

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



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**AUDIT

OF

UNDP SENEGAL**

**PROGRAMME D'URGENCE DE DEVELOPPEMENT COMMUNAUTAIRE (PUDC)
(Directly Implemented Project No. 86871, Output Nos. 94053, 107853, and 107854)**

**Report No. 2159
Issue Date: 5 August 2019**

Report on the Audit of UNDP Senegal
Programme d'Urgence de Développement Communautaire (PUDC)
(Project No. 86871, Output Nos. 94053, 107853, and 107854)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through BDO LLP (the audit firm), from 20 to 31 May 2019, conducted an audit of the project entitled *Programme d'Urgence de Développement Communautaire* (Project No. 86871, Output Nos. 94053, 107853, and 107854) (the Project), which is directly implemented and managed by the UNDP Country Office in Senegal (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 well as the Statement of Cash Position as of 31 December 2018. The audit did not include activities or expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). In addition, the audit did not cover the Statement of Assets as no assets were held by 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*			Cash	
Amount (in \$ '000)	Opinion	NFM** (in \$ '000)	Amount (in \$ '000)	Opinion
13,866	Qualified	613	47	Unmodified

*Expenses recorded in the Combined Delivery Report were \$15,857,763. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country (\$1,991,366).

** Net Financial Misstatement

The audit firm qualified its opinion on project expenses totaling \$612,851 and issued eight recommendations to address the risks out of which three recommendations were considered high priority where prompt action is needed. The high priority recommendations were issued due to expenditures that were not in conformity with the approved budget and purposes of the project; payments made in excess of the contract amount; and transactions as well as receipt of good and services not sufficiently backed-up by proper supporting documentation.

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 = 8, high priority = 3

The eight recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	1	High
	2	Medium
Effectiveness and efficiency of operations	3	High
Compliance with legislative mandates, regulations and rules, policies and procedures	4	High
	5, 6, 7, 8	Medium

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. All high (critical) priority recommendations are presented below:

Expenditure not related to the project (Issue 1)	<p>The audit noted that the 2018 Combined Delivery Report (CDR) included expenditures amounting to \$295,916 that were not specifically related to the project. Furthermore, these expenditures, which were not incurred during the project implementation period, were not sufficiently documented. This incorrectly recorded expenditure caused an overstatement of the project expenditure in the 2018 CDR.</p> <p><u>Recommendation:</u> The Office should ensure that expenditures in the CDR relate to the approved and intended purposes of the project, and that all expenditures incurred are related to the project period.</p>
Payment made in excess of signed contract amount (Issue 3)	<p>The Office made payments exceeding the total value of a contract signed with a vendor. The payment in excess amounted to \$94,894. There was no amendment to the initial contract to substantiate this additional payment.</p> <p><u>Recommendation:</u> The Office should ensure that all payments are made in compliance with amounts stipulated in the contract.</p>
Insufficient proof of receipt of goods and services by final beneficiaries (Issue 4)	<p>The receipt of some machinery items was reported with insufficient proof of delivery. The proof of delivery obtained did not include the total quantity of items indicated on the vendor invoice and did not indicate the name and signature of the beneficiary receiving the items. In addition, the contract stated the the payment was to be made after delivery, installation, commissioning and training of beneficiaries. But there was no proof that the installation of machines and training of beneficiaries was done by the supplier prior to, or after, payment. Thus, goods and services valued at \$193,603 were assessed as not eligible.</p> <p><u>Recommendation:</u> The Office should ensure that a) adequate supporting documents are maintained to prove that all goods and services have been received; and b) payments are made strictly according to the contract requirements.</p>

In addition, 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 the correct recording of expenditures; adequate supporting documentation of transactions; proper monitoring of consulting services; strengthening of procurement procedures; and regular Steering Committee meetings.

Implementation status of previous OAI audit recommendations: Report No. 1963, 24 August 2018.

Total recommendations: 3

Implemented: 1

In progress: 1

Withdrawn: 1

The pending recommendation pertains to financial arrangements with donor not sufficiently formalized. Its implementation is in progress.

Management comments and action plan

The Resident Representative of Senegal accepted all of the eight 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