



AUDIT

OF

UNDP REDD+ Results-Based Payments (RBP)
for results period 2014–2016
(Project No. 129343, Output No. 123063)

IMPLEMENTED BY
UNDP INDONESIA

Report No. 2662
Issue Date: 6 March 2024

**Report on the Audit of UNDP REDD+ Results-Based Payments (RBP)
for results period 2014–2016
(Project No. 129343, Output No. 123063)
Implemented by UNDP Indonesia
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through PKF Littlejohn LLP (the audit firm), from 25 May to 12 June 2023, conducted an audit of ‘UNDP REDD+ Results-Based Payments (RBP) implemented in Indonesia for results period 2014–2016’ (Project No. 129343, Output No. 123063) (the Project), with support services provided by the UNDP Country Office in Indonesia. 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 2022 and the accompanying Funds Utilization statement¹ as of 31 December 2022. The audit did not include activities and expenses incurred or undertaken at the “responsible party” level, 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 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 audit results are presented in the table below:

Project Expenses*			
Amount (in \$ ‘000)	Opinion	NFM** (in \$ ‘000)	Impact on CDR
28,206	Adverse	(17,942)	Understatement

**Expenses recorded in the Combined Delivery Report were \$31,021,182. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country \$87,060.09. Also excluded were expenses incurred at the government/implementing partner level of \$2,727,984.21. Thus, the audit covered expenditure directly incurred by the Office, amounting to \$28,206,138.57.*

***NFM= Net Financial Misstatement*

The audit firm provided an adverse opinion on project expenses due to understatement of the Project’s performance-based payment expenditures. The resulting financial impact was a material understatement of the financial statement in the amount of \$17,942,142.70, which represented 36.64 percent of project expenditures directly incurred by the Office as of 31 December 2022. The adverse audit opinion was primarily due to an accounting error, where the Office had not recognized a liability for the performance component of the grant payment in 2022 (with the remaining payment due in 2023). The issue has been

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.

corrected by the Office of Financial Management. The audit did not find evidence of fraud or wrongdoing, and the error has not impacted the project's cash flow or programme delivery, nor created a financial loss for UNDP.

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

The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, 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 aims to ensure the reliability and integrity of financial and operational information.

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.

A handwritten signature in black ink, appearing to read 'Guillermo Munoz', enclosed within a rectangular box.

Guillermo Munoz
Deputy Director a.i
Office of Audit and Investigations