



AUDIT

OF

UNDP SOMALIA

CIVILIAN POLICE PROJECT IN SOMALIA
(Directly Implemented Project No. 58607, Output Nos. 73552, 82348 and 85942)

Report No. 1334

Issue Date: 6 November 2014

**Report on the audit of UNDP Somalia
Civilian Police Project in Somalia
(Project No. 58607, Output Nos. 73552, 82348 and 85942)
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 the Civilian Police Project in Somalia (Project No. 58607), Output Nos. 73552 (Somali Police Force), 82348 (Support to Somali Police Force) and 85942 (Support to Police Project) (altogether referred to herein as “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 for Output Nos. 73552 and 82348 and from 1 March to 31 December 2013 for Output No. 85942, and the accompanying Funds Utilization statement¹ for each of the three Outputs 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, financial and cash management, procurement, asset management, information systems and general administration. The audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project. In addition, it did not cover the Statement of Assets as no fixed assets were held by UNDP for the Outputs audited.

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 Output No. 85942 as **satisfactory**, which means, “Internal controls, governance and risk management processes as applicable to the Project’s financial statements were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.”

Further, Output No. 73552 was assessed 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 weak financial and cash management controls over police stipend disbursements.

Finally, Output No. 82348 was assessed as **unsatisfactory**, which means, “Internal controls, governance and risk management processes as applicable to the Project’s financial statements were either not established or not functioning well. The issues identified were such that the achievement of the overall objectives of the audited

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.

entity could be seriously compromised." This rating was mainly due to weak financial and cash management over stipend payments amounting to \$2,367,470 not being available for review and audit tests.

Some alleged misuse of UNDP funds is being dealt with separately by OAI.

The details of the audit results are presented in the table below:

Output No.	Project Expenditure*				NFI (in \$ '000)
	2012	2013	Total Amount 2012 and 2013 (in \$ '000)	Opinion	
73552	8,199	3,920	12,119	Unqualified	0
82348	4,725	486	5,212	Disclaimer	2,367
85942	0	3,730	3,730	Unqualified	0

NFI = Net Financial Impact

*The Combined Delivery Reports pertain to more Outputs, but only three Outputs (73552, 82348 and 85942) under Project No. 58607 were within the scope of this audit. The audit covered expenditure for both 2012 and 2013.

The audit firm issued an unqualified opinion on the Funds Utilization statement for all Outputs audited.

The disclaimer of opinion for Output No. 82348 was due to supporting documents for stipend payments (amounting to \$2.4 million out of \$5.2 million) not being made available to auditors for review. No additional evidence was made available in this regard.

Key recommendations: Total = 10, high priority = 7

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 for Output Nos. 73552 (3 of 4) and 82358 (4 of 6) are presented below. There was only one medium priority recommendation for Output No. 85942.

Finance: Weak documentation procedures (Issue 1 for Output No. 73552 and Issue 3 for Output No. 82348)

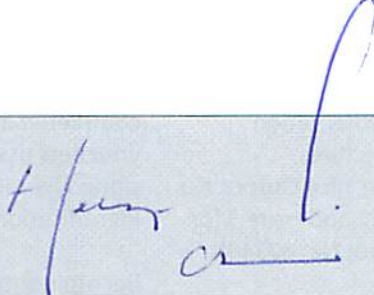
There were instances where vouchers were not adequately completed and signed by approving parties. Certain payment vouchers used to record payments to police officers had not been signed by recipients and did not include their photographs for identification purposes.

Recommendation: Have all parties approve and sign payment vouchers before payment is made to recipients, and have recipients sign the vouchers and attach their photographs as proof of identity.

Finance: Erroneous recording of payments (Issue 2 for Output Nos. 73552 and 82348)	<p>There were payments to police officers that had been recorded as expenditure, even though payments had not been effected.</p> <p><u>Recommendation:</u> Record payments to police officers as expenditures only after actual payments have been effected.</p>
Finance: Missing supporting documentation and questioned cost (Issue 4 for Output No. 82348)	<p>Supporting documentation for \$2.4 million for stipend payments was not available for review and audit testing. The documentation was reportedly destroyed during an attack in June 2013.</p> <p><u>Recommendation:</u> In the future, ensure that original vouchers are recorded, approved and received; that an approved daily report is submitted to UNDP; that a full financial report is verified prior to payment; that all documentation is scanned and maintained in an offsite backup storage system in case of future emergencies; and that all documentation is filed appropriately.</p>
Organization and staffing: Inadequate segregation of duties (Issue 3 for Output No. 73552 and Issue 5 for Output No. 82348)	<p>The Project Assistant was in charge of recording and executing the payments, as well as monitoring controls over cash management. However, these were conflicting roles that should have been segregated.</p> <p><u>Recommendation:</u> Segregate duties so that the individual involved in the preparation of the audit schedule is different from the one carrying out the payment verification.</p>

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.



Helge S. Osttveiten
Director
Office of Audit and Investigations