



**AUDIT**

**OF**

**LOCAL GOVERNMENT INITIATIVE ON CLIMATE CHANGE (LoGIC)**  
**(Directly Implemented Project No. 85984, Output No. 93426)**

**IN**

**UNDP BANGLADESH**

**Report No. 2659**  
**Issue Date: 14 September 2023**

**Report on the Audit of Local Government Initiative on Climate Change (LoGIC)  
(Project No. 85984, Output No. 93426)  
Implemented by UNDP Bangladesh  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through PKF Littlejohn (the audit firm), from 28 May to 12 June 2023, conducted an audit of 'Local Government Initiative on Climate Change' (Project No. 85984, Output No. 93426) (the Project), which is directly implemented and managed by the UNDP Country Office in Bangladesh (the Office). This was the first audit of the Project.

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 2022 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2022. 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). 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).

**Audit results**

Based on the audit report and corresponding management letters submitted by the audit firm, the results are summarized in the table below:

Project Expenses*			
Amount (in \$ '000)	Opinion	NFM** (in \$ '000)	Impact on CDR
6,009	Adverse	5,916	Overstatement

\*Expenses recorded in the Combined Delivery Report were \$6,290,951.14. Excluded from the audit scope were expenses processed and approved by other UNDP offices outside of the country \$281,934.10.

\*\*NFM= Net Financial Misstatement

The audit firm qualified its opinion on project expenses due to incorrect expense recognition. The resulting financial impact was a material overstatement of the financial statements in the amount of \$5,916.536, which represented 98 percent of the project expenditures directly incurred by the Office as of 31 December 2022.

**Key recommendations:** Total = 3, high priority = 2

Objectives	Recommendation No.	Priority Rating
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<sup>1</sup> 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.

Achievement of the organization's strategic objectives	2	High
Reliability and integrity of financial and operational information	1	High
Compliance with legislative mandates, regulations and rules, policies and procedures	3	Medium

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. Both high (critical) priority recommendations are presented below:

**Incorrect expense recognition (Issue 1)**      **Unutilized funds (\$5,916,536) for capacity enhancement plans and operationalization of the Community Resilience Fund** disbursed to beneficiaries' individual and group bank accounts were incorrectly recorded and presented as programme expenditures in the Combined Delivery Report as of 31 December 2022.

**Recommendation:** The Office should verify that all financial information is complete and accurate, and that the information is consistent with the approved work plan and the project budget.

**Weaknesses in project monitoring and achieving project results (Issue 2)**      There were insufficient supporting documents to establish monitoring initiatives undertaken by the project staff in the local districts and to verify how grant were utilized.

**Recommendation:** The Office should review the programmatic monitoring mechanisms required/established by the Project Management Unit. The performance and outputs of project staff engaged at the community level should be assessed regarding challenges in working with the local community to develop Livelihood Development Plans, as a substantial amount of the funds transferred to date remain unutilized.

**Management comments and action plan**

The Resident Representative accepted all three recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.



Chris Taylor  
Director  
Office of Audit and Investigations