



AUDIT

OF

UNDP SOMALIA

SOMALIA CONSTITUTION MAKING SUPPORT
(Directly Implemented Project No. 33816, Output No. 35355)

Report No. 1333

Issue Date: 12 November 2014

**Report on the audit of UNDP Somalia
Somalia Constitution Making Support (Project No. 33816, Output No. 35355)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 20 May to 20 June 2014, through BDO East Africa (the audit firm), conducted an audit of Somalia Constitution Making Support (Project No. 33816, Output No. 35355) (the Project), which is directly implemented and managed by the UNDP Country Office in Somalia (the Office). This was the first audit of the Project.

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 Combined Delivery Report, which includes expenditure for the period from 1 January 2012 to 31 December 2013 and the accompanying Funds Utilization statement¹ as of 31 December 2013 as well as Statement of Assets as of 31 December 2013. 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, finance management, procurement, and asset management. The audit did not include activities and expenses incurred or undertaken by other United Nations agencies. 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*.

Overall audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, OAI assessed the management of the Project as **partially satisfactory**, which means, "Internal controls, governance and risk management processes as applicable to the Project's financial statements 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." This rating was mainly due to project closure procedures not carried out and weak control procedures over assets. The details of the audit results are presented in the table below:

Financial Year	Project Expenditure*		Project Assets	
	Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
2012	3,750**	Unqualified	-	-
2013	590***	Unqualified	156	Unqualified

* The Combined Delivery Report for Project No. 33816 pertains to two Outputs, but only one (Output No. 35355) was audited.

** Excluded from the audit scope were transactions that relate to expenditures of other United Nations agencies (\$315,461).

*** Excluded from the audit scope were transactions that relate to expenditures of other United Nations agencies (-\$1,387).

¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) depreciated 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 audit firm issued an unqualified opinion on the Funds Utilization statement.

Key recommendations: Total = 2, high priority = 2

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:

Weak control procedures over assets (Issue 1) There were weak control procedures over assets valued at \$156,248. The assets were not held at the UNDP compound. Asset certification and verification was not carried out on 31 December 2013. In addition, assets had not been disposed of or transferred in accordance with UNDP's asset procedures.

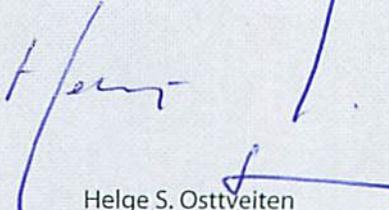
Recommendation: Carry out annual physical asset verification and certification procedures, and ensure that assets belonging to UNDP are held in UNDP premises in compliance with the 'hold and use' principle.

Formal operational and financial closure procedures not carried out (Issue 2) The Project was closed in 2012, but formal operational and financial closure procedures had not been carried out at the time of the audit in June 2014.

Recommendation: Take steps to close the project as per the 'Programme and Operations Policies and Procedures' and notify the Project Board upon completion.

Management comments and action plan

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



Helge S. Osttveiten
Director
Office of Audit and Investigations