

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
(Project No. 91562, Output No. 96707)**

Report No. 1931

Issue Date: 13 July 2018

**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 Talal Abu-Ghazaleh & Co. (the audit firm), from 1 May to 24 May 2018, 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 conducted by OAI through Moore Stephens LLP in 2017 and covered project expenses from 1 January to 31 December 2016.

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 expenses for the period from 1 January to 31 December 2017 and the accompanying Funds Utilization statement² as of 31 December 2017. The audit did not cover the Statement of Assets as no assets were held 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 Expenses	
Amount (in \$ '000)	Opinion
6,204	Unmodified*

*Unmodified = unqualified or clean opinion

The audit did not result in any recommendations.

¹ The responsible units in UNDP facilitate the audit of nationally implemented (NIM) projects. 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.

² The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) undepreciated 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

Management comments and/or additional information provided have been incorporated into the report, where appropriate.

Helge S. Ostveiten
Director
Office of Audit and Investigations

United Nations Development Programme

**Financial Audit of Directly Implemented Project Managed by
UNDP- UNDP Country Office in Kuwait**

**“Institutional Capacity Development for Implementation of the Kuwait National
Development Plan (ICDI /KNDP)”
(Project ID: 91562 - Output ID: 96707)
for the year ended 31 December 2017**

5 July 2018

Talal Abu - Ghazaleh & Co.
"Certified Public Accountants"



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1. PART I - EXECUTIVE SUMMARY

1.1. Executive Summary:

To the Director of the Office of Audit and Investigations (OAI)
United Nations Development Programme (UNDP).

Dear Sir/Madam;

This report represents the results of the financial audit conducted by Talal Abu - Ghazaleh & Co. of the project ID 91562 - output ID 96707 "Institutional Capacity Development for Implementation of the Kuwait National Development Plan (ICDI /KNDP)" (the project), directly implemented by UNDP Country Office in Kuwait for the period from 1 January to 31 December 2017.

The audit was undertaken on behalf of UNDP, Office of Audit and Investigations (OAI) and mandated in accordance with the Contract for Professional Services signed between UNDP and Talal Abu - Ghazaleh & Co. on 29 March 2018.

Audit opinions:

The following is the summary of the audit opinions provided:

Report on	Type of opinion	Note
Financial Position	Unmodified	
Statement of Fixed Assets	Not applicable	There are no fixed assets or equipment therefore, no audit opinion to be provided on the statement of fixed assets.
Statement of Cash Position	Not applicable	There was no separate bank account for the project under audit therefore, no audit opinion to be provided on the statement of cash position.

– **Audit findings:**

No findings have been identified as a result of our audit.

– **Follow-up on Previous year's audit recommendations:**

The output ID 96707 was audited in the prior year for FY2016. No recommendations were raised in previous year audit report.

Sincerely yours,

Jamal Milhem, CPA

Certified Accountant License # (100/98)


Talal Abu –Ghazaleh & Co.

License No. 251/1997

Ramallah – Palestine, 5 July 2018



1.2. Audit objectives

- A. The objective of the financial audit is to express an opinion on the project's financial position which include:
- 1) Expressing an opinion on whether the expenses incurred by the Project from 1 January to 31 December 2017 and the funds utilization, the accounts receivable and the accounts payable as at 31 December 2017 were 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 is expressed. Other forms of statement of expenses that may be prepared by a project office are not accepted.
 - 2) Expressing an opinion on whether the statement of fixed assets, at net book value, presents fairly the balance of depreciated assets of the UNDP Project as at 31 December 2017. This statement includes all assets available as at 31 December 2017 and not only those purchased in the period under audit. Where a DIM project does not have any assets or equipment it will not be necessary to express such an opinion; and
 - 3) 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 2017. Disbursements made against directly implemented project, DIM projects are usually financed from the regular country office bank accounts. Exceptionally, a dedicated bank account may be opened and used solely for the cash transactions of a DIM project, e.g. if the project is in a remote location. It is required to express an opinion on the Statement of Cash only where a dedicated bank accounts for the DIM project has been established. 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.
- B. Providing the progress made in implementing the recommendations raised in a previous year audit report (if any).

The financial audit was conducted in accordance with the International Standards on Auditing (ISA) The 700 series.

1.3. Scope of Audit:

The scope of the audit relates only to transactions concluded and recorded against the UNDP DIM project for the period from 1 January to 31 December 2017.

The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of "responsible parties"; and
- Expenses processed and approved in locations outside the country such as UNDP Regional Centers and UNDP Headquarters and where the supporting documentation is not retained at the level of the UNDP country office.

The audit:

- Covered all activities of the project ID 91562 - output ID 96707 during the period from 1 January to 31 December 2017; and
- Include a review of project reports and records located at the UNDP Country Office in Kuwait, and field offices of the project / programme at Kuwait.

Specifically, the audit covered the following:

- a) The expenses incurred and recorded in the Combined Delivery Report (CDR) of the project ID 91562 - output ID 96707 - "Institutional Capacity Development for Implementation of the Kuwait National Development Plan (ICDI/KNDP)" during the period from 1 January to 31 December 2017 and the Funds Utilization Statement as at December 31, 2017.
 - b) The balances of the project-related accounts receivable and the accounts payable as at 31 December 2017.
 - c) The net book value and existence of the fixed assets held by the project ID 91562 - output ID 96707 - "Institutional Capacity Development for Implementation of the Kuwait National Development Plan (ICDI /KNDP)" as at December 31, 2017.
 - d) The value and existence of cash held by the project ID 91562 - output ID 96707 "Institutional Capacity Development for Implementation of the Kuwait National Development Plan (ICDI /KNDP)" as at 31 December 2017 either as cash in hand or at the bank account (in the case there is a separate bank account for the DIM project under review).
- 4) Follow-up on recommendations raised in a previous years audit report (if any).

2. PART II – FINANCIAL AUDIT REPORTS

2.1. Auditor's Report on Financial Position

Independent Auditor's Report on the Project Financial Position of UNDP DIM Project ID 91562 – output ID 96707

"Institutional Capacity Development for Implementation of the Kuwait National Development Plan (ICDI /KNDP)"

To the Director of the Office of Audit and Investigations (OAI)
United Nations Development Programme (UNDP)

We have audited the financial position of the UNDP project ID 91562 – output ID "Institutional Capacity Development for Implementation of the Kuwait National Development Plan (ICDI /KNDP)", for the period from 1 January to 31 December 2017, which include: (a) the accompanying Combined Delivery Report (CDR); (b) the Funds Utilization statement (the statement); and (c) the project- related accounts receivable and accounts payable.

Unmodified opinion

In our opinion, the accompanying Combined Delivery Report (CDR) and Funds Utilization statement present fairly, in all material respects, the expenses of USD 6,204,017.87 directly incurred by UNDP Country Office in Kuwait and charged to the project ID 91562 – output ID 96707 for the period from 1 January to 31 December 2017 in accordance with UNDP accounting policies and 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the CDR and Funds Utilization section of our report. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code.

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

Management's Responsibilities

Management is responsible for the preparation and fair presentation of the of the CDR and the Funds Utilization statement of the project and for such internal control as management determines is necessary to enable the preparation of a CDR and Funds Utilization statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the audit

Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are 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 these documents.

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

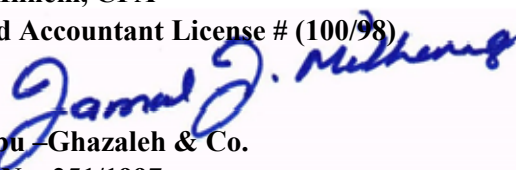
- Identify and assess the risks of material misstatement of the CDR and Funds Utilization statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk 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 organization's internal control.

We communicate with those charged with governance 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.

Jamal Milhem, CPA

Certified Accountant License # (100/98)



Talal Abu-Ghazaleh & Co.

License No. 251/1997

Ramallah – Palestine, 5 July 2018



2.2 Combined Delivery Report (CDR) and Fund Utilization Statement



UN Development Programme
 Report ID: unglcdrb

Combined Delivery Report by Activity

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Project Id : 00091562 ICDI / KNDP	Period :	Jan-Dec (2017)
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 (GS SCPD Institutional)

Fund : 30071 (Programme Cost Sharing GOV1)

71205 - Intl Consultants-Sht Term-Tech	0.00	845,214.41	0.00	845,214.41
71305 - Local Consult. -Sht Term-Tech	0.00	472,324.03	0.00	472,324.03
71405 - Service Contracts-Individuals	0.00	47,678.68	0.00	47,678.68
71410 - MAIP Premium SC	0.00	62.88	0.00	62.88
71415 - Contribution to Security SC	0.00	1,069.00	0.00	1,069.00
71605 - Travel Tickets-International	0.00	7,376.84	0.00	7,376.84
71615 - Daily Subsistence Allow-Intl	0.00	8,082.70	0.00	8,082.70
71620 - Daily Subsistence Allow-Local	0.00	2,006.99	0.00	2,006.99
71625 - Daily Subst Allow-Mtg Partic	0.00	1,382.36	0.00	1,382.36
71635 - Travel - Other	0.00	401.28	0.00	401.28
72165 - Svc Co-Social Svcs, Social Sci	0.00	584,999.98	0.00	584,999.98
72440 - Connectivity Charges	0.00	258.65	0.00	258.65
72715 - Hospitality Catering	0.00	0.00	0.00	0.00
74205 - Audio Visual Productions	0.00	210,575.00	0.00	210,575.00
74210 - Printing and Publications	0.00	81,245.08	0.00	81,245.08
74220 - Translation Costs	0.00	69,237.81	0.00	69,237.81
74225 - Other Media Costs	0.00	975,847.31	0.00	975,847.31
75105 - Facilities & Admin - Implement	0.00	100,380.32	0.00	100,380.32
75705 - Learning costs	0.00	26,241.04	0.00	26,241.04
75710 - Participation of counterparts	0.00	11,023.10	0.00	11,023.10
75712 - TrnWrkshp&Conf - Honorariums	0.00	983.61	0.00	983.61
76125 - Realized Loss	0.00	13.36	0.00	13.36
76135 - Realized Gain	0.00	-19.59	0.00	-19.59
Total for Fund 30071	0.00	3,446,384.84	0.00	3,446,384.84
Total for Activity ACTIVITY1	0.00	3,446,384.84	0.00	3,446,384.84

Activity : ACTIVITY2 (CSB)

Fund : 30071 (Programme Cost Sharing GOV1)

71205 - Intl Consultants-Sht Term-Tech	0.00	151,460.06	0.00	151,460.06
71405 - Service Contracts-Individuals	0.00	392,099.05	0.00	392,099.05
71410 - MAIP Premium SC	0.00	895.14	0.00	895.14
71415 - Contribution to Security SC	0.00	15,215.29	0.00	15,215.29
71610 - Travel Tickets-Local	0.00	561.78	0.00	561.78
72440 - Connectivity Charges	0.00	459.00	0.00	459.00
74225 - Other Media Costs	0.00	949.92	0.00	949.92
75105 - Facilities & Admin - Implement	0.00	16,849.21	0.00	16,849.21
76135 - Realized Gain	0.00	-0.01	0.00	-0.01
Total for Fund 30071	0.00	578,489.44	0.00	578,489.44

Financial Audit of Directly Implemented Project ID 91562 ICDI / KNDP - output ID 96707 ICDI / KNDP "Institutional Capacity Development For Implementation Of The Kuwait National Development Plan (ICDI /KNDP)" for the year ended 31 December 2017.



UN Development Programme
Report ID: unglcdrb

Combined Delivery Report by Activity

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Project Id : 00091562 ICDI / KNDP	Period : Jan-Dec (2017)
Output # : 00096707 ICDI / KNDP	Impl. Partner : 01752 National Execution Location : Kuwait
	Govt Exp UNDP Exp UN Agencies Exp Total Exp

Total for Activity ACTIVITY2 0.00 578,489.44 0.00 578,489.44

Activity : ACTIVITY3 (GSSCPD Technical)

Fund : 30071 (Programme Cost Sharing GOV1)

71205 - Intl Consultants-Shr Term-Tech	0.00	466,464.04	0.00	466,464.04
71305 - Local Consult.-Shr Term-Tech	0.00	134,414.31	0.00	134,414.31
71420 - Payroll Mgt Cost Recovery SC	0.00	49.34	0.00	49.34
71605 - Travel Tickets-International	0.00	13,559.46	0.00	13,559.46
71610 - Travel Tickets-Local	0.00	1,934.64	0.00	1,934.64
71615 - Daily Subsistence Allow-Intl	0.00	3,610.00	0.00	3,610.00
71620 - Daily Subsistence Allow-Local	0.00	8,331.00	0.00	8,331.00
71635 - Travel - Other	0.00	1,031.13	0.00	1,031.13
72105 - Svc Co-Construction & Engineer	0.00	769,094.70	0.00	769,094.70
72145 - Svc Co-Training and Educ Serv	0.00	737.99	0.00	737.99
72505 - Stationery & other Office Supp	0.00	557.38	0.00	557.38
72715 - Hospitality Catering	0.00	0.00	0.00	0.00
74210 - Printing and Publications	0.00	6,464.41	0.00	6,464.41
74220 - Translation Costs	0.00	17,572.53	0.00	17,572.53
74225 - Other Media Costs	0.00	210,565.00	0.00	210,565.00
75105 - Facilities & Admin - Implement	0.00	55,063.65	0.00	55,063.65
75705 - Learning costs	0.00	57,068.81	0.00	57,068.81
75709 - Learning - training of counter	0.00	144,000.00	0.00	144,000.00
76135 - Realized Gain	0.00	-697.23	0.00	-697.23

Total for Fund 30071 0.00 1,889,821.16 0.00 1,889,821.16

Total for Activity ACTIVITY3 0.00 1,889,821.16 0.00 1,889,821.16

Activity : ACTIVITY4 (Project Administration)

Fund : 30071 (Programme Cost Sharing GOV1)

71205 - Intl Consultants-Shr Term-Tech	0.00	53,619.67	0.00	53,619.67
71405 - Service Contracts-Individuals	0.00	192,530.53	0.00	192,530.53
71410 - MAIP Premium SC	0.00	1,018.99	0.00	1,018.99
71415 - Contribution to Security SC	0.00	7,421.91	0.00	7,421.91
72405 - Acquisition of Communic Equip	0.00	825.08	0.00	825.08
72415 - Courier Charges	0.00	365.28	0.00	365.28
72440 - Connectivity Charges	0.00	561.00	0.00	561.00
72505 - Stationery & other Office Supp	0.00	261.11	0.00	261.11
72715 - Hospitality Catering	0.00	0.00	0.00	0.00
74110 - Audit Fees	0.00	21,484.00	0.00	21,484.00
74210 - Printing and Publications	0.00	1,514.25	0.00	1,514.25
74525 - Sundry	0.00	995.00	0.00	995.00
75105 - Facilities & Admin - Implement	0.00	8,426.72	0.00	8,426.72
75705 - Learning costs	0.00	293.83	0.00	293.83
76110 - Foreign Exch Translation Loss	0.00	5.07	0.00	5.07
76125 - Realized Loss	0.00	0.00	0.00	0.00

Financial Audit of Directly Implemented Project ID 91562 ICDI / KNDP - output ID 96707 ICDI / KNDP "Institutional Capacity Development For Implementation Of The Kuwait National Development Plan (ICDI /KNDP)" for the year ended 31 December 2017.

Combined Delivery Report by Activity

UNDP UN Development Programme
Report ID: unglcdrb

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Project Id : 00091562 ICDI / KNDP	Period :	Jan-Dec (2017)		
Output # : 00096707 ICDI / KNDP	Impl. Partner :	01752 National Execution Kuwait		
	Location :	Kuwait		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
76135 - Realized Gain	0.00	- 0.01	0.00	- 0.01
Total for Fund 30071	0.00	289,322.43	0.00	289,322.43
Total for Activity ACTIVITY4	0.00	289,322.43	0.00	289,322.43
Total for Output : 00096707	0.00	6,204,017.87	0.00	6,204,017.87
Project Total :	0.00	6,204,017.87	0.00	6,204,017.87

Dr. Khalid Mahdi - Secretary-General of the General Secretariat of the Supreme Council for Planning and Development (GSSCPD).

Dr. Tarek El-Sheikh - United Nations Resident Coordinator



Signed By : _____ Date : _____

Signed By :  _____ Date : 21.3.2018



Financial Audit of Directly Implemented Project ID 91562 ICDI / KNDP - output ID 96707
 ICDI / KNDP "Institutional Capacity Development For Implementation Of The Kuwait
 National Development Plan (ICDI /KNDP)" for the year ended 31 December 2017.

Combined Delivery Report by Activity

UN Development Programme
 Report ID: unglodrb

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Funds Utilization	
Selection Criteria :	
Business Unit : KWT10	
Period : Jan-Dec (2017)	
Selected Project Id : ALL	
Selected Fund Code : ALL	
Selected Dept. IDs : ALL	
Selected Outputs : 00072396,00082681,00094565,00096707,00096747,00096803,00096804,00096863,00101063,00101305,00102106,00102107,00102365,001	
Project/Award: 00058316 Traffic Strategy	
Period : As Of Dec31,2017	
Output #	UNDP AMOUNT
00072396 Impl. Partner :01752 National Execution	
Outstanding NEX advances	0.00
Undepreciated Fixed Assets	0.00
Unamortized Intangible Assets	0.00
Inventory	0.00
Prepayments	0.00
Commitments	0.00
Project/Award: 00087622 Support to Public Authority of	
Period : As Of Dec31,2017	
Output #	UNDP AMOUNT
00094565 Impl. Partner :01752 National Execution	
Outstanding NEX advances	0.00
Undepreciated Fixed Assets	0.00
Unamortized Intangible Assets	0.00
Inventory	0.00
Prepayments	0.00
Commitments	0.00
Project/Award: 00091562 ICDI / KNDP	
Period : As Of Dec31,2017	
Output #	UNDP AMOUNT
00096707 Impl. Partner :01752 National Execution	
Outstanding NEX advances	0.00



Financial Audit of Directly Implemented Project ID 91562 ICDI / KNDP - output ID 96707
 ICDI / KNDP "Institutional Capacity Development For Implementation Of The Kuwait
 National Development Plan (ICDI /KNDP)" for the year ended 31 December 2017.

Funds Utilization

Undepreciated Fixed Assets	0.00
Unamortized Intangible Assets	0.00
Inventory	0.00
Prepayments	0.00
Commitments	0.00

Project/Award: 00091631 - Achiving Kwr 2035 Vision towa
 Period : As Of Dec31,2017

Output #	Impl. Partner	UNDP AMOUNT
00096747	:01752 National Execution	
Outstanding NEX advances		0.00
Undepreciated Fixed Assets		0.00
Unamortized Intangible Assets		0.00
Inventory		0.00
Prepayments		0.00
Commitments		0.00

Project/Award: 00097664 - Support to Public Authority fo
 Period : As Of Dec31,2017

Output #	Impl. Partner	UNDP AMOUNT
00101305	:01752 National Execution	
Outstanding NEX advances		0.00
Undepreciated Fixed Assets		0.00
Unamortized Intangible Assets		0.00
Inventory		0.00
Prepayments		0.00
Commitments		0.00



3. PART III: MANAGEMENT LETTER

3.1 Current year audit findings and recommendations:

No findings have been identified as a result of our audit.

3.2 Previous year’s audit recommendations follow-up:

The previous year’s audit report No. 1794 issued on 8 August 2017 for the project ID 91562 – output ID “Institutional Capacity Development for Implementation of the Kuwait National Development Plan (ICDI /KNDP)” for the period from 1 January to 31 December 2016 did not result on any recommendations.