



AUDIT

OF

ONE UN COVID BASKET FUND
(Directly Implemented Project No. 127475, Output No. 121397)

IN

UNDP NIGERIA

Report No. 2541
Issue Date: 29 August 2022

**Report on the Audit of One UNDP Covid Basket Fund
(Project No. 127475, Output No. 121397)
implemented by UNDP Nigeria
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Talal Abu –Ghazaleh & Co. (the audit firm), from 2 May to 14 June 2022, conducted an audit of ‘One UN Basket Fund’ (Project No. 127475, Output No. 121397 ‘Support to COVID-19 Response’) (the Project), which is directly implemented and managed by the UNDP Country Office in Nigeria (the Office). This was the first audit of the Project.

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. It also reviewed the relevant systems, procedures and practices in place as they relate to the Project, in the areas of: governance, programme, and operations. 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) or expenses 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 of The Institute of Internal Auditors (The IIA).

Overall audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, OAI assessed the management of the Project as **satisfactory/some improvement needed**, which means, “the assessed governance arrangements, risk management practices and controls as applicable to the Project’s financial statements were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.” This rating was mainly due to overstatement of the UNDP expense column in the current Combined Delivery Report at an amount of \$22,882,670. The overstatement occurred when UN Agencies expenses were recorded as UNDP expenses.

The audit firm had assessed the finance area as fully satisfactory, however, OAI has concerns with the controls in the finance area which led to significant overstatement of expenditures in the Combined Delivery Report (Please see recommendation below).

The details of the financial audit results are presented in the table below:

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.



Project Expenses*			
Amount (in \$ '000)	Opinion	NFM** (in \$ '000)	Impact on CDR (applicable when there is NFM)
3,476	Qualified	22,883	Overstatement

* Expenses recorded in the Combined Delivery Report (CDR) were \$29,909,531. Excluded from the audit scope were transactions that relate to expenses of other United Nations agencies (\$22,882,670) and expenses processed and approved by other UNDP offices outside of the country (\$2,073,021). Also excluded were expenses incurred at the “responsible party” level (\$1,478,129).

**NFM= Net Financial Misstatement

The audit firm qualified its opinion on project expenses due to overstatement of the UNDP expense column in the current CDR at an amount of \$22,882,670 and understatement of the UN Agencies Expense column with the same amount. The resulting financial impact was a material overstatement of the financial statements in the amount of 22,882,670 that represented 76,3 percent of the total project expenditures (\$29,909,531.42) recorded in the CDR as at 31 December 2021, of which \$3,475,712 was directly incurred by the Office.

Key recommendation: Total = 1, high priority = 1

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

For high (critical) priority recommendation, 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:

<p>UN Agencies expenses were recorded under the UNDP expense column (Issue 1)</p>	<p>UN Agencies expenses were recorded under the UNDP expense column in the Combined Delivery Report (CDR), overstating UNDP expenses in the amount of \$22,882,669.58 and understating the UN Agencies Expense column with the same amount. This occurred as a result of issuing UN Agencies advances locally to comply with the donors’ requirements.</p> <p><u>Recommendation:</u></p> <p>We recommend the Office to continue liaising with the UNDP Office of Financial Management at the Bureau for Management Services to find a solution that would categorize and map locally managed UN agency advances to the correct column in the CDR to accurately reflect project implementation arrangements in the project’s financial reports. Alternatively, the Office should revert back to the established practices to engage UN agencies through the corporate project clearing account.</p>
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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
Office of Audit and Investigations