



AUDIT

OF

**JOINT PROGRAMME ON LOCAL GOVERNANCE AND DECENTRALISED SERVICE
DELIVERY (JPLG III)**
(Directly Implemented Project No. 107529, Output No. 107811)

IN

UNDP SOMALIA

Report No. 2524
Issue Date: 18 August 2022

**Report on the Audit of Joint Programme on Local Governance and
Decentralised Service Delivery (JPLG III)
Implemented by UNDP Somalia (Project No. 107529, Output No. 107811)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 14 June to 6 July 2022, conducted an audit of 'Joint Programme of Local Governance and Decentralised Service Delivery' (Project No. 107529, Output No. 107811) (the Project), which is directly implemented and managed by the UNDP Country Office in Somalia (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), 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 2021 and the accompanying Funds Utilization statement¹ as of 31 December 2021. The audit did not include activities and expenses incurred or undertaken at the "responsible party" level and covered under HACT audit, or expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP 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 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* of The Institute of Internal Auditors (The IIA).

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*			
Amount (in \$ '000)	Opinion	NFM** (in \$ '000)	Impact on CDR
2,938	Unmodified	27	Overstatement

*Expenses recorded in the Combined Delivery Report were \$4,418,330. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country (\$799,305). Also excluded were expenses incurred at the "responsible party" level (\$680,575), which included \$626,817 that were subject to a separate audit conducted by external auditors that resulted in an unmodified opinion.

**NFM= Net Financial Misstatement

***Included in the audit scope were transactions that relate to expenses incurred at the "responsible party" level (\$2,144,961) as these were not covered under HACT audits and all related supporting documents were available for review at the level of the UNDP Country Office in Somalia.

**** There was a Net Financial Misstatement (NFM) of \$27,515 but it did not affect the audit opinion as it was not considered to be financially material.

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 = **0**

The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendations, which means, “Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.” The recommendation includes actions to address not reporting the Project’s expenses in the correct accounting period.

The recommendation aims to ensure reliability and integrity of financial and operational information (Recommendation 1).

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.

Helge S. Ostveiten
Director
Office of Audit and Investigations

**United Nations Development Programme
(UNDP)**

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

**“Joint Programme on Local Governance and Decentralised Service Delivery
(JPLG III) ”
(Project ID 00107529 - Output ID 00107811)**

For the period from 1 January to 31 December 2021

6 July 2022

**Talal Abu-Ghazaleh & Co. International
Certified Public Accountants**



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1. PART I – EXECUTIVE SUMMARY

1.1. Executive Summary:

This report represents the results of the financial audit conducted by Talal Abu – Ghazaleh & Co. of the “Joint Programme on Local Governance and Decentralised Service Delivery (JPLG III)” Project ID 00107529 - Output ID 00107811 (the project), directly implemented by UNDP Country Office in Somalia for the period from 1 January to 31 December 2021.

The audit was undertaken on behalf of UNDP, Office of Audit and Investigations (OAI) and mandated in accordance with the Contract for professional Services Number UNDP/OAI/LTA-12-2020-DIM-TAGI (471) signed between UNDP and Talal Abu-Ghazaleh and Co. on 1 March 2021.

- Audit Opinions:

The following is the summary of the audit opinions provided:

Report on	Type of Opinion	Note
Financial Position	Unmodified	Not recording the expenses in the correct accounting period resulted in overstatement of the current CDR with an amount of US\$ 27,515.05.
Statement of Fixed Assets	Not applicable	There were no fixed assets or equipment, therefore, no audit opinion is to be provided on the statement of fixed assets.
Statement of Cash	Not applicable	There was no separate bank account for the project under audit, therefore, no audit opinion is provided on a Statement of Cash.

- Audit Finding:

As a result of our audit, the following finding was included in the management letter:

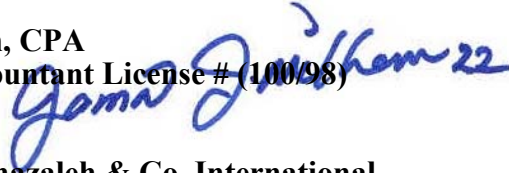
Summary of Audit Finding	Priority	Net Financial Misstatement
The current Combined Delivery Report (CDR) is overstated with an amount of US\$ 25,715.00 due to the recognition of expense amounts in the current CDR related to the previous year. The financial impact was the overstatement of the 2021 expenses in the CDR by US\$ 25,715.00. (Total effect including related GMS of 7% is US\$ 27,515.05).	Medium (Important)	Overstatement of the expenses in the current CDR with an amount of US\$ 27,515.05. The net effect of this misstatement over 2 financial years (2020 and 2021) is zero.

- Follow-up on Previous year's Audit Recommendations:

The "Joint Programme on Local Governance and Decentralised Service Delivery (JPLG III)" Project ID 00107529 - Output ID 00107811 was not audited in the prior years.

Sincerely yours,

Jamal Milhem, CPA
Certified Accountant License # (100/98)



Talal Abu -Ghazaleh & Co. International
License No. 201/2022
Ramallah - Palestine, 6 July 2022



1.2. Audit Objectives

- A. The objective of the financial audit is to express an opinion on the project’s financial position which includes:
- 1) Expressing an opinion on whether the financial expenses incurred by the project for the period from 1 January to 31 December 2021 and the funds utilization, the accounts receivable and the accounts payable as at 31 December 2021 were fairly presented in accordance with UNDP’s 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.
 - 2) Expressing an opinion on whether the statement of fixed assets, at net book value, presents fairly the balance of depreciated assets of the UNDP Project as at 31 December 2021. This statement should include all assets available as at 31 December 2021 and not only those purchased in the year under audit. Where a DIM project does not have any assets or equipment it will not be necessary to express such an opinion.
 - 3) Expressing an opinion on whether the statement of cash held by the Project presents fairly the cash and bank balance of UNDP Project as at 31 December 2021. It 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.
- B. As applicable, providing the progress made in implementing the recommendations raised in a previous year audit report.

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

1.3. Scope of Audit:

The scope of the audit relates only to transactions concluded and recorded against the UNDP DIM project for the period from 1 January to 31 December 2021.

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 Centers and UNDP Headquarters and where the supporting documentation are not retained at the level of the UNDP country office.

2. PART II – FINANCIAL AUDIT REPORTS

2.1. Auditor's Report on Financial Position

**Independent Auditor's Report on the Project Financial Position
of UNDP DIM "Joint Programme on Local Governance and Decentralised
Service Delivery (JPLG III)"
Project ID 00107529 - Output ID 00107811**

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

We have audited the financial position of UNDP "Joint Programme on Local Governance and Decentralised Service Delivery (JPLG III)" Project ID 00107529 - Output ID 00107811 for the period from 1 January to 31 December 2021, 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 expenditures totaling US\$ 4,418,330.16 , are comprised of expenditures directly incurred by UNDP Country Office in Somalia for an amount of US\$ 793,489.61 and expenditures incurred by entities other than the UNDP Country Office in Somalia for an amount of US\$ 3,624,840.55. Our audit covered the amount of US\$ 2,938,450.17 (which includes the expenses directly incurred by UNDP Country Office in Somalia for an amount of US\$ 793,489.61 and expenses incurred at responsible party level for an amount of US\$ 2,144,960.56).

Unmodified Opinion

In our opinion, the attached Combined Delivery Report (CDR) and Funds Utilization Statement present fairly, in all material respects, the expenses of US\$ 2,938,450.17 which included the expenses directly incurred by UNDP Country Office in Somalia for an amount of US\$ 793,489.61 and expenses incurred at responsible party level for an amount of US\$ 2,144,960.56 and charged to "Joint Programme on Local Governance and Decentralized Service Delivery (JPLG III)" Project ID 00107529 - Output ID 00107811 for the period from 1 January to 31 December 2021 in accordance with UNDP's accounting policies and were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.

Basis for Opinion.

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the CDR and Funds Utilization section of our report. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility

Management is responsible for the preparation of the CDR and the Funds Utilization Statement of the project and for such internal controls as management determines are 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 Responsibility

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 ISA 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 ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the CDR and Funds Utilization statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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 controls.

We communicated 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 controls that we identified during our audit.

Jamal Milhem, CPA

Certified Accountant License # (100/98)

Jamal J. Milhem 22

Talal Abu -Ghazaleh & Co. International
License No. 201/2022

Ramallah - Palestine, 6 July 2022



2.2. Combined Delivery Report (CDR) and Funds Utilization statement:

"Joint Programme on Local Governance and Decentralised Service Delivery (JPLG III)"

Project ID 00107529 - Output ID 00107811
for the period from 1 January to 31 December 2021

Combined Delivery Report By Project

UNDP UN Development Programme
Report ID: unglcdrp

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Selection Criteria :

Business Unit : SOM10
Period : Jan-Dec (2021)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00107811

Project Id : 00107529 JPLG III	Period : Jan-Dec (2021)
Output # : 00107811 Local Governance Program UNDP	Impl. Partner : 99999 UNDP
	Location : Somalia


Financial audit of Directly implemented "Joint Programme on Local Governance and Decentralised Service Delivery (JPLG III)" Project ID 00107529 - Output ID 00107811 for the period from 1 January to 31 December 2021.

UN Development Programme
Report ID: unglcdrp


Combined Delivery Report By Project



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Project id : 00107529 JPLG III	Period :	Jan-Dec (2021)		
Output # : 00107811 Local Governance Program UNDP	Impl. Partner :	99999 UNDP		
	Location :	Somalia		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
71810 - Contractual Svcs-indiv ImpPtr	0.00	13,200.00	0.00	13,200.00
72205 - Office Machinery	0.00	28,920.00	0.00	28,920.00
72440 - Connectivity Charges	0.00	330.00	0.00	330.00
74510 - Bank Charges	1,040.20	1,137.75	0.00	2,177.95
75105 - Facilities & Admin - Implement	0.00	3,123.97	0.00	3,123.97
Total for Fund 30000	1,040.20	46,711.72	0.00	47,751.92
Total for Dept : 46822	1,040.20	46,711.72	0.00	47,751.92
Dept: 46823 (North West Somalia)				
Fund : 30000 (PROGRAMME COST SHARING)				
71620 - Daily Subsistence Allow-Local	0.00	680.00	0.00	680.00
71635 - Travel - Other	44,040.00	0.00	0.00	44,040.00
71810 - Contractual Svcs-indiv ImpPtr	18,000.00	225,922.50	0.00	243,922.50
72175 - Svc Co-Urban, Rural & Regional	68,500.00	0.00	0.00	68,500.00
72220 - Furniture	0.00	50,000.00	0.00	50,000.00
72425 - Mobile Telephone Charges	0.00	155.67	0.00	155.67
72440 - Connectivity Charges	0.00	630.00	0.00	630.00
73406 - Maintenance of Equipment	0.00	80.00	0.00	80.00
74110 - Audit Fees	0.00	7,434.00	0.00	7,434.00
74120 - Capacity Assessment	45,000.00	5,000.00	0.00	50,000.00
74510 - Bank Charges	0.00	11,607.69	0.00	11,607.69
74725 - Other L.T.S.H.	0.00	2,280.00	0.00	2,280.00
75105 - Facilities & Admin - Implement	0.00	56,683.40	0.00	56,683.40
75709 - Learning - training of counter	330,432.51	0.00	0.00	330,432.51
Total for Fund 30000	505,972.51	360,473.26	0.00	866,445.77
Total for Dept : 46823	505,972.51	360,473.26	0.00	866,445.77
Dept: 46824 (North East Somalia)				
Fund : 30000 (PROGRAMME COST SHARING)				
71205 - Intl Consultants-Sht Term-Tech	0.00	12,600.00	0.00	12,600.00
71211 - Intl Consult Security Charge	0.00	336.00	0.00	336.00
71305 - Local Consult-Sht Term-Tech	0.00	4,800.00	0.00	4,800.00
71360 - Local Consult-Security	0.00	172.80	0.00	172.80
71510 - UNV Settling-In-Grant	0.00	13.50	0.00	13.50
71620 - Daily Subsistence Allow-Local	0.00	36,470.00	0.00	36,470.00
71635 - Travel - Other	51,835.00	0.00	0.00	51,835.00
71810 - Contractual Svcs-indiv ImpPtr	- 133,000.00	320,688.00	0.00	187,688.00
72125 - Svc Co-Studies & Research Serv	0.00	13,090.00	0.00	13,090.00
72425 - Mobile Telephone Charges	0.00	1,544.00	0.00	1,544.00
72805 - Acquis of Computer Hardware	0.00	1,568.24	0.00	1,568.24
74110 - Audit Fees	0.00	2,753.10	0.00	2,753.10
74210 - Printing and Publications	0.00	15,900.00	0.00	15,900.00
74220 - Translation Costs	0.00	4,000.00	0.00	4,000.00
74510 - Bank Charges	0.00	8,605.00	0.00	8,605.00

<div>  UN Development Programme Report ID: unglcdrp </div> <div> Combined Delivery Report By Project </div> <div> Page 3 of 6 Run Time: 06-07-2022 09:07:48 </div>				
Project Id : 00107529 JPLG III Output # : 00107811 Local Governance Program UNDP		Period : Jan-Dec (2021) Impl. Partner : 99999 UNDP Location : Somalia		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
75105 - Facilities & Admin - Implement	0.00	38,272.18	0.00	38,272.18
75705 - Learning costs	174,534.80	30,834.40	0.00	205,369.20
76125 - Realized Loss	0.00	0.01	0.00	0.01
Total for Fund 30000	93,369.80	491,647.23	0.00	585,017.03
Total for Dept : 46824	93,369.80	491,647.23	0.00	585,017.03
Dept: 46825 (South Central Somalia)				
Fund : 30000 (PROGRAMME COST SHARING)				
61305 - Salaries - IP Staff	0.00	49,942.00	0.00	49,942.00
61310 - Post Adjustment - IP Staff	0.00	21,125.46	0.00	21,125.46
62305 - Dependency Allowances-IP Staff	0.00	683.40	0.00	683.40
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	17,478.50	0.00	17,478.50
62315 - Contrib. to medical, social in	0.00	286.92	0.00	286.92
62320 - Mobility, Hardship, Non-remova	0.00	7,753.99	0.00	7,753.99
62340 - Annual Leave Expense - IP	0.00	25,500.90	0.00	25,500.90
63330 - Ed Grt Incl Trvl&Allow-IP Stf	0.00	8,000.00	0.00	8,000.00
63335 - Home Leave Trvl & Allow-IP Stf	0.00	448.00	0.00	448.00
63350 - Reimb of Income Tax-IP Staff	0.00	1,954.38	0.00	1,954.38
63365 - Special Oper Living Allow-IP	0.00	1,000.00	0.00	1,000.00
63530 - Contribution to EOS Benefits	0.00	2,487.38	0.00	2,487.38
63535 - Contribution to Security	0.00	3,405.24	0.00	3,405.24
63540 - Contribution to Training	0.00	248.74	0.00	248.74
63545 - Contribution to ICT	0.00	1,066.02	0.00	1,066.02
63550 - Contributions to MAIP	0.00	35.52	0.00	35.52
63555 - Contribution to UN JFA	0.00	1,589.12	0.00	1,589.12
63560 - Contributions to Appendix D	0.00	177.66	0.00	177.66
64306 - Appointment-Ticket Costs	0.00	967.00	0.00	967.00
64307 - Appointment-Subsistence Allow	0.00	2,505.00	0.00	2,505.00
64308 - Appointments-Lump Sum	0.00	8,699.39	0.00	8,699.39
64309 - Appointment-Shipments	0.00	13,000.00	0.00	13,000.00
64310 - Separations - IP Staff	0.00	888.36	0.00	888.36
65115 - Contributions to ASHI Reserve	0.00	7,071.26	0.00	7,071.26
65135 - Payroll Mgt Cost Recovery ATLA	0.00	515.00	0.00	515.00
71205 - Intl Consultants-Sht Term-Tech	0.00	5,694.00	0.00	5,694.00
71405 - Service Contracts-Individuals	0.00	23,060.00	0.00	23,060.00
71610 - Travel Tickets-Local	0.00	28,516.00	0.00	28,516.00
71615 - Daily Subsistence Allow-Intl	0.00	750.00	0.00	750.00
71620 - Daily Subsistence Allow-Local	0.00	63,913.41	0.00	63,913.41
71635 - Travel - Other	0.00	47.00	0.00	47.00
71810 - Contractual Svcs-indiv ImpPtnr	0.00	568,277.82	0.00	568,277.82
72130 - Svc Co-Transportation Services	0.00	21,322.00	0.00	21,322.00
72215 - Transporation Equipment	0.00	3,300.00	0.00	3,300.00
72220 - Furniture	0.00	71,825.00	0.00	71,825.00
72330 - Medical Products	0.00	162.81	0.00	162.81
72425 - Mobile Telephone Charges	0.00	1,131.79	0.00	1,131.79
72440 - Connectivity Charges	0.00	590.00	0.00	590.00
72505 - Stationery & other Office Supp	0.00	45.04	0.00	45.04
72510 - Publications	0.00	2,360.00	0.00	2,360.00
72815 - Inform Technology Supplies	0.00	364.19	0.00	364.19

Financial audit of Directly implemented "Joint Programme on Local Governance and Decentralised Service Delivery (JPLG III)" Project ID 00107529 - Output ID 00107811 for the period from 1 January to 31 December 2021.

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Project Id : 00107529 JPLG III Output # : 00107811 Local Governance Program UNDP		Period : Jan-Dec (2021) Impl. Partner : 99999 UNDP Location : Somalia		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
72966 - Licenses and other	0.00	1.50	0.00	1.50
73105 - Rent	0.00	22,390.72	0.00	22,390.72
73420 - Leased Vehicles	0.00	0.00	0.00	0.00
74110 - Audit Fees	0.00	11,564.70	0.00	11,564.70
74120 - Capacity Assessment	0.00	8,520.00	0.00	8,520.00
74210 - Printing and Publications	0.00	1,092.00	0.00	1,092.00
74510 - Bank Charges	0.00	18,412.10	0.00	18,412.10
74710 - Land Transport	0.00	2,594.00	0.00	2,594.00
74725 - Other L.T.S.H.	0.00	0.00	0.00	0.00
75105 - Facilities & Admin - Implement	0.00	104,804.27	0.00	104,804.27
75705 - Learning costs	61,656.80	13,480.00	0.00	75,136.80
75709 - Learning - training of counter	7,792.40	315,492.30	0.00	323,284.70
75710 - Participation of counterparts	0.00	41,994.00	0.00	41,994.00
75711 - TrnWrkshp&Conf - Stipends	0.00	24,021.90	0.00	24,021.90
76125 - Realized Loss	0.00	0.00	0.00	0.00
Total for Fund 30000	69,449.20	1,532,555.79	0.00	1,602,004.99
Total for Dept : 46825	69,449.20	1,532,555.79	0.00	1,602,004.99
Total for Output : 00107811	669,831.71	3,748,498.45	0.00	4,418,330.16
Project Total :	669,831.71	3,748,498.45	0.00	4,418,330.16



Initiated for identification purposes only

Signed By : Jocelyn Mason, Resident Representative Date : July 14, 2022
Sign: _____
Signed By : _____ Date : _____
DocuSigned by: _____
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UN Development Programme

Report ID: unglcdrp

Combined Delivery Report By Project

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Selection Criteria :

Business Unit : SOM10

Period : Jan-Dec (2021)

Selected Project Id : ALL

Selected Fund Code : ALL

Selected Dept. IDs : ALL

Selected Outputs : 00107811

Project Id : ALL		Period : Jan-Dec (2021)		
Output # : ALL		Impl. Partner : Location :		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
46801 - Somalia - Central	0.00	1,317,110.45	0.00	1,317,110.45
46822 - Somalia/SO/Baidoa	1,040.20	46,711.72	0.00	47,751.92
46823 - North West Somalia	505,972.51	360,473.26	0.00	866,445.77
46824 - North East Somalia	93,369.80	491,647.23	0.00	585,017.03
46825 - South Central Somalia	69,449.20	1,532,555.79	0.00	1,602,004.99

UN Development Programme

Report ID: unglcdrp

Combined Delivery Report By Project

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Run Time: 06-07-2022 09:07:52

Funds Utilization

Selection Criteria :

Business Unit : SOM10

Period : Jan-Dec (2021)

Selected Project Id : ALL

Selected Fund Code : ALL

Selected Dept. IDs : ALL

Selected Outputs : 00107811

Project/Award: 00107529 JPLG III

Period : As at Dec 31, 2021

Output # 00107811 Impl. Partner :99999 UNDP

UNDP AMOUNT

Outstanding NEX advances 111,478.24

Undepreciated Fixed Assets 0.00

Unamortized Intangible Assets 0.00

Inventory 0.00

Prepayments 0.00

Commitments 85,113.03

3. PART III: MANAGEMENT LETTER

3.1. Current year Audit Findings and Recommendations

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

Introduction

Under International Standards on Auditing, auditors are encouraged to report various matters concerning an entity's internal control structure noted during their audit and are required to report certain of those matters. Matters that are required to be reported are "significant deficiencies in the design or operation of the internal control structure that, in the auditor's judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements".

As part of our audit of the Project's financial position of "Joint Programme on Local Governance and Decentralised Service Delivery (JPLG III)" Project ID 00107529 - Output ID 00107811 for the period from 1 January to 31 December 2021, we considered UNDP's internal control structure and compliance with its accounting policies in determining the scope of our audit procedures for the purpose of rendering an opinion on the financial statements. Our purpose was not to provide assurance on the internal control structure.

We emphasize that the responsibility for a sound system of internal controls rests with management and work performed by external audit should not be relied upon to identify all strengths and weaknesses that may exist, neither should our work be relied upon to identify all circumstances of irregularity should there be any, although our audit procedures have been designed so that any material irregularity has a reasonable probability of discovery.

The matters raised in this part are those which came to our attention during the audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be needed. Recommendations for improvements should be assessed by management for their full business impact before they are implemented. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Acknowledgment

We wish to express our appreciation for the courtesy and cooperation extended to our representatives during the course of their work.

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Ramallah - Palestine, 6 July 2022

Finding No. 1:

Title:

Not Reporting the Project's Expenses in the Correct Accounting Period

Criteria:

In accordance with IPSAS, UNDP expense policy follows the accrual basis of accounting, under which transactions and events are recognized as they occur (and not only when cash or its equivalent is received or paid). The transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate when goods or services are received and accepted by UNDP and a corresponding liability to pay is created.

As UNDP has to comply with IPSAS, Offices should ensure any anticipated expenses before closing the year are recorded through the accrual system using the correct accounting year. Further, in accordance with UNDP POPP, it is important that the receipts be entered promptly in the ATLAS when the goods and services are actually received. It is mandatory to enter receipts in the ATLAS within 48 hours of actual receipt of goods and services, so that the expense and assets recognitions are done correctly in accordance with the UNDP accounting policy.

Observation

During the audit, we noticed that the office recorded an amount of US\$ 25,715.00 in the FY 2021 CDR although this amount represents expenses related to services that were provided in FY 2020.

Details are shown in the following table:

Invoice Date	Voucher No.	Amounts US\$
27 November 2020	SOM10-00151677-1-1-ACCR-DST	9,450.00
26 November 2020	SOM10-00152605-1-1-ACCR-DST	6,035.00
20 December 2020	SOM10-00156529-1-1-ACCR-DST	6,130.00
16 November 2020	SOM10-00154964-1-1-ACCR-DST	4,100.00
Total		25,715.00
GMS (Facilities and Admin) %7		1,800.05
Net Financail Impact		27,515.05

This occurred since the office could not raise the receipts in FY2020 as the supporting documents were not available at that time yet. The office raised the receipts in Atlas only after receiving the supporting documents in FY2021.

Not charging the project's expenditures to the correct accounting period (FY 2020) led to the overstatement of the expenses in the current CDR (FY 2021) by US\$ 25,715.00. This also led to an overstatement of the GMS (Facilities and Admin) included in the current CDR by US\$ 1,800.05.

The net financail impact is an Overstatemnt of the current CDR by US\$ 27,515.05.

Priority

Medium (Important).

Recommendation

The office should record the expenses related to the project during the accounting period where services were provided, and in case there was delay in receiving the related supporting documents, the office should record the estimates for any anticipated expenses before closing the year through the accrual system using the correct accounting year.

Management's Response:

Under the International Public Sector Accounting Standards (IPSAS), accrual basis accounting involves the recognition of transactions when they occur, meaning all UNDP under DIM are recorded and reported in the financial statements of the financial period to which they relate, and not only when cash or its equivalent is received or paid. However, the Responsible Parties have not adopted IPSAS and are not IPSAS compliant. As a result, they are working on a cash basis and have no system to report to UNDP on accrual bases.

Therefore, all UNDP transactions reported on DIM are on an accrual basis. Still, the expenditure report under Letter of Agreements (LoA), which follow government rules, is not, and expenses are recognized when the FACE Forms are received and recorded.

The office will closely monitor payment submissions to ensure they are recorded in the correct period and continuous training of Responsible Parties officers will be provided to ensure compliance with the necessary requirements / supporting documents. In case of deviation (late / incomplete documents beyond the payment cut-off date) we will flag the anomaly to our quality assurance unit in the office for advise and escalation.

Priorities of Audit Recommendations

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.