

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP SOMALIA

CIVILIAN POLICE PROJECT IN SOMALIA
(Directly Implemented Project No. 58607, Output Nos. 53319, 72852, 73323, 73552,
82348, 85942, 87378 and 89925)

Report No. 1515

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Report on the Audit of UNDP Somalia
Civilian Police Project in Somalia (Project No. 58607, Output Nos. 53319, 72852, 73323, 73552, 82348, 85942, 87378 and 89925)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Baker Tilly Merali's (the audit firm), conducted from 8 June to 9 September 2015 an audit of Civilian Police Project in Somalia (Project No. 58607, Output Nos. 53319, 72852, 73323, 73552, 82348, 85942, 87378 and 89925) (the Project), which is directly implemented and managed by the UNDP Country Office in Somalia (the Office). The last audit of the Project was conducted by OAI in 2014 and covered project expenditure from 1 January 2012 to 31 December 2013.

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 and general administration. The audit did not cover information systems as the Project did not have its own information systems and relied on the Office and the Atlas system (enterprise resource planning system of UNDP). Further, 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 **partially satisfactory**, which means, "Internal controls, governance and risk management processes as applicable to the Project 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 inadequate supporting documentation and weaknesses noted in paying stipends to police officers. 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)
10,331	Qualified	211	8	Unqualified	0

*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 = 2, high priority = 2

The two recommendations aim to ensure the reliability and integrity of financial and operational information.

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. All high (critical) priority recommendations are presented below:

Inadequate supporting documentation (Issue 1) Six transactions totalling \$69,997 had inadequate documentation to support that expenditures were incurred for the Project.

Recommendation: The Office should locate the supporting documentation for the expenditures and in the future, ensure that all supporting documents are obtained and properly filed.

Weak documentation on police stipends (Issue 2) There were weaknesses noted during the review of records relating to payments of stipends to 3,742 out of 5,742 police officers, as follows: (a) 421 stipend payments amounting to \$141,000 were not signed for by the recipients as evidence of receipt of funds; (b) full names of 764 police officers were missing on the stipend forms; (c) signatures of all five government agencies were missing on 3,483 forms as required; (d) identification of beneficiaries were missing on 1,113 stipend forms; (e) payment forms had incorrect dates; (f) dates on when the stipends were paid to the recipients were missing on 515 payment forms; and (g) the centres where the payments took place were missing on stipend forms.

Recommendation: The Office should fully complete the stipend payment forms as required and the forms should also provide the centres where the payments were made and when, as well as the period covered by the payments.

Implementation status of previous OAI audit recommendations: Report No. 1334, 6 November 2014.

Total recommendations: 10


Implemented: 7

In Progress: 3

The pending recommendations pertain to recommended improvements for supporting police stipend payments and the financial closure of the Project.

Management comments and action plan

The United Nations Resident Coordinator and 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.



Helge S. Ostveiten
Director
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