



AUDIT

OF

UNDP INDONESIA

**SUPPORT TO THE ESTABLISHMENT OF INDONESIA
REDD+ INFRASTRUCTURE AND CAPACITY**

**(Project No. 60694, Output Nos. 76532, 76555, 82624, 82629, 82630, 82645, 82646,
82647, 82648, 82649)**

Report No. 1426

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Report on the audit of UNDP Indonesia
Support to the Establishment of Indonesia REDD+ Infrastructure and Capacity
(Project No. 60694, Output Nos. 76532, 76555, 82624, 82629, 82630, 82645, 82646, 82647, 82648, 82649)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 17 to 28 November 2014, through Moore Stephens LLP (the audit firm), conducted an audit of Support to the Establishment of Indonesia REDD+ Infrastructure and Capacity, (Project No. 60694, Output Nos. 76532, 76555, 82624, 82629, 82630, 82645, 82646, 82647, 82648, 82649) (the Project), which is nationally implemented¹ with direct support services by the UNDP Country Office in Indonesia (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, which includes total project expenditure for the period from 1 January to 31 December 2013 and the accompanying Funds Utilization statement² as of 31 December 2013. The audit did not include activities and expenses incurred or undertaken by other United Nations agencies, or where supporting documentation was not retained at the UNDP Country Office level. The audit did not cover the Statement of Assets, as all assets had been formally transferred to government partners by 31 December 2013. 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*	
Amount (in \$ '000)	Opinion
8,706	Unqualified

*Expenditures recorded in the Combined Delivery Report were \$16 million. Excluded from the audit scope were transactions that relate to expenditures processed and approved by other UNDP offices outside of the country (\$0.4 million), and expenditures incurred by other United Nations agencies (\$7 million).

Key recommendations: Total = 2, high priority = 0

The two recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendation 2); and (b) effectiveness and efficiency of operations (Recommendation 1). The audit did not result in any high (critical) priority recommendations. There are two medium (important) priority recommendations, which means, "Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP." These

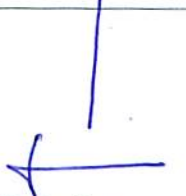
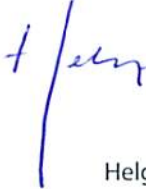
¹ Nationally implemented projects, NIM projects, are audited by the responsible unit in UNDP. However, this NIM project was audited by OAI due to the significant involvement of the Country Office and the subsequent materiality of the amount expended by UNDP.

² 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.

recommendations include actions to address the insufficient evidence available to demonstrate that best value for money was obtained for the procurement of travel services, and the unnecessary fees incurred during cash distribution procedures.

Management comments and action plan

The 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.



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Director
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