

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP BANGLADESH

SUPPORTING LOCAL DEVELOPMENT IN CHITTAGONG HILL TRACTS
(Directly Implemented Project No. 80119)

Report No. 1028
Issue Date: 17 May 2013

**Report on the audit of UNDP Bangladesh
Supporting Local Development in Chittagong Hill Tracts (Project No. 80119)
Executive Summary**

From 14 to 22 October 2012 the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through KPMG/Rahman Rahman Huq (the audit firm), conducted an audit of Supporting Local Development in Chittagong Hill Tracts, (Project No. 80119) (the Project), which is directly implemented and managed by the UNDP Country Office in Bangladesh (the Office). The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The last audit of the Office was conducted by OAI in 2011.

The Project reported expenditure totalling \$5.8 million during the period from 1 January to 31 December 2011. The following donors contributed to the Project: European Commission and UNDP.

Audit scope and objectives

The audit work covered financial transactions as well as internal controls and systems for the purpose of expressing an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations, as well as assess compliance with UNDP regulations, rules, policies and procedures and donor agreements. The audit covered the Project's Statement of Expenditure (Combined Delivery Report) for the period from 1 January to 31 December 2011 and Statement of Assets as of 31 December 2011. It also reviewed the relevant systems, procedures and practices in place as they relate to the Project, in the areas of: organization and staffing, project management, human resources management, financial and cash management, procurement, asset management, information systems and general administration.

Audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, OAI assessed the management of the Project as **satisfactory**, which means "Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity." The details of the audit results are presented in Figures 1 and 2.

Figure 1: Summary results of the financial audit

Project Expenditure		Project Assets	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
5,794	Unqualified	33	Unqualified

Figure 2: Internal controls and systems audit ratings summary


Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Organization and staffing	Satisfactory			
2. Project management	Satisfactory			
3. Human resources management	Satisfactory			
4. Financial and cash management	Satisfactory			
5. Procurement	Satisfactory			
6. Asset Management	Satisfactory			
7. Information systems	Satisfactory			
8. General administration	Satisfactory			

Key issues and recommendations

The audit raised one issue and resulted in one recommendation, ranked medium (important) priority, meaning “Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP.” This recommendation includes actions to address misstatement of expenditures in the Combined Delivery Report.

Management’s comments

The Resident Representative accepted the recommendation and is in the process of implementing it.



Antoine Khoury
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