

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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Resilient nations.*

AUDIT

OF

UNCDF PROJECT IN SOMALIA

SOMALIA MULTI WINDOW TRUST FUND
(Directly Implemented Project No. 94467, Output No. 98569)

Report No. 1975

Issue Date: 7 August 2018

**Report on the Audit of UNCDF Project in Somalia
Somalia Multi Window Trust Fund (Project No. 94467, Output No. 98569)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 4 to 7 June 2018, conducted an audit of UNCDF Project, Somalia Multi Window Trust Fund Project No. 94467, Output No. 98569 (the Project), which is directly implemented and managed by the UNCDF Project in Somalia (the Office). The last audit of the Project was conducted by OAI through Deloitte 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 statement¹ 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
6,373	Unmodified*

*Unmodified = unqualified or clean opinion.

The audit did not result in any recommendations.


Implementation status of previous OAI audit recommendations: Report No. 1829, 11 August 2017.

Total recommendations: 1
Implemented: 1

¹ 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

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



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

**UNITED NATIONS CAPITAL DEVELOPMENT FUND
(UNCDF)**

AUDIT REPORT

3 AUGUST 2018

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

Output name:	Somalia Multi Window Trust Fund
UNCDF Country Office:	Somalia
Atlas Project ID:	00094467
Atlas Output ID:	00098569
Auditor:	Moore Stephens LLP
Period subject to audit:	1 January to 31 December 2017

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EXECUTIVE SUMMARY

Moore Stephens LLP conducted the financial audit of Somalia Multi Window Trust Fund (Project ID 00094467 and Output ID 00098569 (the project), directly implemented by UNCDF Somalia for the year ended 31 December 2017. The audit was undertaken on behalf of UNCDF, through the Office of Audit and Investigations (OAI), UNDP.

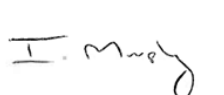
We have issued audit opinions as summarised in the table below and as detailed in the next section:

Project Financial Position	Unmodified
Statement of Fixed Assets	Not applicable
Statement of Cash Position	Not applicable

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

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	Inconsistencies in signing the project technical report by engineers before payments are made.	There were no set rules /guidelines on the minimum number of individuals that had to sign technical reports nor any guidelines on any specific individuals that should sign to acknowledge percentage completion of the project. In addition, some payments were made before certification from an independent engineer from the Joint Programme on Local Governance (JLPG) or International Labour Organisation (ILO) occurred.	All technical reports should be signed by the JPLG/ILO engineer to evidence verification of work done. A guideline should be developed that stipulates the minimum number of individuals that should sign the report.	Yes - For all works done JPLG/ILO engineers now sign to certify the percentage of work that has been completed. In addition, guidelines have been introduced that make it mandatory for two engineers to sign technical certificates.



Ian Murphy
Partner

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3 August 2018

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 position which includes:

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January and 31 December 2017 in the Combined Delivery Report (CDR), the Funds Utilization statement as at 31 December 2017 and the accounts receivable and accounts payable as at 31 December 2017 are fairly presented in accordance with UNCDF 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 UNCDF; and (iv) supported by properly approved vouchers and other supporting documents.
- Expressing an opinion on whether the Statement of Fixed Assets, at net book value, presents fairly the balance of depreciated assets of the UNCDF project as at 31 December 2017. This statement must include all assets available as at 31 December 2017 and not only those purchased in a given period.

Where a DIM project does not have any assets or equipment, it is not necessary to express such an opinion.

- Expressing an opinion on whether the Statement of Cash Position held by the project presents fairly the cash and bank balance of the UNCDF project as at 31 December 2017.

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 was conducted in accordance with the International Standards of Auditing (ISA), the 700 series. As applicable, the audit report provides the progress made in implementing the recommendations raised in the previous year's audit report.

The scope of the audit relates only to transactions concluded and recorded against the UNCDF DIM project between 1 January and 31 December 2017. 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 UNCDF Regional Centres and UNCDF Headquarters and where the supporting documentation is not retained at the level of the UNCDF Project, supported by the UNDP Somalia Country Office.

AUDIT OPINIONS

Independent Auditor's Report to UNCDF – Somalia Multi Window Trust Fund

Project Financial Position

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

We have audited the financial position of the UNCDF Somalia Multi Window Trust Fund (Project ID 00094467 and Output ID 00098569 for the period 1 January to 31 December 2017 which includes: (a) the accompanying Combined Delivery Report (CDR); (b) the Funds Utilization statement (“the statement”); and (c) the project -related accounts receivable and accounts payable.

The CDR expenditure totalling US\$ 6,373,240.86, is comprised of expenditure directly incurred by the UNCDF Project, supported by UNDP Country Office in Somalia for an amount of US\$ 6,373,240.86.

Unmodified opinion

In our opinion, the attached CDR and Funds Utilization statement present fairly, in all material respects, the expenses of US\$ 6,373,240.86 directly incurred by the UNCDF Project, supported by UNDP Country Office in Somalia and charged to the project for the period 1 January to 31 December 2017 in accordance with UNCDF 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 UNCDF; 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’ section of this report.

We are independent of UNCDF in accordance with the International Ethics Standards Board of Accountants’ Code of Ethics for Professional Accountants. We have fulfilled our other ethical responsibilities in accordance with these requirements, 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 responsibilities

Management is responsible for the preparation 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 are 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 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the CDR and the 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.



Ian Murphy
Partner

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3 August 2018

MOORE STEPHENS

Independent Auditor's Report to UNCDF – Somali Multi Window Trust Fund

Statement of Fixed Assets

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

We noted that the UNCDF project Somali Multi Window Trust Fund (Project ID 00094467 and Output ID 00098569) had no assets and accordingly a Statement of Fixed Assets was not produced.

Independent Auditor's Report to UNCDF – Somali Multi Window Trust Fund

Statement of Cash Position

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

NO DEDICATED BANK ACCOUNT FOR AUDITED DIM PROJECT ACTIVITIES

We noted that the UNCDF project Somali Multi Window Trust Fund (Project ID 00094467 and Output ID 00098569) 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

Selection Criteria :

Business Unit: UNCDF
 Period: Jan-Dec (2017)
 Selected Award Id: ALL
 Selected Project Id: ALL

Award ID : 00094467 Somalia Multi Window Trust Fun		Period : Jan-Dec (2017)	
Project ID : 00098569 Somalia Multi Window Trust Fun		Impl. Partner : UNCDF UNCDF	
		Location : UN Capital Development Fund	
	Prepaid DIM Exp	UNCDF Exp	Prepaid NIM Exp
			Total Exp

Activity : OUTPUT-1 (Policy and Legal framework FD)

Fund : G2802(PASS THROUGH MDTF FUNDS (AA))

71305 - Local Consult.-Sht Term-Tech	0.00	8,211.42	0.00	8,211.42
71625 - Daily Substist Allow-Mtg Partic	0.00	8,141.00	0.00	8,141.00
72105 - Svc Co-Construction & Engineer	0.00	42,565.00	0.00	42,565.00
72630 - Capital Grants - Local GOVT	0.00	9,000.00	0.00	9,000.00
74510 - Bank Charges	0.00	279.61	0.00	279.61
76135 - Realized Gain	0.00	-40.94	0.00	-40.94

Total for Fund G2802 0.00 68,156.09 0.00 68,156.09

Total for Activity OUTPUT-1 0.00 68,156.09 0.00 68,156.09

Activity : OUTPUT-2 (Support to FDS for LRM)

Fund : G2802(PASS THROUGH MDTF FUNDS (AA))

71605 - Travel Tickets-International	0.00	505.00	0.00	505.00
71635 - Travel - Other	0.00	152.00	0.00	152.00
74110 - Audit Fees	0.00	10,341.00	0.00	10,341.00

Total for Fund G2802 0.00 10,998.00 0.00 10,998.00

Total for Activity OUTPUT-2 0.00 10,998.00 0.00 10,998.00

Activity : OUTPUT-3 (Strengthe Financial oversight)

Fund : G2802(PASS THROUGH MDTF FUNDS (AA))

75110 - Facilities & Admin - Services	0.00	106,398.58	0.00	106,398.58
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Total for Fund G2802 0.00 106,398.58 0.00 106,398.58

Total for Activity OUTPUT-3 0.00 106,398.58 0.00 106,398.58

Activity : OUTPUT-4 (Strengthening LG oversight)

Fund : G2802(PASS THROUGH MDTF FUNDS (AA))

71605 - Travel Tickets-International	0.00	6,090.15	0.00	6,090.15
72630 - Capital Grants - Local GOVT	0.00	543,930.33	0.00	543,930.33
74510 - Bank Charges	0.00	8,035.05	0.00	8,035.05
75110 - Facilities & Admin - Services	0.00	122,826.75	0.00	122,826.75

Total for Fund G2802 0.00 680,882.28 0.00 680,882.28

Total for Activity OUTPUT-4 0.00 680,882.28 0.00 680,882.28

Award ID : 00094467 Somalia Multi Window Trust Fun		Period : Jan-Dec (2017)	
Project ID : 00098569 Somalia Multi Window Trust Fun		Impl. Partner : UNCDF UNCDF	
		Location : UN Capital Development Fund	
	Prepaid DIM Exp	UNCDF Exp	Prepaid NIM Exp
			Total Exp

Activity : OUTPUT-5 (LDF Investment)

Fund : G2802(PASS THROUGH MDTF FUNDS (AA))			
71605 - Travel Tickets-International	0.00	59,770.37	0.00
72630 - Capital Grants - Local GOVT	0.00	3,770,434.04	0.00
74510 - Bank Charges	0.00	47,590.87	0.00
75110 - Facilities & Admin - Services	0.00	43,160.38	0.00
Total for Fund G2802	0.00	3,920,955.66	0.00
Total for Activity OUTPUT-5	0.00	3,920,955.66	0.00

Activity : OUTPUT-6 (Other Grants)

Fund : G2802(PASS THROUGH MDTF FUNDS (AA))			
71615 - Daily Subsistence Allow-Intl	0.00	1,438.00	0.00
71635 - Travel - Other	0.00	228.00	0.00
72630 - Capital Grants - Local GOVT	0.00	357,202.41	0.00
74510 - Bank Charges	0.00	18,130.98	0.00
75110 - Facilities & Admin - Services	0.00	48,346.09	0.00
Total for Fund G2802	0.00	425,345.48	0.00
Total for Activity OUTPUT-6	0.00	425,345.48	0.00

Activity : OUTPUT-7 (Operations and HR)

Fund : G2802(PASS THROUGH MDTF FUNDS (AA))			
61305 - Salaries - IP Staff	0.00	113,954.30	0.00
61310 - Post Adjustment - IP Staff	0.00	34,035.66	0.00
62305 - Dependency Allowances-IP Staff	0.00	21,405.64	0.00
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	38,482.60	0.00
62315 - Contrib. to medical, social in	0.00	1,715.30	0.00
62320 - Mobility, Hardship, Non-remova	0.00	9,538.80	0.00
62330 - Rental Supplements - IP Staff	0.00	8,676.33	0.00
62340 - Annual Leave Expense - IP	0.00	- 389.46	0.00
63335 - Home Leave Trvl & Allow-IP Stf	0.00	3,006.24	0.00
63520 - Personal Security Measures	0.00	4,712.71	0.00
63530 - Contribution to EOS Benefits	0.00	5,549.66	0.00
63535 - Contribution to Security	0.00	9,751.56	0.00
63540 - Contribution to Training	0.00	1,183.90	0.00
63545 - Contribution to ICT	0.00	739.92	0.00
63550 - Contributions to MAIP	0.00	369.96	0.00
63555 - Contribution to UN JFA	0.00	4,809.70	0.00
63560 - Contributions to Appendix D	0.00	369.96	0.00
64310 - Separations - IP Staff	0.00	2,071.86	0.00
65115 - Contributions to ASHI Reserve	0.00	4,439.68	0.00
65135 - Payroll Mgt Cost Recovery ATLA	0.00	4,200.48	0.00
71205 - Intl Consultants-Sht Term-Tech	0.00	- 1,292.01	0.00
71305 - Local Consult. -Sht Term-Tech	0.00	5,325.91	0.00
71405 - Service Contracts-Individuals	0.00	278,131.83	0.00
71410 - MAIP Premium SC	0.00	584.81	0.00
71415 - Contribution to Security SC	0.00	12,588.94	0.00
71605 - Travel Tickets-International	0.00	112,387.71	0.00
71610 - Travel Tickets-Local	0.00	4,816.00	0.00
71615 - Daily Subsistence Allow-Intl	0.00	51,981.86	0.00
71620 - Daily Subsistence Allow-Local	0.00	10,332.00	0.00

Award ID : 00094467 Somalia Multi Window Trust Fun		Period : Jan-Dec (2017)		
Project ID : 00098569 Somalia Multi Window Trust Fun		Impl. Partner : UNCDF UNCDF		
		Location : UN Capital Development Fund		
	Prepaid DIM Exp	UNCDF Exp	Prepaid NIM Exp	Total Exp
71625 - Daily Subsist Allow-Mtg Partic	0.00	5,343.58	0.00	5,343.58
71630 - Shipment	0.00	211.96	0.00	211.96
71635 - Travel - Other	0.00	29,357.65	0.00	29,357.65
72311 - Fuel, petroleum and other oils	0.00	427.30	0.00	427.30
72405 - Acquisition of Communic Equip	0.00	200.00	0.00	200.00
72415 - Courier Charges	0.00	16.39	0.00	16.39
72425 - Mobile Telephone Charges	0.00	1,746.38	0.00	1,746.38
72435 - E-mail-Subscription	0.00	29.34	0.00	29.34
72440 - Connectivity Charges	0.00	3,157.42	0.00	3,157.42
72505 - Stationery & other Office Supp	0.00	1,458.48	0.00	1,458.48
72810 - Acquis of Computer Software	0.00	116.56	0.00	116.56
72815 - Inform Technology Supplies	0.00	1,171.95	0.00	1,171.95
73110 - Custodial & Cleaning Services	0.00	23.22	0.00	23.22
73125 - Common Services-Premises	0.00	142,576.43	0.00	142,576.43
73410 - Maint, Oper of Transport Equip	0.00	1,838.00	0.00	1,838.00
73505 - Reimb to UNDP for Supp Svcs	0.00	4,365.45	0.00	4,365.45
74510 - Bank Charges	0.00	8,674.06	0.00	8,674.06
74525 - Sundry	0.00	98.21	0.00	98.21
74599 - UNDP cost recovery chrgs-Bills	0.00	36,268.97	0.00	36,268.97
74696 - PP&E Expensed Items	0.00	10,489.19	0.00	10,489.19
75110 - Facilities & Admin - Services	0.00	151,360.12	0.00	151,360.12
75705 - Learning costs	0.00	17,301.92	0.00	17,301.92
75709 - Learning - training of counter	0.00	776.76	0.00	776.76
76125 - Realized Loss	0.00	18.87	0.00	18.87
76135 - Realized Gain	0.00	-5.29	0.00	-5.29
Total for Fund G2802	0.00	1,160,504.77	0.00	1,160,504.77
Total for Activity OUTPUT-7	0.00	1,160,504.77	0.00	1,160,504.77
Total for Project : 00098569	0.00	6,373,240.86	0.00	6,373,240.86
Award Total :	0.00	6,373,240.86	0.00	6,373,240.86

I. Murphy

Ian Murphy
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3 August 2018

MOORE STEPHENS

Anka Kitunzi



Signed By :

Anka Kitunzi
Chief Technical Advisor

Date :

15/feb/2018

Annex 2: Audit finding priority ratings

The following categories of priorities are used:

High (Critical)	Prompt action is required to ensure that UNCDF is not exposed to high risks. Failure to take action could result in major negative consequences for UNCDF.
Medium (Important)	Action is required to ensure that UNCDF is not exposed to risks. Failure to take action could result in negative consequences for UNCDF.
Low	Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.