UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP HAITI

ER - STABILISATION DES COMMUNAUTES
(Directly Implemented Project No. 00074025)

Report No.1025
Issue Date: 31 July 2012
Executive Summary

From 21 November to 23 December 2011, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through KPMG LLP (the audit firm), conducted an audit of ER – Stabilisation des communautés (Project ID 00074025) (the Project), which is directly implemented and managed by the UNDP Country Office in Haiti (the Office). The audit firm was under the general supervision by OAI in conformance with the International Standards for the Professional Practice of Internal Auditing.

The Project reported expenditure totalling $12.3 million during the period from 1 January to 31 December 2010. The following donors contributed to the Project: Norway, Mauritius, Benfica Foundation, Chad, China, Haiti Relief Donors, United Nations Foundation, Algeria, Korean American Association, and Kuwait.

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 results of the Project’s operations, as well as assess compliance with UNDP regulations, rules, policies and procedures and donor agreements. The audit covered the review of the Project’s Statement of Expenditure (Combined Delivery Report) for the period from 1 January to 31 December 2010. 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 management, procurement, asset management, information systems; 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 partially satisfactory, which means that “internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity”. This rating was mainly due to weaknesses in financial monitoring of the project. The details of the audit results are presented in Figures 1 and 2.

Figure 1: Summary results of the financial audit

<table>
<thead>
<tr>
<th>Project Expenditure</th>
<th>Project Assets</th>
<th>Cash</th>
<th>Overall rating on financial statement-related internal controls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount (in $'000)</td>
<td>Opinion</td>
<td>NFI</td>
<td>Amount (in $'000)</td>
</tr>
<tr>
<td>12,278</td>
<td>Qualified</td>
<td>54</td>
<td>-</td>
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</tbody>
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NFI=Net Financial Impact
*The project did not acquire assets and equipment
** No separate bank account and/or a petty cash was held by the project

The audit firm qualified its opinion on project expenditure due to lack of original documents substantiating payments made by the Office, making it impossible to verify the validity of these payments.

Figure 2: Internal controls and systems audit ratings summary
United Nations Development Programme  
Office of Audit and Investigations

<table>
<thead>
<tr>
<th>Audit Areas</th>
<th>Not Assessed/Not Applicable</th>
<th>Unsatisfactory</th>
<th>Partially Satisfactory</th>
<th>Satisfactory</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Organization and staffing</td>
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<tr>
<td>2. Project management</td>
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<td>3. Human resources management</td>
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<td>4. Financial management</td>
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<td>5. Procurement</td>
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<td>6. Asset Management</td>
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<td>7. Information systems</td>
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<td>8. General administration</td>
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**Key issue/s and recommendation/s**

The audit raised six issues. There were six recommendations, of which one (17 percent) was ranked high (critical) priority, meaning “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 and may affect the organization at the global level.”

**Financial and cash management (Issue 5)**

Lack of original documents substantiating payments. The Office had entered into an agreement with a Non-governmental organization (NGO) to provide banking services in relation to cash-for work activities. Under this agreement, the Office was required to provide payroll sheets to the NGO with the names of the beneficiaries and the amounts to be paid together with a cheque covering the total amount. The Office was not able to provide the audit firm with the original payroll sheets indicating the amounts paid. For the review of these payments the audit firm had to rely on an incomplete set of copies provided to them by the NGO. OAI recommends that the Office retains in a safe place all documents supporting payments that have been made.

**Management’s comments**

The Resident Representative accepted all the recommendations and will take them into consideration for future projects.

[Signature]

Egbert C. Kaltenbach  
Director  
Office of Audit and Investigations