



**AUDIT**

**OF**

**UNDP TIMOR-LESTE**

**STRENGTHENING EARLY RECOVERY FOR COMPREHENSIVE AND SUSTAINABLE  
REINTEGRATION OF INTERNALLY DISPLACED PEOPLE  
(Directly Implemented Project No. 00063615)**

**Report No. 912**  
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## Report on the audit of UNDP Timor-Leste - Strengthening Early Recovery for Comprehensive and Sustainable Reintegration of Internally Displaced People (Project ID 63615) Executive Summary

From 3 to 30 April 2012 the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through Lochan & Co. (the audit firm), conducted an audit of Strengthening Early Recovery for Comprehensive and Sustainable Reintegration of Internally Displaced People (Project ID 63615) (the Project), which is directly implemented and managed by the UNDP Country Office in Timor-Leste (the Office). The audit firm was under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

The Project reported expenditure totalling \$0.4 million during the period from 1 January to 31 December 2011. The following donors contributed to the project: Australian Agency for International Development, Sweden and UNDP.

### Audit scope and objectives

The audit firm conducted a combined financial audit and audit of internal controls and systems to express 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 Project's Statement of Expenditure (Combined Delivery Report) for the period from 1 January to 31 December 2011 and Statement of Assets as of 31 December 2011. It also reviewed the relevant systems, procedures and practices in place as they relate to the Project, in the areas of: organization and staffing, project management, human resources management, financial and cash management, procurement, asset management, and general administration.

### 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**, which means "Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity." The details of the audit results are presented in Figures 1 and 2.

Figure 1: Summary results of the financial audit

Project Expenditure		Project Assets		Cash	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
389	Unqualified	Nil	Not applicable	-	Not applicable*

\*No separate bank account was held by the project

Figure 2: Internal controls and systems audit ratings summary

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Organization and staffing				
2. Project management				
3. Human resources management				
4. Financial and cash management				
5. Procurement				
6. Asset management				
7. Information systems				
8. General administration				

**Key issues and recommendations**

The audit raised six issues and resulted in six recommendations, all ranked medium (important) priority, meaning "Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to address variances between project budget and actual expenditures, non-availability of field visit reports and lack of a procurement plan.

**Management's comments**

The Country Director accepted all recommendations and is in the process of implementing them.



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Director  
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