



AUDIT

OF

APPUI SYSTEME SANTE COVID-19
(Directly Implemented Project No. 00126918, Output No. 00120844)

IN

UNDP MADAGASCAR

Report No. 2366
Issue Date: 17 September 2021

**Report on the Audit of Appui Systeme Sante Covid-19
implemented by UNDP Madagascar
Project No. 00126918, Output No. 00120844
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Deloitte and Touche LLP (the audit firm), from 10 to 28 May 2021, conducted an audit of *Appui systeme sante Covid-19* (Project No. 00126918, Output No. 00120844) (the Project), which is directly implemented and managed by UNDP Madagascar (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) of other United Nations agencies. 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*. 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 reports and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenses*	
Amount (in \$ '000)	Opinion
1,411	Adverse

*Expenses recorded in the Combined Delivery Report were \$6,034,878. Excluded from the audit scope were expenses processed and approved by other UNDP offices outside of the country (\$4,525,110). Also excluded were expenses incurred at the "responsible party" level (\$99,012).

The audit firm qualified its opinion on project expenses due to project expenses of \$996,325 not corresponding to the activities defined in the project output and budget. The resulting financial impact was 71 percent of the project expenditures directly incurred by the Office as at 31 December 2020.

Key recommendation: Total = 3, high priority = 2

The three recommendations aim to ensure reliability and integrity of financial and operational information.

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.



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:

Missing distribution lists for the PDSPE program (Issue 3.1.1)

Signed distribution lists of the beneficiary totalling \$194,154.84 were not made available for review. These costs were included within the expenses of \$996,325 (refer to issue 3.1.3), which did not relate to the activities defined in the project.

Recommendation: All expenditures should be adequately supported by relevant documentation.

Expenses incurred not related to activities defined in the output and budget (issue 3.1.3)

Expenses amounting to \$996,325 did not relate to the activities defined in the project 00120844, output and budget.

Recommendation: Ensure that expenditures are charged to the correct project output.

Management comments and action plan

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