



AUDIT

OF

PROCUREMENT SUPPORT SERVICES TO MINISTRY OF HEALTH - INLS
(Directly Implemented Project No. 106462, Output No. 107202)

IN

UNDP ANGOLA

Report No. 2537
Issue Date: 31 August 2022

**Report on the Audit of Procurement Support Services to Ministry of Health – INLS
(Project No. 106462, Output No. 107202)
Implemented by UNDP Angola
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through PKF Littlejohn LLP (the audit firm), from 31 May to 30 June 2022, conducted an audit of Procurement Support Services to Ministry of Health – INLS (Project No. 106462, Output No. 107202) (the Project), which is directly implemented and managed by the UNDP Country Office in Angola. 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 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 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* 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**	Impact on CDR
4,758	Qualified	(5)	Understatement

*Expenses recorded in the Combined Delivery Report (CDR) amounted to \$8,688,012. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country (\$3,929,823).

** NFM: Net Financial Impact

The audit firm qualified its opinion on project expenses due to a) expenses amounting to \$803,838 incurred in 2020 and incorrectly recorded in the 2021 financial year, resulting in an overstatement of project expenses reported in the CDR; and b) commitments and prepayments that were already realized in 2021 but not recognized as expenditures, resulting in an understatement of the CDR for the total amount of \$ 808,970, and overstatement of commitments and prepayments (for \$19,233 and \$836,765, respectively), in the Funds Utilization statement. The resulting net financial impact on the CDR was an understatement of \$5,133 that represented 0.1 percent of the project expenditure directly incurred by the Office as of 31 December 2021.

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 reliability and integrity of financial and operational information (Recommendations 1 High priority and 2 medium priority).

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:

Delays in the recording of goods and services received (Issue 1)	The Office did not timely record the receipts of goods and services, thus, the related project expenses were not recognised in the same reporting period when they realized. As a result, expenditures incurred in 2020 were recorded in the 2021 financial year, resulting in an overstatement of the project expenses for the amount of \$803,838 in the 2021 Combined Delivery Report as at 31 December 2021.
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There were delays between 166 days and 481 days in the recording of the delivered goods and services in ATLAS during 2021. This resulted in material misstatements in the 'Commitments' and 'Prepayments balances reported in the Fund Utilization report as detailed in the management letter of the report.

Recommendation:

It is recommended that the Office improves its workflows and procedures by recording receipts for goods/services in the same reporting period when goods and services were delivered and accepted by UNDP. This will ensure that expenses are recognised in the same period when goods / services are delivered in compliance with IPSAS and UNDP's own accounting policies and procedures.

Management comments and action plan

The Resident Representative accepted the recommendations and is in the process of implementing them. 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

PROCUREMENT SUPPORT SERVICES TO MINISTRY OF HEALTH - INLS

**Directly Implemented
(Project No. 00106462, Output No. 00107202)**

IN

**UNITED NATIONS DEVELOPMENT PROGRAMME
ANGOLA**

**Report No. 2537
Issue Date: 26 August 2022**

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**United Nations Development Programme
(UNDP)**Report of the Independent Auditor on
the United Nations Development Programme (UNDP)
Directly Implemented (DIM) Project

Project name:	Procurement Services and Supply - Ministry of Health - INLS
Output name:	Procurement Support Services to Ministry of Health - INLS
UNDP Country Office:	Luanda, Angola
Atlas Project ID:	00106462
Atlas Output ID:	00107202
Auditor:	PKF Littlejohn
Period subject to audit:	1 January to 31 December 2021

EXECUTIVE SUMMARY

PKF Littlejohn conducted the financial audit of UNDP Project “Procurement Support Services to the Ministry of Health - INLS”- (Project no. 00106462, Output no. 00107202 (the Project), which is directly implemented by UNDP Angola. 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 statement as of 31 December 2021. The audit was undertaken on behalf of the Office of Audit and Investigations (OAI) United Nations Development Programme (UNDP).

Audit opinions

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

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

Management letter summary

There were 2 reportable findings raised during the course of our audit, consequently we have issued a management letter.

Prior year audit

The project ID 00106462, “Procurement Support Services to the Ministry of Health - INLS” output ID 00107202 was not audited in the prior year and therefore there were no recommendations to follow up on.

PKF Littlejohn LLP

26 August 2022

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THE AUDIT ENGAGEMENT

Audit Objectives and Scope

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

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January to 31 December 2021 as well as the Funds Utilization statement as at 31 December 2021 and the accounts receivable and accounts payable as at 31 December 2021 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 project as of 31 December 2021. This statement must include all assets available as of 31 December 2021 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 of 31 December 2021. 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 UNDP project between 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 in 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 AUDITOR'S REPORT ON STATEMENT OF 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 00106462, output ID 00107202 "Procurement Support Services to Ministry of Health – INLS", for the period 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 expenditure totalling \$8,688,011.75 is comprised of expenditure directly incurred by the UNDP Country Office in Angola for an amount of \$4,758,188.54 and expenditure incurred by entities other than the Country Office for an amount of \$3,929,823.21. Our audit only covered the expenditure directly incurred by the UNDP Country Office in Angola of \$4,758,188.54.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for opinion section of our report, the accompanying CDR and Funds Utilization statement present fairly, the expenses of \$4,758,188.54 directly incurred by Country Office in Angola and charged to the project for the period 1 January to 31 December 2021 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 qualified 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 of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with this code. 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.

As explained in the management letter section of our report, during the project period under audit the UNDP Country Office in Angola incorrectly recorded expenditure amounting to US\$ 803,837.78 not incurred in the current financial year but relating to the previous year 2020. This has resulted in overstatement of project expenditure reported in the CDR.

There is also an overstatement of the open Commitments and Prepayments' balances presented in the Funds Utilization statement of \$19,233.02 and \$836,764.84 respectively. Most of the open commitments and prepayments' balances appearing as of 31 December 2021 correspond to goods/ services delivered in 2021 but which had

not been recorded as received (\$19,183.02 and \$789,787.43, respectively). This issue therefore resulted in an understatement of project expenses reported in the CDR of \$ 808,970.45 and a material misstatement in the balances reported in the Funds Utilization Statement of the project.

The resulting net financial impact of the findings on the expenditure reported in the CDR was an understatement of \$ 5,132,67 that represented 0.1% percent of the project expenditure directly incurred by the Office as at 31 December 2021.

The aggregate misstatements of the project expenses reported in the CDR and balances of the open Commitments and Prepayments presented in the Funds Utilization statement are deemed to be material but not pervasive to the financial statements.

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.

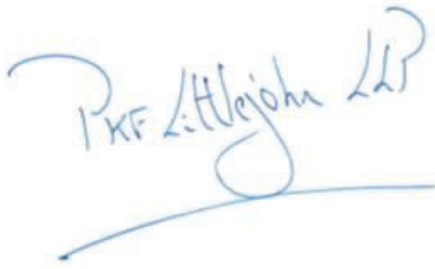
Auditor's responsibilities

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.



PKF Littlejohn LLP

26 August 2022

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COMBINED DELIVERY REPORT AND FUNDS UTILIZATIONS STATEMENTS



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 1 of 3
Run Time: 01-06-2022 10:06:21

Selection Criteria :

Business Unit : AGO10
Period : Jan-Dec (2021)
Selected Project Id : 00106462
Selected Fund Code : 30072
Selected Dept. IDs : ALL
Selected Outputs : ALL

Project Id : 00106462 PSS - Ministry of Health - INL	Period :	Jan-Dec (2021)		
Output # : 00107202 Procurement Support Services t	Impl. Partner :	00069 UNDP (Direct Execution)		
	Location :	Angola		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Dept: 30001 (Angola - Central)

Fund : 30072 (Programme cost sharing - GOV2)

72210 - Machinery and Equipment	0.00	299,400.00	0.00	299,400.00
72330 - Medical Products	0.00	1,180,654.05	0.00	1,180,654.05
72350 - Medical Kits	0.00	522,278.30	0.00	522,278.30
72360 - Anti-retroviral drugs (ARV)	0.00	5,114,612.81	0.00	5,114,612.81
72399 - Other Materials and Goods	0.00	100.00	0.00	100.00
72440 - Connectivity Charges	0.00	49.00	0.00	49.00
72815 - Inform Technology Supplies	0.00	5,500.00	0.00	5,500.00
73115 - Moving Expenses	0.00	49,584.56	0.00	49,584.56
74505 - Insurance	0.00	7,662.28	0.00	7,662.28
74510 - Bank Charges	0.00	3,542.50	0.00	3,542.50
74705 - Port Operation	0.00	-8,341.28	0.00	-8,341.28
74725 - Other L.T.S.H.	0.00	1,258,897.00	0.00	1,258,897.00
75105 - Facilities & Admin - Implement	0.00	253,018.19	0.00	253,018.19
76125 - Realized Loss	0.00	2,110.14	0.00	2,110.14
76135 - Realized Gain	0.00	-1,055.80	0.00	-1,055.80
Total for Fund 30072	0.00	8,688,011.75	0.00	8,688,011.75
Total for Dept : 30001	0.00	8,688,011.75	0.00	8,688,011.75
Total for Output : 00107202	0.00	8,688,011.75	0.00	8,688,011.75
Project Total :	0.00	8,688,011.75	0.00	8,688,011.75

Signed By :

S.M. RANGERS

Date :

01/06/2022

Signed By :

Date :

01/6/2022

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Combined Delivery Report By Project

UNDP UN Development Programme
Report ID: unglcdrp

Page 2 of 3
Run Time: 01-06-2022 10:06:21

Selection Criteria :

Business Unit : AGO10
Period : Jan-Dec (2021)
Selected Project Id : 00106462
Selected Fund Code : 30072
Selected Dept. IDs : ALL
Selected Outputs : ALL

Project Id : ALL	Period : Jan-Dec (2021)			
Output # : ALL	Impl. Partner :			
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
30001 - Angola - Central	0.00	8,688,011.75	0.00	8,688,011.75



UNDP UN Development Programme
Report ID: unglcdrp

Page 3 of 3
Run Time: 01-06-2022 10:06:22

Funds Utilization

Selection Criteria :

Business Unit : AGO10
Period : Jan-Dec (2021)
Selected Project Id : 00106462
Selected Fund Code : 30072
Selected Dept. IDs : ALL
Selected Outputs : ALL

Project/Award: 00106462 PSS - Ministry of Health - INL Period : As at Dec 31, 2021

Output #	Impl. Partner :00069 UNDP (Direct Execution)	UNDP AMOUNT
Outstanding NEX advances		0.00
Undepreciated Fixed Assets		0.00
Unamortized Intangible Assets		0.00
Inventory		0.00
Prepayments		895,644.84
Commitments		1,081,063.44

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INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF FIXED ASSETS

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

We noted that the UNDP Project "Procurement Support Services to the Ministry of Health - INLS" (Project no. 00106462, Output no. 00107202) did not present balances in the fixed assets accounts and no assets were held by the project. Accordingly a Statement of Fixed Assets was not produced.

INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF CASH

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

We noted that the UNDP Project "Procurement Support Services to the Ministry of Health - INLS" (Project no. 00106462, Output no. 00107202) did not have a dedicated bank account for the project activities. Cash transactions of the audited project were made through the country office bank accounts that were not subject to audit and accordingly a Statement of Cash was not produced.

MANAGEMENT LETTER

As a result of our audit, we have raised two audit findings as described below:

Finding no.1 : Delays in the recording of goods/services received

UNDP 'Programme and Operations Policies and Procedures' (POPP), Financial Resource Management, Receipt of Good/Services states the following:

'When goods and services are received by UNDP in accordance with the terms and condition set out in the contract or PO, a receipt is entered in ATLAS to record this event. 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 a properly rendered according to the contract and accepted.'

Accordingly, during our review of the supporting documents provided for the sampled transactions (detailed in Annexure A at the end of the management letter) we identified certain instances where UNDP Angola did not timely record the receipts of goods and services delivered and accepted by them, thus, the related project expenses were not recognised in the relevant reporting period when they were realized. Specifically, we noted:

(a) Cost not incurred in the same year as being reported in the current year's CDR:

- (i) Expenses of \$ 803,837.78 relating to the prior year (2020) had been recorded with delay in the current project financial year, resulting in overstatement of project expenses for the year 2021; and
- (ii) In addition to the above, we noted that in some instances although goods and services had been received during the financial year 2021, in respect of certain contracts and POs (also detailed in Annexure A), the related expenses and open commitment and prepayments balances, however, had not been recorded and adjusted by 31 December 2021. This resulted in an understatement of \$808,970 in the current year audited. (2021)

The net effect on project expenses due to issue (a) (i) and (ii) mentioned above, resulted in a net understatement of the CDR of \$5,132.67 for the year audited.

(b) Misstatements in the 'Commitments' and 'Prepayment' balances reported in the Fund Utilization report:

- i) The open 'commitments' balance in the CDR is \$1,081,063 million. Goods/services already delivered in 2021 but not recorded as received and closing the related POs led to the overstating of commitments balance in the Fund Utilization by \$19,233 and understated CDR expenses by \$19,183.
- ii) The 'prepayments' balance in the Fund Utilization statement is \$890,045. Not offsetting prepayments for which the goods were already received in 2021 resulted in a material overstatement in the Fund Utilization report of \$836,765 and understatement of CDR expenses by \$789,787.

Delays on average between 166 days and 481 days in the recording of the delivery of goods and services in ATLAS therefore resulted in material misstatement in the balances reported in the Funds Utilization Statement of the project, as well as an understatement of project expenses reported.

According to information provided, the delays in recording receipts were caused by lack of internal capacity at UNDP Angola CO to perform the required controls. Importantly, based on the explanation provided to us, the Office needs to obtain the final Statement of Accounts (SOA) from the supplier, a UN Agency, for a transaction before the liquidation of prepayments or closing of POs. A Statement of Account (SoA) for each Procurement Services order is prepared after all deliveries are completed and the expenditures for supplies, freight, handling fees or other expenses are recorded. We were informed that the relevant UN Agency should issue the SOA within 30 days after the last charge has been received and processed (for supplies, freight and insurance) and that, on average, this takes 3-4 months after the delivery of the final shipment of supplies at the Port of Destination.

Project expenses were not recognised in the same reporting period when goods and services were delivered and accepted by UNDP, as required by UNDP Financial Regulations and Rules, UNDP Programme and Operations Policies and Procedures (POPP), and the International Public Sector Accounting Standards (IPSAS)¹. There is therefore material misstatements in the Prepayments and Commitment balances in the Funds Utilization statement as well as incorrect recording and reporting of project expenses in the CDR.

Priority: High (Critical)

Recommendation:

It is recommended that UNDP Angola improves its workflows and procedures by recording receipts for goods/services in the same reporting period when goods and services were delivered and accepted by UNDP. This will ensure that expenses are recognised in the same period when goods / services are delivered in compliance with IPSAS and UNDP's own accounting policies and procedures.

Management comments and action plan:

The Country Office acknowledges the findings on incorrect recording of expenditure during the period Jan to Dec 2021. This comprises of two items as identified by the auditors, costs not incurred but recorded in the financial year and misstatements in open commitments and pre-payments balances. CO comments are as follows:

a) Cost not incurred in the same year as being reported in the CDR

During this period of 2020, there was the unforeseen risk that disrupted the entire world in terms of COVID-19. As a result, many institutions were forced to adopt remote working technologies and as they learnt how to adapt to these, there were some delays in workflow processes as staff were re-learning how to operate in this environment. The costs incurred in the period 2020 and recorded in 2021 were part of the workflow delays.

¹ According to the IPSAS, the delivery principle is one of the key concepts of accrual based accounting. This concept represents a core part of IPSAS 1.

As described in chapter 5 of UN IPSAS Accounting Manual, "Under the delivery principle, the timing of recognition of expenses and assets will occur when the goods and/or services are received by (i.e. 'delivered' to) the UN, and not on receipt of an invoice or payment in cash. Determination of the receiving date is therefore a crucial decision point. The delivery principle focuses on the timing of recognition regardless of whether it concerns an expense or an asset." <https://www.un.org/ipsas/Chapter5.html>

Management action plan:

The Office plans to strengthening the correct recording of expenses by:

- Reviewing its current structure in the procurement unit with an analysis of the resources to tasks expected to determine the increase in staff
- Ensuring that the appropriate workflow processes are in place to minimize the risk of delays in recognizing expenditure.

b) Misstatements in the Commitments and Prepayments balances reported in the Funds Utilization statement

The CO acknowledges the delays in processing the pre-payments and commitments. A majority of these are stemming from the relevant UN agency vendor, where the current standard operating procedure (SOP) states that a Statement of Account (SOA) is required to liquidate the pre-payments. The Office is reviewing the current approach and will ensure it is still aligned with POPP as well as tailored to the current context.

Management action plan:

The CO plans to strengthen the processing the pre-payments and commitments by:

- reviewing its current structure in the procurement unit with an analysis of the resources to tasks expected to determine the level to increase staff capacity
- Ensuring that the appropriate workflow processes are in place to minimize the risk of delays in recognizing expenditure.
- Reviewing the current approach with regards to the relevant UN Agency vendor modality for timely receipt of POs and will ensure it is still aligned with POPP as well as tailored to the current context
- Reviewing the roles and responsibilities for Purchase Orders (POs) managed/ led by UNDP Global Procurement Unit (GPU) but received in the country.

Auditors' comments:

We take good note of the comments provided by UNDP Angola CO with regard to the findings and of the proposed actions to address the issues noted. We highlight the importance of implementing this recommendation.

Finding No. 2: Delays in the registration of invoices and creation of vouchers

From the review of the POs and Vouchers system generated exception report, we identified several instances of delays in the registration of Invoices and creation of Accounts Payable (AP) Vouchers² in ATLAS.

There are several instances of:

- Vouchers created with delays - some more than 120 days after the invoices dates; and
- Invoices paid with delays of more than 30 days - some more than 100 days after the invoices dates.

Unless otherwise amended by the parties of the contract, the UN is obligated to pay for goods or services in 30 days upon the Vendor's satisfactory completion of its delivery obligations in accordance with the delivery terms, according to the UN Procurement Manual.

There are also some inefficiencies in the completion of procedures at different stages of the expenses management cycle. As mentioned before, there are some difficulties in completing the process of tracking the arrival of goods on time. There are also delays in the registration of invoices, its validation and generation of payment vouchers. The main reason provided to explanation these delays was the lack of manpower at UNDP Angola CO to perform key controls.

The funding of the acquisition project is critical during the entire life cycle of the project in particular to prevent any disruption in the payment of invoices raised by the Vendor. Payment of undisputed invoice is a part of the contractual relationship between the vendor and the Organisation. Late payments can ultimately lead to services being stopped and could affect the reputation of the Organization. Action should therefore be taken to improve timeliness in certifying and paying invoices.

Priority: Medium (Important)

Recommendation:

It is recommended that UNDP Angola ensures that invoices from suppliers are obtained, certified and registered in the system in a timely manner that respects the contractual provisions with the vendor. This could be achieved through review of the project and office's workflow processes against UNDP guidelines. Clarify the roles of the members of staff and determine the best way to ensure the timely registration, validation and payment of invoices from vendors.

² According to UNDP POPP "Accounts payable" (AP):

- "An AP voucher is raised upon the receipt of goods and services and the presentation of a Vendor's invoice. It is only possible to pay the Vendor once an AP voucher has been created and processed in Atlas".
- "A process related to a PO voucher begins with the transaction cycle at the point of e-requisition. The whole process involves the creation of an e-requisition, a PO and receipt of goods /services in ATLAS in order for a voucher to be created. The PO voucher is the usual method of recognizing a vendor invoice in Atlas (...)"

Management comments and action plan:

The CO acknowledges the delays in in the registration of invoices and creation of vouchers and is strengthening this by:

- Reviewing its current structure in the procurement unit with an analysis of the resources to tasks expected to determine the level to increase staff capacity
- Ensuring that the appropriate workflow processes are in place to minimize to ensures that invoices from suppliers are obtained, certified and registered in the system in a timely manner

Auditors' comments:

We take good note of the comments provided by UNDP Angola CO with regard to the findings and of the proposed actions to address the issues noted. We highlight the importance of implementing this recommendation.

Annexure A – Details of management letter financial finding

Finding No. 1:

(a) (i) Overstatement of project expenses reported in the CDR

Sample Ref.	Account Code	Transaction ID	Transaction date	Description in AAA	Amount in USD	Misstatement (USD)	PKF Comments in Draft report	UNDP Comments	PKF Comments
A) Costs not incurred in the financial year									
7	72360	AGO10-00049076-1-1-ACCR-DST	22/03/2021	E) ANTI-RETROVIRAL DRUGS (ARV)	267,400.00	267,400.00	Cost was incurred in 2020, however only recorded in 2021 (not according to IPSAS).	The Country Office acknowledges the findings on the overstatement of expenditure during the period Jan 2021 to Dec 2021.	No further comments.
10	72360	AGO10-00049168-2-1-ACCR-DST	03/04/2021	E) ANTI-RETROVIRAL DRUGS (ARV)	140,025.60	140,025.60	Cost was incurred in 2020, however only recorded in 2021 (not according to IPSAS).	As above	No further comments.
11	72360	AGO10-00049168-1-1-ACCR-DST	03/04/2021	E) ANTI-RETROVIRAL DRUGS (ARV)	108,418.86	108,418.86	Cost was incurred in 2020, however only recorded in 2021 (not according to IPSAS).	As above	No further comments.
14	72360	AGO10-00048886-1-1-ACCR-DST	11/02/2021	E) ANTI-RETROVIRAL DRUGS (ARV)	66,433.50	66,433.50	Cost was incurred in 2020, however only recorded in 2021 (not according to IPSAS).	As above	No further comments.
20	72360	AGO10-00048885-1-1-ACCR-DST	11/02/2021	E) ANTI-RETROVIRAL DRUGS (ARV)	47,595.00	47,595.00	Cost was incurred in 2020, however only recorded in 2021 (not according to IPSAS).	As above	No further comments.

Sample Ref.	Account Code	Transaction ID	Transaction date	Description in AAA	Amount in USD	Misstatement (USD)	PKF Comments in Draft report	UNDP Comments	PKF Comments
23	72360	AGO10-00049074-2-1-ACCR-DST	22/03/2021	E) ANTI-RETROVIRAL DRUGS (ARV)	40,672.82	40,672.82	Cost was incurred in 2020, however only recorded in 2021 (not according to IPSAS).	As above	No further comments.
3	72360	AGO10-00049074-1-1-ACCR-DST	22/03/2021	E) ANTI-RETROVIRAL DRUGS (ARV)	33,400.00	33,400.00	Cost was incurred in 2020, however only recorded in 2021 (not according to IPSAS).	As above	No further comments.
29	72360	AGO10-00049147-1-1-ACCR-DST	31/03/2021	E) ANTI-RETROVIRAL DRUGS (ARV)	28,320.00	28,320.00	Cost was incurred in 2020, however only recorded in 2021 (not according to IPSAS).	As above	No further comments.
30	74725	AGO10-00048884-2-1-ACCR-DST	11/02/2021	E) FREIGHT FORWARDERS SERVICES	27,475.00	27,475.00	Cost was incurred in 2020, however only recorded in 2021 (not according to IPSAS).	As above	No further comments.
31	74725	AGO10-00048884-1-1-ACCR-DST	11/02/2021	E) FREIGHT FORWARDERS SERVICES	25,102.00	25,102.00	Cost was incurred in 2020, however only recorded in 2021 (not according to IPSAS).	As above	No further comments.
35	74725	AGO10-00048884-3-1-ACCR-DST	11/02/2021	E) FREIGHT FORWARDERS SERVICES	18,995.00	18,995.00	Cost was incurred in 2020, however only recorded in 2021 (not according to IPSAS).	As above	No further comments.
Total (a): Overstatement of project expenses reported in the CDR						803,837.78			

(b) Overstatement of the open Commitments and Prepayments' balances presented in the Funds Utilization statement and understatement of project expenses reported in the CDR

PO ID	Description	USD BASE AMOUNT	Liquidated amount as of 09 Jun 2022	UNDP comments	Understatement of expenses in CDR (USD)	Overstatement of balances in Funds Utilization statement (USD)
Break-up of open commitments from IPSAS report (b) (i):						
GP420463F5	E) Freight forwarders services	5,390.00	-	The amount for service received in 2021 is 5,390 USD	5,390.00	5,390.00
GPH258HF01	E) Freight forwarders services	7,782.02	-	The amount of service received in 2021 is 7782.02 USD	7,782.02	7,782.02
GPH352F001	Dolutegravir/Lamivudine/Tenofovir & Portable data logger	50.00	50.00	Received in 2021	-	50.00
GPH352HF01	FCA Hyderabad Airport, India	6,011.00	-	Received in 2021: 6,011.00 USD	6,011.00	6,011.00
SUBTOTAL COMMITMENTS		1,081,063.44	891,726.72		19,183.02	19,233.02
Break-up of open Prepayments from IPSAS report (b) (ii):						
0000005355	Anti-retroviral drugs, Freight, Handling fee	5,600.14	5,600.14	This product was not received in 2021. Yes, it does not belong on the breakdown for 2021 open prepayments. Since it was liquidated in 2020 and the PO was closed. It seems that it appears in 2021 because after liquidation on 12/2020, the PO was completely closed on 01/2021.	-	5,600.14
0000005605	Anti-retroviral drugs, Freight	444,377.34	431,271.34	amount of goods received: 444,377.34. PSM and finance are working to close the remain balance.	431,271.34	444,377.34

PO ID	Description	USD BASE AMOUNT	Liquidated amount as of 09 Jun 2022	UNDP comments	Understatement of expenses in CDR (USD)	Overstatement of balances in Funds Utilization statement (USD)
0000005663	Anti -rectrivial drugs, Freight, Handling fee	174,215.36	145,944.09	amount of goods received:145944.09 USD. Yes the remaining balance should have been closed	145,944.09	174,215.36
0000005752	Anti -rectrivial drugs, Freight, Handling fee	212,572.00	-	Amount of goods received: 212,572 USD. The remain balance only can be close, through PO closure after received the Statement of account from the relevant UN Agency and finance do the liquidation of the prepayment. Since the last product arrived in November 2021. it should not be closed in 2021, since the main document SOA, was not send in this year.	212,572.00	212,572.00
SUBTOTAL PREPAYMENTS		895,644.84	582,815.57		789,787.43	836,764.84
TOTAL (b): Misstatement from review of open commitments and pre-payments					808,970.45	855,997.86