

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



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**AUDIT**

**OF**

**UNDP SOMALIA**

**CONSTITUTIONAL REVIEW SUPPORT**  
**(Directly Implemented Project No. 99032, Output No. 108659)**

**Report No. 2143**

**Issue Date: 9 August 2019**

**Report on the Audit of UNDP Somalia  
Constitutional Review Support (Project No. 99032, Output No.108659)  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through KPMG SA (the audit firm), from 3 May to 10 June 2019, conducted an audit of Constitutional Review Support (Project No. 99032, Output No. 108659) (the Project), which is directly implemented and managed by the UNDP Country Office in Somalia (the Office). This was the first audit of the Project.

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 2018 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2018 as well as Statement of Assets as of 31 December 2018. 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). 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 **partially satisfactory/some improvement needed**, which means that "The assessed governance arrangements, risk management practices and controls, as applicable to the Project's financial statements, were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to the inaccurate presentation of assets and inadequate asset verification and reconciliation. The details of the audit results are presented in the table below:

Project Expenses*		Project Assets		
Amount (in \$ '000)	Opinion**	Amount (in \$ '000)	Opinion	NFM (in \$ '000)
3,535	Unmodified	25	Adverse	7

\*Expenses recorded in the Combined Delivery Report were \$4,436,508. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country (\$564,359). Also excluded were expenses incurred at the "responsible party" level (\$337,525).

\*\*There was a Net Financial Misstatement (NFM) of \$849 but it did not affect the audit opinion as it was not financially material.

<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 firm issued an adverse opinion on the project assets due to assets that were included in the 2018 Statement of Assets that had been transferred to beneficiaries in 2017 valued at \$6,792, equivalent to 28 percent of the total project assets.

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

The recommendation aims to ensure the safeguarding of assets.

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. The high (critical) priority recommendation is presented below:

Inaccurate presentation of assets (Issue 1)	Two computer printers had been transferred to an implementing partner in 2017 but were included in the project's asset statement as of 31 December 2018. It resulted in a material overstatement totalling \$6,792 that represented approximately 28 percent of the Statement of Assets as at 31 December 2018.
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Recommendation: The Office should put in place robust control measures pertaining to the review and approval of the asset register and ensure that only assets meeting the "use and control" principle are recorded in Atlas.

#### Management comments and action plan

The 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.

Helge S. Osttveiten  
Director  
Office of Audit and Investigations