

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP DEMOCRATIC REPUBLIC OF THE CONGO

AUTORITÉ DE L'ÉTAT
(Directly Implemented Project No. 72468, Output Nos. 85547, 86178,
86625, 86626, 86627 and 90384)

Report No. 1522
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Report on the Audit of UNDP Democratic Republic of the Congo
Autorité de L'Etat
(Project No. 72468, Output Nos. 85547, 86178, 86625, 86626, 86627 and 90384)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), conducted from 29 June to 10 July 2015 an audit of "Autorité de L'Etat" (Project No. 72468, Output Nos. 85547, 86178, 86625, 86626, 86627 and 90384) (the Project), which is directly implemented and managed by the UNDP Country Office in the Democratic Republic of the Congo (the Office). This was the first audit of the Project.

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 statement¹ as of 31 December 2014. The audit did not include activities and expenses incurred or undertaken at the government level, or expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). The audit did not cover the Statement of Assets as no assets were purchased by the Project. 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	NFI** (in \$ '000)
5,600	Qualified	457

*Expenditures recorded in the Combined Delivery Report were \$6.94 million. Excluded from the audit scope were transactions that were not processed or approved by the Office (\$1.34 million).

**NFI = Net Financial Impact

The audit firm qualified its opinion on project expenditure due to lack of supporting documents, as well as unjustified expenditures that were not included in the approved Annual Work Plan.

Key recommendations: Total = 4, high priority = 3

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

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.

The medium priority recommendation raised aims to address inadequacies in the supporting documents of travel arrangements and entitlements to travellers.

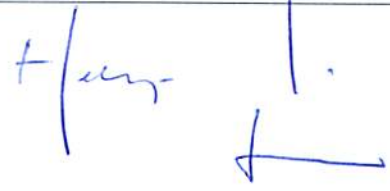
For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. All high (critical) priority recommendations are presented below:

Lack of evidence of payment to final beneficiary (Issue 1)	<p>The firm that facilitated mobile payments to beneficiaries did not provide narrative reports in line with the signed agreement. As such, there was no evidence that the beneficiary received the respective funds.</p> <p><u>Recommendation:</u> The Office should ensure that the mobile payment firm provides the narrative reports as well as evidence to validate that funds were received by the beneficiary.</p>
Inadequately supported direct project costs (Issue 2)	<p>The supporting documentation for the recovery of direct project costs made via journal entries was not adequate to justify related expenditures incurred.</p> <p><u>Recommendation:</u> The Office should ensure that journal entries are adequately supported and should establish an adequate system to track and split direct project costs.</p>
Expenses not budgeted in the Annual Work Plan (Issue 3)	<p>Expenditures related to the transportation of prisoners were not authorized in the project budget and were therefore unjustified.</p> <p><u>Recommendation:</u> The Office should ensure that only expenditures that are budgeted in the Annual Work Plan are charged against the Project, and as necessary, revise the budget in case of large variances.</p>

Management comments and action plan

The four recommendations were not agreed upon and the UN Resident Coordinator/UNDP Resident Representative accepted the risk of not taking action on the issues identified by OAI. The disagreed recommendations were escalated to the responsible Bureau (the Regional Bureau for Africa), which also accepted the residual risk of the issues identified.

OAI takes note of both the Bureau's and the Office's comments. The recommendations and any documentation regarding corrective action will be recorded in CARDS, OAI's database used for tracking audit recommendations.



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