



CONSOLIDATED REPORT

**ON AUDITS OF PROJECTS DIRECTLY IMPLEMENTED BY UNDP FOR FISCAL YEAR
2021**

Report No. 2574
Issue Date: 3 November 2022

Table of Contents

| | |
|--|-----------|
| Executive Summary | i |
| 1. Introduction | 1 |
| 2. Results of DIM financial audits | 2 |
| 3. Audit ratings | 4 |
| 4. Audit observations and recommendations | 5 |
| 5. Implementation of prior year audit recommendations | 6 |
| 6. Conclusion and recommendations | 6 |
| Annex 1 | 7 |
| Annex 2 | 8 |
| Annex 3 | 9 |
| Annex 4 | 10 |
| Annex 5 | 11 |

**Consolidated Report
on Audits of Projects Directly Implemented by UNDP for Fiscal Year 2021
Executive Summary**

In October 2022, the Office of Audit and Investigations (OAI) conducted a review and analysis of the audit reports of projects directly implemented (DIM) by UNDP for fiscal year (FY) 2021. The review aimed at (a) analyzing the distribution of the audit opinions; (b) identifying common audit issues and trends; and (c) determining the implementation of the prior year's audit recommendations.

The DIM audits were undertaken in 2022 on project expenditures incurred in FY 2021. The objective of these DIM audits was to provide UNDP with assurance that financial resources have been used in accordance with UNDP rules, regulations, policies, and procedures. This report presents the consolidated results of these DIM audits.

The DIM audits were primarily financial audits that aimed at expressing an opinion on the DIM projects' financial position. In some instances, the audit scope also covered the review of internal controls and systems of these DIM projects. For these audits the auditors also issued a rating about the quality of the internal controls, ref Annex 5 for details.

This review covered 54 DIM audit reports for FY 2021 with total audited expenditures of \$694.4 million, which comprised 54 projects directly implemented by 33 UNDP Country Offices.

Results of the review

Out of the 54 DIM audit reports issued, 37 reports were financial audits, and 15 reports also included a review of the internal controls. The remaining two reports were internal control audits, and thus, did not provide an audit opinion related to the financial statements.

Out of the 17 audits with internal control reviews, 14 (82 percent) were rated 'fully satisfactory', 2 (12 percent) were rated 'satisfactory/some improvement needed', and 1 (6 percent) was rated 'partially satisfactory/major improvement needed'.

Out of the 52 DIM financial audit reports issued, auditors provided unmodified opinions on the financial statements of 43 projects and modified opinions on the financial statements of 9 projects. Modified opinions were provided on the statement of expenditures (CDR) for seven projects and on the statement of fixed assets for three projects. One project received a modified opinion on both the statement of expenditures and the statement of fixed assets.

Out of the 54 DIM audit reports issued, 7 DIM projects were related to the COVID-19 pandemic with total audited expenditures of \$50.2 million. One of these projects, with DIM audited expenditures totalling \$3.5 million, received a qualified opinion on the statement of expenditures.

The net financial impact of the modified opinions resulted in an overstatement of expenses on the CDRs of \$22.9 million, representing 3 percent of total DIM audited expenditures and 1 percent of total DIM projects' expenditures for FY 2021. For OAI, a net financial misstatement (NFM) of 1.5¹ percent or greater requires management's attention to take remedial actions or enhance relevant controls as this negatively impacts the accuracy of UNDP's project financial information.

¹ A materiality threshold of 1.5 percent NFM is used as a benchmark (of audited project expenditures), for consistency with the threshold followed for HACT audit reports.

The auditors raised a total of 34 audit observations; 24 audit observations were related to 11 financial audits and 10 audit observations were related to 3 extended financial audits. The audit observations were mainly in two functional areas: financial management, and management and use of equipment/inventory. The area of financial management, which had seven high priority audit observations mainly related to (a) expenditures recorded in the incorrect accounting period; (b) salaries paid and recorded incorrectly; (c) unjustified charges on the delivery enabling service fees; (d) cost of assets not capitalized but recorded as project expenditures; (e) expenditures without adequate documentation or proper justification; and (f) UN agencies expenses recorded as UNDP expenses.

OAI issued an audit rating of the FY 2021 DIM audit exercise as **satisfactory/some improvement needed**, which means “The assessed governance arrangements, risk management practices and controls were established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area. This was primarily because of the volume of Net Financial Misstatement noted, indicating control weaknesses in preparation and management of project financial statements.

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Office of Audit and Investigations

1. Introduction

The objective of the audits of projects directly implemented by UNDP is to provide UNDP with assurance as to the proper use of financial resources when UNDP acts as the implementing partner. This is achieved by auditing the financial statements of these projects and expressing an opinion on whether the financial statements present fairly, in all material aspects, the projects' operations.

The audits are performed annually by UNDP and are primarily financial audits, which aim at expressing an opinion on the DIM projects' financial position. OAI may decide that the financial audit should be extended to include the review of internal controls and systems of these DIM projects and these audits are referred to as 'extended financial audits.' For extended financial audits, the audit covers not only financial transactions but also internal controls and systems for the purpose of expressing an opinion on the financial statements as well as assessing compliance with UNDP regulations, rules, policies and procedures and donor agreements. The DIM audits are mostly conducted by audit firms contracted by and working on behalf of OAI. OAI auditors may undertake the DIM audits covering the review of internal controls. These audits are referred to as 'internal control audits'² and thus, are not conducive to providing an audit opinion on the financial statements.

While projects directly implemented by UNDP (DIM projects) are also included in the scope of Country Office audits that are conducted by OAI, the explanation for having specific project audits (DIM audits) is outlined below:

- Country Office audits performed by OAI follow a cycle that may extend up to five or six years. As projects have a limited duration, some of them may not be reviewed within the Country Office audit cycle.
- Over the years, there has been an increase in the use of the DIM modality across business units in UNDP. In 2021 the total financial volume of projects implemented under the DIM modality was \$3.1 billion, which exceeds the total volume of projects implemented under the NGO/NIM modality, which was \$1.7 billion.
- Donors of DIM projects have increasingly expressed a need for assurance in the form of project audits that would include a review of internal controls and systems to assess compliance with UNDP regulations, rules, policies and procedures and donor agreements.

In line with the DIM audit strategy approved by the Organizational Performance Group in December 2011, OAI aims to audit, annually, a selected number of high risk and/or high expenditure projects, which cumulatively account for approximately 30 percent of UNDP's annual DIM expenditure. For this purpose, OAI has established a risk-based approach for the selection of DIM projects to be audited. OAI's risk-based approach takes into consideration various indicators and weightings, such as the following:

- Financial materiality – 30 percent linked to total project expenditures and 15 percent linked to cumulative value of DIM expenditures.
- Entity-level controls – 15 percent linked to results of most recent OAI audits of country offices, 10 percent linked to DIM projects and 5 percent linked to OAI's investigation cases.
- Stakeholders' concerns – 10 percent linked to UNDP stakeholders, 10 percent linked to political situations, and 5 percent linked to the Corruption Perceptions index.

² These audits and the financial extended audits are aimed at assessing the adequacy and effectiveness of the governance, risk management and controls processes linked to various areas (e.g., governance, operations).

2. Results of DIM financial audits

This review covered 54 DIM audit reports with total audited expenditures of \$694.4 million, pertaining to 54 projects implemented by 33 UNDP Country Offices. Refer to Annex 1 for the number of DIM audits per Country Office.

The audit firms were required to certify, express an opinion and, if applicable, quantify the net financial misstatement (NFM) on the financial statements, which included:

- (a) the Combined Delivery Report (CDR), including the Fund Utilization section, for the period 1 January through 31 December 2021;
- (b) statement of cash as of 31 December 2021, applicable when the project holds a dedicated bank account); and
- (c) statement of fixed assets as of 31 December 2021, when assets are held by the project.

The audits were conducted in accordance with the International Standards of Auditing (ISA), the 700 series.

Out of the 54 DIM projects audited, two of them did not include audits of the financial statements. A total of 43 (83 percent) out of 52 DIM financial statement audits received unmodified opinions on their financial statements and 9 (17 percent) received modified opinions on their respective financial statements.

a) CDR

The auditors provided modified opinions on the statement of expenditures (CDR) of seven projects. The projects that received modified opinions on their CDRs were implemented by UNDP Country Offices in Afghanistan, India, Angola, Central African Republic, Chad, Ethiopia, and Nigeria.

The net financial impact of the modified opinions resulted in an overstatement of expenses on the CDRs totalling \$22.9 million, representing 3 percent of the total DIM audited expenditures (\$694.4 million) and 1 percent of the DIM projects' total expenditures in FY 2021 (\$3.1 billion).. Refer to Table 1 below and Annex 3 for further information linked to modified opinions per project.

For OAI, an NFM of 1.5³ percent or greater requires management's attention to take remedial actions or enhance relevant controls as this negatively impacts the accuracy of UNDP's project financial information.

Table 1: Financial impact on the CDR/Expenditure by region

| Region | Country Offices | Overstatement of CDR expenses (\$) | Understatement of CDR expenses (\$) | Understatement of commitments (\$) | Total NFM on expenditures (\$) |
|--------|--------------------------|------------------------------------|-------------------------------------|------------------------------------|--------------------------------|
| RBA | Angola | | 5,133 | | 5,133 |
| | Central African Republic | | 431,468 | | 431,468 |
| | Chad | (95,773) | | | (95,773) |
| | Ethiopia | (145,000) | | | (145,000) |
| | Nigeria | (22,882,670) | | | (22,882,670) |

³ A materiality threshold of 1.5 percent NFM (of audited project expenditures) is used as a benchmark, for consistency with the threshold followed for HACT audit reports.

| | | | | | |
|--------------|-------------|---------------------|----------------|----------------|-------------------|
| | Afghanistan | (175,270) | | | (175,270) |
| RBAP | India | - | - | 415,351 | - |
| Total | | (23,298,713) | 436,601 | 415,351 | 22,862,112 |

Note: For the India Country Office, the understatement of commitments did not have a direct impact on the project's expenditures.

The modified audit opinions on the CDR were mainly due to: (a) expenditures recorded in the incorrect accounting period; (b) salaries paid and recorded incorrectly; (c) unjustified charges on the delivery enabling service fees; (d) cost of assets not capitalized but recorded as project expenditures; (e) expenditures without adequate documentation or proper justification; and (f) UN agencies expenses recorded as UNDP expenses.

Some significant financial misstatements for FY 2021 were as follows:

- A project implemented by UNDP Nigeria (Project No. 127475) received a qualified audit opinion on project expenses due to the overstatement of UNDP expenditures presented in the CDR for an amount of \$22,882,670 and understatement of UN agencies expenses for the same amount. The resulting financial impact represented 76 percent of the total project expenditures (\$29,909,531) recorded in the CDR as of 31 December 2021.
- A project implemented by UNDP Central African Republic (Project No. 224977) received a qualified audit opinion on project expenses due to payments for activities not implemented as of the date of the audit, and refunds recorded in 2021 while the corresponding charges occurred in 2020. The resulting financial impact was a material overstatement of the financial statements totalling \$431,468, representing 13 percent of total project expenditures.
- A project implemented by UNDP Afghanistan (Project No. 105005) received a qualified opinion on project expenses mainly due to project expenditure recorded in the incorrect accounting period. The resulting financial impact, including the general management support costs, was a material overstatement of the financial statements in the amount of \$175,270 and representing 9 percent of the total project expenditures (\$1,936,810) recorded in the CDR as of 31 December 2021.

One project received a modified/qualified opinion on both the statement of expenditures and statement of fixed assets.⁴

b) Statement of cash

All three projects whose statement of cash were audited received unmodified opinions. The projects that received unmodified opinions were implemented by UNDP Country Offices in Bosnia and Herzegovina, North Macedonia, and Tajikistan.

c) Statement of fixed assets

Out of 20 projects whose statements of fixed assets were audited, the auditors provided modified opinions on the statement of fixed assets for 3 projects. The net financial impact of the modified opinions on the statement of fixed assets resulted in an overstatement of assets totalling \$59,465. The projects that received modified opinions on their statement of fixed assets were implemented by UNDP Country Offices in Chad, Mozambique, and Pakistan. Refer to Table 2 below and Annex 4 for more information on modified opinions per region and per project.

⁴ A project under the Chad Country Office received a modified opinion on both the statement of expenses and assets.

Table 2: Financial impact on the statement of fixed assets by region

| Region | Country Offices | Overstatement of fixed assets (\$) | Understatement of fixed assets (\$) | Total NFM \$ |
|--------------|-----------------|------------------------------------|-------------------------------------|-----------------|
| RBA | Chad | | 49,240 | 49,240 |
| | Mozambique | | 46,316 | 46,316 |
| RBAP | Pakistan | (155,021) | | (155,021) |
| Total | | (155,021) | 95,556 | (59,465) |

d) Review of a sample of COVID-19-related projects

For FY 2021, 7 out of the 54 DIM projects audited were related to the COVID-19 pandemic, with total expenditures of \$50.2 million. The projects aimed at providing support in response to the pandemic. Table 3 below provides an overview of the COVID-19 DIM projects audited. One project received a qualified opinion on the CDR. Refer to Annex 3 for more information.

Table 3: DIM project audits linked to COVID-19

| Region | Country Office | Title | Audited expenditure (\$) | CDR/Project expenses audit opinion | NFM (\$) | Project assets opinion |
|--------------|----------------|---|--------------------------|------------------------------------|-------------------------|------------------------|
| RBA | Nigeria | 127475 - One UN COVID Basket Fund | 3,475,712 | Qualified | 22,882,670 ⁵ | |
| RBAS | Lebanon | 00131623 - Covid 19 response in Palestinian Camps | 3,697,540 | Unqualified | | Unqualified |
| RBEC | BIH | 00131766 - Covid 19 response FBH WB loan | 6,936,095 | Unqualified | | |
| | BIH | 00126570 - Response to Covid 19 outbreak | 5,727,920 | Unqualified | | |
| | Kazakhstan | 00130019 - COVID emergency response | 2,963,415 | Unqualified | | |
| RBLAC | El Salvador | 131115 - Continuidad educativa y digitalización de la educación Covid19 | 17,794,788 | Unqualified | | |
| | Honduras | 1267878-UNDP Honduras - Covid19 Response - Programa Bono Unico | 9,666,821 | Unqualified | | |
| Total | | | 50,262,291 | | 22,882,670 | |

3. Audit ratings

Out of the 54 DIM audit reports issued, 17 DIM audits included reviews of the projects' internal controls and systems. Of those 17, 15 audits were extended financial audits and two audits were internal control audits.

⁵ This relates to the overstatement of the UNDP expenses presented in the CDR for an amount of \$22,882,670 and understatement of the UN agencies expenses for the same amount. The resulting financial impact was a material overstatement of the financial statement totalling \$22,882,670, representing 76 percent of the total project expenditures (\$29,909,531) recorded in the CDR as of 31 December 2021, of which \$3,475,712 (audited expenditure) was directly incurred by the Office.

Out of the 17 DIM projects, 14 projects (82 percent) received a 'fully satisfactory' rating, 2 (12 percent) received a 'satisfactory/some improvement needed' rating, and 1 (6 percent) received a 'partially satisfactory/major improvement needed' rating. Refer to Annex 2 for projects with 'satisfactory/some improvement needed' and 'partially satisfactory/major improvement needed' ratings. None of the DIM projects received an 'unsatisfactory' rating.

The distribution of ratings by region was as follows:

Table 4: Ratings by region for extended financial audits

| Region* | Rating | | | Total |
|-------------------|--------------------|--------------------------------------|---|-------------|
| | Fully Satisfactory | Satisfactory/Some Improvement Needed | Partially Satisfactory/Major Improvement Needed | |
| RBLAC | 1 | | | 1 |
| RBA | | 2 | 1 | 3 |
| RBAS | 10 | | | 10 |
| RBEC | 3 | | | 3 |
| Total | 14 | 2 | 1 | 17 |
| Percentage | 82% | 12% | 6% | 100% |

* DIM Projects audited in Country Offices under RBAP did not include any extended financial audits.

4. Audit observations and recommendations

Auditors were required to include, in a management letter, the internal control weaknesses noted. The management letter included audit observations and recommendations, and their risk severity classified by audit areas.

The audit reports contained 34 observations and recommendations. The distribution of the audit observations by risk severity and by audit areas were as follows:

- **Risk severity:** The audit observations were classified as high and medium risk priority. Of the audit observations, 9 (26 percent) were categorized as high-risk priority, and 25 (74 percent) were categorized as medium risk priority. See in Annex 5 for the definition of each risk priority.

The distribution of the 34 audit observations and recommendations and their risk severity by region is shown in table 5 below.

Table 5: Number of recommendations per region

| Region | Severity | | Total |
|--------------|-----------|-------------|-----------|
| | High risk | Medium risk | |
| RBA | 7 | 16 | 23 |
| RBAP | 2 | 7 | 9 |
| RBAS | - | 1 | 1 |
| RBEC | - | 1 | 1 |
| RBLAC | - | - | - |
| Total | 9 | 25 | 34 |

- *Audit areas:* The distribution by audit area was as follows:

Table 6: Distribution by audit areas and risk severity

| Audit areas | Severity | | Total |
|---|-----------|-------------|-----------|
| | High risk | Medium risk | |
| Financial Management | 7 | 17 | 24 |
| Management and Use of Equipment/Inventory | 2 | 6 | 8 |
| Procurement of Goods and/or Services | | 2 | 2 |
| Total | 9 | 25 | 34 |

The high priority audit observations identified in the area of financial management related mainly to: (a) recording expenditures in incorrect accounting periods; (b) delays in the recording of goods/services received; (c) insufficient supporting documents; and (d) delivery enabling services fees not charged in accordance with agreed budgets.

The high priority audit observations identified in the area of management and use of equipment/inventory mainly related to: (a) import duties not added to the cost of fixed assets and incorrect in-service data; and (b) incomplete updating of accounting records for transferred project vehicles.

At the time of this review, 1 (4 percent) out of the 34 recommendations had been implemented. Furthermore, 11 (33 percent) of the recommendations were marginally overdue as the estimated implementation dates for the recommendations were September 2022.

5. Implementation of prior year audit recommendations

From audits conducted in previous years, 34 recommendations were issued. At the time of this review, 30 recommendations were implemented, 1 recommendation was subsequently withdrawn,⁶ 2 recommendations were not implemented (no actions taken), and 1 recommendation was in progress.⁷

6. Conclusion and recommendations

The net financial impact of the modified opinions resulted in an overstatement of expenses on the CDRs of \$22.9 million or 3 percent of the total DIM audited expenditures. For OAI, a NFM of 1.5 percent (of audited project expenditures) or greater requires management's attention to take remedial actions or enhance relevant controls as this negatively impacts the accuracy of UNDP project financial information.

OAI reiterates the importance for the responsible offices to timely implement audit recommendations made in the audit reports.

⁶ The recommendation was withdrawn due to the adoption of a new policy that superseded the service contract hiring modality.

⁷ The audit recommendation relates to contract/purchase orders prepared after the commencing of work. The status of this recommendation is currently in progress as part (a) of the recommendation was implemented while part (b) was yet to be completed (Report No. 2532).

Annex 1
DIM project audits per Country Office

| # | Bureau | Country Office | Number of DIM project audits | Audited expenditure (\$) |
|--------------|--------|------------------------------------|------------------------------|--------------------------|
| 1. | RBA | Angola | 1 | 4,758,189 |
| 2. | RBA | Central African Republic | 2 | 6,425,533 |
| 3. | RBA | Chad | 1 | 3,339,518 |
| 4. | RBA | Congo (Democratic Republic of the) | 1 | 4,190,069 |
| 5. | RBA | Ethiopia | 1 | 6,321,916 |
| 6. | RBA | Mozambique | 1 | 3,796,575 |
| 7. | RBA | Nigeria | 3 | 11,533,964 |
| 8. | RBAP | Afghanistan | 1 | 1,936,810 |
| 9. | RBAP | India | 1 | 14,046,335 |
| 10. | RBAP | Indonesia | 1 | 8,693,714 |
| 11. | RBAP | Pakistan | 2 | 7,770,028 |
| 12. | RBAS | Iraq | 5 | 213,730,676 |
| 13. | RBAS | Lebanon | 5 | 41,853,059 |
| 14. | RBAS | Libya | 1 | 3,247,802 |
| 15. | RBAS | PAPP | 2 | 16,338,645 |
| 16. | RBAS | Somalia | 1 | 2,938,450 |
| 17. | RBAS | Sudan | 1 | 5,270,040 |
| 18. | RBAS | Yemen | 1 | 11,149,583 |
| 19. | RBEC | Bosnia and Herzegovina | 3 | 13,396,595 |
| 20. | RBEC | Kazakhstan | 1 | 2,963,415 |
| 21. | RBEC | North Macedonia | 1 | 874,057 |
| 22. | RBEC | Tajikistan | 1 | 245,041 |
| 23. | RBLAC | Brazil | 1 | 639,4137 |
| 24. | RBLAC | Chile | 1 | 439,297 |
| 25. | RBLAC | Colombia | 2 | 12,705,539 |
| 26. | RBLAC | Costa Rica | 1 | 25,292,395 |
| 27. | RBLAC | Dominican Republic | 1 | 142,030,323 |
| 28. | RBLAC | Ecuador | 2 | 2,691,077 |
| 29. | RBLAC | El Salvador | 2 | 51,619,706 |
| 30. | RBLAC | Guatemala | 2 | 20,748,642 |
| 31. | RBLAC | Honduras | 2 | 46,972,012 |
| 32. | RBLAC | Peru | 2 | 601,631 |
| 33. | RBLAC | Uruguay | 1 | 105,709 |
| Total | | | 54 | 694,420,482 |



Annex 2
Projects Rated 'satisfactory/some improvement needed' and 'partially satisfactory/major improvement needed'

| Region and Country Office | Project | Output(s) | Audited expend. (\$) | OAI rating | NFM (\$) | Reason for NFM | DIM expend. audit opinion | DIM expend. - amount qualified – NFI (\$) | DIM assets value> (\$) | DIM assets opinion | DIM assets - amount qualified (\$) |
|--------------------------------|--|---|----------------------|---|------------|---|---------------------------|---|------------------------|--------------------|------------------------------------|
| RBA - Nigeria | 00127475 - One UN COVID Basket Fund | 00121397 - Support to COVID-19 Response | 3,475,712 | Satisfactory/Some Improvement Needed | 22,882,670 | UN agencies expenses presented under UNDP expenditure in the CDR. | Qualified | 22,882,670 | | | |
| RBA - Central African Republic | 125264 - PAF-Cour Penale Spe | 00119665 - Crimes graves enquêtés & jugés | 3,208,296 | Satisfactory/Some Improvement Needed | 49,937 | Weaknesses in vehicle fuel management. Overestimated commitments. Lack of physical inventory of equipment. | Unqualified | | 172,068 | Unqualified | |
| RBA - Chad | 123137 - Facilité Reg de Stabilisation | 00124739 - Fenêtre Nationale de Stabilisa | 3,339,518 | Partially Satisfactory/Major Improvement Needed | 95,773 | Insufficient supporting documents. Unjustified or insufficiently justified transfers of funds. Weaknesses in the payment process for cash-for-work activities. Weaknesses in petty cash management. | Qualified | 95,773 | 298,481 | Qualified | 49,240 |

Annex 3
Projects with qualified audit opinions – CDR (Funds Utilization and Expenditures)

| Bureau & Country Office | Project | Audited Expenditure (\$) | Effect on Funds Utilization | NFM (\$) | Opinion on Expenditures | NFM (\$) | Reason for quantification |
|--------------------------------|--|--------------------------|---------------------------------|----------------|----------------------------|-------------------|---|
| RBA - Angola | 106462 - PSS - Ministry of Health - INL | 4,758,189 | | | Qualified – Understatement | 5,133 | Expenses incurred in 2020 and recorded in 2021. Commitments and prepayments realized in 2021 but not recognized as expenditures. |
| RBA - Ethiopia | 117580 - Electoral Support Project | 6,321,916 | | | Qualified – Overstatement | (145,000) | Unjustified charges on delivery enabling services fees that were not in conformity with the approved budgets, or not in compliance with UNDP relevant policies and procedures. |
| RBA - Nigeria | 127475 - One UN COVID Basket Fund | 3,475,712 | | | Qualified - Overstatement | (22,882,670) | UN agencies expenses presented under UNDP expenditures in the CDR. |
| RBA - Central African Republic | 124997 - Projet D'Appui au Processus E | 3,217,237 | | | Qualified - Understatement | 431,468 | Payments made for activities not implemented as of the date of the audit. Refunds received and recorded in 2021 while the corresponding changes occurred in 2020. |
| RBA - Chad | 123137 - Facilité Reg de Stabilisation (Project No.) | 3,339,518 | | | Qualified - Overstatement | (95,773) | Insufficient supporting documents. Unjustified or insufficiently justified transfers of funds. Weaknesses in the payment process for cash-for-work activities. Weaknesses in petty cash management. |
| RBAP - Afghanistan | 105005 - - UN Electoral Support Project (UNESP) | 1,936,810 | | | Qualified - Overstatement | (175,270) | Project expenditure recorded in the incorrect accounting period, and salaries paid and recorded twice. |
| RBAP - India | 98752 - GAVI Phase II- Improving vaccination systems | 14,046,335 | Understatement (of commitments) | 415,351 | Qualified | - | The office did not record a contract amendment as a commitment. |
| Total | | 37,095,717 | | 415,351 | | 22,862,112 | |

Annex 4
Projects with qualified audit opinions – Assets

| Bureau & Country Office | Project | Assets Value (\$) | Opinion on Assets | NFM (\$) | Reason for quantification |
|-------------------------|--|-------------------|----------------------------|-----------------|--|
| RBA - Mozambique | 00121665 – Moz. Recovery Facility | 87,808 | Qualified - Understatement | 46,316 | Import duties not being added to the cost of two vehicles as well as the incorrect recording of their in-service dates, which affected the depreciation charges of the two vehicles. |
| RBA - Chad | 123137 - Facilité Reg de Stabilisation (Project No.) | 298,481 | Qualified - Understatement | 49,240 | Assets were recorded as expenditures. |
| RBAP - Pakistan | 102590 - UNDP Pakistan - Scaling-up of GLOF Risk Reduction in N Pakistan | 398,033 | Qualified - Overstatement | (155,021) | Project vehicles which were still recorded as UNDP assets despite being transferred to the Implementing Partner. |
| Total | | 784,322 | | (59,465) | |

Annex 5

Definitions of audit terms - ratings and priorities

A. Audit Ratings

| | |
|--|--|
| Fully Satisfactory | The assessed governance arrangements, risk management practices and controls as applicable to the Project's financial statements were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area. |
| Satisfactory / Some Improvement Needed | The assessed governance arrangements, risk management practices and controls as applicable to the Project's financial statements were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area. |
| Partially Satisfactory / Major Improvement Needed | The assessed governance arrangements, risk management practices and controls as applicable to the Project's financial statements were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area. |
| Unsatisfactory | The assessed governance arrangements, risk management practices and controls as applicable to the Project's financial statements were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area. |

B. Priority of Audit Observations and 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 contribute to 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 <u>not included in this report</u> . |