AUDIT

OF

UNDP BRAZIL

World Indigenous Games
(Directly Implemented Project No. 88231, Output No. 94987)

Report No. 1656
Issue Date: 17 August 2016
Report on the Audit of UNDP Brazil
World Indigenous Games (Project No. 88231, Output No. 94987)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 2 to 10 June 2016, conducted an audit of World Indigenous Games (Project No. 88231, Output No. 94987) (the Project), which is directly implemented and managed by the UNDP Country Office in Brazil (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 2015 and the accompanying Funds Utilization statement¹ as of 31 December 2015. 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), or where supporting documentation was not retained at the Office level. The audit did not cover the Statement of Assets as no assets were purchased for 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:

<table>
<thead>
<tr>
<th>Project Expenditure</th>
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<tbody>
<tr>
<td>Amount (in $’000)</td>
</tr>
<tr>
<td>Opinion</td>
</tr>
<tr>
<td>NFI* (in $’000)</td>
</tr>
<tr>
<td>10,322</td>
</tr>
<tr>
<td>Qualified</td>
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<tr>
<td>364</td>
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</tbody>
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*NFI = Net Financial Impact

The audit firm qualified its opinion on project expenditure due to the recording of an advance of $1.03 million as an expense at the point of payment, which resulted in an overstatement of $0.36 million in the Statement of Expenditure.

**Key recommendations:** Total = 2, high priority = 1

The audit resulted in one high (critical) priority recommendation and one medium (important) priority recommendation.

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.
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. The high (critical) priority recommendation is presented below:

Non-compliance with corporate policy on agency implementation (Issue 1)

In 2015, the Office issued an advance to UNOPS amounting to $1.03 million but recorded it as an expense at the point of payment. The interim financial report as at 31 May 2016 submitted by UNOPS showed that actual expenditure in 2015 was $0.67 million only. Therefore, the Statement of Expenditure was overstated by $0.36 million. Further, the Office did not ensure the timely receipt of quarterly Project Delivery Reports from UNOPS.

Recommendation: The Office should comply with the ‘UNDP Programme and Operations Policies and Procedures’ on UN agency implementation for the remainder of the contract period. Specifically:

- Advances provided and expenses reported in the Project Delivery Reports are recorded in a Project Clearing Account.
- Any unspent amounts should be refunded to the Office.
- The agreement with UNOPS requires that financial statements should be provided for each quarter. These have not been requested or received thus far but must be received at least from the start of 2016.

Management comments and action plan

The UNDP Resident Representative 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.

Helge S. Osttveiten
Director
Office of Audit and Investigations