



AUDIT

OF

UNDP PERU

**STRENGTHENING OF THE CAPACITIES OF THE QALI WARMA NATIONAL SCHOOL
FEEDING PROGRAMME**

(Directly Implemented Project No. 73717, Output No. 86409)

Report No. 1838

Issue Date: 27 July 2017

Report on the Audit of UNDP Peru
Strengthening of the Capacities of the Qali Warma National School Feeding Programme
(Project No. 73717, Output No. 86409)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 5 to 16 June 2017, conducted an audit of Strengthening of the Capacities of the Qali Warma National School Feeding Programme, Project No. 73717, Output No. 86409 (the Project), which is directly implemented and managed by the UNDP Country Office in Peru (the Office). The last audit of the Project was conducted by OAI in 2016 and covered project expenditure from 1 January 2013 to 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 to 31 December 2016 to and the accompanying Funds Utilization statement¹ as of 31 December 2016. 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). 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
22,906	Unqualified

*Expenditures recorded in the Combined Delivery Report were \$23,216,561. Excluded from the audit scope were transactions that relate to expenditures processed and approved by other UNDP offices outside of the country, and expenditures incurred by other UN agencies. (\$311,017).

The audit did not result in any recommendations.

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.

Implementation status of previous OAI audit recommendations: Report No. 1663, 29 July 2016.

Total recommendations: 2

Implemented: 1

Not implemented: 1

The pending recommendation pertains to the lack of annual and quarterly reports.



Brett Simpson
Officer-in-Charge
Office of Audit and Investigations

**UNITED NATIONS DEVELOPMENT PROGRAMME
(UNDP)**

FINAL AUDIT REPORT

20 July 2017

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

**“Strengthening of the capacities of the Qali Warma
National School Feeding Programme”**

UNDP Country Office:	Peru
Atlas Project ID:	00073717
Atlas Output ID:	00086409
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 "Strengthening of the capacities of the Qali Warma National School Feeding Programme" (Project ID 00073717) and Output 00086409 ('the project'), directly implemented by UNDP Peru ('the Office') 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	Unqualified
Statement of Assets and Equipment	Not applicable
Statement of Cash Position	Not applicable

We have not raised any findings as a result of our audit.

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

No.	Title	Summary of observation	Summary of recommendation	Recommendation implemented?
1	Lack of annual & quarterly reports	Quarterly progress reports (QPR) and an annual report were not produced.	To comply with PRODOC rules or to amend it accordingly.	No. Quarterly reports were not produced in the year under audit but biannual reports were submitted instead. A low priority audit finding has been raised and discussed with the Office. It is not included in this report in accordance with Annex 2.
2	Recoverable VAT charged as expenditure	VAT (IGV in Peru) can be recovered by UNDP. Nevertheless, it was not claimed because most of the funds were governmental.	Assess the recovery for future projects, at least for UNDP funds as well.	Yes.



Mark Henderson
Partner

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20 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 – “Strengthening of the capacities of the Qali Warma National School Feeding Programme”

Statement of Expenditure

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

Unqualified Opinion

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization statement totalling \$ 23,216,561 (“the statement”) of the UNDP project 00073717 “Strengthening of the capacities of the Qali Warma National School Feeding Programme” for the period from 1 January to 31 December 2016. CDR expenditure totalling \$ 311,017, comprised of payslips processed and directly paid by UNDP HQ (registered under accounts group 6), was not within the scope of our audit.

In our opinion, the attached Combined Delivery Report (CDR) and Funds Utilization statement presents fairly, in all material respects, the expenses of \$ 22,905,544 incurred by the project “Strengthening of the capacities of the Qali Warma National School Feeding Programme” 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 Statement of Expenditure’ 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 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 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
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20 July 2017

MOORE STEPHENS

Independent Auditor’s Report to UNDP – “Strengthening of the capacities of the Qali Warma National School Feeding Programme”

Statement of Assets and Equipment

We noted that the UNDP project 73717 “Strengthening of the capacities of the Qali Warma National Food Feeding Programme” had no assets or equipment and accordingly a Statement of Assets and Equipment was not produced.

Independent Auditor’s Report to UNDP – “Strengthening of the capacities of the Qali Warma National School Feeding Programme”

Statement of Cash Position

We noted that the UNDP project “Strengthening of the capacities of the Qali Warma National Food Feeding Programme” 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

We have not raised any findings as a result of our audit.



Mark Henderson
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20 July 2017

MOORE STEPHENS

Annexes

Annex 1: Combined Delivery Report



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Run Time: 07-02-2017 20:02:36

Business Unit : PER10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. Ds : ALL
Selected Outputs : 00086409

Dept: 52201 (Peru - Central)

Fund : 30071 Programme Cost Sharing GOV1)

Total for Fund 30071

0.00	- 53,960.01	65,497.89	11,537.88
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Total for Dept : 52201

0.00	- 53,960.01	65,497.89	11,537.88
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Dept: 52204 (Peru - Dem. Governance)

Fund : 30071 (Programme Cost Sharing GOV1)

Total for Fund 30071

0.00	256.06	0.00	256.06
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Total for Dept : 52204

0.00	256.06	0.00	256.06
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Dept: 52208 (Peru - Poverty Reduction)

Fund : 04000 (Core Programme, UNU Centre)

Total for Fund 04000

0.00	15,816.84	0.00	15,816.84
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Fund : 30071 (Programme Cost Sharing GOV1)

31105 - Salaries - NP Staff	0.00	22,400.25	0.00	22,400.25
32105 - Dependency Allowance-NP Staff	0.00	648.00	0.00	648.00
32110 - Contrib Joint Staff Pension-NP	0.00	4,572.08	0.00	4,572.08
32115 - Contrib to Med,SocIns-NP Staff	0.00	1,608.39	0.00	1,608.39
32140 - Annual Leave Expense - NO	0.00	663.05	0.00	663.05



Combined Delivery Report By Project

Project Id : 00073717 Fortalecimiento capacidades Pr		Period :	Jan-Dec (2016)	
Output # : 00086409 Fortalecimiento capacidades QW		Impl. Partner :	03863 PER-Ministerio de Desarrollo	
		Location :	PNUD	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
63150 - Reimb For Med Costs (LNO)	0.00	60.65	0.00	60.65
63530 - Contribution to EOS Benefits	0.00	831.95	0.00	831.95
63535 - Contribution to Security	0.00	942.84	0.00	942.84
63545 - Contribution to ICT	0.00	332.77	0.00	332.77
63550 - Contributions to MAIP	0.00	55.47	0.00	55.47
63555 - Contribution to UN JFA	0.00	721.00	0.00	721.00
63560 - Contributions to Appendix D	0.00	55.47	0.00	55.47
65115 - Contributions to ASHI Reserve	0.00	1,774.78	0.00	1,774.78
65135 - Payroll Mgt Cost Recovery ATLA	0.00	61.92	0.00	61.92
71205 - Intl Consultants-Sht Term-Tech	0.00	6,500.00	0.00	6,500.00
71210 - Intl Consultants-Sht Term-Supp	0.00	23,420.80	0.00	23,420.80
71305 - Local Consult.-Sht Term-Tech	0.00	19,138.55	0.00	19,138.55
71310 - Local Consult.-Short Term-Supp	0.00	2,303.74	0.00	2,303.74
71405 - Service Contracts-Individuals	0.00	177,735.82	0.00	177,735.82
71410 - MAIP Premium SC	0.00	309.91	0.00	309.91
71415 - Contribution to Security SC	0.00	5,268.60	0.00	5,268.60
71605 - Travel Tickets-International	0.00	760.31	0.00	760.31
71610 - Travel Tickets-Local	0.00	5,309.60	0.00	5,309.60
71615 - Daily Subsistence Allow-Intl	0.00	3,632.00	0.00	3,632.00
71620 - Daily Subsistence Allow-Local	0.00	8,683.63	0.00	8,683.63
71635 - Travel - Other	0.00	9,380.81	0.00	9,380.81
72105 - Svc Co-Construction & Engineer	0.00	39,404.40	0.00	39,404.40
72130 - Svc Co-Transportation Services	0.00	647.25	0.00	647.25
72165 - Svc Co-Social Svcs, Social Sci	0.00	253.46	0.00	253.46
72215 - Transportation Equipment	0.00	209,342.22	0.00	209,342.22
72220 - Furniture	0.00	12,190,097.62	0.00	12,190,097.62
72399 - Other Materials and Goods	0.00	1,997,540.88	0.00	1,997,540.88
72415 - Courier Charges	0.00	170.63	0.00	170.63
72505 - Stationery & other Office Supp	0.00	53,055.96	0.00	53,055.96
72715 - Hospitality Catering	0.00	0.00	0.00	0.00
73405 - Rental & Maint-Other Office Eq	0.00	1,666.05	0.00	1,666.05
73406 - Maintenance of Equipment	0.00	27,926.72	0.00	27,926.72
74110 - Audit Fees	0.00	20,092.00	0.00	20,092.00
74205 - Audio Visual Productions	0.00	0.00	0.00	0.00
74210 - Printing and Publications	0.00	802,266.93	0.00	802,266.93
74220 - Translation Costs	0.00	162.55	0.00	162.55
74325 - Contrib.To CO Common Security	0.00	638.55	0.00	638.55
74515 - Claims and Adjustments	0.00	11,157.37	0.00	11,157.37
74525 - Sundry	0.00	- 1,123.89	0.00	- 1,123.89
74530 - Staff Welfare	0.00	127.82	0.00	127.82
74598 - Direct Project Costs - GOE	0.00	23,056.50	0.00	23,056.50
74599 - UNDP cost recovery chrgs-Bills	0.00	23,056.50	0.00	23,056.50
74720 - Distribution Cost	0.00	6,544,923.21	0.00	6,544,923.21
74725 - Other L.T.S.H.	0.00	4,285.30	0.00	4,285.30
75105 - Facilities & Admin - Implement	0.00	891,869.32	0.00	891,869.32
75705 - Learning costs	0.00	- 1,167.44	0.00	- 1,167.44
76125 - Realized Loss	0.00	726.22	0.00	726.22
76135 - Realized Gain	0.00	- 424.64	0.00	- 424.64
77105 - Salaries - NP Staff-TA	0.00	343.64	0.00	343.64
77110 - Contrib to UNSSPF-NP-TA	0.00	0.00	0.00	0.00
77115 - Contrib-Med,SocIns-NP Staff-TA	0.00	0.00	0.00	0.00
77120 - Repat Grt/Comm Annual Lv-NP-TA	0.00	0.00	0.00	0.00
77145 - Dependency Allow-NP Staff-TA	0.00	0.00	0.00	0.00
77195 - MAIP Premium TA/NO	0.00	0.00	0.00	0.00



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

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Run Time: 07-02-2017 20:02:36

Project Id : 00073717 Fortalecimiento capacidades Pr		Period :	Jan-Dec (2016)	
Output # : 00086409 Fortalecimiento capacidades QW		Impl. Partner :	03863 PER-Ministerio de Desarrollo	
		Location :	PNUD	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
77197 - Appendix D TA/NO	0.00	0.00	0.00	0.00
77205 - Salaries - GS Staff-TA	0.00	36,712.21	0.00	36,712.21
77210 - Contrib to UNJSPF-GS-TA	0.00	7,195.38	0.00	7,195.38
77215 - Contrib-Med,SocIns-GS Staff-TA	0.00	1,117.60	0.00	1,117.60
77245 - Dependency Allow - GS Staff-TA	0.00	2,790.03	0.00	2,790.03
77260 - Other payroll costs GS-TA	0.00	1,282.93	0.00	1,282.93
77295 - MAIP Premium TA/GS	0.00	90.12	0.00	90.12
77297 - Appendix D TA/GS	0.00	90.12	0.00	90.12
77385 - Contribution to Security	0.00	1,532.33	0.00	1,532.33
77386 - Contribution to ICT_TA	0.00	540.79	0.00	540.79
77396 - PAYROLL MGT COST RECOVERY	0.00	284.37	0.00	284.37
Total for Func 30071	0.00	23,188,903.40	0.00	23,188,903.40
Total for Dept : 52208	0.00	23,204,720.24	0.00	23,204,720.24
Dept: 52214 (Peru - General Services)				
Fund : 30071 (Programme Cost Sharing GOV1)				
73125 - Common Services-Premises	0.00	3.67	0.00	3.67
74525 - Sundry	0.00	41.06	0.00	41.06
75105 - Facilities & Admin - Implement	0.00	1.79	0.00	1.79
Total for Fund 30071	0.00	46.52	0.00	46.52
Total for Dept : 52214	0.00	46.52	0.00	46.52
Total for Output : 00086409	0.00	23,151,062.81	65,497.89	23,216,560.70
Project Total :	0.00	23,151,062.81	65,497.89	23,216,560.70

Mark Henderson
Partner

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20 July 2017

MOORE STEPHENS

30/ Mar / 2017

30/ Mar / 2017



Edo Stork
REPRESENTANTE RESIDENTE ADJUNTO

Signed By :

Date :

Signed By :

Date :

María del Carmen Sacasa
Coordinadora Residente NNUU
Representante Residente PNUD



Combined Delivery Report By Project

Selection Criteria :

Business Unit : PER10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00086409

Project Id : ALL	Period : Jan-Dec (2016)			
Output # : ALL	Impl. Partner :			
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
52201 - Peru - Central	0.00	- 53,960.01	65,497.89	11,537.88
52204 - Peru - Dem. Governance	0.00	256.06	0.00	256.06
52208 - Peru - Poverty Reduction	0.00	23,204,720.24	0.00	23,204,720.24
52214 - Peru - General Services	0.00	46.52	0.00	46.52



Funds Utilization

Selection Criteria :

Business Unit : PER10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00086409

Project/Award: 00073717 Fortalecimiento capacidades Pr

Period : As at Dec 31, 2016

Output # 00086409 Impl. Partner :03863 PER-Ministerio de Desarrollo

	UNDP AMOUNT
Outstanding NEX advances	0.00
Undepreciated Fixed Assets	0.00
Inventory	0.00
Prepayments	0.00
Commitments	0.00

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.