



AUDIT

OF

UNDP NIGERIA

INTEGRATED COMMUNITY STABILIZATION
(Directly Implemented Project No. 108936, Output No. 108476)

Report No. 2275
Issue Date: 7 August 2020

Report on the Audit of UNDP Nigeria Integrated Community Stabilization (Project No. 108936, Output No. 108476) Executive Summary

The UNDP Office of Audit and Investigations (OAI), through KPMG SA (the audit firm), from 25 June to 16 July 2020, conducted an audit of Integrated Community Stabilization, Project No. 108936, Integrated Community Recovery and Resilience in Borno State: EU, Output No. 108476 (the Project), which is directly implemented and managed by the UNDP Country Office in Nigeria (the Office). This was the first audit of the Project.

The audit firm conducted a financial audit in accordance with the International Standards of Auditing (ISA) 700 series, to express an opinion on whether the project financial position presents 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 2019 and the accompanying Funds Utilization statement¹ as of 31 December 2019 as well as Statement of Assets as of 31 December 2019. 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 expenses of other United Nations agencies. 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 Expenses*			Project Assets	
Amount (in \$ '000)	Opinion	NFM** (in \$ '000)	Amount (in \$ '000)	Opinion
4,645	Adverse	374	12	Unmodified

*Expenses recorded in the Combined Delivery Report were \$5,957,032. Excluded from the audit scope were transactions that relate to expenses processed and approved by entities other than the UNDP Country Office (\$1,312,489).

**NFM= Net Financial Misstatement

The audit firm issued an adverse opinion on project expenses due to milestone payments for the construction and building of school classrooms and hospitals that were incurred in FY2018 but recognized on the FY2019 statement. The resulting impact was a material overstatement in the amount of \$373,724.57 that represented approximately 8 percent of statement expenditures directly incurred by the UNDP Country Office in Nigeria as at 31 December 2019.

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.

Key recommendation: Total = 1, high priority = 1

The recommendation aims to ensure the reliability and integrity of financial and operational information.

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendation is presented below:

Inaccurate presentation of the statement of expenditures (cutoff of expenditures) (Issue 1)

The audit identified transactions relating to milestone payments for construction and building of school classrooms and hospitals that were incurred in 2018 but recognized on the FY2019 Combined Delivery Report as expenses. The resulting impact was a material overstatement of the Combined Delivery Report in the amount of \$373,724.57 that represented approximately 8 percent of the statement of expenditures as at 31 December 2019. The issue above primarily arose as a result of inter-project transfers whereby the project under audit (108476) lacked sufficient funds to pay for the construction costs in 2018 and as such, these costs were temporarily charged to another project (110175). Management subsequently reversed the transactions to the relevant project (108476); however, the reversal was effected to the FY2019 period rather than to FY2018 when the costs were incurred. Further analysis of similar transactions in the general ledger also revealed instances of inter-project transfers between the projects above, where costs incurred in FY2018 were inadvertently booked to the FY2019 period resulting in further reversals in FY2020.

Recommendation: Country Office management should put in place robust control processes that ensure all expenses recorded in the Combined Delivery Report relate to the reporting period. Specifically, the Country Office should also:

- (a) Issue a directive to all staff to avoid cross financing of project expenses or transfer of funds between projects.
- (b) Formulate a budget override policy for short-term project deficits occurring due to special circumstances in the office. Such a budget override policy should be aligned to the requirements and limitations of the UNDP Internal Control Framework.
- (c) Initiate a process whereby communications between project managers and the finance team occur prior to each year-end closing, to facilitate timely review and approval of expenditures in Atlas for the given year and ensure only expenditures for which the services or goods were received are recorded in the project's statement of expenditures in Atlas.

Management comments and action plan

The Resident Representative accepted the recommendation and is in the process of implementing it. Comments and/or additional information provided have been incorporated into the report, where appropriate.

A handwritten signature in blue ink, appearing to read 'B G Simpson', is centered within a rectangular box.

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



**United Nations Development Programme
(UNDP)**

Report of the Independent Auditor on
the United Nations Development Programme (UNDP)
Directly Implemented (DIM) Project ID 00108936 “Integrated
Community Stabilization” – Output ID 00108476
“Integrated Community Recovery and Resilience in Borno State”
- Abuja, Nigeria -
For the period from 1 January to 31 December 2019



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Executive Summary

KPMG Geneva conducted the financial audit of UNDP Project ID 00108936 “Integrated Community Stabilization” – Output ID 00108476 “Integrated Community Recovery and Resilience in Borno State” (the project) directly implemented by UNDP Nigeria for the period from 1 January to 31 December 2019. The audit was undertaken on behalf of the Office of Audit and Investigations (OAI) United Nations Development Programme (UNDP).

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



Financial Position
Statement of Fixed Assets
Statement of Cash

Adverse
Unmodified
Not Applicable because the project
did not have a separate bank account

There was one reportable finding with a high priority rating identified during our audit. For further detailed discussions on the finding, refer to our management letter at page 16.

The Project Id 00108936 “Integrated Community Stabilization” – Output ID 00108476 “Integrated Community Recovery and Resilience in Borno State” was not audited in the prior year and therefore no recommendations for follow up.

KPMG SA



Pierre-Henri Pingeon
Partner



Henri Mwaniki
Senior Manager

Geneva, 3 August 2020

Audit Objectives and Scope

The objective of the financial audit was to express an opinion on the project financial position which includes:

- Expressing an opinion on whether the financial expenses incurred by the project over a specified period as well as the Fund Utilization statement, the accounts receivable and the accounts payable as at the end of a specified period 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, at Net Book Value, presents fairly the balance of depreciated assets of the UNDP project as at 31 December 2019. This Statement must include all assets available as at 31 December 2019 and not only those purchased in a given period. The opinion is rendered on the Net Book value balance of the Assets. 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 the project as at 31 December 2019. Disbursements made against a DIM project are usually financed from regular country office bank accounts. Exceptionally, a dedicated 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. The audit firm is required to express an opinion on the Statement of Cash only where a dedicated bank account 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.
- As maybe applicable, provide the progress made in implementing the recommendations raised in previous year audit report.

The Financial Audit was 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 2019. 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.

Independent Auditors' Report

Opinion on Financial Position

**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 00108936 “Integrated Community Stabilization” – Output ID 00108476 “Integrated Community Recovery and Resilience in Borno State” for the period from 1 January to 31 December 2019 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 totaling USD 5,957,032.15, is comprised of expenditure directly incurred by the UNDP Country Office in Nigeria for an amount of USD 4,644,543.00 and expenditure incurred by entities other than the Country Office for an amount of USD 1,312,489.15. Our audit only covered the expenditure directly incurred by the UNDP Country Office in Nigeria of USD 4,644,543.00.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for opinion section of our report, the accompanying CDR and Funds Utilization Statement do not present fairly the expenses of USD 4,644,543.00 directly incurred by the UNDP Country Office in Nigeria and charged to the project for the period from 1 January to 31 December 2019.

Basis for adverse opinion

Based on our audit procedures, we identified transactions relating to milestone payments for construction and building of school classrooms and hospitals that were incurred in FY2018 but recognized on the FY2019 Statement. The resulting impact was a material overstatement of the Statement in the amount of USD 373'724.57 that represented approximately 8% of the Statement expenditures directly incurred by the UNDP Country Office in Nigeria as at 31 December 2019.

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 adverse 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 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.

KPMG SA



Pierre-Henri Pingeon
Partner



Henri Mwaniki
Senior Manager

Geneva, 3 August 2020

Independent Auditors' Report

Statement of Fixed Assets

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

We have audited the accompanying statement of fixed assets of the UNDP Project ID 00108936 "Integrated Community Stabilization" – Output ID 00108476 "Integrated Community Recovery and Resilience in Borno State" as at 31 December 2019.

Unmodified Opinion

In our opinion, the accompanying statement of fixed assets presents fairly, in all material respects, the assets status of the UNDP Project ID 00108936 "Integrated Community Stabilization" – Output ID 00108936 "Integrated Community Recovery and Resilience in Borno State" amounting to USD 12,418.69 as at 31 December 2019 in accordance with UNDP accounting policies.

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 statement of fixed assets. 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 responsibilities

Management is responsible for the preparation of the statement of fixed assets of the project, and for such internal control as management determines is necessary to enable the preparation of a statement of fixed assets 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 statement of fixed assets 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 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 statement of fixed assets, 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.

KPMG SA



Pierre-Henri Pingeon
Partner



Henri Mwaniki
Senior Manager

Geneva, 3 August 2020

Annexes:

Annex 1: Combined Delivery Report and Funds Utilization Statement – Output ID 00108476



Combined Delivery Report By Project

UN

UN Development Programme

Report ID: unglodrp

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Run Time: 06-07-2020 12:07:40

Selection Criteria :

Business Unit : NGA10

Period : Jan-Dec (2019)

Selected Project Id : ALL

Selected Fund Code : ALL

Selected Dept. IDs : ALL

Selected Outputs : 00108476

Project id : 00108936 Integrated Community Stabiliza		Period :	Jan-Dec (2019)	
Output # : 00108476 Integrated Com Stab: EU		Impl. Partner :	99999 UNDP	
		Location :	PROGRAMME SECTION	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Dept: 36401 (Nigeria - Central)

Fund : 30079 (EUROPEAN COMMISSION)

61205 - Salaries - GS Staff	0.00	24,506.28	0.00	24,506.28
61305 - Salaries - IP Staff	0.00	48,399.67	0.00	48,399.67
61310 - Post Adjustment - IP Staff	0.00	16,329.19	0.00	16,329.19
62205 - Dependency Allow - GS Staff	0.00	1,038.47	0.00	1,038.47
62210 - Contrib to Jt Staff Pens Fd-GS	0.00	4,944.18	0.00	4,944.18
62215 - Contrib. to Medical, social In	0.00	1,776.71	0.00	1,776.71
62225 - Hazard Duty Station Allow-GS	0.00	3,901.07	0.00	3,901.07
62240 - Annual Leave Expense - GS	0.00	347.43	0.00	347.43
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	17,027.43	0.00	17,027.43
62315 - Contrib. to medical, social in	0.00	148.98	0.00	148.98
62320 - Mobility, Hardship, Non-remova	0.00	15,538.21	0.00	15,538.21
62335 - Hazard Duty Station Allow-IP	0.00	583.36	0.00	583.36
62340 - Annual Leave Expense - IP	0.00	1,702.86	0.00	1,702.86
63330 - Ed Grt Incl Trvl&Allow-IP Stf	0.00	6,240.00	0.00	6,240.00
63335 - Home Leave Trvl & Allow-IP Stf	0.00	210.00	0.00	210.00
63340 - Proc trips/Rest & Recup-IP Stf	0.00	550.15	0.00	550.15
63350 - Reimb of Income Tax-IP Staff	0.00	2,912.79	0.00	2,912.79
63365 - Special Oper Living Allow-IP	0.00	3,750.01	0.00	3,750.01
63530 - Contribution to EOS Benefits	0.00	3,346.31	0.00	3,346.31
63535 - Contribution to Security	0.00	5,488.04	0.00	5,488.04
63540 - Contribution to Training	0.00	312.30	0.00	312.30
63545 - Contribution to ICT	0.00	1,338.55	0.00	1,338.55
63550 - Contributions to MAIP	0.00	44.61	0.00	44.61
63555 - Contribution to UN JFA	0.00	2,677.03	0.00	2,677.03
63560 - Contributions to Appendix D	0.00	223.08	0.00	223.08
64210 - Separations - GS Staff	0.00	490.12	0.00	490.12
64310 - Separations - IP Staff	0.00	906.19	0.00	906.19
64397 - Services to projects -CO staff	0.00	0.00	0.00	0.00
65115 - Contributions to ASHI Reserve	0.00	8,878.85	0.00	8,878.85
65135 - Payroll Mgt Cost Recovery ATLA	0.00	610.38	0.00	610.38
71205 - Intl Consultants-Sht Term-Tech	0.00	6,570.00	0.00	6,570.00
71305 - Local Consult.-Sht Term-Tech	0.00	59,149.28	0.00	59,149.28
71405 - Service Contracts-Individuals	0.00	265,027.15	0.00	265,027.15
71410 - MAIP Premium SC	0.00	113.43	0.00	113.43
71415 - Contribution to Security SC	0.00	12,782.01	0.00	12,782.01
71505 - UN Volunteers-Stipend & Allow	0.00	15,136.56	0.00	15,136.56
71520 - UNV-Language Allowance	0.00	1,950.00	0.00	1,950.00
71525 - UNV-Hazard Pay	0.00	4,540.89	0.00	4,540.89
71535 - UNV-Medical Insurance	0.00	2,718.58	0.00	2,718.58
71540 - UNV-Global Charges	0.00	1,047.75	0.00	1,047.75
71541 - UNVs-Contribution to security	0.00	930.90	0.00	930.90
71550 - UNV-Resettlement Allowance	0.00	483.40	0.00	483.40
71592 - UNV_COST_RECOVERY_RECURRING	0.00	3,400.15	0.00	3,400.15
71605 - Travel Tickets-International	0.00	1,557.07	0.00	1,557.07

KPMG

INITIALED FOR IDENTIFICATION PURPOSES



Combined Delivery Report By Project

Project Id : 00108936 Integrated Community Stabiliza		Period : Jan-Dec (2019)		
Output # : 00108476 Integrated Com Stab: EU		Impl. Partner : 99999 UNDP		
		Location : PROGRAMME SECTION		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
71610 - Travel Tickets-Local	0.00	2,289.83	0.00	2,289.83
71615 - Daily Subsistence Allow-Intl	0.00	2,291.91	0.00	2,291.91
71620 - Daily Subsistence Allow-Local	0.00	11,921.52	0.00	11,921.52
71625 - Daily Substist Allow-Mtg Partic	0.00	16,901.66	0.00	16,901.66
71635 - Travel - Other	0.00	1,074.98	0.00	1,074.98
72105 - Svc Co-Construction & Engineer	0.00	465,739.63	0.00	465,739.63
72115 - Svc Co-Natural Resources & Env	0.00	2,332.15	0.00	2,332.15
72120 - Svc Co-Trade and Business Serv	0.00	1,936.22	0.00	1,936.22
72205 - Office Machinery	0.00	0.00	0.00	0.00
72210 - Machinery and Equipment	0.00	117,875.06	0.00	117,875.06
72220 - Furniture	0.00	267,811.17	0.00	267,811.17
72305 - Agri & Forestry Products	0.00	187,952.89	0.00	187,952.89
72311 - Fuel, petroleum and other oils	0.00	3,929.49	0.00	3,929.49
72315 - Food & Textile Products	0.00	77.96	0.00	77.96
72325 - Chemical,Glass,NonMetallic Prd	0.00	64,531.88	0.00	64,531.88
72370 - Security related goods and mat	0.00	3,598.23	0.00	3,598.23
72399 - Other Materials and Goods	0.00	71,101.07	0.00	71,101.07
72401 - Prefab structure/other buildin	0.00	89,124.77	0.00	89,124.77
72402 - Building Maintenance	0.00	423,047.18	0.00	423,047.18
72405 - Acquisition of Communic Equip	0.00	6,115.95	0.00	6,115.95
72415 - Courier Charges	0.00	77.58	0.00	77.58
72425 - Mobile Telephone Charges	0.00	7,804.45	0.00	7,804.45
72440 - Connectivity Charges	0.00	4,703.29	0.00	4,703.29
72445 - Common Services-Communications	0.00	0.00	0.00	0.00
72505 - Stationery & other Office Supp	0.00	834.28	0.00	834.28
72515 - Print Media	0.00	2,176.80	0.00	2,176.80
72605 - Grants to Instit & other Benef	0.00	41,506.66	0.00	41,506.66
72715 - Hospitality Catering	0.00	0.00	0.00	0.00
72805 - Acquis of Computer Hardware	0.00	0.00	0.00	0.00
72815 - Inform Technology Supplies	0.00	77.59	0.00	77.59
72966 - Licenses and other	0.00	513.00	0.00	513.00
73104 - Leased Building	0.00	41,442.19	0.00	41,442.19
73107 - Rent - Meeting Rooms	0.00	9,021.76	0.00	9,021.76
73125 - Common Services-Premises	0.00	25,307.01	0.00	25,307.01
73216 - Construction Cost	0.00	787,430.31	0.00	787,430.31
73405 - Rental & Maint-Other Office Eq	0.00	1,185.72	0.00	1,185.72
73406 - Maintenance of Equipment	0.00	438.90	0.00	438.90
73410 - Maint, Oper of Transport Equip	0.00	2,175.41	0.00	2,175.41
74205 - Audio Visual Productions	0.00	4,991.32	0.00	4,991.32
74210 - Printing and Publications	0.00	11,259.86	0.00	11,259.86
74225 - Other Media Costs	0.00	0.00	0.00	0.00
74505 - Insurance	0.00	11,602.71	0.00	11,602.71
74525 - Sundry	0.00	0.00	0.00	0.00
74596 - Services to projects -GOE	0.00	0.00	0.00	0.00
74705 - Port Operation	0.00	0.00	0.00	0.00
74710 - Land Transport	0.00	883.01	0.00	883.01
74725 - Other L.T.S.H.	0.00	2,817.21	0.00	2,817.21
75105 - Facilities & Admin - Implement	0.00	309,587.70	0.00	309,587.70
75705 - Learning costs	0.00	572,989.61	0.00	572,989.61
75707 - Learning - subsistence allowan	0.00	17,167.66	0.00	17,167.66
75708 - Learning - subcontracts	0.00	440,001.32	0.00	440,001.32
75709 - Learning - training of counter	0.00	121,599.68	0.00	121,599.68
75710 - Participation of counterparts	0.00	16,741.51	0.00	16,741.51
75711 - TrnWrkshp&Conf - Stipends	0.00	7,973.07	0.00	7,973.07



Combined Delivery Report By Project

UN Development Programme
Report ID: unglcdrp

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Run Time: 06-07-2020 12:07:48

Funds Utilization

Selection Criteria :

Business Unit : NGA10
Period : Jan-Dec (2019)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00108476

Project/Award: 00108936 Integrated Community Stabiliza

Period : As at Dec 31, 2019

Output #	00108476	Impl. Partner :99999 UNDP	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			12,418.69
Unamortized Intangible Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			963,968.57



UN Development Programme
Report ID: unglodrp

Combined Delivery Report By Project

Page 4 of 5
Run Time: 06-07-2020 12:07:40

Selection Criteria :

Business Unit : NGA10
Period : Jan-Dec (2019)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00108476

Project Id : ALL	Period : Jan-Dec (2019)			
Output # : ALL	Impl. Partner :			
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
36401 - Nigeria - Central	0.00	5,957,032.15	0.00	5,957,032.15



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 3 of 5
Run Time: 06-07-2020 12:07:40

Project Id : 00108936 Integrated Community Stabiliza		Period :	Jan-Dec (2019)	
Output # : 00108476 Integrated Com Stab: EU		Impl. Partner :	99999 UNDP	
		Location :	PROGRAMME SECTION	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
76110 - Foreign Exch Translation Loss	0.00	0.72	0.00	0.72
76125 - Realized Loss	0.00	1,093.97	0.00	1,093.97
76135 - Realized Gain	0.00	- 615.36	0.00	- 615.36
77670 - Dep Exp-Hvy Mac & Equip	0.00	677.38	0.00	677.38
Total for Fund 30079	0.00	4,732,749.29	0.00	4,732,749.29
Fund : 30089 (EU CS UNSyst ProjCooperation)				
61105 - Salaries - NP Staff	0.00	86,030.00	0.00	86,030.00
61205 - Salaries - GS Staff	0.00	154,690.15	0.00	154,690.15
64397 - Services to projects -CO staff	0.00	0.00	0.00	0.00
71305 - Local Consult.-Sht Term-Tech	0.00	321,454.18	0.00	321,454.18
71405 - Service Contracts-Individuals	0.00	227,861.66	0.00	227,861.66
71610 - Travel Tickets-Local	0.00	5,589.99	0.00	5,589.99
71620 - Daily Subsistence Allow-Local	0.00	1,204.00	0.00	1,204.00
72105 - Svc Co-Construction & Engineer	0.00	30,216.01	0.00	30,216.01
72160 - Svc Co-Education & Health Serv	0.00	26,661.99	0.00	26,661.99
72330 - Medical Products	0.00	269,922.18	0.00	269,922.18
73120 - Utilities	0.00	20,559.22	0.00	20,559.22
74596 - Services to projects -GOE	0.00	0.00	0.00	0.00
75105 - Facilities & Admin - Implement	0.00	80,093.48	0.00	80,093.48
Total for Fund 30089	0.00	1,224,282.86	0.00	1,224,282.86
Total for Dept : 36401	0.00	5,957,032.15	0.00	5,957,032.15
Total for Output : 00108476	0.00	5,957,032.15	0.00	5,957,032.15
Project Total :	0.00	5,957,032.15	0.00	5,957,032.15



Signed By : LEALEM BERHANU DINKU Date : 6-07-2020

Signed By : [Signature] Date : _____

DEPUTY RES. REPRESENTATIVE(P)

[Signature]

[Signature]

Pierre-Henri Pigeon, Partner
KPMG SA, Geneva

Henri Mwaniki, Senior Manager
KPMG SA, Geneva

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Annex 2: Statement of Fixed Assets



UN Development Programme

Report ID: UNAM600

Business Unit: NGA10

Operating Unit: NGA

Business unit	Operating Unit	Asset ID	Profile ID	Description	TAG Number	Serial Number	Model	Location	Acquisition Date	In Service Date	Cost, USD	Net Book Value	Quantity	Department	Impl Agency	Donor	Project	Fund code
NGA10	NGA	000000001334	HYME1	60kva Diesel Generators	000000001334	DX826705000710C		NGA	02/05/2018	02/05/2018	13,547.66	12,418.69		136401	001981	10159	00108476	30079

Signed By: Lealem Berhanu Dinku

Date: 23rd June 2020

Title: Deputy Resident Representative (P)

Project: 00108476 - Integrated Community Stabilization - EU



Pierre-Henri Pingeon, Partner
KPMG SA, Geneva
3 August 2020

Henri Mwaniki, Senior Manager
KPMG SA, Geneva
3 August 2020

Annex 3: Management Letter

**United Nations Development Programme
(UNDP)**

Directly Implemented (DIM) Project ID 00108936 “Integrated
Community Stabiliza” – Output ID 00108476
“Integrated Community Recovery and Resilience in Borno State”
- Abuja, Nigeria -

Management Letter

For the period from 1 January 2019 to 31 December 2019

Management Letter

To: National Project Director and Resident Representative

Audited Project: “Integrated Community Stabiliza” – Output ID 00108476

“Integrated Community Recovery and Resilience in Borno State”

Period covered by the audited CDR: 1 January 2019 to 31 December 2019

Atlas Project ID: 108936

Location: Abuja, Nigeria

We noted the following finding in relation to the project as a result of our audit. There were no findings presented for the prior year as the project was not audited in the prior year.

Finding 1: Inaccurate presentation of the statement of expenditures (cutoff of expenditures)

Criteria

UNDP Programme and Operations Policies and Procedures (POPP) states that the Combined Delivery Report (CDR) should display expenses directly incurred by UNDP on behalf of the project.

Internal Control Framework (ICF) – Role of Project managers: Project managers are responsible for verifying satisfactory receipt of goods, services, and works on a timely basis. They must record the receipt accurately and in a timely manner and inform the programme assistant or the finance officer who records the receipt in Atlas as part of the ‘three-way matching’ process.

Observation

Based on our audit procedures, we identified transactions relating to milestone payments for construction and building of school classrooms and hospitals that were incurred in 2018 but recognized on the FY2019 CDR as expenses. The resulting impact was a material overstatement of the CDR in the amount of USD 373'724.57 that represented approximately 8% of the Statement of Expenditures as at 31 December 2019.

The issue above primarily arose as a result of inter project transfers whereby the project under audit i.e., 00108476, lacked sufficient funds to pay for the construction costs in 2018 and as such, these costs were temporarily charged to another project (00110175). Management subsequently reversed the transactions to the relevant project (00108476), however, the reversal was effected to FY2019 period rather than to FY2018 when the costs were incurred. Further analysis of similar transactions in the general ledger also revealed instances of inter project transfers between the projects above, where costs incurred in FY2018 and inadvertently booked to the FY2019 period resulting in further reversals in FY2020.

Below are the details of the reversal transactions that impacted the FY2019 Statement of Expenditures:

Transaction Id	Description	USD Amount
NGA10-00130250-1-1-ACCR-DST	20% of total contract value payable upon signing of contract for construction of 2 buildings with 2 classrooms	19,576.89
NGA10-00130255-1-1-ACCR-DST	40% Contract value payable upon completion and certification of excavation on the site for construction of 2 buildings with 2 classrooms	39,139.79
NGA10-00130259-1-1-ACCR-DST	35% of contract value payable upon project completion, submission of report, project completion certification and the list of the workers for construction of 2 buildings with 2 classrooms	34,247.32
NGA10-00131543-1-2-ACCR-DST	Wrong reversal of 40% Contract value payable upon completion and certification of excavation on the site for construction of 2 buildings with 2 classrooms	39,139.79
NGA10-00131544-1-2-ACCR-DST	Wrong reversal of 35% of contract value payable upon project completion, submission of report, project completion certification and the list of the workers for construction of 2 buildings with 2 classrooms	34,247.32
NGA10-00131553-1-2-ACCR-DST	Wrong reversal of 20% of total contract value payable upon signing of contract for construction of 2 buildings with 2 classrooms	19,576.89
NGA10-00132448-1-2-ACCR-DST	Wrong reversal of 35% of contract value payable upon project completion, submission of report, project completion certification and the list of the workers for construction of 2 buildings with 2 classrooms	34,247.32
NGA10-00132449-1-2-ACCR-DST	Wrong reversal of 40% Contract value payable upon completion and certification of excavation on the site for construction of 2 buildings with 2 classrooms	39,139.79
NGA10-00132450-1-2-ACCR-DST	Wrong reversal of 20% of total contract value payable upon signing of contract for construction of 2 buildings with 2 classrooms	19,576.89
NGA10-00130258-1-1-ACCR-DST	20% upon signing of contract total value for construction of 1 bloc hospital building	47,416.35
NGA10-00132454-1-2-ACCR-DST	Wrong Reversal of 20% upon signing of contract total value for construction of 1 bloc hospital building	47,416.35
Total transactions FY2018 recorded as expenses FY2019		373,724.70

Implication

As a result of the material misstatements identified, our opinion has been modified and is considered adverse.

Priority

High

Recommendation

In complying with UNDP's policies and procedures including internal control frameworks (ICF), we recommend that Country Office management put in place robust control processes that ensures all expenses recorded in the CDR relate to the reporting period. Specifically, the Country Office should also:

a) Issue a directive to all staff to avoid cross financing of project expenses between projects or transfer of funds between projects;

b) Formulate a budget override policy for short-term project deficits occurring due to special circumstances in the office. Such a budget override policy should be aligned to the requirements and limitations of the UNDP Internal Control Framework, "Authorities, responsibilities, and accountabilities of the head of the Office, clause (i)." If a budget override is exercised and donor payment(s) are withheld or remains unpaid for any reason, the CO should replenish any deficits created from its own alternative resources (e.g., extra-budgetary funds or targets for resource assignments from the core (known as 'TRACs'), or the Regional Bureau covers the replenishment;

c) Initiate a process whereby communications between project managers and the finance team occur prior to each year end closing, to facilitate timely review and approval of expenditures in Atlas for the given year and ensure only expenditures for which the services or goods were received are recorded in the project's statement of expenditures in Atlas.

Comment from Management

We take note of your observation and recommendations and we are in the process of implementing them. We would like to clarify that the amount indicated in your audit findings relates to two project activities that were carried out in the North Eastern part of Nigeria. The project encountered some issue with funding of project activities in late 2018 and in order to continue with the pace of implementation of project activities, we decided to pre-finance the two activities from different funding sources bearing in mind that the pre-financed activities will be reversed as soon as the expected funding from the donor was received by the project.

The expected funding was received in 2019 and consequently, the reversals were done in 2019. The project is a multi-year project (2018 – 2021), thus the net financial impact on the project finances spanning over the lifetime of the project will be zero. Adjustments were already processed by the office, but since these were processed after the cut off period for UNDP financial year end, the CDRs for FY2018 and FY2019 were already finalized.

Estimated completion date

October 31, 2020



Prior Year Follow-Up

None

KPMG SA

Pierre-Henri Pingeon

Henri Mwaniki

Geneva, 3 August 2020

Annex 4: Findings Priority Ratings

Priorities of Audit Recommendations

The audit observations are categorized according to the priority of the audit recommendations and the possible causes of the issues. The categorized audit observation provides a basis by which the UNDP country office management is to address the issues.

The following categories of priorities are used:

High (Critical)	Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.
Medium (Important)	Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.
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.