



AUDIT

OF

INTEGRATED COMMUNITY STABILIZATION
(Directly Implemented Project No. 108936, Output No. 111742)

IN

UNDP NIGERIA

Report No. 2400
Issue Date: 3 September 2021

**Report on the Audit of
Integrated Community Stabilization
(Project No. 108936, Output No. 111742) in UNDP Nigeria
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through KPMG SA (the audit firm), from 18 May to 15 June 2021, conducted an audit of 'Integrated Community Stabilization' (Project No. 108936), 'Waste Management EU' (Output No. 111742) (the Project), which is directly implemented and managed by the UNDP Country Office in Nigeria (the Office). The last audit of the Project (Output 108476) was conducted by OAI, through KPMG SA in 2020 and covered project expenses from 1 January to 31 December 2019.

The audit firm conducted a financial audit in accordance with the International Standards of Auditing (ISA), the 700 series, 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 2020 and the accompanying Funds Utilization statement¹ as of 31 December 2020 as well as Statement of Assets as of 31 December 2020. The audit did not include expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). 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 Expenses*		Project Assets			Impact on Statement of Assets
Amount (in \$ '000)	Opinion	Amount (in \$'000)	Opinion	NFM** (in \$ '000)	
1,575	Unmodified***	195	Adverse	11	Overstatement

* Expenses recorded in the Combined Delivery Report were \$1,804,457. Excluded from the audit scope were expenses processed and approved by other UNDP offices outside of the country (\$229,491).

**NFM= Net Financial Misstatement

*** There was a Net Financial Misstatement (NFM) of \$17,878 (understatement) but it did not affect the audit opinion as it was not financially material.

The audit firm provided an adverse opinion on project assets due to the incorrect recording of the asset in-service date; the date was 13 months later than the actual date. The resulting financial impact was a material overstatement of the total net book value of assets of \$11,343, that represented 6 percent of the project assets.

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 recommendations: Total = **2**, high priority = **1**

The two recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	1	Medium
	2	High

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:

Overstatement of
fixed assets
(Issue 2)

Asset ID 1360 was overstated in the Statement of Fixed Assets as a result of being captured with a wrong item code in the Atlas system. UNDP took corrective action but entered a wrong 'in service' date during the correction. The audit disclosed that the actual 'in service' date for the armoured vehicle should have been 13 months earlier, 12 April 2019 instead of 18 May 2020, if compared against the vehicle's log sheets when first in use. The wrong effective date led to an understatement of depreciation charges by \$3,490. The impact on the Statement of Fixed Assets was an overstatement of the total net book value of assets by \$11,343.

Recommendation: The Office should put in place robust review control processes that ensure all fixed assets are recorded in Atlas with accurate capitalisation and effective dates.

Implementation status of previous OAI audit recommendation: Report No. 2275, 7 August 2020.


Total recommendations: 1

In progress: 1

The pending recommendation pertains to the inaccurate presentation of the statement of expenditures (cut-off of expenditures). Its implementation is in progress due to a recurring issue identified in the current year's audit.

Management comments and action plan

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



Helge
Ostveiten
2021.09.03
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Helge S. Ostveiten
Director
Office of Audit and Investigations



**United Nations Development Programme
(UNDP)**

Report of the Independent Auditor on
Directly Implemented (DIM) Project ID 00108936
Integrated Community Stabilization
Output ID 00111742 - Waste Management EU
For the period from 01 January to 31 December 2020

Implemented in the United Nations Development Programme
(UNDP) Nigeria



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**KPMG SA**

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Executive Summary

KPMG Geneva conducted the financial audit of UNDP Project ID 00108936 - Integrated Community Stabilization Output ID 00111742 "Waste Management EU", directly implemented by UNDP Nigeria for the period from 01 January to 31 December 2020. 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**Unmodified****Statement of Fixed Assets****Adverse opinion****Statement of Cash****Not Applicable because the project did not have a separate bank account**

There were two reportable findings identified during our audit. For further detailed discussions on the findings, refer to our management letter at page 17.

The Project ID 00108936 "Integrated Community Stabilization" – Output ID 108476 was audited in the prior year (Report issued on 20 July 2020) and resulted in recommendations. For further details on the follow up of the finding refer to our management letter at page 5.

KPMG SA

Pierre-Henri Pigeon
Partner

Henri Mwaniki
Senior Manager

Geneva, 14 July 2021

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 between 01 January and 31 December 2020 as well as the Fund Utilization statement, as at 31 December 2020 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 2020. This Statement must include all assets available as at 31 December 2020 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 2020. 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 01 January and 31 December 2020. 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 ID 00108936 - Integrated Community Stabilization, Output ID 00111742 "Waste Management EU" for the period from 01 January to 31 December 2020 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 1,804,456.52 is comprised of expenditure directly incurred by the UNDP Country Office in Nigeria for an amount of USD 1,574,965.61 and expenditure incurred by entities other than the Country Office for an amount of USD 229,490.91. Our audit only covered the expenditure directly incurred by the UNDP Country Office in Nigeria of USD 1,574,965.61.

Unmodified Opinion

In our opinion, the attached CDR and Funds Utilization statement present fairly, in all material respects, the expenses of USD 1,574,965.61 directly incurred by the UNDP Country Office in Nigeria and charged to the project for the period from 01 January to 31 December 2020 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 unmodified 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA 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 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, 14 July 2021

**KPMG SA**

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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 00111742 "Waste Management EU" as at 31 December 2020.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for opinion section of our report, the accompanying statement of fixed assets does not present fairly the assets status of the UNDP project ID 00108936 - Integrated Community Stabilization, Output ID 00111742 "Waste Management EU" amounting to USD 194,750.40 as at 31 December 2020 in accordance with UNDP accounting policies.

Basis for Adverse opinion

Based on our audit procedures, we identified one asset that was overstated as a result of an incorrect allocation of the items' code and catalogue within the Atlas fixed asset module. The resulting impact of the error was an overstatement of the Statement of Fixed Asset net book value in the amount of USD 11,343, which approximated 6% of the total fixed assets of USD 194,750 as at 31 December 2020.

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 for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA 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 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, 14 July 2021

Annex:

Annex 1: Combined Delivery Report and Funds Utilization Statement – Output ID 00111742 (USD)



UN Development Programme

Page 1 of 5
Run Time: 01-03-2021 15:03:08

Business Unit : NGA10
Period : Jan-Dec (2020)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00111742

Dept: 36401 (Nigeria - Central)

Fund : 04000 (Core Programme, UNU Centre)

Total for Fund 04000	0.00	- 629.62	0.00	- 629.62
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Combined Delivery Report By Project

UN
DP

UN Development Programme

Report ID: unglcdrp

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Run Time: 01-03-2021 15:03:09

Project Id : 00108936 Integrated Community Stabiliza	Period :	Jan-Dec (2020)
Output # : 00111742 Waste Management: EU	Impl. Partner :	99999 UNDP
	Location :	
	Govt Exp	UNDP Exp
	UN Agencies Exp	Total Exp

Fund : 30079 (EUROPEAN COMMISSION)

61305 - Salaries - IP Staff	0.00	74,566.10	0.00	74,566.10
61310 - Post Adjustment - IP Staff	0.00	30,297.15	0.00	30,297.15
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	26,119.44	0.00	26,119.44
62315 - Contrib. to medical, social in	0.00	558.07	0.00	558.07
62320 - Mobility, Hardship, Non-remova	0.00	18,591.84	0.00	18,591.84
62335 - Hazard Duty Station Allow-IP	0.00	15,408.22	0.00	15,408.22
62340 - Annual Leave Expense - IP	0.00	8,872.68	0.00	8,872.68
63330 - Ed Grt Incl Trvl&Allow-IP Stf	0.00	12,480.00	0.00	12,480.00
63335 - Home Leave Trvl & Allow-IP Stf	0.00	840.00	0.00	840.00
63340 - Proc trips/Rest & Recup-IP Stf	0.00	1,883.25	0.00	1,883.25
63350 - Reimb of Income Tax-IP Staff	0.00	3,659.10	0.00	3,659.10
63365 - Special Oper Living Allow-IP	0.00	8,785.00	0.00	8,785.00
63530 - Contribution to EOS Benefits	0.00	2,992.20	0.00	2,992.20
63535 - Contribution to Security	0.00	6,298.45	0.00	6,298.45
63540 - Contribution to Training	0.00	367.05	0.00	367.05
63545 - Contribution to ICT	0.00	1,572.96	0.00	1,572.96
63550 - Contributions to MAIP	0.00	52.44	0.00	52.44
63555 - Contribution to UN JFA	0.00	3,145.89	0.00	3,145.89
63560 - Contributions to Appendix D	0.00	262.17	0.00	262.17
64310 - Separations - IP Staff	0.00	1,468.07	0.00	1,468.07
64397 - Services to projects -CO staff	0.00	76,277.23	0.00	76,277.23
65115 - Contributions to ASHI Reserve	0.00	10,433.89	0.00	10,433.89
65135 - Payroll Mgt Cost Recovery ATLA	0.00	836.94	0.00	836.94
71205 - Intl Consultants-Sht Term-Tech	0.00	49,228.00	0.00	49,228.00
71211 - Intl Consult Security Charge	0.00	1,559.90	0.00	1,559.90
71305 - Local Consult.-Sht Term-Tech	0.00	9,569.85	0.00	9,569.85
71310 - Local Consult.-Short Term-Supp	0.00	11,789.66	0.00	11,789.66
71360 - Local Consult-Security	0.00	64.34	0.00	64.34
71505 - UN Volunteers-Stipend & Allow	0.00	61,791.22	0.00	61,791.22
71520 - UNV-Language Allowance	0.00	2,723.66	0.00	2,723.66
71525 - UNV-Hazard Pay	0.00	18,537.28	0.00	18,537.28
71535 - UNV-Medical Insurance	0.00	10,890.30	0.00	10,890.30
71540 - UNV-Global Charges	0.00	3,563.19	0.00	3,563.19
71541 - UNVs-Contribution to security	0.00	3,708.58	0.00	3,708.58
71550 - UNV-Resettlement Allowance	0.00	4,713.20	0.00	4,713.20
71565 - UNV-Natl Appoint/Sep incl Trvl	0.00	299.96	0.00	299.96
71591 - UNV_Cost_Recovery_Deployment	0.00	6,599.26	0.00	6,599.26
71592 - UNV_COST_RECOVERY_RECURRING	0.00	13,480.00	0.00	13,480.00
71610 - Travel Tickets-Local	0.00	242.45	0.00	242.45
71615 - Daily Subsistence Allow-Intl	0.00	94.00	0.00	94.00
71620 - Daily Subsistence Allow-Local	0.00	14,498.45	0.00	14,498.45
71635 - Travel - Other	0.00	3,285.64	0.00	3,285.64
72115 - Svc Co-Natural Resources & Env	0.00	25,004.38	0.00	25,004.38
72120 - Svc Co-Trade and Business Serv	0.00	318,946.74	0.00	318,946.74
72130 - Svc Co-Transportation Services	0.00	10,413.04	0.00	10,413.04
72135 - Svc Co-Communications Service	0.00	26.14	0.00	26.14
72165 - Svc Co-Social Svcs, Social Sci	0.00	784,835.86	0.00	784,835.86
72215 - Transporation Equipment	0.00	- 6,510.97	0.00	- 6,510.97
72216 - Spec purp transp Armored&Mine	0.00	- 125,650.00	0.00	- 125,650.00
72311 - Fuel, petroleum and other oils	0.00	1,442.75	0.00	1,442.75
72315 - Food & Textile Products	0.00	3,666.27	0.00	3,666.27
72325 - Chemical,Glass,NonMetallic Prd	0.00	59.23	0.00	59.23



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

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Run Time: 01-03-2021 15:03:09

Project Id : 00108936 Integrated Community Stabiliza		Period :	Jan-Dec (2020)	
Output # : 00111742 Waste Management: EU		Impl. Partner :	99999 UNDP	
		Location :		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
72330 - Medical Products	0.00	296.14	0.00	296.14
72350 - Medical Kits	0.00	2,612.09	0.00	2,612.09
72399 - Other Materials and Goods	0.00	65,011.83	0.00	65,011.83
72405 - Acquisition of Communic Equip	0.00	78.43	0.00	78.43
72425 - Mobile Telephone Charges	0.00	2,602.31	0.00	2,602.31
72440 - Connectivity Charges	0.00	3,916.48	0.00	3,916.48
72805 - Acquis of Computer Hardware	0.00	745.10	0.00	745.10
73110 - Custodial & Cleaning Services	0.00	4,926.05	0.00	4,926.05
73410 - Maint, Oper of Transport Equip	0.00	760.77	0.00	760.77
74112 - Accounting related Fees	0.00	26,379.08	0.00	26,379.08
74505 - Insurance	0.00	2,149.18	0.00	2,149.18
74596 - Services to projects -GOE	0.00	12,828.40	0.00	12,828.40
74705 - Port Operation	0.00	- 1,743.01	0.00	- 1,743.01
74725 - Other L.T.S.H.	0.00	1,635.80	0.00	1,635.80
75105 - Facilities & Admin - Implement	0.00	116,685.48	0.00	116,685.48
75707 - Learning – subsistence allowan	0.00	462.02	0.00	462.02
75711 - TrnWrkshp&Conf - Stipends	0.00	- 83.03	0.00	- 83.03
76125 - Realized Loss	0.00	10.38	0.00	10.38
76135 - Realized Gain	0.00	- 395.51	0.00	- 395.51
77660 - Dep Exp Owned -Vehicle	0.00	9,717.28	0.00	9,717.28
Total for Fund 30079	0.00	1,783,235.79	0.00	1,783,235.79
Total for Dept : 36401	0.00	1,782,606.17	0.00	1,782,606.17
Dept: 36408 (Nigeria - Poverty Reduction)				
Fund : 30079(EUROPEAN COMMISSION)				
71505 - UN Volunteers-Stipend & Allow	0.00	9,931.40	0.00	9,931.40
71520 - UNV-Language Allowance	0.00	420.00	0.00	420.00
71525 - UNV-Hazard Pay	0.00	4,793.84	0.00	4,793.84
71535 - UNV-Medical Insurance	0.00	864.96	0.00	864.96
71540 - UNV-Global Charges	0.00	573.92	0.00	573.92
71541 - UNVs-Contribution to security	0.00	717.42	0.00	717.42
71550 - UNV-Resettlement Allowance	0.00	827.66	0.00	827.66
71592 - UNV_COST_RECOVERY_RECURRING	0.00	2,291.68	0.00	2,291.68
75105 - Facilities & Admin - Implement	0.00	1,429.47	0.00	1,429.47
Total for Fund 30079	0.00	21,850.35	0.00	21,850.35
Total for Dept : 36408	0.00	21,850.35	0.00	21,850.35
Total for Output : 00111742	0.00	1,804,456.52	0.00	1,804,456.52
Project Total :				
	0.00	1,804,456.52	0.00	1,804,456.52

Signed By :

Leahem Berhan
DPG (P)

Date :

July 14 2021

Signed By :

Date :



Pierre-Henri Pigeon, Partner
KPMG SA, Geneva
14 July 2021

Henri Mwaniki, Senior Manager
KPMG SA, Geneva
14 July 2021

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UN
DP

UN Development Programme

Report ID: unglcdrp

Combined Delivery Report By Project

Page 4 of 5

Run Time: 01-03-2021 15:03:09

Selection Criteria :

Business Unit : NGA10
Period : Jan-Dec (2020)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00111742

Project Id : ALL	Period : Jan-Dec (2020)
Output # : ALL	Impl. Partner : Location :

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
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36401 - Nigeria - Central	0.00	1,782,606.17	0.00	1,782,606.17
36408 - Nigeria - Poverty Reduction	0.00	21,850.35	0.00	21,850.35

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Funds Utilization

Selection Criteria :

Business Unit : NGA10
Period : Jan-Dec (2020)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00111742

Project/Award: 00108936 Integrated Community Stabiliza Period : As at Dec 31, 2020

Output #	00111742	Impl. Partner :99999 UNDP	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			194,750.40
Unamortized Intangible Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			732,029.63

Annex 2: Statement of Fixed Assets

Statement of Fixed Asset for Project 00111742 as of 31st December 2020

UN Development Programme

Report ID: UNAM500

Business Un NGA10



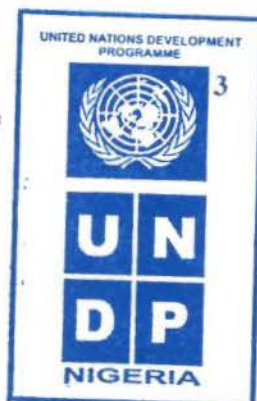
Operating U NGA

Business unit	Operatin	Asset ID	Profile ID	Description	TAG Number	Serial Number	Model	Location	Acquisition Date	In Service Date	Cost,USD	Net Book Value	Quantity	Department	Impl Agenc	Donor	Project	Fund code
NGA10	NGA	000000001360	MTRV5	Toyota Land Cruiser 200 Ar	000000001360	JTMHVO1J3J5042758		NGAUNH4MAD	18/05/2020	18/05/2020	125,650.00	118,669.44	1	36401	001981	10159	00111742	30079
NGA10	NGA	000000001361	MTRV4	HILUX Double Cab 3.0 Dies	000000001361	AHTKK8CD200677148		NGAUNH4MAD	26/08/2020	26/08/2020	39,408.84	38,040.48	1	36401	001981	10159	00111742	30079
NGA10	NGA	000000001362	MTRV4	Hilux Double Cab 3.0 Dies	000000001362	AHTKK8CD400677121		NGAUNH4MAD	26/08/2020	26/08/2020	39,408.84	38,040.48	1	36401	001981	10159	00111742	30079
											204,467.68	194,750.40						

Signed By: Mohamed Yahya

Title: UNDP Resident Representative

Project: 00111742 - Waste Management: EU



Date: 9th August 2021

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Pierre-Henri Pingeon, Partner
KPMG SA, Geneva
14 July 2021

Henri Mwaniki, Senior Manager
KPMG SA, Geneva
14 July 2021

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Annex 3: Management Letter



**United Nations Development Programme
(UNDP)**

Directly Implemented (DIM) Project ID 00108936 “Waste
Management EU” –
Output ID 00111742
Nigeria

Management Letter

For the period from 01 January 2020 to 31 December 2020

Management Letter

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

Project ID: 00108936 "Integrated Community Stabilization",

Output ID: 00111742 "Waste Management: EU"

Period covered by the report: 01 January 2020 to 31 December 2020

Location: Nigeria

1. Current period findings

We noted the following finding in relation to the project as a result of our audit.

Finding 1: Inaccurate presentation of the statement of expenditures (cut-off of expenditures)

Criteria

UNDP adopted the International Public Sector Accounting Standards (IPSAS) with effect from 01 January 2012. This accounting policy altered the way UNDP recognises expenses in the Combined Delivery Report (CDR), from 2012 onward. Under IPSAS, UNDP should record expenses when goods/services actually rendered and accepted, not when cash is paid, thus expenses are recognized on a full accrual basis.

Under IPSAS, UNDP is required to recognize expenses for goods/services/works delivered/performed/milestones reached and not yet vouchered which is handled through the "receipt accrual" (RA) process. In order to ensure the reliability and accuracy of the receipt accrual liability, Country Offices must ensure that they have receipted all goods/services/works by 31 December each year in Atlas, otherwise, the Receipt Accrual process will not capture all of the accrued expenses and related liabilities to ensure completeness of financial transactions in the UNDP financial statements.

Further, in consideration of UNDPs 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.

UNDP Programme and Operations Policies and Procedures (POPP) states that it is important that the receipts be entered promptly in ATLAS when the goods and services are actually received. It is mandatory to enter receipts in ATLAS within 48 hours of actual receipt of goods and services, so that the expense and asset recognition is done correctly in accordance with UNDP accounting policy. When UNDP procures "services", receipts must be entered in ATLAS on the date when services are properly rendered according to the contract and accepted. For services such as individual contracts (IC), it is important to enter receipts when actual deliverables are achieved against milestones.

It is critical that receipts in Atlas (for PO-based items) and payments (for non-PO items) are recorded in UNDP's books in the period in which the respective goods were received or service was rendered. Failure to enter the receipt timely in ATLAS will result in non-accrual and the understatement of expenses for the year.

Observation

During our commitment testing, we identified expenses amounting to USD 14,388.00 that were recorded in the 2021 AAA-report and as such reported as Commitments as at December 2020. However, per review of the supporting documentation (invoice and contractual agreement), we noted that all the related services were completed and rendered in FY2020. As such, UNDP Nigeria should have accrued for the entire amount to be recognised as expense in the Combined Delivery Report and ultimately in the UNDP financial statements, in compliance with the International Public Sector Accounting Standards (IPSAS) that states, expenses are to be recognized on a full accrual basis, when goods/services are delivered/rendered.

Considering that UNDP Nigeria received the final contractual deliverable before December 31, the project manager should have ensured that either the Atlas receipt was entered on or before 31 December, or informed the operations department to include in the receipt accrual certification details of the estimated amount of services rendered up to 31 December, but not yet paid, so that GLJE could have been raised by UNDP Head Quarters to record the accrual liability.

The issue primarily arose as a result of the time involved to perform detailed verification of contract deliverables, causing delayed acceptance of the service and delayed receipting.

Below are the details of the transactions that should have been posted in the FY2020 Statement of Expenditures:

Transaction ID	Description	USD Amount
NGA10-00140068-1-1-ACCR-DST	20% & 30% IC 2020-070	5,755.20
NGA10-00140068-2-1-ACCR-DST	20% & 30% IC 2020-070	8,632.80
Total		14,388.00

Implication

The resulting impact of the finding above was a total understatement of the CDR/ Statement of Expenditures in the amount of USD 14,388.00.

Priority

Medium

Recommendation

We recommend that the UNDP Nigeria Country Office strengthen their year-end controls to ensure accurate and complete recording of expenses in the Combined Delivery Report that matches the period in which the respective goods or services were rendered. Similarly, we also recommend that the Country Office's Project Managers apply more robust review and monitoring controls on year-end transactions to ensure amounts reported reflect a complete and accurate review of the business operations. As the risk of cut off is more significant at the year-end period, we recommend that these controls be reinforced and designed to operate at a level of precision that would prevent similar instances occurring.

Furthermore, we also recommend that the Country Office's Project Managers strive to anticipate arranging for earlier delivery of goods / services, to allow sufficient time to verify services as properly rendered and accepted. If actual services were received during December, then the receipts for PO based items should be entered within 48 hours of the actual date of the service received, before or on 31 December. In case of non-PO transactions, services may have been received by 31 December although the invoice/bill may only be received during the next financial year. For such cases, Country Offices must include in the receipt accrual certification details of the estimated amount of services rendered up to 31 December so that GLJE can be raised.

Comment from Management

The Office takes note of the finding and recommendations.

Country Office will strengthen its year-end control to ensure complete recording of expenses in the period goods and services are rendered by ensuring contractual agreements allow early delivery of goods and services and adequate time for review and acceptance of deliverables.

Estimated completion date

December 31, 2021

Finding 2: Overstatement of Fixed Assets

Criteria

Per UNDP Programme and Operations Policies and Procedures (POPP) on vehicle management those vehicles that are registered under UNDP name; that UNDP has legal title to; that have a purchase price of USD 5,000 or more; and that UNDP uses and controls in the provision of its administrative and development work shall be capitalized.

Further, in determining whether or not an asset should be recorded in UNDP's books, the substance of the transaction needs to be considered. For example, if UNDP hands over a vehicle to an implementing partner that has total "use and control" over the asset but nevertheless retains the vehicle title in UNDP's name, then the vehicle should not be recorded in UNDP's books as UNDP does not manage this vehicle on a daily basis nor does it have control over how it is used. It is recommended that in all cases, apart from the case of NGO implementation, handing over of a vehicle is accompanied by transfer of title as well. All vehicles that still have UNDP title should be used in line with UNDP vehicle management policy.

Further in consideration of the Internal Control Framework (ICF) - The "fixed asset physical verification coordinator" role refers to the individual mandated by the RR through the operations manager or by the head of office to coordinate the process of verifying the physical existence of both management and project assets over which UNDP maintains physical control. With this mandate comes the responsibility of establishing a team to carry out biannually (i.e. at the end of June and at the end of December) the physical verification and to reconcile the results with the assistance of the asset focal point, who communicates any adjustments or impairments to GSSU. This individual should have some finance or accounting knowledge, and the verification team should exclude the asset focal point and the asset manager to segregate functions.

Observation

Based on our audit procedures, we identified one asset that was overstated as a result of an incorrect allocation of the items' code and catalogue within the Atlas fixed asset module. The error was later corrected through Global Shared Services Unit (GSSU), but with a wrong effective date. The resulting impact was an understatement of depreciation charge and an overstatement of the closing NBV by USD 3,490 and USD 11,343 respectively.

Based on our discussion with management, the issue above primarily arose as a result of an oversight by the requesting sub office in 2019 as there was no service manager at time tasked with performing reviews of assets within the module.

Below are the details of the transactions that should have been posted in the FY 2020 Statement of Expenditures and Statement of Fixed Assets:

Description	USD Amount
Depreciation charge 2020 for asset ID 000000001360	3,490
Correction of the closing NBV for asset ID 000000001360	7,853
Total	11,343



Implication

The resulting impact of the finding above was a total understatement of the CDR and Statement of Fixed Asset in the amount of USD 3,490 and USD 11,343 respectively. With respect to the Statement of Fixed Assets, as the misstatement was 6% of the total fixed assets of USD 194,750 and considered materially significant, the resulting impact was a modified opinion (Adverse).

Priority

High

Recommendation

In complying with UNDP's policies and procedures including internal control frameworks (ICF), we recommend that the Country Office management put in place robust review control processes that ensure all fixed assets are recorded accordingly in Atlas to ensure accurate capitalization.

Comment from Management

Sub office currently has a service Center manager who ensures a thorough review and compliance of processes and procedures. Notwithstanding, Country office will ensure an additional training is organized in enhancing the capacity of project assistant who are charge with the responsibility of raising requisition and project managers who reviews requisition prior approval. HQ has just approved the advertisement of staff position who will handle assets management. It will be an opportunity to improve and train staff on assets.

Estimated completion date

December 31, 2021

2. Follow-up on prior year findings

Process	Observation	Risk	Recommendations	Follow-up to date
Expenditures Date of audit report: 20.07.2020	<p><u>Inaccurate presentation of the statement of expenditures (cutoff of expenditures)</u></p> <p>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.</p> <p>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 affected 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.</p>	High	<p>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 would enable a local budget override policy per criteria in the UNDP ICF that ensures all adjustments are completed in the period that the expenses relate to.</p> <p>We also recommend that management 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.</p> <p>Finally, in addressing project funding shortfalls, we also recommend that management consider the application of target for resource assignments (TRAC) allocations in assisting the projects to tap into or lend to projects which might have short term shortfalls within a given period.</p>	<p>The audit acknowledges the efforts made by the Office to implement additional controls to avoid inter project fund transfers with subsequent reversals recorded in the wrong account year.</p> <p>However, because a cut-off of issue was also identified during the current year audit. (See item #1 above), the recommendation is considered as not fully implemented.</p>

KPMG SA



Pierre-Henri Pingeon

Geneva, 14 July 2021



Henri Mwaniki