

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP MADAGASCAR

ORGANISATION DES SCRUTINS
(Directly Implemented Project Output No. 86068)

Report No. 1321
Issue Date: 31 July 2014

**Report on the audit of UNDP Madagascar
Organisation des scrutins (Output No. 86068)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 28 April to 9 May 2014, through Moore Stephens LLP (the audit firm), conducted an audit of "Organisation des scrutins," Output No. 86068 (the Project), which is directly implemented and managed by the UNDP Country Office in Madagascar (the Office).

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 Delivery Report (CDR), which includes expenditure for the period from 1 January to 31 December 2013 and the accompanying Funds Utilization statement as of 31 December 2013. The audit did not cover the Statement of Assets as no asset was purchased by the Project. In addition, the audit did not cover the Statement of Cash Position as of 31 December 2013, 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 and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenditure		Project Assets		Cash	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
9,289	Unqualified	-	N/A	-	N/A

Without revising the overall unqualified audit opinion on expenditures, the auditors mentioned that the CDR included ineligible expenditure amounting to \$136,428 (Issue Nos. 1 and 2). The auditors did not qualify their audit opinion because this amount represented only 1.47 percent of total expenditure, which is less than their materiality level of 2 percent.

Key recommendation(s): Total = 3, high priority = 1

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. All high (critical) priority recommendations are presented below:

Unjustified and ineligible expenses (Issue 1)

The Office provided cash advances amounting to \$871,007 to the Commission Electorale Nationale Indépendante pour la Transition (CENIT) on 18 December 2013 and directly recorded them as expenses. Out of this amount, the auditors noted that \$100,306 recorded in the CDR was not justified and \$27,197 represented ineligible expenses.

Recommendation: Set up controls and procedures to ensure that beneficiaries of cash advances comply with provisions mentioned in financing agreements. More practically, the Office should ensure that: (a) cash advances are recorded in the appropriate advance account and periodically, amounts actually spent are

allocated by UNDP; and (c) CENIT reimburses unjustified and/or ineligible expenditure in accordance with articles 17 and 18 of the agreement.

Management comments and action plan

The UN Resident Coordinator/UNDP Resident Representative accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.

A blue ink signature of Antoine Khoury is written over a light blue rectangular background.

Antoine Khoury
Officer-in-Charge
Office of Audit and Investigations