



AUDIT

OF

NATIONAL IDENTIFICATION SYSTEM

(Directly Implemented Project No. 100113, Output No. 103222)

IN

UNDP MALAWI

Report No. 2398
Issue Date: 13 August 2021

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

The UNDP Office of Audit and Investigations (OAI), through KPMG Geneva (the audit firm), from 12 May to 15 June 2021, conducted an audit of ‘Malawi National Registration’ (Project No. 100113), ‘National Identification System’ (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 BDO LLP in 2019 and covered project expenses from 1 January to 31 December 2018.

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 as well as Statement of Assets as of 31 December 2020. The audit did not include 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 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
4,808	Unmodified**	110	Unmodified

*Expenses recorded in the Combined Delivery Report were \$6,190,251. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country (\$1,381,933).

**There was a Net Financial Misstatement (understatement) of \$57,663 but it did not affect the audit opinion as it was not financially material.

Key recommendation: Total = **1**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, 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.” The recommendation includes actions to address the inaccurate presentation of year-end expenditures valued at \$57,663 as commitments.

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.



The recommendation aims to ensure the reliability and integrity of financial and operational information.

Implementation status of previous OAI audit recommendations:

The previous audit (Report No. 2137, issued on 7 August 2019) had three recommendations, and based on OAI's desk review, they were fully implemented.

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. Ostveiten
Director
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