



**AUDIT**

**OF**

**UNDP SOUTH SUDAN**

**MULTI YEAR DISARMAMENT, DEMOBILIZATION AND REINTEGRATION PROJECT**  
**(Directly Implemented Project No. 77686)**

**Report No. 1148**  
**Issue Date: 09 May 2013**

**Report on the audit of UNDP South Sudan  
Multi Year Disarmament, Demobilization and Reintegration (Project No. 77686)  
Executive Summary**

From 8 to 19 October 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through Ernst & Young, Nairobi (the audit firm), conducted an audit of the Multi Year Disarmament, Demobilization and Reintegration Project (Project No. 77686) which is directly implemented and managed by the UNDP Country Office in South 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 project reported expenditure totalling \$12 million during the period from 1 January to 31 December 2011. The following donors contributed to the Project: World Bank, Department of Foreign Affairs and International Trade Canada, Canadian International Development Agency, the Department for International Development and Norway.

**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 results of the Project's operations, as well as assess compliance with UNDP regulations, rules, policies and procedures and donor agreements. The audit covered the review of 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 submitted by the audit firm, OAI assessed the management of the Projects as **partially satisfactory**, which means "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively 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		Cash	
Amount (in \$ '000)	Opinion	NFI (\$'000)	Amount (in \$'000)	Opinion	Amount (in \$'000)	Opinion
14,338	Qualified*	2,310	1,922	Unqualified	-	Not Applicable**

\* This is shown as "qualified" because the expenditure figure in UNDP books (in the Combined Delivery Report - CDR) is higher by \$2,309,613 than the amount of expenditure of \$12,028,404 that was recorded in the project books and covered by the audit. The Office explained that this was caused by a technical system discrepancy which occurred when a new unit was created in the system in July 2011 for South Sudan and the recorded expenditure was moved from the Sudan business unit to the newly created South Sudan business unit. The Office tried to correct the error with retroactive effect but it was no longer possible because UNDP books for 2011 had already been closed.

\*\*No separate bank account was held by the project

Figure 2: Internal controls and systems audit ratings summary

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

**Key issues and recommendations**

The audit raised three issues and resulted in three recommendations, all of which were ranked medium (important) priority, which means “Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP.” The recommendations include actions to address significant turnover in regard to the Project Manager position, variances between the Combined Delivery Report and Project Expenses Ledger as well as procedures over the movement of assets in and out of the UNDP South Sudan Country Office.

**Management’s comments**

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



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