



AUDIT

OF

DEVELOPPEMENT LOCAL ET FINANCE INCLUSIVE
(Directly Implemented Project No. 97175, Output No. 101015)

IN

UNDP CHAD

Report No. 2364

Issue Date: 3 August 2021

**Report on the Audit of
Developpement local et finance inclusive in UNDP Chad
(Project No. 97175, Output No. 101015)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through BDO LLP (the audit firm), from 3 to 12 May 2021, conducted an audit of *Developpement local et finance inclusive* (Project No. 97175, Output No. 101015) (the Project), which is directly implemented and managed by the UNDP Country Office in Chad (the Office). This was the first audit of the Project.

The audit firm conducted a financial audit in accordance with the International Standards of Auditing (ISA), the 700 series, 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 2020 and the accompanying Funds Utilization statement¹ as of 31 December 2020. 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 was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. This did not have an impact on the audit opinion.

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		Cash	
Amount (in \$ '000)	Opinion	NFM** (in \$ '000)	Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
4,169	Unmodified	5.6	266	Unmodified	4,602***	Unmodified

*Expenses recorded in the Combined Delivery Report were \$5,243,705. Excluded from the audit scope were expenses processed and approved by other UNDP offices outside of the country (\$944,211). Also excluded were expenses incurred at the "responsible party" level (\$130,560).

**There was a Net Financial Misstatement (NFM) of \$5,600 but it did not affect the audit opinion as it was not financially material.

***OAI observed a high cash balance of \$4.6 million for the Project as of 31 December 2021. The Office explained this was due to lower than expected delivery, as a result of the COVID-19 pandemic. The Office sought and received authorization from UNDP Treasury to utilize the available project cash to make local payments and mitigate the risk of holding a high cash balance in local currency.

Key recommendations: Total = 2, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are two medium (important) priority recommendations, which means, "Action is required to ensure that UNDP is not exposed to risks.

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.



Failure to take action could result in negative consequences for UNDP.” These recommendations include actions to address expenditure recorded twice (\$5,600) and inadequate follow-up of the Programme Steering Committee’s recommendations.

The two recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendation 1); and (b) effectiveness and efficiency of operations (Recommendation 2).

At the time this report was being issued, OAI was investigating allegations relating to the Project.

Management comments and action plan

The Resident Representative accepted the 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. Ostveiten
Director
Office of Audit and Investigations