



**AUDIT**

**OF**

**UNDP IN THE UNITED REPUBLIC OF TANZANIA**

**DEMOCRATIC EMPOWERMENT PROJECT**  
**(Directly Implemented Project No. 68932,**  
**Output Nos. 84843, 85888, 84841, 83810 and 84844)**

**Report No. 1681**  
**Issue Date: 29 August 2016**

**Report on the Audit of UNDP in the United Republic of Tanzania**  
**Democratic Empowerment Project**  
**(Project No. 68932, Output Nos. 84843, 85888, 84841, 83810 and 84844)**  
**Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Deloitte and Touche (the audit firm), from 23 May to 10 June 2016, conducted an audit of the Democratic Empowerment Project (Project No. 68932, Output Nos. 84843, 85888, 84841, 83810 and 84844) (the Project), which is directly implemented and managed by the UNDP Country Office in the United Republic of Tanzania (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 statement<sup>1</sup> 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 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	NFI** (in \$ '000)
10,635	Unqualified	-	75	Qualified	16

\*Expenditures recorded in the Combined Delivery Report were \$11.7 million. Excluded from the audit scope were transactions that relate to expenditures processed and approved by other UNDP offices outside of the country amounting to \$1 million.

\*\*NFI = Net Financial Impact

The audit firm qualified its opinion on the project assets due to an asset valued at \$16,083 that had been transferred to an implementing partner without timely updating the Statement of Asset records. The Office took action and the concerned asset was removed from the Statement of Assets effective 5 August 2016.

<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.

**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 (i) weaknesses in controls over value added tax (VAT); (ii) long-outstanding purchase orders not timely closed; and (iii) non-compliance with UNDP's asset recognition policy.

The three recommendations aim to ensure the reliability and integrity of financial and operational information, as well as compliance with legislative mandates, regulations and rules, policies and procedures (Recommendations 3.1.1, 3.1.2, 3.1.3), and safeguarding of assets (Recommendation 3.1.3).

**Management comments and action plan**

The UN Resident Coordinator and UNDP 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. Ostveiten  
Director  
Office of Audit and Investigations