



AUDIT

OF

INTEGRATED COMMUNITY STABILIZATION
(Directly Implemented Project No. 108936, Output No. 111742)

IN

UNDP NIGERIA

Report No. 2400
Issue Date: 3 September 2021

**Report on the Audit of
Integrated Community Stabilization
(Project No. 108936, Output No. 111742) in UNDP Nigeria
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through KPMG SA (the audit firm), from 18 May to 15 June 2021, conducted an audit of 'Integrated Community Stabilization' (Project No. 108936), 'Waste Management EU' (Output No. 111742) (the Project), which is directly implemented and managed by the UNDP Country Office in Nigeria (the Office). The last audit of the Project (Output 108476) was conducted by OAI, through KPMG SA in 2020 and covered project expenses from 1 January to 31 December 2019.

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			Impact on Statement of Assets
Amount (in \$ '000)	Opinion	Amount (in \$'000)	Opinion	NFM** (in \$ '000)	
1,575	Unmodified***	195	Adverse	11	Overstatement

* Expenses recorded in the Combined Delivery Report were \$1,804,457. Excluded from the audit scope were expenses processed and approved by other UNDP offices outside of the country (\$229,491).

**NFM= Net Financial Misstatement

*** There was a Net Financial Misstatement (NFM) of \$17,878 (understatement) but it did not affect the audit opinion as it was not financially material.

The audit firm provided an adverse opinion on project assets due to the incorrect recording of the asset in-service date; the date was 13 months later than the actual date. The resulting financial impact was a material overstatement of the total net book value of assets of \$11,343, that represented 6 percent of the project assets.

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 = 2, high priority = 1

The two recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	1	Medium
	2	High

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:

Overstatement of fixed assets (Issue 2)

Asset ID 1360 was overstated in the Statement of Fixed Assets as a result of being captured with a wrong item code in the Atlas system. UNDP took corrective action but entered a wrong 'in service' date during the correction. The audit disclosed that the actual 'in service' date for the armoured vehicle should have been 13 months earlier, 12 April 2019 instead of 18 May 2020, if compared against the vehicle's log sheets when first in use. The wrong effective date led to an understatement of depreciation charges by \$3,490. The impact on the Statement of Fixed Assets was an overstatement of the total net book value of assets by \$11,343.

Recommendation: The Office should put in place robust review control processes that ensure all fixed assets are recorded in Atlas with accurate capitalisation and effective dates.

Implementation status of previous OAI audit recommendation: Report No. 2275, 7 August 2020.

Total recommendations: 1
In progress: 1

The pending recommendation pertains to the inaccurate presentation of the statement of expenditures (cut-off of expenditures). Its implementation is in progress due to a recurring issue identified in the current year's audit.

Management comments and action plan

The UNDP Resident Representative accepted both 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