

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP MALAWI

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

Report No. 2137

Issue Date: 7 August 2019

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

The UNDP Office of Audit and Investigations (OAI), through BDO LLP (the audit firm), from 6 to 14 May 2019, conducted an audit of Malawi National Registration and 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). The last audit of the Project was conducted by OAI, through Moore Stephens LLP, in 2018 and covered project expenses from 1 January to 31 December 2017.

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 as well as Statement of Assets as of 31 December 2018. 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). 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	Amount (in \$ '000)	Opinion
6,433	Unmodified**	150	Unmodified

* Expenses recorded in the Combined Delivery Report were \$15,481,809.60. Excluded from the audit scope were expenses processed and approved by other UNDP offices outside of the country (\$9,002,292.61). Also excluded were expenses incurred at the “responsible party” level (\$46,262.77).

** There was a Net Financial Misstatement of \$39,466 but it did not affect the audit opinion as it was not financially material.

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.

Key recommendations: Total = **3**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There are three 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: lack of controls for the approval, usage and monitoring of mobile phones; lack of controls of allowances paid to beneficiaries; and inadequate supporting documents for the purchase and use of fuel.

The three recommendations aim to ensure the following: (a) safeguarding of assets (Recommendation 1); and (b) reliability and integrity of financial and operational information (Recommendations 2 and 3).

At the time this report was being issued, OAI was investigating complaints relating to parties involved with the Project. In addition, OAI's Social and Environmental Compliance Unit (SECU) was also investigating complaints relating to the Project. However, as these investigations were still ongoing at the time of the audit, OAI could not yet determine whether there was any financial impact on the Project.

Implementation status of previous OAI audit recommendations: Report No. 1966, 2 August 2018.

Total recommendations: 4

Implemented: 4

Management comments and action plan

The Resident Representative accepted all three 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
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