

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP KUWAIT

**INSTITUTIONAL CAPACITY DEVELOPMENT FOR IMPLEMENTATION
OF THE KUWAIT NATIONAL DEVELOPMENT PLAN
(Directly Implemented Project No. 91562, Output No. 96707)**

Report No. 1794

Issue Date: 8 August 2017

**Report on the Audit of UNDP Kuwait
Institutional Capacity Development for Implementation
of the Kuwait National Development Plan
(Project No. 91562, Output No. 96707)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 21 to 25 May 2017, conducted an audit of Institutional Capacity Development for Implementation of the Kuwait National Development Plan, Project No. 91562, Output No. 96707 (the Project), which is nationally implemented¹ with direct support services by the UNDP Country Office in Kuwait (the Office). The last audit of the Project was under a HACT audit conducted by Deloitte & Touche Al-Wazzan & Co. covering project expenditure for the year ended 31 December 2015.

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 2016 to 31 December 2016 and the accompanying Funds Utilization statement² as of 31 December 2016. The audit did not include activities and expenses incurred or undertaken by the Government, or expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). 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 and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenditure*	
Amount (in \$ '000)	Opinion
5,634	Unqualified

*Expenditures recorded in the Combined Delivery Report were \$5,932,544. Excluded from the audit scope were expenditures processed and approved by other UNDP offices outside of the country (\$298,934).

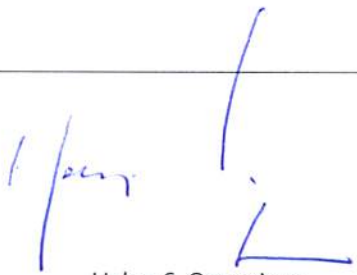
The audit did not result in any recommendations.

¹ Nationally implemented projects, or NIM projects are audited by the responsible unit in UNDP. However, this NIM project was audited by OAI due to the significant involvement of the Country Office in its implementation, and the subsequent materiality of the amount expended by UNDP. The audit firm is, in its audit report, referring to the Project as a DIM 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.

Management comments and action plan

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**

28 July 2017

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

**Institutional Capacity Development for Implementation
of the Kuwait National Development Plan (ICDI/KNP)**

UNDP Country Office:	Kuwait
Atlas Project ID:	00091562
Atlas Output ID:	00096707
Auditor:	Moore Stephens LLP
Period subject to audit:	1 January to 31 December 2016

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EXECUTIVE SUMMARY

Moore Stephens LLP conducted the financial audit of 'Institutional Capacity Development for Implementation of the Kuwait National Development Plan (ICDI / KNDP)' (Project ID 00091562 and Output ID 00096707) ('the project'), directly implemented by UNDP Kuwait for the year ended 31 December 2016. 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	Unmodified
Statement of Assets and Equipment	Not applicable
Statement of Cash Position	Not applicable

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

The project was audited in the prior year and the implementation status of the recommendations is as follows:

No.	Title	Summary of observation	Summary of recommendation	Recommendation implemented?
1	Project document	The ICDI/KNDP project commenced in July 2015 and started uploading expenses and payroll, However, the project document was signed and approved by the General Secretariat of the Supreme Council for Planning and Development (GSSCPD), on 3 November 2015. Absence of a succession plan for the ICDI/KNDP project which outlines critical positions and competencies, identified successors, and a specific training and development plan for those successors.	The Project Manager should perform the following: - get the project document approved before the project's commencement; - include a succession plan related to the project in the project document.	Yes
2	Project manager	ICDI/KNDP project's project manager resigned in September 2015. However, a replacement was not appointed to run the ongoing project activities until December 2015. There was an absence of a short/long term successor to run the project's activities in the absence of the project's manager in order to keep track and monitor the outputs of the project.	A project manager should be appointed at the earliest opportunity for ICDI/KNDP project to make sure outputs are measured against expected deliverables and to recover all delayed previous activities.	Yes
3	Project outputs	Project outputs were delayed and not implemented in a timely manner.	The Project Manager should perform the following: - monitor the pre-identified outputs to ensure that	Yes

		<p>The revised annual work plan (AWP) was not developed for the year 2015 to reflect the delays of the project.</p> <p>Furthermore, it was noted that there is no annual work plan developed for the year 2016.</p>	<p>these outputs are being procured/implemented efficiently and as per the annual work plan.</p> <ul style="list-style-type: none"> - revise the annual work plan to reflect the delays of the project. Also, to develop the annual work plan for 2016 to recover the delays that happened in 2015. 	
4	Risk register	<p>It was noted that the ICDI/KNDP project's risk logs classifies the risk of delays in the recruitment process/identification of qualified staff as "Medium", however, we believe it should be measured as high due to the history and current status.</p>	<p>The Project Manager should perform the following:</p> <ul style="list-style-type: none"> - accurately measure risks in order to prevent any deviations that might be faced that affect decision making negatively. 	Yes
5	Meeting minutes	<p>The tracking sheets to follow the decisions and the agreed actions during 2015 for the project were not provided.</p>	<p>The Project Manager should develop a tracking sheet to address agreed actions on time so the decisions can be clearly communicated to the UNDP team to be on line with actual plan for the project.</p>	Yes
6	Project procurement plan	<p>It was noted that the Project Manager has not prepared a procurement plan of the ICDI/KNDP project for the year 2015.</p>	<p>The Project Manager should prepare a procurement plan for the ICDI/KNDP project in order to ensure procurement activities and to plan for upcoming procurement expenses to be in line with the project budget.</p>	Yes

Mark Henderson
Partner

Moore Stephens LLP
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28 July 2017

MOORE STEPHENS

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 2016 and the funds utilization as at 31 December 2016 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 2016. This statement must include all assets available as at 31 December 2016 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.
- 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 2016. In cases where the cash transactions of the audited DIM project are made through the country office bank accounts, this type of opinion is not required.

The Financial Audit will be conducted in accordance with the International Standards of Auditing (ISA), the 700 series.

The scope of the audit relates only to transactions concluded and recorded against the UNDP DIM project between 1 January and 31 December 2016. 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 – Institutional Capacity Development for Implementation of the Kuwait National Development Plan (ICDI/KNP)

Statement of Expenditure (The CDR and Funds Utilization Statement)

To the Director of the Office and Audit and Investigations, United Nations Development Programme

Unmodified Opinion

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization statement totalling \$ 5,932,544.19 (“the statement”) of the UNDP project 00091562 and Output 00096707 'Institutional Capacity Development for Implementation of the Kuwait National Development Plan (ICDI / KNDP)' for the period from 1 January to 31 December 2016.

The CDR expenditure totalling \$ 5,932,544.19 is comprised of expenditure directly incurred by UNDP Country Office Kuwait for an amount of \$ 5,633,609.84 and expenditure incurred by other entities other than UNDP Country Office in Kuwait of \$ 298,934.35. Our audit only covered the expenditure directly incurred and processed by the UNDP Country Office in Kuwait.

In our opinion, the attached Combined Delivery Report (CDR) and Funds Utilization statement presents fairly, in all material respects, the expenses of \$ 5,633,609.84 directly incurred by the UNDP Country Office in Kuwait and charged to the project 00091562 and output 00096707 'Institutional Capacity Development for Implementation of the Kuwait National Development Plan (ICDI / KNDP)' for the period 1 January to 31 December 2016 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the CDR and Funds Utilization statement section of this report.

We are independent of UNDP in accordance with the IESBA Code of Ethics for Professional Accountants. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management responsibilities

UNDP project management is responsible for the preparation of the CDR and Funds Utilization statement and other financial records for the project's activities and for such internal control as management determines is necessary to enable the preparation of the Statement to be free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the CDR and Funds Utilization statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.

We communicate with UNDP project management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Mark Henderson
Partner

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150 Aldersgate Street
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28 July 2017

MOORE STEPHENS

Independent Auditor's Report to UNDP - Institutional Capacity Development for Implementation of the Kuwait National Development Plan (ICDI/KNP)

Statement of Fixed Assets

We noted that the UNDP output 'Institutional Capacity Development for Implementation of the Kuwait National Development Plan (ICDI / KNDP)' had no assets or equipment and accordingly a Statement of Fixed Assets was not produced.

Independent Auditor's Report to UNDP - Institutional Capacity Development for Implementation of the Kuwait National Development Plan (ICDI/KNP)

Statement of Cash Position

We noted that the UNDP output 'Institutional Capacity Development for Implementation of the Kuwait National Development Plan (ICDI / KNDP)' did not have a dedicated bank account for DIM project activities subject to audit and accordingly a Statement of Cash Position was not produced.

MANAGEMENT LETTER

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



Mark Henderson
Partner

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28 July 2017

MOORE STEPHENS

Annexes

Annex 1: Combined Delivery Report



Combined Delivery Report by Activity

UN Development Programme
Report ID: unglcdrb

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Project Id : 00091562 ICDI / KNDP	Period : Jan-Dec (2016)
Output # : 00096707 ICDI / KNDP	Impl. Partner : 01752 National Execution
	Location : Kuwait
	Govt Exp UNDP Exp UN Agencies Exp Total Exp

Output # : 00096707 ICDI / KNDP	Impl. Partner : 01752 National Execution
	Location : Kuwait

Activity : ACTIVITY1 (SSPCD Institutional)

Fund : 30071 (Programme Cost Sharing GOV1)

71205 - Intl Consultants-Sht Term-Tech	0.00	441,666.37	0.00	441,666.37
71305 - Local Consult.-Sht Term-Tech	0.00	495,376.94	0.00	495,376.94
71405 - Service Contracts-Individuals	0.00	109,077.11	0.00	109,077.11
71410 - MAIP Premium SC	0.00	249.15	0.00	249.15
71415 - Contribution to Security SC	0.00	4,235.89	0.00	4,235.89
71605 - Travel Tickets-International	0.00	9,624.79	0.00	9,624.79
71610 - Travel Tickets-Local	0.00	920.53	0.00	920.53
71615 - Daily Subsistence Allow-Intl	0.00	7,177.00	0.00	7,177.00
71620 - Daily Subsistence Allow-Local	0.00	437.09	0.00	437.09
71625 - Daily Subsist.Allow-Mtg Partic	0.00	1,035.20	0.00	1,035.20
71635 - Travel - Other	0.00	2,104.40	0.00	2,104.40
72105 - Svc Co-Construction & Engineer	0.00	1,364,999.95	0.00	1,364,999.95
72440 - Connectivity Charges	0.00	114.75	0.00	114.75
72505 - Stationery & other Office Supp	0.00	323.40	0.00	323.40
72715 - Hospitality Catering	0.00	2,024.59	0.00	2,024.59
74210 - Printing and Publications	0.00	2,914.65	0.00	2,914.65
74220 - Translation Costs	0.00	2,262.30	0.00	2,262.30
74225 - Other Media Costs	0.00	1,685,616.51	0.00	1,685,616.51
74510 - Bank Charges	0.00	2.00	0.00	2.00
75105 - Facilities & Admin - Implement	0.00	124,210.20	0.00	124,210.20
75705 - Learning costs	0.00	10,176.79	0.00	10,176.79
76125 - Realized Loss	0.00	0.01	0.00	0.01
Total for Fund 30071	0.00	4,264,549.62	0.00	4,264,549.62
Total for Activity ACTIVITY1	0.00	4,264,549.62	0.00	4,264,549.62

Activity : ACTIVITY2 (CSB)

Fund : 30071 (Programme Cost Sharing GOV1)

71205 - Intl Consultants-Sht Term-Tech	0.00	39,746.92	0.00	39,746.92
71405 - Service Contracts-Individuals	0.00	538,902.25	0.00	538,902.25
71410 - MAIP Premium SC	0.00	1,396.00	0.00	1,396.00
71415 - Contribution to Security SC	0.00	20,689.97	0.00	20,689.97
71635 - Travel - Other	0.00	678.50	0.00	678.50
72440 - Connectivity Charges	0.00	612.00	0.00	612.00
75105 - Facilities & Admin - Implement	0.00	18,060.77	0.00	18,060.77
Total for Fund 30071	0.00	620,086.41	0.00	620,086.41
Total for Activity ACTIVITY2	0.00	620,086.41	0.00	620,086.41



UN

UN Development Programme

Report ID: unglcdrb

Combined Delivery Report by Activity

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Run Time: 15-03-2017 14:03:40

Project Id : 00091562-ICDI / KNDP	Period : Jan-Dec (2016)		
Output # : 00096707-ICDI / KNDP	Impl. Partner : 01752 National Execution Location : Kuwait		
Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Activity : ACTIVITY3 (GSSCPD Technical)

Fund : 30071 (Programme Cost Sharing GOV1)

64398 - Direct Project Cost-Staff	0.00	56,932.90	0.00	56,932.90
71205 - Intl Consultants-Shrt Term-Tech	0.00	254,622.16	0.00	254,622.16
71305 - Local Consult.-Shrt Term-Tech	0.00	175,252.80	0.00	175,252.80
71605 - Travel Tickets-International	0.00	10,953.91	0.00	10,953.91
71610 - Travel Tickets-Local	0.00	2,558.79	0.00	2,558.79
71615 - Daily Subsistence Allow-Intl	0.00	6,882.73	0.00	6,882.73
71620 - Daily Subsistence Allow-Local	0.00	2,221.01	0.00	2,221.01
71635 - Travel - Other	0.00	265.97	0.00	265.97
72105 - Svc Co-Construction & Engineer	0.00	75,784.30	0.00	75,784.30
72130 - Svc Co-Transportation Services	0.00	980.20	0.00	980.20
72145 - Svc Co-Training and Educ Serv	0.00	27,000.00	0.00	27,000.00
72715 - Hospitality Catering	0.00	2,927.79	0.00	2,927.79
74205 - Audio Visual Productions	0.00	232.56	0.00	232.56
74210 - Printing and Publications	0.00	2,101.57	0.00	2,101.57
74220 - Translation Costs	0.00	8,541.91	0.00	8,541.91
74225 - Other Media Costs	0.00	117,262.30	0.00	117,262.30
75105 - Facilities & Admin - Implement	0.00	26,139.67	0.00	26,139.67
75705 - Learning costs	0.00	119,752.52	0.00	119,752.52
75709 - Learning - Training of counter	0.00	4,754.10	0.00	4,754.10
75712 - TrnWrkshp&Conf - Honorariums	0.00	2,295.08	0.00	2,295.08
76125 - Realized Loss	0.00	6.51	0.00	6.51
76135 - Realized Gain	0.00	-0.01	0.00	-0.01
Total for Fund 30071	0.00	897,468.77	0.00	897,468.77
Total for Activity ACTIVITY3	0.00	897,468.77	0.00	897,468.77

Activity : ACTIVITY4 (Project Administration)

Fund : 30071 (Programme Cost Sharing GOV1)

71205 - Intl Consultants-Shrt Term-Tech	0.00	6,470.10	0.00	6,470.10
71405 - Service Contracts-Individuals	0.00	99,559.44	0.00	99,559.44
71410 - MAIP Premium SC	0.00	826.52	0.00	826.52
71415 - Contribution to Security SC	0.00	3,769.88	0.00	3,769.88
71615 - Daily Subsistence Allow-Intl	0.00	480.00	0.00	480.00
71635 - Travel - Other	0.00	152.00	0.00	152.00
72415 - Courier Charges	0.00	3,549.56	0.00	3,549.56
72440 - Connectivity Charges	0.00	344.25	0.00	344.25
72505 - Stationery & other Office Supp	0.00	926.90	0.00	926.90
74210 - Printing and Publications	0.00	28,753.97	0.00	28,753.97
74220 - Translation Costs	0.00	1,245.03	0.00	1,245.03
75105 - Facilities & Admin - Implement	0.00	4,381.74	0.00	4,381.74
75705 - Learning costs	0.00	-20.00	0.00	-20.00
76135 - Realized Gain	0.00	0.00	0.00	0.00
Total for Fund 30071	0.00	150,439.39	0.00	150,439.39



Project Id : 00091562 ICDI / KNDP	Period :	Jan-Dec (2016)		
Output # : 00096707 ICDI / KNDP	Impl. Partner :	01752 National Execution		
	Location :	Kuwait		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Total for Activity ACTIVITY4	0.00	150,439.39	0.00	150,439.39
Total for Output : 00096707	0.00	5,932,544.19	0.00	5,932,544.19

Project Total :	0.00	5,932,544.19	0.00	5,932,544.19
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Signed By : _____ Date : _____

Signed By : RERR Date : 19 / Mar / 2017



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.