



AUDIT

OF

LAKE CHAD STABILIZATION FACILITY
(Directly Implemented Project No. 130452)

IMPLEMENTED BY

THE UNDP REGIONAL BUREAU FOR AFRICA

Report No. 2821

Issue Date: 5 December 2024

**Report on the Audit of Lake Chad Stabilization Facility
(Project No. 130452)
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 the Lake Chad Stabilization Facility (Project No. 130452 (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 statement¹ 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 cover the Statement of Assets as no assets were held by the Project. In addition, the audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors (The IIA).

Audit results

Based on the audit report and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenses*			
Amount (in \$ '000)	Opinion	Net financial misstatement (in \$ '000)	Impact on CDR
600	Adverse	378	Overstatement

*Expenses recorded in the CDR were \$664,742.64. 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 \$65,075.42.

There was a net financial misstatement of \$377,993.37 that affected the audit opinion as it was financially material.

The audit firm qualified its opinion on project expenses due to the following: (a) incorrect recording of project expenses; (b) expenses relating to other projects recorded under Project 130452; and (c) expenses related to unadjusted commitments not recorded during the year.

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.

The resulting financial impact was a material overstatement of project expenses in the CDR in the amount of \$377,993.37, representing 63.03 percent of the project expenditures directly incurred by the Office as of 31 December 2023.

Key recommendations: Total = 1, high priority = 1

The recommendation aims to ensure the reliability and integrity of financial and operational information.

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 the incorrect recording of the project expenses, detailed as follows:

a) **Expenses for \$380,820.35 relating to other projects recorded under the Project:**

- (i) project activities and expenses relating to other projects charged to the Project's CDR during financial year 2023;
- (ii) approval of contracts, purchase orders, and payments for goods or services obtained during financial year 2023 under other projects but at the time of payment charged to the Project;
- (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 during financial year 2023 not timely reversed before the financial year-end as of 31 December 2023 but adjusted in subsequent periods, which distorted financial reporting for multiple financial periods.

b) **Expenses for \$2,826.98 relating to unadjusted commitments not recorded during the year:** There were two instances where unliquidated commitment balances for ticket costs were not adjusted for travel undertaken during financial year 2023 and the purchase orders were long outstanding and needed to be closed. The expenses reported in the CDR were understated by \$2,826.96 and overstated the balance of the commitment.


The overall impact was a net overstatement of expenses reported in the CDR by \$377,993.37, and an overstatement of the balance of the commitment reported at the year-end by \$2,826.96.

Recommendation: The Office should ensure that only project activities approved for a specific project be charged to that project and the related payments be made from their specific pool of funds. In addition, the Office should ensure that there is regular follow-up on open balances, as required by Article 11.05 of UNDP Financial Regulations, Rule 111.01, and ensure the timely recording of project expenses for activities completed and that the open commitment balances in the Funds Utilization statement at year-end are accurate.



Management comments and action plan

The Director of the Dakar Sub Regional Hub 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.

	Sean DeBlieck '2024.12.05 10:50:24 -05'00'
Sean DeBlieck Deputy Director (Audit) Office of Audit and Investigations	

AUDIT

OF

**UNITED NATIONS DEVELOPMENT PROGRAMME
REGIONAL PROJECT**

Lake Chad Stabilization Facility - 00130452

(Directly Implemented Project No.00130452)

Report No. 2821

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 – Implemented by UNDP Sub-Regional Hub for West
and Central Africa

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 ID:	00130452
Auditor:	PKF Littlejohn LLP
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 00130452)

The UNDP Office of Audit and Investigations (OAI), through PKF Littlejohn (the audit firm) conducted an audit of project “Lake Chad Stabilization Facility” (Project No. 00130452) (the Project), which is a directly implemented regional project¹. This was the first audit of the Project. The audit was conducted from 14 June 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 Fixed Assets as no project assets were maintained by the Project and also, 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
599.67	Adverse	-	N/A	-	N/A

¹ 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

- Expenses recorded in the Combined Delivery Report amounted to \$ 664,742.64. Excluded from the audit scope were transactions that relate to payroll costs (\$ 65,075.42).

EXECUTIVE SUMMARY

PKF Littlejohn conducted the financial audit of UNDP DIM Project No. "Lake Chad Stabilization Facility", project No. 00130452, implemented by the UNDP country offices in Cameroon, Chad, Niger, and Nigeria and coordinated by the 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).

Audit opinions

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

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

Management letter summary

There was one financial audit finding raised during the course of our audit, consequently, we have issued a management letter.

No.	Title	Type of finding	Priority
1	<p>Incorrect recording of project expenses</p> <p><u>(a) Expenses relating to other projects recorded under Project 00130452</u></p> <p>Overstatement of expenses reported in the CDR by \$ 380,820.33</p> <p><u>(b) Expenses relating to unadjusted commitments not recorded during the year</u></p> <p>Understatement of expenses reported in the CDR by \$ \$ 2,826.96.</p> <p>Overstatement of commitments reported in the Funds Utilisation Statement by \$ 2,826.96</p>	Financial	High (Critical)

No.	Title	Type of finding	Priority
	<p>Net impact</p> <p><i>Overstatement of expenses reported in the CDR by \$ 377,993.37</i></p> <p><i>Overstatement of the balance of the commitment reported at the year-end by \$ 2,826.96</i></p>		

Prior year audit

The project no. **00130452** “**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. 00130452**

**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. 00130452, 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 totaling \$ 664,742.64 comprises expenditure directly incurred under the regional project implemented with the support of UNDP Sub-Regional Hub for West and Central Africa amounting to \$ 599,667.20.

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 included payroll-related expenditures amounting to \$ 65,075.42. Our audit only covered expenses amounting to \$ 599,667.20.

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 \$ 599,667.20 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 commitment balances. We noted the following errors:

- (i) Expenses for unapproved and unrelated project activities amounting to \$ 380,820.33; and
- (ii) Expenses for completed travel-related project activities amounting to \$ 2,826.96 in the financial year 2023 were not recorded in the CDR and were left as unadjusted commitments at the 31 December 2023.

The net impact of the errors identified above, resulted in:

- (i) an overstatement of project expenses in the CDR of \$ 377,993.37; and
- (ii) an overstatement of the balance of the commitment reported in the Funds Utilization Statement of \$ 2,826.96.

The misstatements are deemed to be material and pervasive in the context of our audit as they represent an overstatement in the CDR of the total annual expenditure reported of 63.03% and an overstatement of the commitments balance of 33.67%. As such the presumption that the CDR and Funds Utilisation Statement present fairly the total expenditure incurred in the financial year ended 31 December 2023 was 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the CDR and Funds Utilization Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations.
- 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 : 00130452
 Selected Fund Code : 04210 | 30000 | 30079 | 32045
 Selected Dept. IDs : 38701 | 31604 | 35204

Project ID Description: 00130452 LCB Stabilization Phase 2-UNDP-HQ-00130452	Period:	From: JAN-2023 to: DEC-2023
Implementing Partner: 001981-UNDP	Location:	Am Chidé,Ashigashiya,Blangwa,Bodo,Dabanga,Fotokol,Gréa,Kerawa,Kolofata,Kourgui,Limani,Logone Birni,Makary,Maltam,Mokolo,Mora,Moskota,Mozogo,Ngouma,Sagmé,Tourou,Waza,Zelevel,Dagana Kanfa,Fouli,Haraze,Kaya,Ngalamia,Bosso,Boulangouyakou,Chétimari,Diffa,Gueskéro,Kabélawa,Mainé Soroa,Nguigmi,Toumour,Askira,Bama,Damasak,Dambo,Dikwa,Geidam,Gujba,Gwoza,Kala,Madagal,Mafa,Monguno,Ngala

Department: 31604 (Chad - Dem. Governance)
Fund: 32045 (JPN - Partnership Devt Pgm PCF)

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
74596 - Services to Projects - General Opex	0.00	2,731.09	0.00	2,731.09
Total for Fund	0.00	2,731.09	0.00	2,731.09
Total for Dept	0.00	2,731.09	0.00	2,731.09

Department: 38701 (Regional Centre - Dakar)
Fund: 04210 (Regional Activities - RBA)

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
71620 - Daily Subsistence Allowance - Local	0.00	792.54	0.00	792.54
72120 - Service Cost - Trade and Business Services	0.00	75,000.00	0.00	75,000.00
72125 - Service Cost - Studies and Research Services	0.00	2,124.40	0.00	2,124.40

**Combined Delivery Report By Project**

73107 - Rental Expense - Meeting Rooms	0.00	11,340.00	0.00	11,340.00
74725 - Other Logistics Expenses	0.00	-2,579.40	0.00	-2,579.40
75705 - Learning Costs - Course Fee (non staff)	0.00	6,663.00	0.00	6,663.00
75710 - Learning Costs - Participation of Counterparts	0.00	388.20	0.00	388.20
76125 - Realized Loss	0.00	0.51	0.00	0.51
76135 - Realized Foreign Exchange Gain - AP	0.00	-9.14	0.00	-9.14
Total for Fund	0.00	93,720.11	0.00	93,720.11

Fund: 30000 (Programme Cost Sharing)

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
71405 - Service Contract Holders Cost	0.00	3,234.90	0.00	3,234.90
71605 - Travel Tickets - International	0.00	3,826.99	0.00	3,826.99
71615 - Daily Subsistence Allowance - International	0.00	18,075.80	0.00	18,075.80
71635 - Travel Cost - Other	0.00	282.00	0.00	282.00
73110 - Custodial and Cleaning Services	0.00	2,315.28	0.00	2,315.28
74225 - Other Media Costs	0.00	492.38	0.00	492.38
75105 - Facilities and Administration - Implementation	0.00	32,407.86	0.00	32,407.86
75705 - Learning Costs - Course Fee (non staff)	0.00	372,490.71	0.00	372,490.71
76105 - Realized Foreign Exchange Losses	0.00	8,287.61	0.00	8,287.61
76135 - Realized Foreign Exchange Gain - AP	0.00	-25.75	0.00	-25.75
Total for Fund	0.00	441,387.78	0.00	441,387.78

Fund: 32045 (JPN - Partnership Devt Pgm PCF)

	Govt/NGO/CSO Expense	UNDP Expense	UN Agencies Expense	Total
64399 - Expert Advisory Services - HQ Staff	0.00	22,352.00	0.00	22,352.00
67405 - Labour Cost - IP Staff	0.00	39,488.52	0.00	39,488.52
71605 - Travel Tickets - International	0.00	20,931.07	0.00	20,931.07
71610 - Travel Tickets - Local	0.00	1,280.61	0.00	1,280.61
71615 - Daily Subsistence Allowance - International	0.00	14,662.89	0.00	14,662.89
71635 - Travel Cost - Other	0.00	3,978.00	0.00	3,978.00
72135 - Service Cost - Communications Services	0.00	3,360.00	0.00	3,360.00
72815 - Information and Communications Technology (ICT) Supplies	0.00	121.00	0.00	121.00
74596 - Services to Projects - General Opex	0.00	11,389.00	0.00	11,389.00
75105 - Facilities and Administration - Implementation	0.00	9,447.72	0.00	9,447.72
75710 - Learning Costs - Participation of Counterparts	0.00	592.56	0.00	592.56
76125 - Realized Loss	0.00	153.84	0.00	153.84



UN Development Programme

Combined Delivery Report By Project

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76135 - Realized Foreign Exchange Gain - AP	0.00	-853.55	0.00	-853.55
Total for Fund	0.00	126,903.66	0.00	126,903.66
Total for Dept	0.00	662,011.55	0.00	662,011.55
Total for Project	0.00	664,742.64	0.00	664,742.64

Reviewed by: Piero Emanuele Franceschetti Responsible: Piero Emanuele Franceschetti Date: 30-May-2024
 Certified by: Blerta Cela Responsible: Blerta Cela Date: 31-May-2024
 Approved by: Luc Gnonlonfon Responsible: Luc Gnonlonfon Date: 02-juin-2024



UN Development Programme

Combined Delivery Report By Project

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Funds Utilization**Selection Criteria :**

Business Unit : UNDP-HQ
 Period : From: JAN-2023 to: DEC-2023
 Selected Project Id : 00130452
 Selected Fund Code : 04210 | 30000 | 30079 | 32045
 Selected Dept. IDs : 38701 | 31604 | 35204

Project ID Description: 00130452 LCB Stabilization Phase 2
Implementing Partner: 001981-UNDP

	UNDP Amount
Outstanding NEX	0.00
Undepreciated Fixed Assets	0.00
Unamortized Intangible Assets	0.00
Inventory	0.00
Prepayments	0.00
Commitments	8,396.15

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**INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF FIXED ASSETS
Lake Chad Stabilization Facility – Project No.00130452**

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

Project No. 00130452 "Lake Chad Stabilization Facility", did not maintain any fixed assets for the DIM project activities during the audit period. Accordingly, a Statement of Fixed Assets was not prepared.

**INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF CASH
Lake Chad Stabilization Facility – Project No. 00130452**

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

Project No. 00130452 "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:

(a) Expenses relating to other projects recorded under Project 00130452

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 00130452 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 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:

Account code and description	Date	Amount	Detail with impact
71615: Daily Subsistence Allowance – International	08/25/2023	1,110.00	Travel allowance charged to Project 00130452 for travel approved and undertaken for Project 00132248 <i>Overstatement of expenses reported in the CDR by \$ 1,110</i>
		1,792.00	Travel allowance charged to Project 00130452 for travel approved and undertaken for Project 00132248 <i>Overstatement of expenses reported in the CDR by \$ 1,792</i>
72120: Service Cost - Trade and Business Services	12/13/2023	70,000	A review of the note to file provided indicates that expenses relating to a Mid-Term Review being carried out for Project 00124682 were reallocated and charged to Project 00130452, which is being audited (against Trac Funds allocated for the year). No evidence of approvals obtained, justification for reallocation in line with UNDP POPP rules, and/or how the activity related to the project being audited was documented <i>Overstatement of expenses reported in the CDR by \$ 75,000</i>
		5,000	
Learning Costs - Course Fee (non staff): FACE DP 01/2023 ANEC	4/14/2023	302,918.33	Supporting documents indicate that the approval and necessary authorisation of the project activity undertaken comprising of an arrangement of a conference, was for Project 00115736. <i>Overstatement of expenses reported in the CDR by \$ 302,918.33</i>
Total		380,820.33	

(b) Expenses relating to unadjusted commitments not recorded during the year

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 realized procurement of goods or services recognized through a completed contract/PO at the end of a period shall be recognized as an expense and the related liquidated commitment adjusted for in the accounting system.

While reviewing the commitments balances recorded at the year-end and reconciling the unliquidated amounts with the supporting documents provided, we noted two instances where unliquidated commitments balances for ticket costs had not been adjusted for travel that had been undertaken in the financial year 2023 and the purchase orders were long outstanding and required to be closed.

The two instances identified are as follows:

	PO number	Date	Commitment at year-end - \$
1	10110011	21/09/23	1,293.29
2	10110051	22/09/23	1,533.67
Total			2,826.96

These delay in the adjustments of the relevant commitment balances recorded in respect of these POs and recording of the related project expenses for travel activities completed 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 \$ 2,826.96; and

(ii) the expenses reported in the CDR are understated by \$ 2,826.96.

Priority: High (Urgent)

Recommendation: In line with the requirements of the UNDP Financial Regulations and Rules 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 their specific pool of funds. Recording expenses and making payments interchangeably between projects is not in line with sound financial management practices or terms of funding arrangements agreed with donors.

It is also 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: The Regional Stabilization Facility (RSF) operates in a uniquely challenging environment, delivering stabilization and peacebuilding interventions across multiple countries where state authority is often minimal or entirely absent. This complex landscape requires a dynamic approach to resource management, coordination, and adaptability to rapidly changing conditions. The RSF's efforts are further complicated by the need to respond to distinct local needs while simultaneously aligning with the overarching objectives of a regional stabilization strategy. In this fragile context, where financial and operational challenges are amplified, the programme must utilize flexible, multi-source funding mechanisms and carefully calibrated financial allocations to sustain continuity and maximize impact.

The decision to reallocate expenses (reversals) strictly aligns with programmatic financial management protocols, resource availability, the approved Annual Work Plan (AWP), and the specific stipulations within donor agreements. As documented in the accompanying Note to File, this reallocation addresses necessary cash flow management and timing discrepancies across interlinked project accounts. Specifically, the Mid-Term Review (MTR) for the Regional Stabilization Facility (RSF), conducted by ACK International, was initially charged to the Liptako-Gourma Stabilization Facility (LGSF) project due to a temporary funding shortfall in the RSF Lake Chad Basin (LCB) account. Once earmarked RSF LCB funds were received, the associated expenses were systematically reallocated to the correct project account (Project ID 00130452) to ensure accurate financial tracking and full compliance with donor requirements.

It's important to recognize that delayed disbursements from certain cost-sharing agreements impacted immediate liquidity, with many contributions received after the

designated fiscal period, and some arriving as late as 2024. These funding delays necessitated interim financial adjustments to maintain operational continuity. However, all reallocations were carried out in strict adherence to the approved AWP and donor requirements, upholding fiscal integrity and transparency across fiscal years.

The LGSF and RSF LCB projects are both embedded within the RSF's unified programmatic framework, enabling funds to be administered interchangeably where donor agreements allow for unearmarked contributions. The RSF's second phase, which represented a formal continuation and expansion of the initial phase, required the establishment of Project ID 00130452 to manage new donor agreements linked to the RSF's extended mandate. Supporting documentation, including Atlas screenshots and donor agreements, confirms the formal linkage of these projects under the RSF structure, with Project ID 00130452 serving as the designated financial vehicle for the extended phase.

Furthermore, operational activities frequently span both the Lake Chad Basin and Liptako-Gourma regions, aligned with RSF's holistic stabilization strategy. This integrated approach necessitates proportional allocation of expenses across both project accounts, as expenditures serve multiple geographic areas under a unified strategic framework. Such allocation is consistent with RSF's resource management model, which optimizes the efficient use of funds across interconnected sub-regional projects.

In conclusion, the reallocation and dual-charging strategies are procedurally sound, fully compliant with RSF's financial and programmatic guidelines, and reflect a deliberate approach to managing shared resources across projects. These measures uphold the RSF's overarching strategic objectives and ensure that all expenses are justified, accurately recorded, and aligned with donor agreements, allowing the program to continue delivering impactful results across challenging and complex environments.

Action plan

The project team will establish a systematic process to ensure that only approved activities are charged to the appropriate project. For activities contributing to multiple projects, clear and accurate allocation across project numbers will be documented to allow transparent tracking and eligibility of any necessary reallocations, with adjustments thoroughly recorded in the project file.

In cases of uncertainty, the Office in charge and RBA risk management unit will be consulted prior to transaction approval to uphold compliance and accuracy.

To support these efforts, regular monthly meetings and ad hoc sessions will be held with UNDP country offices engaged in project implementation. These sessions will focus on:

1. Continuous monitoring of open balances.
2. Prompt recording of expenses for completed activities, confirmed by the responsible country office or designated staff.
3. Verifying the accuracy of open commitment balances in the year-end Funds Utilization Statement.

This process will enhance oversight, accountability, and the accuracy of financial records.

Auditor's response: We acknowledge the comments and action plan provided by the management, however, reiterate 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 in a financial period. It is 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.

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

The impact of issue 1 - part (a) and (b) explained above is a net overstatement of project expenses in the CDR by \$ 377,993.37 and an overstatement of the balance of the commitment reported at the year-end by \$ 2,826.96.