



REPORT
ON THE AUDITS OF UNDP PROJECTS IMPLEMENTED
BY NON-GOVERNMENTAL ORGANIZATIONS, NATIONAL INSTITUTIONS,
AND GLOBAL FUND SUB-RECIPIENTS

FISCAL YEAR (FY) 2021

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**Report on the Audits of UNDP Projects
Implemented by Non-Governmental Organizations, National Institutions,
and Global Fund Sub-recipients (FY2021)
Executive Summary**

The annual audits of UNDP projects implemented by non-governmental organizations (NGOs), national institutions (NIM), and Global Fund Sub-recipients aims to provide UNDP with assurance as to the proper use of financial resources transferred to its implementing partners.

In August 2022, the Office of Audit and Investigations (OAI) concluded the review and analysis of audit reports of UNDP projects implemented by NGOs, NIM, and Global Fund Sub-recipients for the fiscal year 2021 (FY2021). The audits were managed by UNDP business units, including Country Offices. The main objective of these 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.

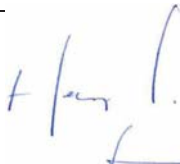
Out of a total of 133 Country Offices, 86 conducted audits of their NIM/NGO projects. Of the remaining 47, 23 reported that they were compliant with the HACT guidelines and would be conducting assurance activities instead, and 24 indicated that their project expenses were either below the audit threshold or were managed under direct implementation or Country Office support arrangements. Thus, the 47 Country Offices did not have projects subject to NGO/NIM or Sub-recipients audits in FY2021. In addition to Country Offices, the Regional Bureau for Africa (RBA) conducted audits of four of its projects that are implemented by NGOs.

The NIM/NGO audit plan for FY2021 included the audit of 441 projects from the 86 Country Offices. At the time this report was being drafted, all the 441 planned audits were completed, with a total of \$633 million in audited expenses.

OAI issued review letters for each of the 86 Country Offices as a result of its assessment of the audit exercise. A total of 72 Country Offices received a ‘satisfactory’ rating, representing 84 percent of all review letters issued. Auditors expressed modified opinions on the expenses of 22 projects (totalling \$21.9 million) in 13 Country Offices with a total net overstatement of expenses of \$2,368,248 (11 percent of the related audited expenses of \$21.9 million or 0.4 percent of the total audited expenses of \$633 million). The total net overstatement resulted from overstatements of \$2,375,079 and an understatement of \$6,831. In addition, auditors raised a total of 1,457 audit observations. Most of the audit observations related to two areas, namely, financial management and human resources selection and administration. The area of financial management had the highest number of audit observations with a total of 671 issues noted (or 46 percent).

OAI issued an audit rating of the FY2021 NIM/NGO audit exercise as **partially satisfactory/major improvement needed**, which means “the assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.” This rating was mainly due to concerns over i) the materiality of the net financial misstatement (NFM) that amounted to \$2.4 million. This NFM represented 11 percent of their related audited expenditures and according to the NGO/NIM audit assessment (see Annex 4 on the definition of audit ratings), NFMs greater than 2.01 percent of the CDR are rated as ‘unsatisfactory’ in accordance with OAI’s Guidance for reviewing NGO/NIM Audit reports. The rating was also issued due to the severity of audit observations. Of a total of 1,457 audit observations, 429 (29 percent) were assessed as high (critical) priority and 897 (62 percent) were given a medium (important) priority. High (critical) priority observations could significantly affect the achievement of objectives (see Annex 4 on the definition of audit ratings). In addition, 652 (45 percent) out of the 1,457

observations were reported under financial management for which UNDP has low risk tolerance according to the UNDP Enterprise Risk Management policy.


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