AUDIT

OF

UNDP PHILIPPINES

Accelerating Bottom-Up-Budgeting through Inclusive and Effective Governance (Directly Implemented Project No. 94900, Output No. 98964)

Report No. 2104
Issue Date: 16 August 2019
Report on the Audit of UNDP Philippines
Accelerating Bottom-Up-Budgeting through Inclusive and Effective Governance
(Project No. 94900, Output No. 98964)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through BDO LLP (the audit firm), from 13 to 23 May 2019, conducted an audit of Accelerating Bottom-Up-Budgeting through Inclusive and Effective Governance (Project No. 94900, Output No. 98964) (the Project), which is directly implemented and managed by the UNDP Country Office in Philippines (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 2018 and the accompanying Funds Utilization statement1 as of 31 December 2018. 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 Assets as no assets were held by the Project. 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>
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<tr>
<th>Project Expenses*</th>
<th>Amount (in $ '000)</th>
<th>Opinion</th>
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<tbody>
<tr>
<td></td>
<td>3,546</td>
<td>Unmodified</td>
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*Expenses recorded in the Combined Delivery Report were $3,986,758.84. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country ($441,182.22).

Key recommendations: Total = 4, high priority = 0

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 insufficient due diligence and risk assessment activities, and weaknesses in the Project’s procurement processes.

The four recommendations aim to ensure the following: (a) achievement of the organization’s strategic objectives (Recommendation 1); (b) effectiveness and efficiency of operations (Recommendation 2); and (c)

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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.
compliance with legislative mandates, regulations and rules, policies and procedures (Recommendations 3 and 4).

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

Management comments and action plan

The UNDP Resident Representative 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
Director
Office of Audit and Investigations