UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

CONSOLIDATED REPORT

ON THE 2021 AUDITS OF PROJECTS DIRECTLY IMPLEMENTED BY UNDP

Report No. 2542

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Consolidated Report on the 2021 Audits of Projects Directly Implemented by UNDP
Executive Summary

In April 2022, the Office of Audit and Investigations (OAI) conducted a review and analysis of the audit reports of projects directly implemented (DIM) by UNDP. The DIM audits were undertaken in 2021 of project expenditures incurred in the fiscal year (FY) 2020. The objective of the audits was to provide UNDP with assurance that financial resources have been used in accordance with UNDP rules, regulations, policies and procedures. This report presents the consolidated results of these audits.

Purpose and scope of the review

The review aimed to a) analyse the distribution of the audit opinions; b) identify common audit issues and trends; and c) determine the implementation of the prior year's audit recommendations.

The review covered 58 DIM audit reports for FY 2020 with total audited expenditures of $721 million. This pertained to 58 projects implemented by UNDP Country Offices and Headquarters, specifically the Bureau for Policy and Programme Support (BPPS). Of the 58 audit reports, 56 reports were audits of projects implemented by 37 Country Offices with total expenditures of $714 million, and two reports were audits of BPPS projects with a total of $7 million in audited expenditures.

Results of the review

Out of the 58 project reports issued, the auditors provided unmodified opinions on the statement of expenditures (CDR) and statement of assets for 50 reports (86 percent) and modified opinions on the statement of expenditures for 7 projects and a modified opinion on the statement of assets for one project.

The net financial impact of the modified opinions resulted in the overstatement of expenses in the CDRs of $35.3 million, equivalent to a Net Financial Misstatement of 4.9 percent of the total audited expenditures. For OAI, a Net Financial Misstatement of 1.5[1] percent or greater requires Management's attention as this negatively impacts the accuracy of UNDP's project financial information.

The auditors raised a total of 34 audit observations. Most of the UNDP audit observations were within three areas: financial management; development activities, and procurement. The area of financial management had the highest number of observations relating mainly to: (a) inaccurate presentation of expenditures in the statement of expenditures (CDR) such as expenditure recorded incorrectly (5 projects), and expenditures not eligible (two projects); (b) expenditures charged twice (two instances); and non-compliance with contractual terms (two instances).

Of the 34 recommendations, 28 (or 82 percent) were implemented at the time of this review. The remaining 6 recommendations were not implemented of which two were rated high priority.

OAI therefore noted that the majority of the recommendations had been addressed at the time of this review. However, reiterates the importance for the responsible offices to timely implement the remaining audit recommendations.

[1] A materiality threshold of 1.5 percent NFM is used as a benchmark, for consistency with the threshold followed for HACT audit reports

Regional and Central Bureaux with oversight responsibilities as the "second line of defense" are required to monitor all Country Offices under their purview and ensure that measures are taken to address all issues reported within the DIM audit reports.

Helge Osttveiten
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Helge S. Osttveiten
Director
Office of Audit and Investigations