

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP SRI LANKA

Support to District Development Programme
(Directly Implemented Project No. 68311, Output No. 87393)

Report No. 1628

Issue Date: 15 August 2016

**Report on the Audit of UNDP Sri Lanka
Support to District Development Programme
(Project No. 68311, Output No. 87393)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through KPMG SA (the audit firm), from 2 to 13 May 2016, conducted an audit of the Support to District Development Programme (Project No. 68311, Output No. 87393) (the Project), which is directly implemented and managed by the UNDP Country Office in Sri Lanka (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 (CDR), which includes expenditure for the period from 1 January to 31 December 2015 and the accompanying Funds Utilization statement¹ as of 31 December 2015 as well as Statement of Assets as of 31 December 2015. The audit did not cover the Statement of Cash Position as no separate bank account was 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	Amount (in \$ '000)	Opinion
6,288	Unqualified	132.5	Unqualified

Key recommendations: Total = 3, high priority = 0


The audit did not result in any high (critical) priority recommendations. There are three 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: ineligible salary costs of \$10,000 charged to the Project; a difference of \$7,157 between the net book value of fixed assets per the CDR balance and the Statement of Assets balance; and a difference of impairment costs amounting to \$3,682 between the written down value reported in the CDR and the actual value considered for impairment (without any impact on the audit opinion).

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

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.

Management comments and action plan

The Resident Representative accepted all three 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