

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP SOMALIA

DDR/ARMED VIOLENCE REDUCTION PLAN
(Directly Implemented Project No. 58616, Output Nos. 72870, 83857, 89926, 83614 and 78475)

Report No. 1517

Issue Date: 8 December 2015

Report on the Audit of UNDP Somalia

DDR/Armed Violence Reduction Plan Project No. 58616, Output Nos. 72870, 83857, 89926, 83614, 78475

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 DDR/Armed Violence Reduction Plan (Project No. 58616, Output Nos. 72870, 83857, 89926, 83614 and 78475) (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 advances recorded as expenditure and asset records not updated. 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)
4,200	Unqualified	37	4	Adverse	3

*Expenditures recorded in the Combined Delivery Report were \$ 4,395,718. Excluded from the audit scope were transactions that relate to expenditures incurred by other United Nations agencies totalling \$196,042.

**NFI = Net Financial Impact

The audit firm issued an adverse opinion on the Statement of Fixed Assets due to assets that were stolen/lost (valued at \$3,252) but remained in the Statement, which resulted to an overstatement. The overstatement

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.

represented 75 percent of the total value of assets in the Statement of Fixed Assets and was therefore considered material.

Key recommendations: Total = 4, high priority = 2

The four recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 1 – medium priority); (b) reliability and integrity of financial and operational information (Recommendation 2 – high priority, and Recommendation 3 – medium priority); (c) safeguarding of assets (Recommendation 4 – high priority).

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:

Advances recorded as expenditure (Issue 2)

Advances amounting to \$33,596 given to responsible parties were recorded as expenditure at the point of making the advances rather than upon receipt of supporting documentation for cash incurred.

Recommendation: The Office should record advances given to responsible parties as advances and only record them as expenses when accounted for with satisfactory financial reports and verified supporting documents.

Asset records not updated (Issue 4)

The Project had three assets valued at \$3,252 that were stolen/lost more than a year ago but remained in its assets register.

Recommendation: The Office should update its Statement of Fixed Assets in a timely manner and conduct regular reconciliations to ensure asset records reflect the actual assets under the possession of the Project.

Implementation status of previous OAI audit recommendations: Report No. 1336, 24 October 2014.

Total recommendations: 5

Implemented: 5

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.



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Director
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