

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP DEMOCRATIC REPUBLIC OF THE CONGO**

**RELÈVEMENT COMMUNAUTAIRE**  
**(Directly Implemented Project No. 72471, Output No. 86481)**

**Report No. 1524**  
**Issue Date: 29 October 2015**

**Report on the Audit of UNDP Democratic Republic of the Congo  
Relèvement Communautaire  
(Project No. 72471, Output No. 86481)  
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 “Relèvement Communautaire” (Project No. 72471, Output No. 86481) (the Project), which is directly implemented and managed by the UNDP Country Office in the Democratic Republic of the Congo (the Office). The last audit of the Project was conducted by Auditeurs Associés en Afrique - KPMG RDC (KPMG) 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 2014 to 31 December 2014 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2014 as well as Statement of Assets 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 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*			Project Assets	
Amount (in \$ '000)	Opinion	NFI** (in \$ '000)	Amount (in \$ '000)	Opinion
2,960	Qualified	492	17	Unqualified

\*Expenditures recorded in the Combined Delivery Report were \$3.45 million. Excluded from the audit scope were expenditures processed and approved by other UNDP offices outside of the country \$0.49 million).

\*\*NFI = Net Financial Impact

The audit firm qualified its opinion on project expenditure due to lack of evidence of payment to final beneficiaries, insufficient supporting documents, expenditure not budgeted in the Annual Work Plan, absence of supporting documents, and procurement transactions not processed properly.

**Key recommendations:** Total = 5, high priority = 3

The five recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendation 1 – medium priority, Recommendation 2 – medium priority, Recommendation 4

<sup>1</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.

– high priority); (b) effectiveness and efficiency of operations (Recommendation 5 – high priority); and (c) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 3 – high priority).

The medium recommendations aim to address inadequate documentation supporting various transactions recorded in the Combined Delivery Report.

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:

Expenditure not budgeted in the Annual Work Plan of the Office (Issue 3)	<p>The 2014 Combined Delivery Report was overstated by \$27,404. This amount represented expenses incurred for another project managed by the Office. In April 2015, the Office subsequently processed a General Ledger Journal Entry to reimburse the audited project.</p> <p><u>Recommendation:</u> The Office should ensure that only expenditures related to the project are recorded in the Combined Delivery Report.</p>
Absence of supporting documents (Issue 4)	<p>There were no supporting documents for 11 General Ledger Journal Entries recorded in the Combined Delivery Report for an amount of \$354,486. The description and nature of these transactions were also missing.</p> <p><u>Recommendation:</u> The Office should ensure that only expenditures that are adequately justified are recorded in the Combined Delivery Report. Further, the description of transactions should be clear and explicit.</p>
Procurement transaction fragmentation and inconsistent documentation (Issue 5)	<p>There were high volumes of transactions within a period of three months for the procurement of cartridges for which the total amount was split below the \$2,500 threshold that required a purchase order, as well as management approval.</p> <p><u>Recommendation:</u> The Office should strengthen its oversight to ensure proper procurement processes.</p>

**Implementation status of previous OAI audit recommendations:** Report No. 1318, 1 July 2014.

Total recommendations: 2  
Implemented: 1  
In progress: 1

The pending recommendation pertains to the non-tagging of assets belonging to the Project. Its implementation is in progress.

**Management comments and action plan**

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

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 documentation regarding corrective action will be recorded in CARDS, OAI's database used for tracking audit recommendations.



Helge S. Osttveiten  
Director  
Office of Audit and Investigations