



AUDIT

OF

UNDP SOMALIA

**JOINT PROGRAMME ON RULE OF LAW
JUSTICE AND CORRECTIONS & CIVILIAN POLICE PROJECT
(Directly Implemented Project No. 85372, Output Nos. 93042 and 93856)**

Report No. 1677

Issue Date: 9 September 2016

**Report on the Audit of UNDP Somalia
Joint Programme on Rule of Law
Justice and Corrections and Civilian Police Project
(Project No. 85372, Output Nos. 93042 and 93856)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Deloitte and Touche LLP (the audit firm), from 30 May to 29 June 2016, conducted an audit of a joint programme on ‘Rule of Law’ (Project No. 85372) (the Project), ‘Justice and Corrections’ (Output No. 93042) and ‘Civilian Police Project’ (Output No. 93856), which is directly implemented and managed by the UNDP Country Office in Somalia operating from Nairobi, Kenya (the Office). The last audit of the Project was conducted by OAI in 2015 and covered project expenditure from 1 January 2014 to 31 December 2014.

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 2015 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 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). 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*			Project Assets	
Amount (in \$ '000)	Opinion	NFI** (in \$ '000)	Amount (in \$ '000)	Opinion
8,912	Qualified	506	39	Unqualified

*Expenditures recorded in the Combined Delivery Report were \$11,911,830. Excluded from the audit scope were transactions that relate to expenditures processed and approved by other UNDP offices outside of the country (\$1,480,654) and expenditures incurred at the “responsible party” level (\$1,187,607), which will be covered through a separate HACT/NGO/NIM audit. Expenditures of \$878,391 recorded in the Combined Delivery Report for Output No. 94812 were not within the scope of the audit, because the Output’s expenditure total fell below the OAI risk assessment threshold for DIM outputs to be audited.

**NFI = Net Financial Impact

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 audit firm qualified its opinion on project expenditure due to advances recorded as expenditure, causing the Combined Delivery Report expenditure to be overstated by \$506,000 as of 31 December 2015.

Key recommendation: Total = 1, high priority = 1

The recommendation aims to ensure the reliability and integrity of financial and operational information.

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:

Advances recorded as expenditure (Issue 3.1.1)	An amount of \$3,052,008 advanced to a partner for the purpose of police stipends payments, was recorded as expenditure in the Combined Delivery Report. However, a balance of \$506,000 had not been paid out as stipends as of 31 December 2015 and was still unspent in the partner's accounts. As a result, expenditure in the Combined Delivery Report as of 31 December 2015 was overstated by \$506,000.
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Recommendation: Management should ensure that only expenditure that is incurred and accounted for is recorded as expenditure and not the whole amount that is advanced to a partner. An adjustment should be made to correct the 2015 expenditure to reflect only what has been paid out.

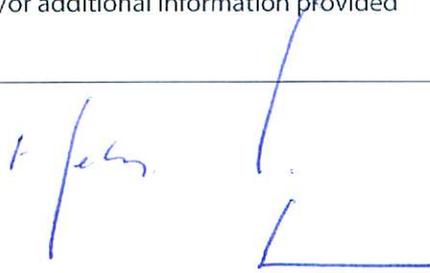
Implementation status of previous OAI audit recommendations:

Report No. 1515, 8 December 2015.
Total recommendations: 2
Implemented: 2

Report No. 1516, 8 December 2015.
Total recommendations: 1
Implemented: 1

Management comments and action plan

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



Helge S. Ostveiten
Director
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