,538.19
63540 - Contribution to Training	0.00	3,876.80	0.00	3,876.80
63545 - Contribution to ICT	0.00	4,846.09	0.00	4,846.09
63550 - Contributions to MAIP	0.00	1,615.43	0.00	1,615.43
63555 - Contribution to UN JFA	0.00	7,430.58	0.00	7,430.58
63560 - Contributions to Appendix D	0.00	969.22	0.00	969.22
65115 - Contributions to ASHI Reserve	0.00	25,845.64	0.00	25,845.64
65135 - Payroll Mgt Cost Recovery ATLA	0.00	1,867.02	0.00	1,867.02
71205 - Intl Consultants-Sht Term-Tech	0.00	72,472.73	0.00	72,472.73
71305 - Local Consult.-Sht Term-Tech	0.00	20,428.41	0.00	20,428.41
71310 - Local Consult.-Short Term-Supp	0.00	68,872.71	0.00	68,872.71
71405 - Service Contracts-Individuals	0.00	3,263,785.38	0.00	3,263,785.38
71410 - MAIP Premium SC	0.00	11,246.99	0.00	11,246.99
71415 - Contribution to Security SC	0.00	101,207.08	0.00	101,207.08
71605 - Travel Tickets-International	0.00	20,527.20	0.00	20,527.20
71610 - Travel Tickets-Local	0.00	13,025.09	0.00	13,025.09
71615 - Daily Subsistence Allow-Intl	0.00	6,981.26	0.00	6,981.26
71620 - Daily Subsistence Allow-Local	0.00	116,212.14	0.00	116,212.14
71635 - Travel - Other	2,544.39	7,267.51	0.00	9,811.90
72105 - Svc Co-Construction & Engineer	0.00	147,669.17	0.00	147,669.17
72115 - Svc Co-Natural Resources & Env	0.00	27,936.45	0.00	27,936.45
72125 - Svc Co-Studies & Research Serv	0.00	2,296.65	0.00	2,296.65
72135 - Svc Co-Communications Service	0.00	2,903.05	0.00	2,903.05

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Combined Delivery Report By Project

UN Development Programme
 Report ID: unglcdrp

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Project ID: 00011492	URBAN POVERTY ALLEVIATION	Period:	Jan-Dec (2014)
Output #: 00058224	Urban Partnerships for Poverty	Impl. Partner:	00256 National Execution
		Location:	
		Govt Exp	UNDP Exp
		UN Agencies Exp	Total Exp

72140 - Svc Co-Information Technology	0.00	363.40	0.00	363.40
72145 - Svc Co-Training and Educ Serv	0.00	727.85	0.00	727.85
72165 - Svc Co-Social Svcs, Social Sci	0.00	113,049.04	0.00	113,049.04
72205 - Office Machinery	- 1,303.11	0.00	0.00	- 1,303.11
72210 - Machinery and Equipment	- 844.73	68.09	0.00	- 776.64
72215 - Transportation Equipment	0.00	10,843.23	0.00	10,843.23
72220 - Furniture	119.82	0.00	0.00	119.82
72415 - Courier Charges	0.00	22.06	0.00	22.06
72420 - Land Telephone Charges	0.00	32.47	0.00	32.47
72425 - Mobile Telephone Charges	0.00	147.48	0.00	147.48
72435 - E-mail-Subscription	21,849.73	0.00	0.00	21,849.73
72440 - Connectivity Charges	0.00	789.88	0.00	789.88
72445 - Common Services-Communications	0.00	353.38	0.00	353.38
72505 - Stationery & other Office Supp	23,634.09	9,275.02	0.00	32,909.11
72515 - Print Media	0.00	3,390.98	0.00	3,390.98
72605 - Grants to Instit & other Benef	0.00	2,216,247.87	0.00	2,216,247.87
72615 - Micro Capital Grants-Other	0.00	538,043.29	0.00	538,043.29
72805 - Acquis of Computer Hardware	6,389.73	27,052.75	0.00	33,442.48
72810 - Acquis of Computer Software	0.00	2,030.66	0.00	2,030.66
73105 - Rent	389.86	0.00	0.00	389.86
73110 - Custodial & Cleaning Services	58.25	1,663.92	0.00	1,722.17
73125 - Common Services-Premises	176.86	0.00	0.00	176.86
73405 - Rental & Maint-Other Office Eq	8,505.49	8,702.22	0.00	17,207.71
73410 - Maint, Oper of Transport Equip	60,245.65	606.31	0.00	60,851.96
74110 - Audit Fees	0.00	35,420.00	0.00	35,420.00
74205 - Audio Visual Productions	0.00	5,998.91	0.00	5,998.91
74210 - Printing and Publications	4,232.17	86,496.70	0.00	90,728.87
74230 - Audio & Visual Equipment	0.00	4,431.68	0.00	4,431.68
74325 - Contrib.To CO Common Security	0.00	73,584.07	0.00	73,584.07
74525 - Sundry	21,623.49	1,526.29	0.00	23,149.78
75105 - Facilities & Admin - Implement	0.00	594,548.71	0.00	594,548.71
75705 - Learning costs	346,832.46	164,680.27	0.00	511,512.73
76110 - Foreign Exch Translation Loss	0.00	6.54	0.00	6.54
76120 - Unrealized Loss	0.00	1,672.95	0.00	1,672.95
76125 - Realized Loss	0.00	997.29	0.00	997.29
76130 - Unrealized Gain	0.00	- 931.65	0.00	- 931.65
76135 - Realized Gain	0.00	- 1,578.33	0.00	- 1,578.33
77305 - Salaries - IP Staff-TA	0.00	38,361.36	0.00	38,361.36
77310 - Post Adjustment - IP Staff-TA	0.00	16,994.08	0.00	16,994.08
77315 - Contrib-Med,SocIns-IP Staff-TA	0.00	1,250.24	0.00	1,250.24
77320 - Assg hardship & mob allow-TA	0.00	2,906.64	0.00	2,906.64
77357 - Repat. Grt/Comm Ann Lv-IP-TA	0.00	- 462.47	0.00	- 462.47
77375 - Contrib-Jt Staff Pens Fd-IP-TA	0.00	12,698.88	0.00	12,698.88
77385 - Contribution to Security	0.00	2,490.96	0.00	2,490.96
77386 - Contribution to ICT_TA	0.00	830.32	0.00	830.32
77395 - MAIP Premium TA/IP	0.00	276.80	0.00	276.80
77396 - PAYROLL MGT COST RECOVERY	0.00	515.04	0.00	515.04
77397 - Appendix D TA/IP	0.00	166.08	0.00	166.08
Total for Fund 30000	494,454.15	8,593,814.76	0.00	9,088,268.91
Total for Dept : 39208	494,454.15	8,604,125.76	0.00	9,098,579.91

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Combined Delivery Report By Project

Project Id: 00011492 URBAN POVERTY ALLEVIATION	Period: Jan-Dec (2014)		
Output #: 00058224 Urban Partnerships for Poverty	Impl Partner Location: 00256 National Execution		
	Govt Exp	UNDP Exp	UN Agencies Exp
			Total Exp

Total for Output : 00058224	494,454.15	8,905,934.92	4,311,559.44	13,711,948.51
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Project Total:	494,454.15	8,905,934.92	4,311,559.44	13,711,948.51
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Signature

Signature
Operations Manager
Urban Partnerships for Poverty Reduction Project
Local Government Engineering Department

Signature
Md. Rafiqul Islam
Project Director
Urban Partnerships for Poverty Reduction Project
Local Government Engineering Department
Agargaon Sher-e-Bangla Nagar, Dhaka-1207

Signature

Mark Henderson
Partner
Moore Stephens LLP

12 August 2015

Signed By : _____ Date : _____

Signed By : _____ Date : _____

Combined Delivery Report By Project

UN Development Programme
 Report ID: unglcdrp

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Execution Criteria :

Business Unit : BGD10
 Period : Jan-Dec (2014)
 Selected Project Id : 00011492
 Selected Fund Code : ALL
 Selected Dept. IDs : ALL
 Selected Outputs : 00058224

Project Id : ALL	Period : Jan-Dec (2014)	Impl. Partner :	Location :	
Output # : ALL	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

39201 - Bangladesh - Central	0.00	301,809.16	4,311,559.44	4,613,368.60
39208 - Bangladesh - Poverty Reduction	494,454.15	8,604,125.76	0.00	9,098,579.91

S.K. Ghosh

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Funds Utilization

Selection Criteria :

Business Unit : BGD10
Period : Jan-Dec (2014)
Selected Project Id : 00011492
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00058224

Project/Award: 00011492 URBAN POVERTY ALLEVIATION

Period : As at Dec 31, 2014

Output #	00058224	Impl. Partner : 00256 National Execution	UNDP AMOUNT
Outstanding NEX advances			72,715.81
Undepreciated Fixed Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			122,992.79

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Annex 2: Audit finding priority ratings

The following categories of priorities are used:

- High (Critical)** 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.
- Medium (Important)** Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.
- Low** 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. **Therefore, low priority recommendations are not included in the audit report.**

Annex 3: Follow up on prior year audit recommendations

Recommendation	Implemented Yes/No/partial	Auditor comments	Management comments	Further Auditor comments
Recommendation 1 - The Country Office should strengthen the monitoring of socio-economic fund contracts. This should include:				
a) Implement a financial reporting system to reconcile funds received and expensed at the town, CDC and cluster levels on a regular basis (monthly or quarterly). A basic template for this report could be drawn up by the Country Office and circulated to reduce administrative time. Furthermore, a clause on regularity of financial reporting could be included in the socio-economic fund contracts.	Yes	We noted that at town level a monthly spreadsheet is prepared but at cluster/community level reports are submitted only when the next instalment is requested or the contract is completed and not at periodic intervals. We noted that clause "8 (b) "quarterly" reporting period was added to all socio-economic fund contracts signed post Oct 2014.	The audit recommendations was either monthly or quarterly. The UPPR team has opted for quarterly reporting and the clause has been added to the contract. All UPPR activities ended by December 2014. Therefore, to reinforce this is not relevant as activities have been concluded.	After discussions, we agreed with management that it would be impractical for the cluster/community level implementers to prepare both monthly/quarterly reports and instalment requests/final submissions.
b) Additional assurance activities such bank reconciliations and spot checks of fund balances and contract implementation status at the town / CDC / cluster levels be carried out, as part of project monitoring.	Partial	We noted that spot checks are now being carried out by the community organiser but only a basic check was performed (a counter signature on the final report to check a sample of supporting documents). No official guidelines/templates for spot checks or working papers are yet set up. Management stated that in future projects an official spot checks procedures checklist will be introduced.	As stated above, UPPR activities concluded by Dec 2014. Preliminary and basic checks have been introduced with communities so that the community leaders/members get trained to be prepared for such exercise in future for any development project. Furthermore, as the activities wound down, UPPR staff numbers were reduced. Only one Community Organiser was available to attend to several 100 CDCs/Communities. UPPR is the only project in UNDP Bangladesh which has introduced – Mutual Accountability Unit (MAU) – a Compliance Unit. They conduct Spot checks in all 23 towns and present report to the Project Board for risk mitigation. These reports are with the Management and not available with the town team. Check list and SOPs cannot be prepared for activities that are completed. Therefore,	We maintain that the recommendation has only been partially implemented but management has agreed to fully incorporate a formal set of project monitoring guidelines for future similar projects.

			<p>these recommendations are a bit late for UPPR. SEF has a guideline and the spot checks will be incorporated in the guideline itself.</p> <p>Given the situation, the project has introduced the best practice of minimum checks at community levels.</p> <p>This should also be 'Yes'.</p>	
c) Develop a system that can track contracts pending execution or under execution as on a particular date, depicting the amount transferred to and received by towns against those contracts, utilization of funds by towns / CDCs / clusters and fund balance at their level.	Yes	We have seen at town level a spreadsheet is kept and maintained by management and is updated monthly which shows contracts, utilization of funds by towns / CDCs / clusters and fund balance at their level.	Agree.	
d) Strengthen the review procedures prior to issuing contracts to ensure the information is complete.	Yes	We note that a checklist is prepared at town level to make sure all key documents are included with the grant. This is then further reviewed at HQ. Seen evidence of town level and HQ level reviews.	Agree.	
Recommendation 2 - The Country Office should strengthen monitoring of final settlement reports as follows:				
a) Follow up with towns on the submission of missing settlement reports of completed contracts at the earliest opportunity.	Yes	Management stated at the time of prior year audit there were a significant number of outstanding settlements. We note from the recent listing that all socio-economic fund contracts were settled.	Agree.	
b) For future contracts, insert a clause to state the deadline for submission of settlement reports as well as stating that further funding can be withheld at the decision of UNDP where settlement reports for previous contracts are outstanding.	Yes	We noted that this clause was added to all socio-economic fund contracts signed post Oct 2014.	Agree.	