UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP SUDAN

SUDAN POST-CONFLICT COMMUNITY BASED RECOVERY AND REHABILITATION PROGRAMME (RRP)
(Directly Implemented Project No. 47467)

Report No. 1075
Issue Date: 3 June 2013

Report on the audit of Sudan Post-Conflict Community Based Recovery and Rehabilitation Programme (RRP) (Project No. 47467)
Executive Summary

From 19 June to 5 July 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through PricewaterhouseCoopers Certified Public Accountants, Kenya (the audit firm), conducted an audit of the Sudan Post-Conflict Community Based Recovery and Rehabilitation Programme (RRP), Project No. 47467 (the Project), which is directly implemented and managed by the UNDP Country Office in Sudan (the Office). The audit firm was under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing.* The last audit of the Project was conducted by PricewaterhouseCoopers Certified Public Accountants, Kenya in 2010.

The Project reported expenditure totalling $8.5 million during the period from 1 January 2010 to 31 December 2011. The following donors contributed to the Project: European Commission, UNDP and Norway.

Audit scope and objectives

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the results of the Project's operations. The audit covered the Project's Statement of Expenditure (Combined Delivery Report) for the period from 1 January 2010 to 31 December 2011 and Statement of Assets as of 31 December 2011.

Follow-up on previous audit: The audit also verified the implementation status of recommendations from the previous audit report on this Project issued on 9 March 2012 (Report No. 869), where 22 out of 31 high priority recommendations were noted to be fully implemented.

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 Expenditure			Project Assets		
Amount (in $ '000)	Opinion	NFI (in $ '000)	Amount (in $'000)	Opinion	NFI (in $ '000)
8,545	Qualified	361*	131	Qualified	Cannot be determined

NFI = Net Financial Impact.
** The Net Financial Impact is the sum of $286,000 (limitation of scope), $129,000 and $29,200 (lack of supporting documents) less the understatement of $83,000 (non-adjustment of combined delivery statement).*

On Project expenditures, the audit firm qualified its opinion due to:

(a) Limitation of scope in the audit of one sub-project (RRP 3). The Combined Delivery Report included a payment of $286,000, which was based on transaction listings and quarterly reports submitted to UNDP by the lead agency for reimbursement. There were no expenditure support documents provided for the audit firm to review and it was not possible to verify the payment. The lead agency was no longer present in the country at the time of the audit. The amount represented 3 percent of the total Project expenditure.

(b) Failure to adjust advances included in the Combined Delivery Report to reflect actual expenditure. The amounts reported in the Combined Delivery Report as expenditure for financial years 2010 and 2011 were related to advances issued to the consortia members for implementation and did not reflect the actual expenditure incurred, which was more than the amount advanced. The advances should have been adjusted based on expenditure reports by the lead agencies. Consequently, the Combined Delivery Report was understated by $83,000, which represented 1 percent of the total Project expenditure (see section 2.5.3 of the audit report).

The audit firm also reported cases where expenditures for a total of $158,200 were not duly supported with proper supporting documents. However, this amount was not included in the qualified opinion expressed by the audit firm.

On Project assets, the audit firm qualified its opinion due to:

(a) the existence of assets for two sub-projects (RRP 2 and RRP 6) could not be verified as no asset registers were maintained and the assets had already been handed over to the benefeciaries at the time of audit; and

(b) assets for another sub-project (RRP 5) amounting to $385,000 were reported lost during war and the existence of remaining assets could not be physically verified as they were located in the field offices.

Key issues and recommendations

The audit raised 10 issues and resulted in 10 recommendations, of which 7 (70 percent) were ranked high (critical) priority, meaning "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 and may affect the organization at the global level."

Finance (Issues 3.2.1.1, 3.2.2.1 and 3.2.3.1)	Unadjusted amount in Combined Delivery Report. The amounts reported in the Combined Delivery Report as expenditure for financial years 2010 and 2011 related to advances issued to the consortia members for implementation, and did not constitute the actual expenditure incurred and reported under the Project. The actual expenditure incurred was higher than the amounts initially advanced and recorded in the Combined Delivery Report. Given the modified cash accounting basis, it was expected that at the end of the Project, the advances recorded against each consortia member should have been adjusted to reflect actual expenditure as reported by the lead agencies. Consequently, the Combined Delivery Report included a net adjustable amount of $83,000. OAI recommends that the fund balance be adjusted to take into account the opening and closing balances held by the consortia members. Unsupported expenditure. Instances of unsupported expenditure in the amount of $129,000 and $29,200 were noted in the sample reviewed by the audit firm. OAI recommends that the Project ensure that all expenditure incurred is adequately supported by payment vouchers, third party receipts or invoices and relevant approvals. Limitation of scope in the audit of RRP 3. A payment of $286,000 made to a lead agency was based on transaction listings and quarterly reports only. Supporting documents were not available for review. OAI recommends that management follow-up with the UNDP Regional Bureau and donors to obtain acknowledgement that they accept eligibility of the expenditures.
Asset management (Issues 3.2.2.2, 3.2.5.2 and 3.2.4.1)	Failure to update asset register of programme assets. The audit firm was not provided with an updated asset register of programme assets by some of the lead agencies for two sub-projects (RRP 2 and RRP 6). OAI recommends that management ensure that a complete updated list of programme assets is prepared.

Loss of programme assets. Management reported that most of the assets purchased under one sub-project (RRP 5) amounting to $385,000 were lost in a war that broke out in Kadugli in early June 2011. OAI recommends that the value of the lost assets be written off from the statement of assets.

Management's comments

The Resident Representative accepted all of the recommendations and is in the process of implementing them.

Helge S. Osttveiten
Director
Office of Audit and Investigations