



**AUDIT**

**OF**

**LAKE CHAD STABILIZATION FACILITY**  
**(Directly Implemented Project No. 115736)**

**IMPLEMENTED BY**

**THE UNDP REGIONAL BUREAU FOR AFRICA**

**Report No. 2820**

**Issue Date: 5 December 2024**

**Report on the Audit of Lake Chad Stabilization Facility  
(Project No. 115736)  
Implemented by the UNDP Regional Bureau for Africa  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through PKF Littlejohn LLP (the audit firm), from 14 June to 11 October 2024, conducted an audit of Lake Chad Stabilization Facility (Project No. 115736) (the Project), which is directly implemented and managed by the UNDP Regional Bureau for Africa (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 (CDR), which includes expenses for the period from 1 January to 31 December 2023 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2023 as well as Statement of Assets as of 31 December 2023. The audit did not include activities and expenses incurred or undertaken at the “responsible party” level, or expenses processed and approved in locations outside the UNDP Regional Bureau for Africa and the implementing UNDP Country Offices. The audit did not include activities and expenses incurred or undertaken at the “responsible party” level such as government partners, or expenses processed and approved in locations outside of the country, or by UNDP Regional Centres and UNDP Headquarters, such as payroll costs. 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*				Project Assets	
Amount (in \$ '000)	Opinion	Net financial misstatement (in \$ '000)	Impact on CDR	Amount (in \$'000)	Opinion
2,028	Adverse	356	Understatement	264	Unmodified

\*Expenses recorded in the CDR were \$3,947,158.07. Excluded from the audit scope were transactions that relate to expenses processed and approved in locations outside the purview of the Regional Bureau for Africa and the implementing Country Offices that amounted to \$1,268,205.61. Moreover, the expenses incurred at the “responsible party” level by government partners (\$651,365) were excluded and will be subject to a separate audit to be conducted by external auditors.

There was a net financial misstatement of \$356,324 that affected the audit opinion as it was financially material.

<sup>1</sup> 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.

The audit firm qualified its opinion on project expenses due to the following: (a) incorrect recording of expenses (high priority); and (b) unadjusted commitments reported at year-end.

The resulting financial impact was a material understatement of the financial statements in the amount of \$356,324, which represented 17.6 percent of the project expenditures directly incurred by the Office as of 31 December 2023.

**Key recommendations:** Total = **2**, high priority = **1**

The two recommendations aim to ensure the reliability and integrity of financial and operational information (Recommendations 1 and 2).

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:

Incorrect recording of project expenses (Issue 1)

We noted incorrect recording of project expenses, detailed as follows:

- a) **Consultancy services misallocation:** Consultancy services for purchase order No. TCD10-8755 valued at \$75,294.00 were charged to Project 115736, but they did not relate to the Project. Payments of \$41,758.20 were made for three out of five deliverables under Project 115736. The remaining \$34,165.80 was an unliquidated commitment at year-end.
- b) **Unliquidated commitment processing:** The unliquidated portion of \$34,165.80 was processed under a new purchase order and charged to Project 130452. The payment was made on 4 September 2024. The project team acknowledged potential audit issues but did not seek clarification or technical guidance.
- c) **Incorrect expense allocation:** We noted that expenses of \$302,918.33 dated 14 April 2023 for a conference activity approved for Project 115736 were incorrectly charged to Project 130452. This misallocation understated the expenses for Project 115736 in the 2023 financial year. This resulted in an understatement of expenses in the CDR of Project 115736 by \$302,918.33.

The overall impact was a net understatement of project expenses in the CDR by \$261,160.13 and an overstatement of commitments by \$34,165.80.


Recommendation: The Office should ensure that approved project activities are charged to the correct project and that related payments are made in a timely manner.



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**Management comments and action plan**

The Director of the Dakar Sub Regional Hub accepted both recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.

 Sean DeBlieck  
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Sean DeBlieck  
Deputy Director (Audit)  
Office of Audit and Investigations

**AUDIT**

**OF**

**UNITED NATIONS DEVELOPMENT PROGRAMME  
UNDP Sub-Regional Hub for West and Central Africa**

**Lake Chad Stabilization Facility - 00115736**

**(Directly Implemented Project No.00115736)**

**Report No. 2820**

**Issue Date: 19 November 2024**

**United Nations Development Programme  
(UNDP)**

Report of the Independent Auditor on  
the United Nations Development Programme (UNDP)  
Directly Implemented (DIM) Project – UNDP Sub-Regional Hub for West and Central  
Africa – Dakar, Senegal (implemented in multiple countries, regional project)

Project name:	Lake Chad Stabilization Facility
UNDP Office:	UNDP Sub-Regional Hub for West and Central Africa - Dakar Senegal (implemented in multiple countries, regional project)
Quantum Project No.:	00115736
Auditor:	PKF Littlejohn
Period subject to audit:	1 January to 31 December 2023

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## Report on the Audit of UNDP Sub-Regional Hub for West and Central Africa

### Lake Chad Stabilization Facility (Project No. 00115736)

The UNDP Office of Audit and Investigations (OAI), through PKF Littlejohn (the audit firm) conducted an audit of project “Lake Chad Stabilization Facility” (Project ID 00115736) (the Project), which is a directly implemented regional project<sup>1</sup>. This was the first audit of the Project. The audit was conducted from the June 14, 2024 to 11 October, 2024.

The audit firm conducted a financial audit 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 Delivered Report, which includes expenses for the period from 1 January to 31 December 2023 and the accompanying Funds Utilization statements as at 31 December 2023 as well as the Statement of Fixed Assets as at 31 December 2023.

The audit did not include activities and expenses incurred or undertaken at the “responsible party” level or expenses processed and approved in locations outside the purview of the Regional Bureau and/or Central Bureau, Regional Hub or country office in which the project is being implemented in and where the supporting documentation is not retained at the level of the UNDP Regional Bureau and/or Central Bureau, Regional Hub or country office in which the project is implemented in. Such costs would include payroll and government related expenditures. 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.

### AUDIT RESULTS

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

Project Expenses *		Statement of Assets		Statement of Cash**	
Amount \$ 000	Opinion	Amount \$000	Opinion	Amount \$ 000	Opinion
2,027.59	Adverse	264.02	Unmodified	-	N/A

\* Expenses recorded in the Combined Delivery Report amounted to \$ 3,947,158.07. Excluded from the audit scope were transactions that relate to payroll costs (\$1,268,205.61), and costs incurred by government partners (\$651,365).

\*\* The opinion on the Statement of Cash was not applicable because the project did not maintain a separate bank account and accordingly a Statement of Cash was not produced.

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<sup>1</sup> The regional project is implemented in four countries namely Cameroon, Chad, Niger and Nigeria with support services provided by the UNDP Sub-Regional Hub for West and Central Africa



### **Management comments and action plan**

Comments and/or additional information provided by the Management of the UNDP Sub-Regional Hub for West and Central Africa has been incorporated into the report, where appropriate.

## EXECUTIVE SUMMARY

PKF Littlejohn conducted the financial audit of UNDP DIM Project No. **00115736 “Lake Chad Stabilization Facility”** a regional project implemented with the support of UNDP Sub-Regional Hub for West and Central Africa in Dakar Senegal following the Direct Implementation Modality for the period from 1 January to 31 December 2023. The audit was undertaken on behalf of the Office of Audit and Investigations (OAI) United Nations Development Programme (UNDP).

The audit did not include activities and expenses incurred or undertaken at the “responsible party” level or expenses processed and approved in locations outside the purview of the Regional Bureau and/or Central Bureau, Regional Hub or country office in which the project is being implemented in and where the supporting documentation is not retained at the level of the UNDP Regional Bureau and/or Central Bureau, Regional Hub or country office in which the project is implemented in. Such costs would include payroll and government-related expenditures. In addition, the audit did not cover the Statement of Fixed Assets as the Project did not maintain any assets for the period under review; and the Statement of Cash Position as no separate bank account was established and maintained for the Project.

### Audit opinions

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

Project Financial Position	Adverse
Statement of Fixed Assets	Unmodified
Statement of Cash	Not applicable because the project did not maintain a separate bank account.

### Management letter summary

There were two financial audit findings raised during the course of our audit relating to incorrect recording of expenses and commitments balances at the year-end. Consequently, we have issued a management letter.

### Audit Findings

No.	Title	Type of finding	Priority
1	<p>Incorrect recording of project expenses</p> <p><i>Understatement of expenses reported in the CDR of Project 00115736 by \$ 261,160.13.</i></p> <p><i>Overstatement of commitments reported in the Funds Utilisation Statement by \$ 34,165.80.</i></p>	Financial	High (Critical)

No.	Title	Type of finding	Priority
2	Unadjusted commitments reported at the year  <i>Understatement of expenses reported in the CDR by \$ 95,163.87.</i>  <i>Overstatement of commitments reported in the Funds Utilisation Statement by \$ 95,163.87</i>	Financial	Medium (Important)
<b>Net impact</b>  <i>(i) Understatement of expenses reported in the CDR by \$ 356,324.00; and</i> <i>(ii) Overstatement of the balance of the commitment reported at the year-end by \$ 129,329.67.</i>			

**Prior year audit**

The project No. **00115736 “Lake Chad Stabilization Facility”** was not audited in the prior year and therefore there were no recommendations to follow up on.

**PKF Littlejohn LLP**

19 November 2024

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## THE AUDIT ENGAGEMENT

### Audit Objectives and Scope

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

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January to 31 December 2023 as well as the Funds Utilization statement as at 31 December 2023 and the accounts receivable and accounts payable as at 31 December 2023 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 at 31 December 2023. This statement must include all assets available as at 31 December 2023 and not only those purchased in a given period. Where a project does not have any assets or equipment, it is not necessary to express such an opinion.
- Expressing an opinion on whether the Statement of Cash held by the project presents fairly the cash and bank balance of the project as at 31 December 2023. 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 2023. 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;
- Expenses processed and approved in locations outside the purview of the Regional Bureau and/or Central Bureau, Regional Hub or country office in which

the project is being implemented in and where the supporting documentation is not retained at the level of the UNDP Regional Bureau and/or Central Bureau, Regional Hub or country office in which the project is implemented in;

- Expenses related to payroll cost and exchange rate fluctuation entries; and
- Expenses processed by government entities and other UN agencies and where the supporting documentation is not retained at the level of the UNDP.

**REPORT OF THE INDEPENDENT AUDITORS TO UNDP  
Lake Chad Stabilization Facility – Project No. 00115736**

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

**Adverse opinion**

We have audited the financial position of the UNDP project No. 00115736, Lake Chad Stabilization Facility for the period from 1 January 2023 to 31 December 2023. which include: (a) the accompanying Combined Delivery Report (CDR); and the (b) the Funds Utilization statement (“the statement”).

The CDR expenditure totalling \$ 3,947,158.07 comprises expenditure directly incurred under the regional project implemented with the support of UNDP Sub-Regional Hub for West and Central Africa amounting to \$ 2,027,587.46.

Our audit did not include activities and expenses incurred or undertaken at the “responsible party” level or expenses processed and approved in locations outside the purview of the Regional Bureau and/or Central Bureau, Regional Hub or country office in which the project is being implemented in and where the supporting documentation is not retained at the level of the UNDP Regional Bureau and/or Central Bureau, Regional Hub or country office in which the project is implemented in. Such costs include payroll-related expenditures amounting to \$1,268,205.61 and expenses incurred by government partners amounting to \$651,365.00. Our audit only covered expenses amounting to \$ 2,027,587.46.

In our opinion, because of the significance of the matter described in the Basis for adverse opinion section of our report, the accompanying CDR and Funds Utilization Statement do not present fairly, in all material respects, the expenses of \$ 2,027,587.46 directly incurred under the regional project implemented with the support of UNDP Sub-Regional Hub for West and Central Africa and charged to the project for the period from 1 January 2023 to 31 December 2023.

**Basis for adverse opinion**

For the financial year 2023 being audited, the CDR and Funds Utilization Statement included incorrect project expenses and commitments. We noted the following errors:

- (i) Expenses for an unrelated project activity amounting to \$ 41,758.20 were recorded to project 00115736 and unliquidated commitments related to an unrelated project activity amounting to \$ 34,165.80 were recorded to project 00115736 at 31 December 2023;
- (ii) Expenses related to project 00115736 and amounting to \$ 302,918.33 were incorrectly recorded to project 00130452; and
- (iii) Expenses related to completed project activities amounting to \$ 95,163.87 in the financial year 2023 were not recorded in the CDR and left as unadjusted commitments at the year-end.

The net impact of the errors identified above, resulted in an understatement of project expenses in the CDR of \$ 356,324.00 and an overstatement of the commitments balance reported in the Funds Utilization Statement of \$ 129,329.67. The misstatements are deemed to be material and pervasive in the context of our audit as they represent an understatement in the CDR of the total annual expenditure reported of 17.57% and

overstatement of the commitments balance of 43.83%. As such the presumption that the CDR and Funds Utilization Statement present fairly the total expenditure incurred in the financial year ended 31 December 2023 has been undermined.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Combined Delivery Report and the Funds Utilization Statement 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 adverse opinion.

### **Responsibilities of management for the combined delivery report and funds utilization statement**

Management is responsible for the preparation and fair presentation of the CDR and the Funds Utilization Statement of the project in accordance with the UNDP accounting policies, 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 for the audit of the combined delivery report and funds utilization statement**

Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization Statement as a whole 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 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.
- 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 organisation'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**

19 November 2024

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# COMBINED DELIVERY REPORT AND FUNDS UTILIZATIONS STATEMENTS

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UN Development Programme

## Combined Delivery Report By Project

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### Selection Criteria :

Business Unit : UNDP-HQ

Period : From: JAN-2023 to: DEC-2023

Selected Project Id : 00115736

Selected Fund Code : 04210 | 30000 | 30079

Selected Dept. IDs : 38701 | 38501 | 31613 | 36401 | 36215 | 31601 | 38503 | 31001 | 31004 | 36403 | 36405 | 0

<b>Project ID Description:</b> 00115736 LCB Stabilization Facility-UNDP-HQ- 00115736	<b>Period:</b> From: JAN-2023 to: DEC-2023
<b>Implementing Partner:</b> 001981-UNDP	<b>Location:</b>

**Department: 0 (UNDP Default Cost Centre)**

**Fund: 30000 (Programme Cost Sharing)**

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
76110 - Unrealized Foreign Exchange Losses	0.00	109,640.23	0.00	109,640.23
<b>Total for Fund</b>	<b>0.00</b>	<b>109,640.23</b>	<b>0.00</b>	<b>109,640.23</b>
<b>Total for Dept</b>	<b>0.00</b>	<b>109,640.23</b>	<b>0.00</b>	<b>109,640.23</b>

**Department: 31001 (Cameroon - Central)**

**Fund: 30000 (Programme Cost Sharing)**

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
71605 - Travel Tickets - International	0.00	1,399.05	0.00	1,399.05
71615 - Daily Subsistence Allowance - International	0.00	361.68	0.00	361.68
75105 - Facilities and Administration - Implementation	0.00	30.31	0.00	30.31
<b>Total for Fund</b>	<b>0.00</b>	<b>1,791.04</b>	<b>0.00</b>	<b>1,791.04</b>
<b>Total for Dept</b>	<b>0.00</b>	<b>1,791.04</b>	<b>0.00</b>	<b>1,791.04</b>

**Department: 31004 (Cameroon - Dem. Governance)**

**Fund: 30000 (Programme Cost Sharing)**

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
71620 - Daily Subsistence Allowance - Local	0.00	149.74	0.00	149.74
75105 - Facilities and Administration - Implementation	0.00	11.98	0.00	11.98
<b>Total for Fund</b>	<b>0.00</b>	<b>161.72</b>	<b>0.00</b>	<b>161.72</b>
<b>Total for Dept</b>	<b>0.00</b>	<b>161.72</b>	<b>0.00</b>	<b>161.72</b>

**Combined Delivery Report By Project****Department: 31601 (Chad - Central)****Fund: 30000 (Programme Cost Sharing)**

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
72440 - Connectivity Charges	0.00	11,113.00	0.00	11,113.00
75105 - Facilities and Administration - Implementation	0.00	4,737.47	0.00	4,737.47
<b>Total for Fund</b>	<b>0.00</b>	<b>15,850.47</b>	<b>0.00</b>	<b>15,850.47</b>
<b>Total for Dept</b>	<b>0.00</b>	<b>15,850.47</b>	<b>0.00</b>	<b>15,850.47</b>

**Department: 31613 (Chad - Procmt & Travel)****Fund: 30000 (Programme Cost Sharing)**

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
75105 - Facilities and Administration - Implementation	0.00	-4,871.15	0.00	-4,871.15
<b>Total for Fund</b>	<b>0.00</b>	<b>-4,871.15</b>	<b>0.00</b>	<b>-4,871.15</b>
<b>Total for Dept</b>	<b>0.00</b>	<b>-4,871.15</b>	<b>0.00</b>	<b>-4,871.15</b>

**Department: 36215 (Niger - Sub-office)****Fund: 30000 (Programme Cost Sharing)**

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
71605 - Travel Tickets - International	0.00	2,396.14	0.00	2,396.14
75105 - Facilities and Administration - Implementation	0.00	192.12	0.00	192.12
76135 - Realized Foreign Exchange Gain - AP	0.00	-1,009.29	0.00	-1,009.29
<b>Total for Fund</b>	<b>0.00</b>	<b>1,578.97</b>	<b>0.00</b>	<b>1,578.97</b>
<b>Total for Dept</b>	<b>0.00</b>	<b>1,578.97</b>	<b>0.00</b>	<b>1,578.97</b>

**Department: 36401 (Nigeria - Central)****Fund: 04210 (Regional Activities - RBA)**

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
77660 - Vehicles - Depreciation Expense	0.00	19,570.87	0.00	19,570.87
<b>Total for Fund</b>	<b>0.00</b>	<b>19,570.87</b>	<b>0.00</b>	<b>19,570.87</b>

**Combined Delivery Report By Project****Fund: 30000 (Programme Cost Sharing)**

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
75105 - Facilities and Administration - Implementation	0.00	-17,380.16	0.00	-17,380.16
<b>Total for Fund</b>	<b>0.00</b>	<b>-17,380.16</b>	<b>0.00</b>	<b>-17,380.16</b>
<b>Total for Dept</b>	<b>0.00</b>	<b>2,190.71</b>	<b>0.00</b>	<b>2,190.71</b>

**Department: 36403 (Nigeria - Crisis Prev & Rcvry)****Fund: 30000 (Programme Cost Sharing)**

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
75105 - Facilities and Administration - Implementation	0.00	11,827.16	0.00	11,827.16
<b>Total for Fund</b>	<b>0.00</b>	<b>11,827.16</b>	<b>0.00</b>	<b>11,827.16</b>
<b>Total for Dept</b>	<b>0.00</b>	<b>11,827.16</b>	<b>0.00</b>	<b>11,827.16</b>

**Department: 38501 (Regional Centre - Addis Ababa)****Fund: 30000 (Programme Cost Sharing)**

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
67405 - Labour Cost – IP Staff	0.00	130,207.77	0.00	130,207.77
71205 - International Consultants Expenses - Short-Term Technical Contractors	0.00	92,821.56	0.00	92,821.56
71615 - Daily Subsistence Allowance - International	0.00	1,393.20	0.00	1,393.20
71635 - Travel Cost - Other	0.00	188.00	0.00	188.00
72120 - Service Cost - Trade and Business Services	0.00	-438.88	0.00	-438.88
75105 - Facilities and Administration - Implementation	0.00	51,958.56	0.00	51,958.56
75705 - Learning Costs - Course Fee (non staff)	0.00	-935.51	0.00	-935.51
76105 - Realized Foreign Exchange Losses	0.00	13.90	0.00	13.90
<b>Total for Fund</b>	<b>0.00</b>	<b>275,208.60</b>	<b>0.00</b>	<b>275,208.60</b>
<b>Total for Dept</b>	<b>0.00</b>	<b>275,208.60</b>	<b>0.00</b>	<b>275,208.60</b>

**Department: 38503 (RSCA- Regional Prog Chad)****Fund: 30000 (Programme Cost Sharing)**

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
67405 - Labour Cost – IP Staff	0.00	52,495.17	0.00	52,495.17
75105 - Facilities and Administration - Implementation	0.00	4,270.03	0.00	4,270.03
<b>Total for Fund</b>	<b>0.00</b>	<b>56,765.20</b>	<b>0.00</b>	<b>56,765.20</b>
<b>Total for Dept</b>	<b>0.00</b>	<b>56,765.20</b>	<b>0.00</b>	<b>56,765.20</b>

**Combined Delivery Report By Project****Department: 38701 (Regional Centre - Dakar)****Fund: 04210 (Regional Activities - RBA)**

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
71605 - Travel Tickets - International	0.00	99.92	0.00	99.92
76135 - Realized Foreign Exchange Gain - AP	0.00	-3.18	0.00	-3.18
<b>Total for Fund</b>	<b>0.00</b>	<b>96.74</b>	<b>0.00</b>	<b>96.74</b>

**Fund: 30000 (Programme Cost Sharing)**

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
62305 - Dependency Allowance - IP Staff	0.00	17,002.51	0.00	17,002.51
62320 - Hardship and Non-Mobility Allowance - IP Staff	0.00	-17,002.51	0.00	-17,002.51
63340 - Rest and Recuperation Allowance - IP Staff	0.00	19,250.00	0.00	19,250.00
63407 - Learning Costs - Daily Subsistence Allowance (staff)	0.00	251.00	0.00	251.00
63515 - Security Cost - Staff Residences	0.00	10,036.72	0.00	10,036.72
63520 - Security Cost - Personal	0.00	1,581.63	0.00	1,581.63
64310 - Separation Cost - IP Staff	0.00	17,258.10	0.00	17,258.10
64321 - Reassignment Cost - Air Ticket for IP Staff	0.00	19,979.73	0.00	19,979.73
64322 - Reassignment Cost - Daily Subsistence Allowance for IP Staff	0.00	4,230.00	0.00	4,230.00
64323 - Reassignment Cost - Lump Sum Salary for IP Staff	0.00	11,744.66	0.00	11,744.66
64397 - Direct Project Cost - Services provided by CO Staff	0.00	10,003.13	0.00	10,003.13
67305 - Labour Cost - GS Staff	0.00	620.56	0.00	620.56
67405 - Labour Cost - IP Staff	0.00	1,027,652.19	0.00	1,027,652.19
71205 - International Consultants Expenses - Short-Term Technical Contractors	395,611.00	188,165.65	0.00	583,776.65
71210 - International Consultants Expenses - Short-Term Support Contractors	0.00	76,389.20	0.00	76,389.20
71305 - Local Consultants Expenses - Short-Term Technical Contractors	0.00	15,026.60	0.00	15,026.60
71350 - Internship Stipend	0.00	4,746.36	0.00	4,746.36
71405 - Service Contract Holders Cost	0.00	6,130.84	0.00	6,130.84
71475 - Labour Cost - National Personnel Services Agreement	0.00	61,016.27	0.00	61,016.27
71501 - Labour cost - UN Volunteers	0.00	51,320.55	0.00	51,320.55
71511 - UNV Contribution towards expenses incurred for commencement of services	0.00	1,000.00	0.00	1,000.00
71605 - Travel Tickets - International	0.00	282,948.89	0.00	282,948.89

**Combined Delivery Report By Project**

UN Development Programme

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71610 - Travel Tickets - Local	0.00	5,283.80	0.00	5,283.80
71615 - Daily Subsistence Allowance - International	60,635.00	198,616.01	0.00	259,251.01
71620 - Daily Subsistence Allowance - Local	0.00	9,286.15	0.00	9,286.15
71625 - Daily Subsistence Allowance - Meeting Participants (Non-Staff)	0.00	1,367.46	0.00	1,367.46
71635 - Travel Cost - Other	0.00	3,438.21	0.00	3,438.21
72125 - Service Cost - Studies and Research Services	0.00	2,106.35	0.00	2,106.35
72135 - Service Cost - Communications Services	0.00	75,134.33	0.00	75,134.33
72140 - Service Cost - Information Technology	0.00	4,019.83	0.00	4,019.83
72145 - Service Cost - Training and Education Services	0.00	7,486.93	0.00	7,486.93
72170 - Service Cost - Humanitarian Aid and Relief	59,215.00	0.00	0.00	59,215.00
72215 - Transportation Equipment	0.00	401.11	0.00	401.11
72220 - Furniture	0.00	962.19	0.00	962.19
72311 - Consumables - Fuel, Petroleum and Other Oils	0.00	1,854.85	0.00	1,854.85
72315 - Consumables - Food and Textile Products	0.00	689.85	0.00	689.85
72350 - Consumables - Medical Kits	0.00	343.90	0.00	343.90
72440 - Connectivity Charges	0.00	77,729.82	0.00	77,729.82
72505 - Consumables - Stationery and Other Office Supplies	0.00	210.77	0.00	210.77
72705 - Hospitality Expenses - Special Events	0.00	172.70	0.00	172.70
72715 - Hospitality Expenses - Catering	0.00	2,130.91	0.00	2,130.91
72810 - Computer Software	135,904.00	0.00	0.00	135,904.00
72815 - Information and Communications Technology (ICT) Supplies	0.00	9,113.46	0.00	9,113.46
73107 - Rental Expense - Meeting Rooms	0.00	5,234.89	0.00	5,234.89
73110 - Custodial and Cleaning Services	0.00	5,177.08	0.00	5,177.08
73120 - Utilities	0.00	694.90	0.00	694.90
73204 - Building	0.00	204.02	0.00	204.02
73310 - Maintenance Cost - Software Licenses	0.00	6,886.44	0.00	6,886.44
73410 - Maintenance Cost - Transportation Equipment	0.00	433.69	0.00	433.69
73420 - Lease Expense - Vehicles	0.00	11,550.34	0.00	11,550.34
73505 - Reimbursement to UNDP for Support Services	0.00	328.95	0.00	328.95
74120 - Capacity Assessment	0.00	97,386.00	0.00	97,386.00
74205 - Audio Visual Productions	0.00	9,300.00	0.00	9,300.00
74210 - Printing and Publications	0.00	690.80	0.00	690.80
74220 - Translation Costs	0.00	77,660.13	0.00	77,660.13
74225 - Other Media Costs	0.00	10,865.98	0.00	10,865.98
74510 - Bank Charges	0.00	124.95	0.00	124.95

**Combined Delivery Report By Project**

UN Development Programme

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74725 - Other Logistics Expenses	0.00	697.53	0.00	697.53
75105 - Facilities and Administration - Implementation	0.00	216,657.14	0.00	216,657.14
75705 - Learning Costs - Course Fee (non staff)	0.00	17,498.11	0.00	17,498.11
75706 - Learning Costs - Air Ticket (non staff)	0.00	1,750.00	0.00	1,750.00
75710 - Learning Costs - Participation of Counterparts	0.00	86,311.68	0.00	86,311.68
75711 - Learning Costs - Stipends for Training, Workshop, Conference	0.00	53,212.89	0.00	53,212.89
76105 - Realized Foreign Exchange Losses	0.00	6,002.73	0.00	6,002.73
76125 - Realized Loss	0.00	417.61	0.00	417.61
76135 - Realized Foreign Exchange Gain - AP	0.00	-3,112.91	0.00	-3,112.91
77660 - Vehicles - Depreciation Expense	0.00	9,272.69	0.00	9,272.69
<b>Total for Fund</b>	<b>651,365.00</b>	<b>2,824,946.35</b>	<b>0.00</b>	<b>3,476,311.35</b>

**Fund: 30079 (EUROPEAN COMMISSION)**

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
71605 - Travel Tickets - International	0.00	567.32	0.00	567.32
75105 - Facilities and Administration - Implementation	0.00	39.71	0.00	39.71
<b>Total for Fund</b>	<b>0.00</b>	<b>607.03</b>	<b>0.00</b>	<b>607.03</b>
<b>Total for Dept</b>	<b>651,365.00</b>	<b>2,825,650.12</b>	<b>0.00</b>	<b>3,477,015.12</b>
<b>Total for Project</b>	<b>651,365.00</b>	<b>3,295,793.07</b>	<b>0.00</b>	<b>3,947,158.07</b>

Reviewed by: Piero Emanuele Franceschetti Digitally signed by Piero Emanuele Franceschetti

Certified by: Blerta Cela Digitally signed by Blerta Cela

Approved by: Luc Gnonlonfoun Digitally signed by Luc Gnonlonfoun

Date: 30-May-2024

Date: 31-May-2024

Date: 02-juin-2024

**PKF Littlejohn LLP**  
15 Westferry Circus  
Canary Wharf  
London  
E14 4HD



**Combined Delivery Report By Project**

**Funds Utilization**

**Selection Criteria :**

Business Unit : UNDP-HQ  
Period : From: JAN-2023 to: DEC-2023  
Selected Project Id : 00115736  
Selected Fund Code : 04210 | 30000 | 30079  
Selected Dept. IDs : 38701 | 38501 | 31613 | 36401 | 36215 | 31601 | 38503 | 31001 | 31004 | 36403 | 36405 | 0

**Project ID Description: 00115736 LCB Stabilization Facility**  
**Implementing Partner: 001981-UNDP**

	<b>UNDP Amount</b>
Outstanding NEX	18,206.99
Undepreciated Fixed Assets	264,019.48
Unamortized Intangible Assets	0.00
Inventory	0.00
Prepayments	0.00
Commitments	295,063.17

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## **CERTIFICATION FOR STATEMENT OF FIXED ASSETS**

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

We have audited the accompanying statement of fixed assets of the UNDP project No. 00115736, Lake Chad Stabilization Facility as at 31 December 2023.

### **Unmodified opinion**

In our opinion, the accompanying statement of fixed assets presents fairly, in all material respects, the assets status of the UNDP Project No. 00115736 amounting to \$ 264,019.48 as at 31 December 2023 in accordance with UNDP accounting policies.

### **Basis for unmodified opinion**

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

### **Management responsibilities**

Management is responsible for the preparation of the statement of fixed assets of the project, and for such internal control as management determines is necessary to enable the preparation of a statement of fixed assets that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the statement of fixed assets is 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 statement of fixed assets, 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,



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**

19 November 2024

15 Westferry Circus  
Canary Wharf  
London  
E14 4HD

# STATEMENT OF FIXED ASSETS

Asset In Service Report

Asset Book: UNDP ASSET BOOK

Business Unit: UNDP-TCD

As of Period: DEC-2023

UNDP CHAD ISR EXCERPT FOR PROJECT RSS AS OF DECEMBER 31ST 2023

Business Unit	Asset Number	Major Category	Minor Category	Asset Description	Tag Number	Serial Number	Location	Transaction Date	In service date	Units	Current Cost	Net Book Value	Employee Name	Operating Fund	Cost Center	Project Number	Donor	PPM Project	
UNDP-TCD	TCD10:00000001440	Vehicles	General	Land Cruiser76 100C167CT	100C167CT	JTEEB71J80F002863	UNDP-TCD-NDJ-IMMEUBLEBORKOU..CBL-CR-PK	14-Jun-2023	26-Sep-2019	1,00	50 844,90	32 484,24	Chika Charles.ANIEKWE	R11	30000	38701	00115736	000117	00115736
UNDP-TCD	TCD10:00000001473	Vehicles	General	Land Cruiser Prado 100C185CT	100C185CT	JTEBD9FJ70K025110	UNDP-TCD-NDJ-IMMEUBLEBORKOU..IBR-SS-PK	14-Jun-2023	18-Jun-2021	1,00	55 810,08	43 795,41	Chika Charles.ANIEKWE	R11	30000	38701	00115736	000117	00115736
Total										2,00	106 654,98	76 279,65							

Certification conforme

Signed by:  
Abdel Nassir Maaty  
Assistant Administratif et financier au projet RSS  
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DocuSigned by:  
Mbatayangar  
Asset focal Point du PNUD Tchad  
Teloumbaye Mbatayangar  
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DocuSigned by:  
Ousmane Diop  
Asset Manager du Bureau PNUD Tchad  
Ousmane Diop  
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Asset In Service Report  
 Asset Book: UNDP Asset Book  
 Business Unit: UNDP-NGA  
 As of Period: Dec-23

UNDP NIGERIA ISR EXCERPT PROJECT RSS AS OF DECEMBER 2023

Business Unit	Asset Number	Major Category	Minor Category	Asset Owner	Asset Description	Asset Type	Tag Number	Serial Number	Model	Location	Transaction Date	In service date	Units	Current Cost	Net Book Value	Employee Name	Operating Unit	Fund	Cost Center	Project Number	Donor	PPM Project	PPM Task
UNDP-NGA	NGA10-00000001347	Vehicles	Armoured Vehicles		NEW Armoured Toyota L	CAPITALIZED	1NG201UN145	JTMHV01J1K5045398		UNDP-NGA-A	16-Jul-2020	16-Jul-2020	1.00	126,021.50	89,265.22	Sally.MUSA	NGA	04210	36401	00115736	000012	00115736	PROJECT_MNGMT
UNDP-NGA	NGA10-00000001370	Vehicles	Armoured Vehicles	A)	Armored Vehicles	CAPITALIZED	1NG201UN185	JTMHV01J304309594		UNDP-NGA-A	01-Jan-2023	09-Jun-2022	0.04	4,617.24	4,008.02	Sally.MUSA	R11	30000	38701	00115736	000117	00115736	PROJECT_MNGMT
UNDP-NGA	NGA10-00000001370	Vehicles	Armoured Vehicles	A)	Armored Vehicles	CAPITALIZED	1NG201UN185	JTMHV01J304309594		UNDP-NGA-A	01-Jan-2023	09-Jun-2022	0.96	108,828.56	94,469.22	Sally.MUSA	NGA	04210	36401	00115736	000012	00115736	PROJECT_MNGMT
														<b>239,467.30</b>	<b>187,742.46</b>								

Name: Anthonia Oleghe  
 Title: Asset Focal point  
 Signature: \_\_\_\_\_  
 DocuSigned by: Anthonia Oleghe 29-Aug-2024

Name: Aisha Shettima  
 Title: Finance Officer  
 Signature: \_\_\_\_\_  
 DocuSigned by: Aisha Shettima 29-Aug-2024

Name: Bernardo Jorge  
 Title: Service Center Manager  
 Signature: \_\_\_\_\_  
 DocuSigned by: Bernardo Jorge 29-Aug-2024



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Net book value of project assets in Chad: \$ 76,279.65  
 Net book value of project assets in Nigeria: \$ 187,742.46  
 Total net book value of project assets as of 31 December 2023: \$ 264,022.11<sup>2</sup>

<sup>2</sup> There is an immaterial difference of \$ 2.63 between the Undepreciated Fixed Assets balance reported in the Funds Utilization Statement (\$ 264,019.48) and the Statement of Assets (\$ 264,022.11) as at 31 December 2023.

**INDEPENDENT AUDITOR’S REPORT ON STATEMENT OF CASH  
Lake Chad Stabilization Facility – Project No. 00115736**

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

Project No. 00115736 “Lake Chad Stabilization Facility”, did not maintain a dedicated bank account for the DIM project activities during the audit period. Accordingly, a Statement of Cash was not prepared.

## MANAGEMENT LETTER

### Issue title 1: Incorrect recording of project expenses

#### Observation:

UNDP Financial Regulations and Rules Article 22: Verification of payments states that at the time of approval and processing of a payment, it should be:

- i. determined that payment had not previously been made;
- ii. it is supported by documents which indicate that the goods or services for which payment is claimed have been received or rendered in accordance with the terms of the contract and the related commitment;
- iii. the payment is made against a recorded commitment of resources entered into by an appropriate committing officer; and
- iv. no other information is available which would bar the payment.

Based on the above guidance, during our audit we noted the following issues in the transactions recorded and claimed under the project 001 15736 in the financial year 2023:

- (i) project activities and expenses relating to other projects charged to the project CDR during the financial year 2023;
- (ii) approval of contracts, POs and payments for goods or services obtained during the financial year 2023 under other projects but at the time of payment charged to the project under audit;
- (ii) lack of approval from UNDP's Office of Financial Management on the use of funds from different donors; and
- (iv) inaccurate reporting of project activities and expenses - expenses temporarily booked in the financial year 2023 not timely reversed before the financial year-end .i.e. 31 December 2023 but adjusted in subsequent periods which distorts financial reporting for multiple financial periods.

Details of instances noted are as follows:

**(a)** In respect of PO number TCD10-8755 based on our review of the underlying supporting documents, payment details, and internal correspondence we noted the following issues:

Consultancy services for a total contract value of \$ 75,294.00 charged to project 00115736 appeared to have been not related to project 00115736. We note that although the project's senior management could not determine which activity this consultancy was related to and under which Annual work plan it was approved, they approved the expense to be charged to project 00115736. The correspondence did indicate that it could relate to a project/funding that closed/expired in March 2023, and accordingly, due to delays in receiving the contract deliverables, it was approved to be charged under project 00115736 being audited to pay the third party hired. Payments amounting to \$ 41,758.20 had been made against the contract during the year under project 00115736 in

respect of three out of five deliverables with the remaining amount (for the last two deliverables) appearing as an unliquidated commitment of \$ 34,165.80 at the year-end

- The consultancy contract against which the payment was made expired in February 2023, therefore making the payments made during the financial year 2023 not in line with UNDP POPP rules; and
- For the processing/payment of the unliquidated portion of \$ 34,165.80 for the last two deliverables, the UNDP Regional Bureau Management and UNDP Chad Office had shared a note to file which explained that this will be done under a new PO and will now be charged to a third project under project ID 00130452. This payment was finally made and processed on 4 September 2024.
- In the note to file for provided we note that the project team also discussed the issues listed above and that it could lead to audit issues, however, no clarification or technical guidance was obtained to address the issues identified.

*Impact:*

*Overstatement of expenses reported in the CDR of Project 00115736 by \$ 41,758.20 and overstatement of commitments reported in the Funds Utilisation Statement by \$ 34,165.80.*

**(b)** During our audit of another project 00130452, we noted that expenses relating to a conference activity approved and undertaken for project 00115736 had been charged incorrectly to another project 00130452. The expense recorded amounting to \$ 302,918.33 with transaction reference FACE DP 01/2023 ANEC dated 14 April 2023 was not related to project 00130452, but rather 00115736, therefore understating the expenses recorded for project 00115736 in the financial year 2023.

*Impact:*

*Understatement of expenses reported in the CDR of Project 00115736 by \$ 302,918.33.*

*The impact of instances (a) and (b) resulted in a net understatement of project expenses of \$ 261,160.13 and an overstatement of commitments reported at the year-end of \$ 34,165.80.*

**Priority:** High (Urgent)

**Recommendation:** It is recommended that those involved in the management of the project should ensure that only project activities approved for a specific project should be charged to the project and the related payments made from the funds allocated to it. Recording expenses and making payments for them interchangeably between projects is not in line with sound financial management practices or terms of funding arrangements agreed with donors.

**Management comments and action plan:**

**On observation a) Payment Timeline and Funding Source for Deliverables**

It is correct that not all deliverables were paid in 2023 because the contractor did not complete the assignment by year-end. The final payment was appropriately processed in 2024, following the formal validation of the contractor's work. The payment schedule

strictly adhered to the terms of the contract, supported by a documented Note to File that justified payment beyond the initial contract expiration. The importance of this study to the Stabilization Programme's strategic objectives warranted its funding under the Stabilization Facility. Due to the unavailability of African Development Bank (AfDB) funds at the time, the payment was facilitated through an alternative donor's unearmarked contribution, in accordance with basket fund modalities. This approach ensured compliance with the contractual obligations and fiscal responsibility, as all disbursements followed the contract's stipulations, with documented justification through the Note to File.

#### Action Plan

The Sub-Regional Hub will implement measures to ensure that project expenditures align with approved activities, with payments carefully managed within the designated project funds. A monthly tracking matrix will be established to monitor spending, ensuring accountability and reducing the risk of misallocated charges, while allowing for the flexibility needed to adapt to evolving project needs.

#### **Auditor's response:**

We acknowledge the comments and action plan provided by the management. However, would like to reiterate that based on the supporting documents and internal correspondence provided to us, there was evidence to indicate that the purpose of the study and the project under which it was initiated was different from the project being audited and that the activity specifically was not approved under Project 00115736's work plan as also discussed between project management in their internal communication/email correspondence. Charging expenses relating to an activity that was approved/initiated under the Sahel Resilience Project but subsequently reallocated due to the project closure/unavailability of funds does not meet the criteria that the expenses charged were necessary for the project under audit.

#### **On observation ii) Interchangeability of Funds Across RSF Phases**

Both Project IDs 00115736 and 00130452 fall under the Regional Stabilization Facility (RSF), a multi-donor basket fund designed for flexible resource utilization across linked projects. Consistent with donor agreements, funds were used interchangeably between the two RSF projects as part of the transition from the initial phase to the extended second phase, facilitated by unearmarked contributions. As substantiated by the provided documentation, including 1) Atlas screenshots confirming the linkage of both projects to the RSF, and 2) samples of donor agreements outlining the RSF's continuation, all reassignments and reversals between Project IDs 00115736 and 00130452 were fully authorized. The establishment of Project ID 00130452 aligns with the RSF's need for a dedicated financial vehicle to manage new donor agreements under the project's extended mandate, ensuring seamless continuity in program delivery.

In summary, all financial actions, including phased funding interchangeability, were executed in strict compliance with contract terms, donor agreements, and approved project governance frameworks. This approach maximizes operational flexibility within the RSF, ensuring efficient use of funds across interrelated project phases while adhering to donor expectations and project objectives.

## Action Plan

The Sub-Regional Hub will implement measures to ensure that project expenditures align with approved activities, with payments carefully managed within the designated project funds. A monthly tracking matrix will be established to monitor spending, ensuring accountability and reducing the risk of misallocated charges, while allowing for the flexibility needed to adapt to evolving project needs.

### **Auditor's response:**

We acknowledge the comments provided by the management, however, note that approval of expenses under one project and charging/paying under another undermines the approval and review mechanisms adopted by the respective offices to process transactions in line with UNDP POPP rules and results in accurate reporting of project expenses/activities and utilisation of donor funds for a financial period. It is also recommended that the project teams involved seek clarification and guidance from the UNDP's Office of Financial Management on the matters explained by them to enhance the financial management of the project.



## Issue title 2: Unadjusted commitments reported at the year

### Observation:

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

*'2. To ensure compliance with IPSAS, it is critical that goods, services, and works are receipted and recorded as an expense in the correct accounting period i.e., when the goods were delivered, services were performed, construction works milestones were reached.*

*3. The Receipt accrual process is scheduled to run regularly once the Accounts Payable module closes and will capture those receipts that are not yet invoiced. To ensure the accuracy of the receipt accrual liability, UNDP offices must ensure that they have receipted all goods, services, and works by the last day of the calendar month in Quantum or before AP module closes (backdating the receipt date to the accounting closure month), otherwise the receipt accrual process will not capture all the accrued expenses and corresponding liabilities to ensure completeness of financial transactions in our UNDP financial statements and project delivery will be understated.'*

Based on the guidance above; we also understand that non-realized procurement of goods or services recognized through a contract or open purchase orders at the end of a period shall be recognized as a commitment and shall be recorded in the accounting system as an unliquidated commitment.

Accordingly, while reviewing the commitments balances recorded at the year-end and reconciling the unliquidated amounts with the supporting documents provided, we noted two instances totaling \$ 95,163.87 where unliquidated commitments balances had not been adjusted for services that had been received in the financial year 2023 and the purchase orders were long outstanding and required to be closed.

The two instances identified are as follows:

	<b>PO number</b>	<b>Total contract value - \$</b>	<b>Commitment at year-end - \$</b>
1	10068239	131,314.00	69,963.87
2	SEN10-2121	25,200.00	25,200.00
		<b>Total</b>	<b>95,163.87</b>

We noted:

1. In respect of Purchase order (PO) number 10068239 relating to the accommodation, tea breaks, and transportation of delegates of the Lake Chad Basin Fourth Governor's Forum for Regional Cooperation, Peacebuilding, and Sustainable Development, for a total contract value of \$ 131,314.00 contracted with a hotel in N'Djamena, an unliquidated commitment of \$ 69,963.87 was still appearing at the year-end. However, the event for which the PO and contracts were raised took place in July of 2023.

*The delay in the adjustment of the relevant commitment balance recorded in respect of this PO and recording of the related project expenses during the year had the following impact on the project's financial statements:*

- (i) the commitments amount in the Funds Utilisation Statement is overstated by \$ 69,963.87; and*
- (ii) the expenses reported in the CDR are understated by \$ 69,963.87.*

2. In respect of PO number SEN10-2121 relating to consultancy services for a total contract value of \$ 25,200.00, an unliquidated commitment of \$25,200.00 was still appearing at the year-end. However, the services for which the PO and contract was raised had been delivered in 2022. Management claimed that the PO had been closed prior to the 2023 year-end however no further evidence was provided to confirm this. The commitment therefore is deemed overstated.

*The delay in the adjustment of the relevant commitment balance recorded in respect of this PO and recording of the related project expenses during the year had the following impact on the project's financial statements:*

- (i) the commitments amount in the Funds Utilisation Statement is overstated by \$ 25,200.00; and*
- (ii) the expenses reported in the CDR are understated by \$ 25,200.00.*

The net impact of the two instances noted above resulted in an an overstatement of commitments reported at the year-end of \$ 95,163.87 and an understatement of project expenses of \$ 95,163.87.

**Priority:** Medium (Important)

**Recommendation:**

It is recommended that the UNDP Sub-Regional Hub for West and Central Africa, along with other relevant UNDP country offices implementing this project should ensure that there is a regular follow-up on open balances, as required by Article 11.05 of UNDP Financial regulations, Rule 111.01, and to ensure timely recording of project expenses for activities completed and that the open commitments' balances in the Funds Utilization statement at the year-end is accurate.

**Management comments and action plan:**

On observation I: Payment Processing for Lake Chad Basin Fourth Governor's Forum

The payment of USD 69,963.87 for the accommodation, refreshments, and transportation of delegates at the Lake Chad Basin Fourth Governor's Forum for Regional Cooperation, Peacebuilding, and Sustainable Development was processed in 2024, as evidenced by the attached documentation. However, due to an administrative oversight related to date formatting, the Global Shared Service Centre (GSSC) initially rejected the transaction. This is a common procedural challenge when operating in complex and rapidly changing contexts where logistical support and financial documentation must align seamlessly across multiple systems. Despite these complexities, we are actively following up with GSSC to finalize and close this payment,

ensuring that all support for regional peacebuilding efforts is maintained without disruption.

#### On Observation II: Reconciliation Challenges in System Migration from ATLAS to Quantum

The Purchase Order (PO) for consultant Sylvia Bawa was closed on December 13th, 2023, as confirmed by the previously shared documentation. However, the migration of our financial and procurement systems from ATLAS to Quantum in 2023 introduced technical issues that temporarily delayed the reconciliation of POs. These system challenges, which affected transaction continuity across the platforms, are particularly impactful in fragile operational environments where reliable and timely financial processes are critical to program success. Importantly, these reconciliation issues have now been fully resolved in 2024, allowing us to ensure accurate financial reporting and accountability despite the inherent complexities of operating in this context.

In summary, these payment and system reconciliation challenges reflect the intricate nature of financial operations in fragile regions, where unexpected procedural and technical hurdles must be navigated to sustain critical initiatives. We remain committed to resolving any outstanding issues promptly, while continuing to support the stabilization and development goals in the Lake Chad Basin.

#### **Action Plan**

To ensure that open commitment balances in the year-end Funds Utilization Statement are accurate, we will implement a series of concrete actions focused on regular monitoring and timely recording of project expenses.

1. **Monthly Review of Open Balances:** A dedicated monthly review will be conducted to track open balances and ensure that expenses for completed activities and delivered services are promptly recorded, following approval by the responsible officer. A junior finance officer will be recruited to beef up internal capacity the finance unit.
2. **Scheduled Meetings for Alignment:** Monthly meetings, as well as ad hoc sessions, will be organized between procurement and finance units from both regional and country offices. These meetings will focus on reviewing open balances and coordinating the recording of expenses related to activities completed and deliverables received at the country level.
3. **Enhanced Monitoring and Reporting:** A tracking system will be established to monitor all open commitments and record any necessary adjustments to the Funds Utilization Statement, ensuring accuracy and accountability throughout the year.

These steps will provide structured oversight and foster coordination between teams, reducing discrepancies and ensuring the accuracy of financial reporting.

#### **Auditor's response:**

We acknowledge the comments provided by the management and take note of the suggested action plan. We have no further comments.

**Net impact of issue 1 and 2 on project expenses reported in the CDR and commitments balance reported in the Funds Utilization Statement as at the year-end**

The net impact of the two findings explained above is an understatement of project expenses amounting to \$ 356,324.00 for the year and an overstatement of commitments reported at the year-end of \$ 129,329.67.