



AUDIT

OF

UNCDF PROJECT IN SOMALIA

SOMALIA UNJPLG II – MPTF pass
(Directly Implemented Project No. 76671, Output No. 87943)

Report No. 1683

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**Report on the Audit of UNCDF Project in Somalia
Somalia UNJPLG II – MPTF pass
(Project No. 76671, Output No. 87943)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 6 to 17 June 2016, conducted an audit of the UNCDF Project ‘Somalia UNJPLG II – MPTF pass’ (Project No. 76671, Output No. 87943) (the Project), which is directly implemented and managed by the UNCDF Office in Somalia (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 2014 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 UNCDF Headquarters), or in locations where the supporting documentation was not retained at the level of the UNCDF Office (such as the UNCDF Regional Support team in Ethiopia). 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:

Project Expenditure*	
Amount (in \$ '000)	Opinion
9,614	Unqualified

*The audit firm audited the entire expenditures of \$9,613,896 recorded in the Combined Delivery Report. There were no transactions that relate to expenditures incurred at the “responsible party” level, or expenditures processed and approved outside of the country, or where the supporting documentation was not retained at the UNCDF Office level.

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: (i) lack of supporting documents; and (ii) wrong classification of expenditure. The issues noted had no impact on the overall 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 UNCDF management in Somalia 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