



AUDIT

OF

SOMALIA MULTI WINDOW TRUST FUND
(Directly Implemented Project No. 113178, Output No. 111465)

BY

UNITED NATIONS CAPITAL DEVELOPMENT FUND

Report No. 2413
Issue Date: 20 September 2021

**Report on the Audit of Somalia Multi Window Trust Fund
(Project No. 113178, Output No. 111465) implemented by the
United Nations Capital Development Fund (UNCDF)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through PKF Littlejohn LLP (the audit firm), from 14 to 25 June 2021, conducted an audit of ‘Somalia Multi Window Trust Fund’ (Project No. 113178, Output No. 111465) (the Project), which is directly implemented and managed by UNCDF. This was the first audit of the Project.

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 Projects’ operations. The audit covered the Projects’ 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. The audit did not include expenses processed and approved in locations outside the country (such as UNCDF Regional Centers and UNCDF Headquarters). 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*. Due to the COVID-19 pandemic, the audit was conducted remotely. This did not have an impact on the audit opinion.

Audit results

Based on the audit report and a management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenses *	
Amount (in \$’000)	Opinion
3,555	Unmodified

**Expenses included in the Combined Delivery Reports totaled \$4,340,529. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside the country amounting to \$786,003.*

Key recommendation: Total = **1**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There is a medium (important) priority recommendation, which means “Actions is required to ensure that UNCDF is not exposed to risks. Failure to take action could result in negative consequences for UNCDF.” This recommendation includes actions to ensure compliance with contractual payment terms.



The recommendation aims to ensure compliance with legislative mandates, regulations and rules, policies and procedures.

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 projects; and (e) outstanding commitments held at the project level.



Management comments and action plan

The Chief Technical Advisor, United Nations Capital Development Fund, accepted the recommendation and are in the process of implementing it. Comments and/or additional information provided have been incorporated into the report, where appropriate.

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Helge S. Ostveiten
Director
Office of Audit and Investigations

AUDIT

OF

**UNITED NATIONS CAPITAL DEVELOPMENT FUND
SOMALIA**

SOMALIA MULTI WINDOW TRUST FUND

(Directly Implemented Award No. 113178, Project No. 111465)

Issue Date: 16 SEPTEMBER 2021

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**United Nations Capital Development Fund
(UNCDF)**

Report of the Independent Auditor on
the United Nations Capital Development Fund
Directly Implemented (DIM) Project –113178

Award name:	Somalia Multi Window Trust Fund
Project name:	Somalia Multi Window Trust Fund
UNCDF Country Office:	Somalia
Atlas Award ID:	113178
Atlas Project ID:	111465
Auditor:	PKF Littlejohn
Period subject to audit:	1 January to 31 December 2020

EXECUTIVE SUMMARY

PKF Littlejohn conducted the financial audit of United Nations Capital Development Fund (UNCDF) DIM Award ID 113178, Award name "Somali Multi Window Trust Fund" - Project no. 111465 implemented by UNCDF Somalia following the Direct Implementation Modality for the period from 1 January to 31 December 2020. The audit was undertaken on behalf of the Office of Audit and Investigations (OAI) United Nations Development Programme (UNDP).

Due to the on-going COVID-19 Pandemic, the fieldwork has been completed on a remote-basis. We confirm that the remote nature of the audit did not limit the scope of the audit in any respect.

Audit opinions

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

Project Financial Position	Unmodified
Statement of Fixed Assets	Not applicable because the project did not maintain any fixed assets as at 31 December 2020
Statement of Cash	Not applicable because the project did not maintain a separate bank account as at 31 December 2020

Management letter summary

There was one finding raised during the course of our audit, which we have reported under the management letter issued.

Prior year audit

The Award ID 113178 "Somalia Multi Window Trust Fund" - Project ID 111465 was not audited in the prior year and therefore there were no recommendations to follow up on.



PKF Littlejohn LLP

16 September 2021

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London
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Audit results

Based on the audit report submitted by the audit firm, the results are summarized in the table below:

Project Expenses *		Project Assets	
Amount (in \$'000)	Opinion	Amount (in \$'000)	Opinion
3,555	Unmodified	-	Not Applicable

Expenses recorded in the Combined Delivery Report amounted to USD 4,340,528.53. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country (USD 786,002.96). Our audit only covered the expenditure directly incurred by the UNCDF Country Office in Somalia amounting to USD 3,554,525.57.

Management comments and action plan

Comments and/or additional information provided by the Management of the Country Office has been incorporated into the report, where appropriate.

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 to 31 December 2020 as well as the Funds Utilization statement as at 31 December 2020 and the accounts receivable and accounts payable as at 31 December 2020 are fairly presented in accordance with UNCDF and relevant 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 UNCDF and UNDP; and (iv) supported by properly approved vouchers and other supporting documents. The Combined Delivery Report (CDR) and the accompanying Funds Utilization statement are the mandatory and official statements upon which the audit opinion should be expressed. Other forms of statement of expenses that may be prepared by a project office are not accepted.
- Expressing an opinion on whether the Statement of Fixed Assets, at net book value, presents fairly the balance of depreciated assets of the 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. Where a 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 held by the project presents fairly the cash and bank balance of the project as at 31 December 2020. Disbursements made against a 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 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 project has been established. In cases where the cash transactions of the audited 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 on Auditing (ISA), the 700 series.

The scope of the audit relates only to transactions concluded and recorded against the UNCDF project between 1 January to 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 UNCDF Regional Centres and UNCDF Headquarters and where the supporting documentation is not retained at the level of the UNCDF and relevant UNDP country office.

**INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF FINANCIAL POSITION OF
UNCDF AWARD ID 113178, SOMALIA MULTI WINDOW TRUST FUND**

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

We have audited the financial position of the UNCDF Award ID 113178, "Somalia Multi Window Trust Fund" Project ID 111465 titled 'Somalia Multi Window Trust Fund', for the period 1 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 totalling USD 4,340,528.53 is comprised of expenditure directly incurred by the UNCDF Country Office in Somalia for an amount of USD 3,554,525.57 and expenditure incurred by entities other than the Country Office for an amount of USD 786,002.96. Our audit only covered the expenditure directly incurred by the UNCDF Country Office in Somalia amounting to USD 3,554,525.57.

Unmodified opinion

In our opinion, the attached CDRs and Funds Utilization statement present fairly, in all material respects, the expenses of USD 3,554,525.57 directly incurred by Country Office in Somalia and charged to the project for the period 1 January to 31 December 2020 in accordance with UNCDF and relevant 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 UNCDF and 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 UNCDF 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 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.

Other matters

Due to the on-going COVID-19 pandemic during which this assignment was formally launched, the fieldwork has been completed wholly on a remote basis. This has not hindered our ability to obtain the evidence necessary to complete the programme of work specified in any material way.



PKF Littlejohn LLP

16 September 2021

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COMBINED DELIVERY REPORT AND FUNDS UTILIZATIONS STATEMENTS

UNCDF Combined Delivery Report



UN Capital Development Fund
Report ID: UNGL143G

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Run Time: 15-09-2021 14:09:31

Selection Criteria :

Business Unit: UNCDF
Period: Jan-Dec (2020)
Selected Award Id: 00113178
Selected Project Id: ALL

Award ID : 00113178	Somalia Multi Window Trust Fun	Period :	Jan-Dec (2020)
Project ID : 00111465	Somalia Multi Window Trust Fun	Impl. Partner :	UNCDF UNCDF
		Location :	Somalia Country office

	Prepaid DIM Exp	UNCDF Exp	Prepaid NIM Exp	Total Exp
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Activity : OUTPUT-4 (Strengthening LG oversight)

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

71205 - Intl Consultants-Sht Term-Tech	0.00	1,920.00	0.00	1,920.00
71305 - Local Consult.-Sht Term-Tech	0.00	19,800.00	0.00	19,800.00
71405 - Service Contracts-Individuals	0.00	-12,687.48	0.00	-12,687.48
71620 - Daily Subsistence Allow-Local	0.00	3,600.00	0.00	3,600.00
72630 - Capital Grants - Local GOVT	0.00	182,250.00	0.00	182,250.00
73107 - Rent - Meeting Rooms	0.00	1,246.00	0.00	1,246.00
74210 - Printing and Publications	0.00	261.80	0.00	261.80
74510 - Bank Charges	0.00	8,375.10	0.00	8,375.10
75110 - Facilities & Admin - Services	0.00	14,333.58	0.00	14,333.58
75705 - Learning costs	0.00	0.00	0.00	0.00

Total for Fund G2802 0.00 219,099.00 0.00 219,099.00

Total for Activity OUTPUT-4 0.00 219,099.00 0.00 219,099.00

Activity : OUTPUT-5 (LDF Investment)

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

71605 - Travel Tickets-International	0.00	40.00	0.00	40.00
71635 - Travel - Other	0.00	1,195.00	0.00	1,195.00
72630 - Capital Grants - Local GOVT	0.00	1,627,766.63	0.00	1,627,766.63
74510 - Bank Charges	0.00	43,859.69	0.00	43,859.69
75110 - Facilities & Admin - Services	0.00	117,100.31	0.00	117,100.31

Total for Fund G2802 0.00 1,789,961.63 0.00 1,789,961.63

Total for Activity OUTPUT-5 0.00 1,789,961.63 0.00 1,789,961.63

Activity : OUTPUT-6 (Other Grants)

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

71605 - Travel Tickets-International	0.00	343.00	0.00	343.00
75110 - Facilities & Admin - Services	0.00	24.01	0.00	24.01

Total for Fund G2802 0.00 367.01 0.00 367.01

Total for Activity OUTPUT-6 0.00 367.01 0.00 367.01

Activity : OUTPUT-7 (Operations and HR)

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

61105 - Salaries - NP Staff	0.00	136,083.01	0.00	136,083.01
61305 - Salaries - IP Staff	0.00	67,771.70	0.00	67,771.70
61310 - Post Adjustment - IP Staff	0.00	29,197.12	0.00	29,197.12
62105 - Dependency Allowance-NP Staff	0.00	2,660.55	0.00	2,660.55



Award ID : 00113178 Somalia Multi Window Trust Fun		Period :		Jan-Dec (2020)	
Project ID : 00111465 Somalia Multi Window Trust Fun		Impl. Partner :		UNCDF UNCDF	
		Location :		Somalia Country office	
	Prepaid DIM Exp	UNCDF Exp	Prepaid NIM Exp	Total Exp	
62110 - Contrib Joint Staff Pension-NP	0.00	26,966.78	0.00	26,966.78	
62115 - Contrib to Med,SocIns-NP Staff	0.00	9,496.37	0.00	9,496.37	
62120 - Hazard Duty Station Allow-NP	0.00	6,473.39	0.00	6,473.39	
62140 - Annual Leave Expense - NO	0.00	11,189.58	0.00	11,189.58	
62305 - Dependency Allowances-IP Staff	0.00	6,163.24	0.00	6,163.24	
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	23,885.23	0.00	23,885.23	
62315 - Contrib. to medical, social in	0.00	648.54	0.00	648.54	
62320 - Mobility, Hardship, Non-remova	0.00	14,527.50	0.00	14,527.50	
62335 - Hazard Duty Station Allow-IP	0.00	8,248.00	0.00	8,248.00	
62340 - Annual Leave Expense - IP	0.00	11,407.58	0.00	11,407.58	
63330 - Ed Grt Incl Trvl&Allow-IP Stf	0.00	4,467.37	0.00	4,467.37	
63335 - Home Leave Trvl & Allow-IP Stf	0.00	2,870.00	0.00	2,870.00	
63340 - Proc trips/Rest & Recup-IP Stf	0.00	17,435.20	0.00	17,435.20	
63365 - Special Oper Living Allow-IP	0.00	14,850.00	0.00	14,850.00	
63515 - Security-related Costs	0.00	0.00	0.00	0.00	
63520 - Personal Security Measures	0.00	5,599.81	0.00	5,599.81	
63530 - Contribution to EOS Benefits	0.00	8,739.50	0.00	8,739.50	
63535 - Contribution to Security	0.00	13,474.50	0.00	13,474.50	
63540 - Contribution to Training	0.00	815.72	0.00	815.72	
63545 - Contribution to ICT	0.00	3,495.82	0.00	3,495.82	
63550 - Contributions to MAIP	0.00	116.62	0.00	116.62	
63555 - Contribution to UN JFA	0.00	6,991.66	0.00	6,991.66	
63560 - Contributions to Appendix D	0.00	582.69	0.00	582.69	
64110 - Separations - NP Staff	0.00	952.54	0.00	952.54	
64310 - Separations - IP Staff	0.00	484.82	0.00	484.82	
64397 - Services to projects -CO staff	0.00	14,326.44	0.00	14,326.44	
65115 - Contributions to ASHI Reserve	0.00	13,983.06	0.00	13,983.06	
65135 - Payroll Mgt Cost Recovery ATLA	0.00	4,177.35	0.00	4,177.35	
71305 - Local Consult.-Sht Term-Tech	0.00	1,827.00	0.00	1,827.00	
71405 - Service Contracts-Individuals	0.00	19,250.82	0.00	19,250.82	
71410 - MAIP Premium SC	0.00	2.70	0.00	2.70	
71415 - Contribution to Security SC	0.00	327.51	0.00	327.51	
71505 - UN Volunteers-Stipend & Allow	0.00	6,912.88	0.00	6,912.88	
71520 - UNV_Volunteer_Learning	0.00	315.00	0.00	315.00	
71535 - UNV-Medical Insurance	0.00	648.72	0.00	648.72	
71540 - UNV-Global Charges	0.00	321.58	0.00	321.58	
71541 - UNVs-Contribution to security	0.00	276.51	0.00	276.51	
71550 - UNV RSA / Exit Allowance	0.00	576.14	0.00	576.14	
71592 - UNV_COST_RECOVERY_RECURRING	0.00	1,149.64	0.00	1,149.64	
71605 - Travel Tickets-International	0.00	6,009.00	0.00	6,009.00	
71615 - Daily Subsistence Allow-Intl	0.00	5,057.64	0.00	5,057.64	
71620 - Daily Subsistence Allow-Local	0.00	- 892.80	0.00	- 892.80	
71630 - Shipment	0.00	60.00	0.00	60.00	
71635 - Travel - Other	0.00	- 387.84	0.00	- 387.84	
72311 - Fuel, petroleum and other oils	0.00	- 53.20	0.00	- 53.20	
72415 - Courier Charges	0.00	0.00	0.00	0.00	
72425 - Mobile Telephone Charges	0.00	1,560.13	0.00	1,560.13	
72430 - Postage and Pouch	0.00	25.00	0.00	25.00	
72440 - Connectivity Charges	0.00	3,739.79	0.00	3,739.79	
72505 - Stationery & other Office Supp	0.00	28.60	0.00	28.60	
72630 - Capital Grants - Local GOVT	0.00	- 52,217.44	0.00	- 52,217.44	
73125 - Common Services-Premises	0.00	137,285.14	0.00	137,285.14	
73405 - Rental & Maint-Other Office Eq	0.00	- 11,088.32	0.00	- 11,088.32	
73406 - Maintenance of Equipment	0.00	0.00	0.00	0.00	
73420 - Leased Vehicles	0.00	0.00	0.00	0.00	
74510 - Bank Charges	0.00	- 11,418.53	0.00	- 11,418.53	
74525 - Sundry	0.00	337.70	0.00	337.70	
74599 - UNDP cost recovery chrgs-Bills	0.00	9,613.85	0.00	9,613.85	
75110 - Facilities & Admin - Services	0.00	41,114.47	0.00	41,114.47	
76105 - Foreign Exch Transaction Loss	0.00	34.19	0.00	34.19	
Total for Fund G2802	0.00	628,497.57	0.00	628,497.57	



UNCDF Combined Delivery Report

Award ID : 00113178 Somalia Multi Window Trust Fun	Period :	Jan-Dec (2020)		
Project ID : 00111465 Somalia Multi Window Trust Fun	Impl. Partner :	UNCDF UNCDF		
	Location :	Somalia Country office		
	Prepaid DIM Exp	UNCDF Exp	Prepaid NIM Exp	Total Exp
Total for Activity OUTPUT-7	0.00	628,497.57	0.00	628,497.57
Activity : OUTPUT-8 (COVID19 Response)				
Fund : G2802(PASS THROUGH MDTF FUNDS (AA))				
72630 - Capital Grants - Local GOVT	0.00	1,591,218.06	0.00	1,591,218.06
75110 - Facilities & Admin - Services	0.00	111,385.26	0.00	111,385.26
Total for Fund G2802	0.00	1,702,603.32	0.00	1,702,603.32
Total for Activity OUTPUT-8	0.00	1,702,603.32	0.00	1,702,603.32
Total for Project : 00111465	0.00	4,340,528.53	0.00	4,340,528.53
Award Total :	0.00	4,340,528.53	0.00	4,340,528.53

Signed By : Bobirjan Turdiyev Date : 16-Sep-2021
Dmitry Pozhidaev Dmitry Pozhidaev, Global Advisor Date : 16-Sep-2021

Bobirjan Turdiyev
Programme Management Specialist

PKF Littlejohn LLP
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Funds Utilization

Selection Criteria :

Business Unit : UNCDF
Period : Jan-Dec (2020)
Selected Project ID : 00113178
Selected Fund Code :
Selected Dept. IDs : ALL
Selected Outputs : ALL

Award ID: 00113178 Somalia Multi Window Trust Fun Period : As at Dec 31, 2020

Project ID: 00111465	Impl. Partner :UNCDF UNCDF	UNCDF AMOUNT
Outstanding NIM advances		0.00
Outstanding DIM advances		16,800.00
Undepreciated Fixed Assets		0.00
Inventory		0.00
Loans & Financial Services		0.00
Commitments		0.00

**INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF FIXED ASSETS OF
UNCDF AWARD ID 113178, SOMALIA MULTI WINDOW TRUST FUND**

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

UNCDF Award ID 113178 "Somalia Multi Window Trust Fund", Project ID 111465, titled "Somalia Multi Window Trust Fund", as at 31 December 2020, did not maintain any fixed assets for the DIM project subject to audit and accordingly a Statement of Fixed Assets was not produced.



PKF Littlejohn LLP

16 September 2021

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**INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF CASH UNCDF AWARD ID
113178, SOMALIA MULTI WINDOW TRUST FUND**

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

UNCDF Award ID 113178 "Somalia Multi Window Trust Fund", Project ID 111465, titled "Somalia Multi Window Trust Fund", as at 31 December 2020, did not maintain a dedicated bank account for the DIM project activities subject to audit and accordingly a Statement of Cash was not produced.



PKF Littlejohn LLP

16 September 2021

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MANAGEMENT LETTER

Title no.1: Non-compliance with contractual payment terms

Issue: As per the payment provision stated in the contracts signed between UNCDF and its vendors/suppliers for the provision of various goods and services under the project, it is stated that all payments by UNCDF will be carried out within 30 days from receiving the invoice. During the course of our audit, however, we noted that the following payments were made after 30 days of invoice date and/or fund request.

1. Fund release to bulk payment to Somali land project activity as per MOU signed with Ministry of finance a total value of USD 900,000 was settled after 65 days after the invoice receipt date.
2. Fund release to Hershabelle state (Warsheikh, Jowhar and districts) to prevent and control Covid 19 pandemic a total value of USD 160,000 was settled after 35 days after the invoice receipt date.
3. Fund release to Kaaran District to construct Kaaran community market a total value of USD 99,871 was settled after 43 days after the invoice receipt date.
4. Fund release to ministry of finance and accountant general to LD implementation fiscal decentralization, intergovernmental fiscal mechanism. a total value of 66,400 was settled after 35 days of the invoice receipt date.
5. Salary payment to fiscal decentralization expert, intergovernmental fiscal transfer expert and other profession a total value of USD 46,720 was settled after 40 days of the invoice receipt date.
6. Payment for FDS validation workshop in Mogadishu for accommodation, transportation, banner, and printing, proforma invoice, supplier analysis sheet a total value of USD 12,535 was settled after 65 days of their invoice dates.
7. First instalment to construction of the market in Karaan district Mogadishu a total value of USD 66,581 was settled after 52 days of their request dates.

Impact:

Delay in payments constitutes a non-compliance with provisions of the contract with third-party vendors and also indicates a weakness in the financial processes. Delays in settlement may result in inefficient use of available project funds and ultimately impact relationship with suppliers of goods and services who may also be discouraged for timely delivery of requested services, particularly in the case of long-term contracts.

Rating:

Medium

Recommendation:

All project-related contractual obligations should be settled in a timely manner to ensure compliance with UNCDF policies relating to financial processes and terms of contract with third-party vendors.

UNCDF Country Office comments:

Response for finding 1-4, 7

For issues raised from item number one to four, and seven - delays were caused by the following factors:

- the national partner collects requests for payment from several municipalities/districts, which are not submitted simultaneously. Requests are checked and verified at the ministry level once all have been collected. Consequently, the processing time for the first request (from submission to authorization) is usually longer than the last one sent.
- after receiving payment requests, UNCDF also checks the quality and completeness of all submitted documents. During the verification process, the agency has to return to the government with additional questions for clarification, which can also take time.

This issue of delays was previously discussed with the government. In response to a request for processing documents from each municipality individually, the government responded that this would increase the workload of the ministry's staff.

To address delays, UNCDF supported the relevant ministries with financial and administrative consultants tasked with assisting the ministry on all matters, including LDF payments.

Response for finding 5

The national partner submitted the draft technical report and the payment request together, though the report was not yet cleared by UNCDF. The report had been cleared by the head of the ministry. It took 30 days of communication and joint efforts to improve the report. As an additional measure, it has been agreed to run monthly meetings with fiscal decentralization expert to address quality of his work and reporting as well.

Response for finding 6

UNDP had troubles with running pay cycle and got cancelled several times. As the issue had been technical, UNDP fixed bugs in the Atlas.