



AUDIT

OF

UNDP SENEGAL

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

Report No. 1963

Issue Date: 24 August 2018

Report on the Audit of UNDP Senegal
Programme d'urgence de Développement Communautaire (Project No. 86871, Output No. 94053)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 7 to 18 May 2018, conducted an audit of *Programme d'Urgence de Développement Communautaire* (Project No. 86871, Output No. 94053) (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 through Moore Stephens LLP in 2017 and covered project expenditure from 1 January to 31 December 2016.

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 as well as Statement of Assets as and Statement of Cash Position as of 31 December 2017. 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 Centers and UNDP Headquarters) or expenses of other United Nations agencies.

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, the results are presented in the table below:

Project Expenses*			Project Assets		Cash****	
Amount (in \$ '000)	Opinion	NFM*** (in \$ '000)	Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
65,302	Modified**	37,803	351	Unmodified	2,628	Unmodified

*Expenses recorded in the Combined Delivery Report were \$67.2 million. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country (\$1.3 million) and expenses incurred by the "responsible party" (\$0.6 million).

**Modified = qualified, adverse or disclaimer opinion.

***NFM = Net Financial Misstatement.

****XOF 1,443,057,470 converted to US dollars using UN exchange rate.

At the time this audit report was being issued, OAI was investigating complaints relating parties involved with the Project.

Key recommendations: Total = 3, high priority = 2

The three recommendations aim to ensure compliance with legislative mandates, regulations and rules, policies and procedures.

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.

The two high priority recommendations aim to ensure that future government cost-sharing agreements include a schedule of payments and are signed by both parties and the need for the Office to establish an override policy that adheres to existing policies and that is fully implemented, as and when the need arises.

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. Both high (critical) recommendations are presented below:

Financial agreement with donor not sufficiently formalized (Issue 1)	The directly implemented project had a total budget of \$224.6 million and the Office initiated activities in the absence of a duly signed donor agreement as well as in the absence of a sufficiently detailed schedule of payments. The funding from the donor was not received on a predictable and regular basis, giving rise to unfunded commitments held by the Office of \$52.5 million at the end of December 2017. In 2018, a payment of \$14.7 million was received from the donor. In addition, an agreement was reached to transfer the project's commitments and assets to the donor, as of end June 2018. The balance of the Office's unfunded commitments as of end of June 2018 stood at \$43.3 million.
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Recommendation: The Office should pursue its ongoing efforts to transfer all assets and liabilities to the donor and ensure that future agreements with the donor should be duly signed by both parties and a sufficiently established schedule of payments is properly established.

Non-compliance with budget override policy (Issue 2)	The Office had established its own budget override policy in July 2016, which was not fully compliant with UNDP policies and guidelines. The delays in the receipt of funds from the donor gave rise to financial commitments that could not be paid by the Office. The commitments went unnoticed because the Office did not implement its budget override policy and did not record and keep track of these commitments in the Atlas system. In late 2017, the Chief Financial Officer instructed the Office to take the exceptional measure of using the budget override functionality in the Atlas system and fully record all of its commitments, even if funds were not available to cover them. This resulted in an amount of unfunded financial commitments at the end of December 2017 of \$52.5 million.
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Recommendation: The Office should establish its own override policy that is fully compliant with UNDP policies and guidelines and, as and when necessary, the Office should duly implement this policy.

Implementation status of previous OAI audit recommendations: Report No. 1818, issued on 18 August 2017.

Total recommendations: 7

Implemented: 6

In progress: 1

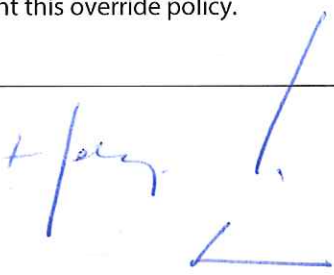
The outstanding recommendation related to seeking advice from tax authorities regarding withholding and paying taxes to the Government.

Management comments and action plan

The Resident Representative has reviewed the audit recommendations and commented on them as shown in the audit report.

For recommendation no. 1, the Resident Representative expressed disagreement with the qualified opinion and referred to an earlier audit report issued by OAI on 19 January 2018 (audit report No. 1895). OAI wishes to clarify that this audit was not a financial audit and it resulted in an opinion on the overall management of such agreements in UNDP. It did not include a financial audit opinion on the financial situation of the Project as it did not solely focus on same. With due considerations to the materiality and nature of the audit finding No. 1, the qualified audit opinion is in line with International Accounting Standards.

In respect of recommendation no. 2, OAI wishes to clarify that the actions required are twofold: (a) the Office needs to establish its own override policy and ensure that it is fully compliant with UNDP policies and guidelines; and (b) as and when it becomes necessary, the Office should duly implement this override policy.



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Director
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