

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



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**AUDIT**

**OF**

**UNDP KENYA**

**2KEN014/235 STRENGTHENING THE ELECTORAL PROCESSES IN KENYA**  
**(Directly Implemented Project No. 85584, Output No. 93173)**

**Report No. 1967**

**Issue Date: 23 July 2018**

**Report on the Audit of UNDP Kenya  
2KEN014/235 Strengthening the Electoral Processes in Kenya  
(Project No. 85584, Output No. 93173)  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Deloitte Haskins & Sells (DHS) through Deloitte East Africa, Certified Public Accountants (Kenya) (the audit firm), from 2 to 12 May 2018 conducted an audit of 2KEN014/235 Strengthening the Electoral Processes in Kenya (Project No. 85584, Output No. 93173) (the Project), which is directly implemented and managed by the UNDP Country Office in Kenya (the Office). The last audit of the Project was conducted by OAI through the audit firm in 2017 and covered project expenses from 1 January to 31 December 2016.

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 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. It also reviewed the relevant systems, procedures and practices in place as they relate to the Project, in the areas of: governance, programme, and operations. 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) or 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*.

**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 **satisfactory**, which means, "The assessed governance arrangements, risk management practices and controls as applicable to the Project's financial statements were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area."

Project Expenses*		Project Assets	
Amount (in \$ '000)	Opinion	Amount (in \$'000)	Opinion
6,533	Unmodified**	15	Unmodified

\*Total expenses recorded in the Combined Delivery Report were \$8.7 million. Excluded from the audit scope were transactions totaling \$1.6 million that relate to expenses by other United Nations agencies (\$1.4 million) and by a non-government entity (\$0.2 million).

\*\*Unmodified = unqualified or clean opinion

<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 Combined Delivery Report shows that an amount of \$7.1 million has been directly incurred by UNDP (ref. column titled UNDP Exp). However, this amount includes (1) a budget deficit of \$0.26 million that was incurred by another UN agency and absorbed using UNDP allocation; and (2) an amount of \$0.3 million of expenses incurred by a non-government entity acting as a responsible party that was incorrectly recorded as a UNDP expense (as a grant). Both amounts represent a total overstatement by \$0.56 million or 7.9 percent of the amount reported in the Combined Delivery Report as expenses incurred by UNDP. The audit firm excluded these two amounts from its opinion and expressed an opinion on only \$6.5 million (\$7.1 million, less \$0.56 million). In OAI's views, the materiality of the misstatement would have warranted a modified opinion on the expenses incurred by UNDP as shown in Combined Delivery Report.

**Key recommendation:** Total = 1, high priority = 0

The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, 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." The recommendation includes actions to address the lack of a competitive process when issuing purchase orders to a hotel.

The recommendation aims to ensure compliance with legislative mandates, regulations and rules, policies and procedures.

The previous audit (Report No. 1821, issued on 1 August 2017) did not result in any recommendations.

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

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



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