

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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Audit

of

UNDP in the former Yugoslav Republic of Macedonia

Municipal Council Support
(Directly Implemented Project No. 79119, Output No. 89225)

Report No. 1638
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**Report on the Audit of UNDP in the former Yugoslav Republic of Macedonia
Municipal Council Support (Project No. 79119, Output No. 89225)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through KPMG SA (the audit firm), from 9 May to 23 May 2016, conducted an audit of Municipal Council Support (Project No. 79119, Output No. 89225) (the Project), which is directly implemented and managed by the UNDP Country Office in the former Yugoslav Republic of Macedonia (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 July 2015 to 30 April 2016, and the accompanying Funds Utilization statement¹ as of 30 April 2016. The audit did not include activities and expenses incurred or undertaken at the "responsible party" 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 |
| 358 | Unqualified |

Key recommendations: Total = 2, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are two 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 expenses accounted for under incorrect accounts (without any impact on the expenses reported), and expenses posted into incorrect activities, leading to the inaccurate computation of General Management Support fees (without any impact on the audit opinion rendered).

The two 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 UN Resident Coordinator and UNDP Resident Representative of UNDP in the former Yugoslav Republic of Macedonia 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.



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