



**AUDIT**

**OF**

**UNDP MALAWI**

**NATIONAL REGISTRATION IDENTIFICATION SYSTEM**  
**(Directly Implemented Project No. 100113, Output No. 103222)**

**Report No. 1966**  
**Issue Date: 1 August 2018**

**Report on the Audit of UNDP Malawi  
National Registration Identification System  
(Project No. 100113, Output No. 103222)  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 10 to 25 May 2018, conducted an audit of National Registration Identification System (Project No. 100113, Output No. 103222) (the Project), which is directly implemented and managed by the UNDP Country Office in Malawi (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 statement<sup>1</sup> as of 31 December 2017 as well as Statement of Assets as of 31 December 2017. The audit did not include expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). 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 Expenses*			Project Assets		
Amount (in \$ '000)	Opinion	NFM** (in \$ '000)	Amount (in \$ '000)	Opinion	NFM*** (in \$ '000)
15,543	Unmodified**	363	124	Qualified	141

\*Expenses recorded in the Combined Delivery Report were \$30,509,539. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country (\$14,966,440).

\*\*Unmodified = unqualified or clean opinion

\*\*\*NFM = Net Financial Misstatement

The audit firm qualified its opinion on project assets due to financial findings totalling \$140,989 relating to project assets that were not recorded (four vehicles valued at \$130,798) or improperly recorded (value of generator understated by \$10,192) in the assets register.

**Key recommendations:** Total = 4, high priority = 0

<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) 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 audit did not result in any high (critical) priority recommendations. There are four 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 address: (i) cash advances recorded as expenditure, (ii) the lack of agreed terms of reference with supplier of banking services, (iii) control weaknesses regarding recording of assets on the asset register, and (iv) errors in capturing the initial cost of an asset.

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	1	Medium
Safeguarding of assets	3 and 4	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	2	Medium

### **Management comments and action plan**

The UN Resident Coordinator and UNDP Resident Representative, UNDP Malawi, 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.

Helge S. Osttveiten  
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