AUDIT

OF

UNDP BANGLADESH

EARLY RECOVERY FACILITY PROJECT
(Directly Implemented Project No. 61275, Output No. 77582)

Report No. 1957
Issue Date: 3 August 2018
Report on the Audit of UNDP Bangladesh
Early Recovery Facility (Project No. 61275, Output No. 77582)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 6 to 11 May 2018, conducted an audit of Early Recovery Facility (Project No. 61275, Output No. 77582) (the Project), which is directly implemented and managed by the UNDP Country Office in Bangladesh (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 expenses for the period from 1 January to 31 December 2017 and the accompanying Funds Utilization statement¹ as of 31 December 2017 as well as Statement of Assets as of 31 December 2017. The audit did not include activities and expenses incurred or undertaken at the “responsible party” level and expenses of other United Nations agencies. 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:

<table>
<thead>
<tr>
<th>Project Expenses*</th>
<th>Project Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount (in $’000)</td>
<td>Opinion</td>
</tr>
<tr>
<td>4,952</td>
<td>Unmodified**</td>
</tr>
</tbody>
</table>

*Expenses recorded in the Combined Delivery Report were $5,058,063. Excluded from the audit scope were transactions that relate to expenses of other United Nations agencies ($91,793) and transactions that relate to expenditures incurred at the “responsible party” level ($13,994).
**Unmodified = unqualified or clean opinion

OAI noted that expenses incurred by other United Nations agencies were incorrectly recorded as UNDP expenses in the Combined Delivery Report (ref. column titled UNDP Exp). This resulted in an overstatement of UNDP expenses by $91,793 and an understatement of United Nations agencies expenses by the same amount. In OAI’s view, the effect of this misstatement was not material.

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. Failure to take action could result in negative consequences for UNDP.” These recommendations include actions to

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.
address deficiencies in procurement procedures and cash disbursement processes at the sub-grantee level. The two recommendations aim to ensure compliance with legislative mandates, regulations and rules, policies and procedures.

At the time this audit report was being issued, two audit findings raised by the audit firm will be further assessed by OAI’s Investigations Section.

**Management comments and action plan**

The UNDP Resident Representative 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  
2018.08.03
02:35:39
04:00

Director
Office of Audit and Investigations