



AUDIT

OF

UNDP TOGO

PROGRAMME D'URGENCE DE DÉVELOPPEMENT COMMUNAUTAIRE
(Directly Implemented Project No. 49972)

Report No. 1819

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Report on the Audit of UNDP Togo
Programme d'Urgence de Développement Communautaire (Project No. 49972)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Deloitte Togo (the audit firm), from 6 to 18 June 2017, and from 16 to 23 August 2017, conducted an audit of Programme d'Urgence de Développement Communautaire, Project No. 49972 (the Project), which is directly implemented and managed by the UNDP Country Office in Togo (the Office). This was the first audit of the Project.

The audit work covered financial transactions as well as internal controls and systems for the purpose of expressing an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations, as well as assess compliance with UNDP regulations, rules, policies and procedures and donor agreements. 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. It also reviewed the relevant systems, procedures and practices in place as they relate to the Project, in the areas of: Organization and staffing, Programme and project management, Human Resources, Finance, Procurement, Assets Management, cash management, information system and general administration. The audit did not include activities and expenses incurred or undertaken at the "responsible party" level.

The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, OAI assessed the management of the Project as **partially satisfactory / some improvement needed**, which means, "the assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited Project". This rating was mainly due to lack of recording project assets in the system, and to lack of prior approval for procurement cases prior to signing contracts. The details of the audit results are presented in the table below:

Project Expenditure*		Project Assets			Cash	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion	NFM** (in \$ '000)	Amount (in \$ '000)	Opinion
4,622	Unqualified	9	Qualified	-358	25,037	Unqualified

*Expenditures recorded in the Combined Delivery Report were \$4,724,341 million. Excluded from the audit scope were transactions that relate to expenditures incurred at the "responsible party" level (\$102,214).

**NFM = Net Financial Misstatement. The Net Financial Misstatement amount is presented at the assets acquisition cost, since the Net Book Value was not available, as the assets were not recorded in Atlas.

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 assets due to an understatement of fixed assets by a total of \$358,068 (refer to issue 1).

Key recommendations: Total = 3, high priority = 2

The three recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 2 – medium priority); (b) safeguarding of assets (Recommendation 1 – high priority); and (e) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 3 – high 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. All high (critical) priority recommendations are presented below:

Under reporting of fixed assets (Issue 1) The reconciliation of project assets recorded in the Atlas (the enterprise resource planning system of UNDP) to the physical inventory identified a gap of \$358,428. The discrepancy was caused by a delay on the part of the Office in recording in the system assets acquired in 2016. This resulted in an understatement of project assets as at 31 December 2016. The Office corrected the discrepancy after the end of the audit fieldwork.

Recommendation:

The Office should ensure that all existing assets be diligently recorded to provide a true and fair picture of project assets at the end of the fiscal year.


Lack of prior approval of procurement cases prior to signing contracts (Issue 3) The Office entered into twenty contracts of civil works for a total amount of \$18.9 million without prior submission to and approval from the relevant Procurement Review Committee.

Recommendation:

The Office should ensure that procurement cases are submitted to relevant procurement committees in accordance with UNDP's procurement policies and procedures.

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.



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