

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP BANGLADESH

URBAN PARTNERSHIPS FOR POVERTY REDUCTION
(Directly Implemented Project, Output No. 58224)

Report No. 1386

Issue Date: 9 October 2014

**Report on the audit of UNDP Bangladesh
Urban Partnerships for Poverty Reduction (Output No. 58224)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 2 to 20 June 2014, through Moore Stephens LLP (the audit firm), conducted an audit of Urban Partnerships for Poverty Reduction, Output No. 58224 (the Project), which is directly implemented and managed by the UNDP Country Office in Bangladesh (the Office). The last audit of the Project was conducted by OAI in 2013.

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, which includes expenditure for the period from 1 January to 31 December 2013 and the accompanying Funds Utilization statement¹ as of 31 December 2013. The audit did not include activities and expenses incurred or undertaken by the Government, other United Nations agencies or expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters), or where supporting documentation was not retained at the UNDP Country Office level. The audit did not cover the Statement of Assets as no assets were purchased by the Project. 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*.

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	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
10,826*	Unqualified	NA	NA

* Expenditure recorded in the Combined Delivery Report for FY2013 was \$23,732,371. Excluded from the audit scope were transactions that relate to expenditures of other United Nations agencies (\$10,097,631), payroll expenditures not processed or approved at the Office level (\$2,311,512), and expenditures incurred by the Government (\$497,230). The expenditures incurred by the Government (\$497,230) were subject to a separate audit conducted by the Supreme Audit Institution of the Government of Bangladesh, which resulted in an unqualified opinion.

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

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.

Key recommendations: Total = 2 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 is presented below:

Weaknesses in monitoring of Socio-Economic Fund contracts (Issue 1)

The audit noted weaknesses in the monitoring of Socio-Economic Fund activities, which included: (a) lack of reconciliation by the Project of UNDP funds transferred to/received by towns, including lack of regular reporting from the towns on funds transferred and expenditure disbursed at the community development committee and cluster levels; (b) limited tracking by the Project of unutilized fund balances at the community development committee and cluster levels due to non-completion of contracts; and (c) incomplete and inaccurate contract information, which impacted monitoring by the Project.

Recommendation: Implement a financial reporting system to reconcile funds received and expensed at the town, community development committee and cluster levels on a monthly or quarterly basis, supplemented by additional assurance activities. Additionally, develop a system to monitor unutilized fund balances to track pending contracts, and strengthen review procedures to ensure the accuracy of information.


Implementation status of previous OAI audit recommendations: Report No. 1212, 17 January 2014).

Total recommendations: 5

Implementation status: 100%

Management comments and action plan

The 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.



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