

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP SENEGAL

PROGRAMME D'URGENCE DE DEVELOPPEMENT COMMUNAUTAIRE
(Directly Implemented Project No. 94053, Output No. 86871)

Report No. 1818

Issue Date: 18 August 2017

**Report on the Audit of UNDP Senegal
Programme d'Urgence de Développement Communautaire (Project No. 86871)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 8 to 19 May 2017 conducted an audit of *Programme d'Urgence de Développement Communautaire (PUDC)*, Project No. 86871 (the Project), which is directly implemented and managed by the UNDP Country Office in Senegal (the Office). The last audit of the Project was conducted by OAI in 2016 and covered project expenditure from 1 January to 31 December 2015.

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 statement¹ 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).

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			Cash***	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion	NFM** (in \$ '000)	Amount (in \$ '000)	Opinion
60,300	unqualified	407	Qualified	-18	2,830	Unqualified

*Expenditures recorded in the Combined Delivery Report were \$61,838,345. Excluded from the audit scope were transactions that relate expenditures processed and approved by other UNDP offices outside of the country (\$1,533,050).

**NFM= Net Financial Misstatement

***XOF 1,573,504,506 converted to USD (August 2017 UN rate)

The audit firm qualified its opinion on project assets due to a variance between the Statement of Assets and the physical count, which led to an understatement of \$18,186 (refer to issue 1).

Key recommendations: Total = 7, high priority = 2

The seven recommendations aim to ensure the following:

¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) undepreciated 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.

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	7	Medium
Reliability and integrity of financial and operational information	2 3	Medium High
Effectiveness and efficiency of operations	4	Medium
Safeguarding of assets	1	High
Compliance with legislative mandates, regulations and rules, policies and procedures	5, 6	Medium

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. All high (critical) priority recommendations are presented below:

Inaccurate Statement of Assets (Issue 1) The reconciliation between the Statement of Assets and the physical inventory identified the following discrepancies: (a) variance of \$58,502 between the Statement of Assets and the physical count, due to the fact that two vehicles and two laptops had not been removed from the Statement of Assets even though they had been transferred; (b) two servers acquired in 2016 for a total amount of \$39,815, were not included in the Statement of Assets while they were held by the project.

Recommendation:

The project should update the Statement of Assets by: (a) removing the two vehicles and the two laptops from the statement; and (b) integrating to the statement the two servers acquired in 2016.

Ineligible supporting documentation to substantiate expenses from an implementing partner (Issue 3) The audit identified several deficiencies in the quality of the supporting documents related to training expenses of representatives from an implementing partner, which led the audit team to question and refute the authenticity of expenses totaling \$32,700. The amount did not have an impact on the overall opinion, as it was immaterial. Subsequent to the audit, an assessment was requested from OAI Investigations Section relative to the implementing partner.

Recommendation:

The Office should perform the following: (a) micro-assess implementing partners to identify the level of risk prior to agreeing to the use of their internal procedures for project implementation; (b) define and introduce to the implementing partner the quality of supporting documents required to validate expenditures; and (c) suspend all activities with the implementing partner until the conclusion of OAI Investigation Section assessment.

Implementation status of previous OAI audit recommendations: Report No. 1669, 15 September 2016.

Total recommendations: 7

Implemented: 5

In progress: 2

The pending recommendations pertain to pending action to address inconsistencies found on the timesheets, and the absence of formalization of the analysis of the average fuel consumption. Their implementation is in progress.

Management comments and action plan

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



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