



AUDIT

OF

UNDP MALAWI

MALAWI ELECTORAL CYCLE SUPPORT
(Directly Implemented Project No. 71929, Output Nos. 85180, 86778, 86779 and 86780)

Report No. 1492

Issue Date: 29 September 2015

**Report on the Audit of UNDP Malawi
Malawi Electoral Cycle Support
(Project No. 71929, Output Nos. 85180, 86778, 86779 and 86780)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), conducted from 29 June to 15 July 2015, an audit of Malawi Electoral Cycle Support (Project No. 71929, Output Nos. 85180, 86778, 86779 and 86780) (the Project), which is directly implemented and managed by the UNDP Country Office in Malawi (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 to 31 December 2014 and the accompanying Funds Utilization statement¹ as of 31 December 2014 as well as Statement of Assets as of 31 December 2014. 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 include activities and expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). 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*.

Overall audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, OAI assessed the management of the Project 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." The details of the audit results are presented in the table below:

Project Expenditure*			Project Assets		
Amount (in \$ '000)	Opinion	**NFI (in \$ '000)	Amount (in \$ '000)	Opinion	NFI (in \$ '000)
6,159	Unqualified	17	81	Unqualified	-

* Expenditures recorded in the Combined Delivery Report were \$10,767,550. Excluded from the audit scope were transactions that relate to expenditures processed and approved by other UNDP offices outside of the country (\$4,608,041).

**NFI = Net Financial Impact

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 = 4, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are four 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 recommendations include actions to address the following: recovery of VAT included in project expenditure, lack of competitive procurement for a motor vehicle, weak controls over payment of poll workers and monitoring costs, and use and maintenance of motor vehicles not documented in logbooks.

The four recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendations 1 and 3); (b) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 2); (c) Safeguarding of assets (Recommendation 4).

Management comments and action plan

The United Nations Resident Coordinator and 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