



AUDIT

OF

MUNICIPAL COUNCILS SUPPORT II
(Directly Implemented Project No. 90463, Output No. 96214)

IN

UNDP REPUBLIC OF NORTH MACEDONIA

Report No. 2529
Issue Date: 28 July 2022

**Report on the Audit of Municipal Councils Support II
Implemented by UNDP Republic of North Macedonia
(Project No. 90463, Output No. 96214)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through KPMG SA (the audit firm), from 17 May to 7 June 2022, conducted an audit of 'Municipal Councils Support II' (Project No. 90463, Output No. 96214) (the Project), which is directly implemented and managed by the UNDP Country Office in the Republic of North Macedonia (the Office). The last audit of the Project was conducted by OAI, through KPMG SA in 2020 and covered project expenses from 1 January to 31 December 2020.

The audit was conducted in accordance with the International Standards of Auditing (ISA), the 700 series. The audit work covered financial transactions as well as internal controls and systems for the purpose of expressing an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations, as well as assess compliance with UNDP regulations, rules, policies and procedures and donor agreements. The audit covered the Project's Combined Delivery Report, which includes expenses for the period from 1 January to 31 December 2021 and the accompanying Funds Utilization statement¹ as of 31 December 2021 as well as Statement of Assets and Statement of Cash as of 31 December 2021. It also reviewed the relevant systems, procedures and practices in place as relate to the Project, in the areas of governance, programme and operations.

The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors (The IIA).

Overall audit rating

Based on the audit report submitted by the audit firm, OAI assessed the management of the Project as **fully satisfactory**, which means, "the assessed governance arrangements, risk management practices and controls, as applicable to the Project's financial statements, were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objective of the audited entity/ area." The details of the audit results are presented in the table below:

Project Expenses*		Project Assets		Cash	
Amount (in \$ '000)	Opinion	Amount (in \$'000)	Opinion	Amount (in \$'000)	Opinion
874	Unmodified	8	Unmodified	94**	Unmodified

**Included in the audit scope were transactions that relate to expenses incurred at the "responsible party" level amounting to \$356,839 as these were not covered under HACT audits and all related supporting documents were available for review at the level of UNDP Country Office in the Republic of North Macedonia.*

***The amount consists of US \$90,911.03, CHF 444.21, and MKD 152,200 converted at the UN Operational Rates of Exchange as at 31 December 2021.*

The audit did not result in any recommendations.

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.

Implementation status of previous OAI audit recommendations:

The previous audit (Report No. 2344, issued on 8 July 2021) did not result in any recommendations.

Management comments and action plan

Comments and/or additional information provided have been incorporated into the report, where appropriate.

Brett Simpson
Officer-in-Charge
Office of Audit and Investigations