



AUDIT

OF

UNDP SOMALIA

**ARMED VIOLENCE REDUCTION
YOUTH AT RISK AND YOUTH FOR CHANGE
(Directly Implemented Project No. 58616, Output Nos. 78475 and 83857)**

Report No. 1336

Issue Date: 24 October 2014

**Report on the audit of UNDP Somalia
Armed Violence Reduction, Youth at Risk and Youth for Change
(Project No. 58616, Output Nos. 78475 and 83857)
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 following two Outputs of the Disarmament, Demobilization, Reintegration/Armed Violence Reduction Project (Project No. 58616): (i) Youth at Risk (Output No. 78475), which is directly implemented and managed by the UNDP Country Office in Somalia (the Office), United Nations Children's Fund and International Labour Organization; and (ii) Youth for Change (Output No. 83857), which is directly implemented by the Office. This was the first audit of the two Outputs.

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 Reports, which include expenditure for two financial years from 1 January 2012 to 31 December 2013 and the corresponding accompanying Funds Utilization statements¹ as well as Statements of Assets. 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.

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 reports and corresponding management letters 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 lack of segregation of duties related to finance, positions that remained vacant, and weaknesses noted in the management of project assets. The details of the audit results are presented in the table below:

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.

Output No.	Financial Year	Expenditure*		Assets	
		Amount (in \$ '000)	Opinion	Amount (in \$'000)	Opinion
78475 (Youth at Risk)	2012	1,313**	Unqualified	-	N/A
	2013	(357)	Unqualified	9	Unqualified
83857 (Youth for Change)	2012	1,939	Unqualified	-	N/A
	2013	2,205***	Unqualified	9	Unqualified

* The Combined Delivery Report pertains to three outputs but only two Outputs (78475 and 83857) were within the scope of this audit.

**Excluded from the audit scope were transactions that relate to expenditures of other United Nations agencies (\$1,667,954).

*** Excluded from the audit scope were transactions that relate to expenditures of other United Nations agencies (\$1,591,356).

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

Key recommendation: Total = 5, high priority =1

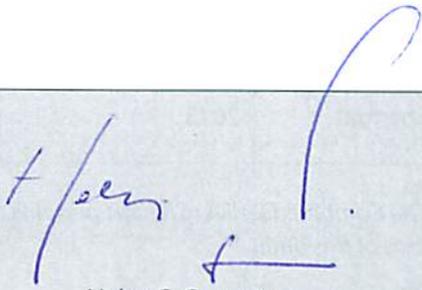
For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendation presented below pertains only to Youth for Change (Output 83857):

Lack of segregation of duties	Duties were not appropriately segregated, as one Project Assistant was responsible for requesting funds, raising payment vouchers, and reviewing payments.
-------------------------------	--

Recommendation: Adequately segregate finance-related duties among different staff.

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