



**AUDIT**

**OF**

**UNDP Indonesia**

**Support to the Establishment of Indonesia REDD+ Infrastructure and Capacity: Interim  
Phase  
(Project No. 75619, Output Nos. 87420, 87421, 87422 and 87423)**

**Report No. 1468**

**Issue Date: 16 July 2015**

**Report on the audit of UNDP Indonesia**  
**Support to the Establishment of Indonesia REDD+ Infrastructure and Capacity: Interim Phase**  
**(Project No. 75619, Output Nos. 87420, 87421, 87422 and 87423)**  
**Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 15 to 23 June 2015, through Moore Stephens (the audit firm), conducted an audit of Support to the Establishment of Indonesia REDD+ Infrastructure and Capacity: Interim Phase (Project No. 75619, Output Nos. 87420, 87421, 87422 and 87423) (the Project), which is nationally implemented<sup>1</sup> with direct support services by the UNDP Country Office in Indonesia (the Office). The last audit of the Project was conducted by OAI in 2014 and covered project expenditure from 1 January to 31 December 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 2014 and the accompanying Funds Utilization statement<sup>2</sup> as well as Statement of Assets as of 31 December 2014. The audit did not include expenses processed and approved in locations outside of the country (such as UNDP Headquarters), or where supporting documentation was not retained at the UNDP Country Office level. 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 submitted by the audit firm, the results are summarized in the table below:

Project Expenditure*			Project Assets		
Amount (in \$'000)	Opinion	NFI (in \$'000)	Amount (in \$'000)	Opinion	NFI** (in \$'000)
9,255*	Unqualified	0	135	Qualified	46

\* Expenditures recorded in the Combined Delivery Report were \$10.3 million.

Excluded from the audit scope were expenditures processed and approved by other UNDP offices outside of the country (\$1.1 million).

\*\*NFI = Net Financial Impact

The audit firm issued a qualified opinion on the Statement of Assets due to assets totalling \$46,448.43 that were expensed instead of being capitalised.

**Key recommendations:** Total = 1, high priority = 0

<sup>1</sup> The audit of nationally implemented projects, or NIM projects, is the responsibility of the respective UNDP Country Office. However, this NIM project was audited by OAI due to the extensive direct administrative support that the Country Office is providing to the project.

<sup>2</sup> 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 did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation which means, "Action is required to ensure UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP." The recommendation includes actions to address the non-capitalisation of assets in Atlas (enterprise resource planning system of UNDP).

**Implementation status of previous OAI audit recommendations:** Report No. 1426, 8 January 2015.

Total recommendations: 2  
Implementation rate: 50%<sup>3</sup>

Out of the two recommendations, one is implemented. The pending recommendation pertains to the following: To avoid incurring unnecessary fees, the Office should formulate guidelines that clearly establish the limits and conditions for using the services of a travel agent to deliver cash advances to projects.

**Management's comments**

The UNDP Resident Representative accepted the recommendation and is in the process of implementing it. Comments and/or additional information provided have been incorporated into the report, where appropriate.



Antoine Khoury  
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<sup>3</sup> This may differ from the implementation rate in the Comprehensive Audit and Recommendation Database System (CARDS), which includes extra points depending on how quickly the recommendations have been implemented.