

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



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**AUDIT**

**OF**

**UNDP DEMOCRATIC REPUBLIC OF THE CONGO**

**AUTORITÉ DE L'ÉTAT**

**(Directly Implemented Project No. 72468, Output Nos. 86178 and 98566)**

**Report No. 1814**

**Issue Date: 24 August 2017**

**Report on the Audit of UNDP Democratic Republic of the Congo**  
**Autorité de l'État**  
**(Project No.72468, Output No. 86178 and 98566)**  
**Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 15 to 26 May 2017, conducted an audit of "Autorité de l'État" (Project No. 72468, Output Nos.86178 and 98566) (the Project), which is directly implemented and managed by the UNDP Country Office in Democratic Republic of the Congo (the Office). The last audit of the Project was conducted by Moore Stephens LLP in 2015 and covered project expenditure from 1 January 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 to 31 December 2016 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2016 as well as Statement of Assets and Statement of Cash Position as of 31 December 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. 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	NFM** (in \$ '000)	Amount (in \$ '000)	Opinion
3,502	Qualified	598	97	Unqualified

\*Expenditures recorded in the Combined Delivery Report were \$5,553,373. Excluded from the audit scope were transactions that relate to expenditures of other United Nations agencies (\$439,664) and expenditures processed and approved by other UNDP offices outside of the country (\$1,386,270). Also excluded were expenditures incurred at the "responsible party" level (\$225,621).

\*\*NFM= Net Financial Misstatement

The audit firm qualified its opinion on project expenditure (\$81,993 for Output No. 98566 and USD \$515,664 for Output No. 86178), as they were unable to reconcile the amounts with the supporting documentation, due to the fact that these were not fully available at the Office level. Other ineligible expenditure amounting to \$11,645 was not qualified, as the amount was immaterial.

**Key recommendations:** Total = 4, high priority = 1

<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.

The four recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendation 3 – high priority, Recommendations 1 and 2 - medium priority), and (b) safeguarding of assets (Recommendation 4 – medium priority).

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:

Deficiencies in payment status reports (Issue 3)	The Office had signed an agreement with a local bank to pay implementing partners (beneficiaries) in selected locations. The payment status reports did not contain the reference number of the UNDP vouchers, and the Office had to reconcile each payment after the receipt of the reports. The audit identified unsigned payment status reports for \$224,029 with respect to Output No. 86178 and for \$514,154 with respect to Output No. 98566. Given the reconciliation process, not all supporting documents related to the above amounts had been entirely collected from the implementing partners, reconciled and archived by the Office, and thus the audit team could not fully validate the underlying payments. In addition, the report submitted by the bank did not allow traceability between the payments and the corresponding vouchers, as there was no reference to the voucher numbers. The Office had already prepared a new form for payment, including a field for recording the voucher number, but was yet to be used pending endorsement by the bank.
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Recommendation:

The Office should take the following action: (a) the payment status reports should be signed by the beneficiaries and collected from the Bank after processing payments to the beneficiaries for each activity; (b) all vouchers should be accompanied by evidence of payment to which they relate to, and properly filed in the Office; and (c) the new form of payment developed by UNDP should be submitted to and endorsed by the bank.

**Implementation status of previous OAI audit recommendations:** Report No. 1522, 29 October 2015.

Total recommendations: 4

Implemented: 4

**Management comments and action plan**



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

A handwritten signature in blue ink, appearing to read 'Helge S. Ostveiten', enclosed within a rectangular box.

Helge S. Ostveiten  
Director  
Office of Audit and Investigations