



AUDIT

OF

UNDP SIERRA LEONE

PEACEBUILDING FUND PROJECTS

**(Directly Implemented Project Nos. 00062583, 00057482, 00056773, 00056981,
00056983, 00057563, 00057570, 00056772, and 00058042)**

Report No. 854

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**Report on the audit of UNDP Sierra Leone Peace Building Fund Projects (Project IDs. 00062583, 00057482, 00056773, 00056981, 00056983, 00057563, 00057570, 00056772, and 00058042)
Executive Summary**

From 10 to 22 February 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through Ernst & Young Chartered Accountants, Ghana (the audit firm), conducted an audit of nine Peace Building Fund Projects (Project IDs. 00062583, 00057482, 00056773, 00056981, 00056983, 00057563, 00057570, 00056772, and 00058042), which are directly implemented and managed by the UNDP Country Office in Sierra Leone (the Office). The audit firm was under the general supervision by OAI and the audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

The Projects reported expenditure totalling \$23.4 million during the period from 1 January 2007 to 31 December 2010. The Projects were fully funded from the Peace Building Fund, a Multi Partner Trust Fund established by the United Nations Secretary-General.

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 Projects' Statement of Expenditure (Combined Delivery Report) for the period from 1 January 2007 to 31 December 2010 and Statement of Assets as of 31 December 2010. It also reviewed the relevant systems, procedures and practices in place as they relate to the Projects, in the areas of: organization and staffing, project management, human resources management, financial and cash management, procurement, asset management, information systems and general administration.

Audit rating

Based on the audit reports and corresponding management letters submitted by the audit firm, OAI assessed the management of the Projects 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 the non-repayment of loans by the Implementing Partners (IP).

Figure 1: Summary results of the financial audit

Project ID	Project Expenditure			Project Assets		Cash	
	Amount (in \$ '000)	Opinion	NFI (in \$ '000)	Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
00062583	8,893	Unqualified		180	Unqualified	-	Not applicable**
00057482	3,911	Unqualified		984	Unqualified	-	Not applicable**
00056773	476	Unqualified		-	Not applicable*	-	Not applicable**
00056981	1,600	Qualified	612	-	Not applicable*	-	Not applicable**
00056983	1,995	Unqualified		-	Not applicable*	-	Not applicable**
00057563	1,821	Unqualified		-	Not applicable*	-	Not applicable**
00057570	1,599	Unqualified		-	Not applicable*	-	Not applicable**
00056772	1,018	Unqualified		-	Not applicable*	-	Not applicable**
00058042	2,148	Unqualified		-	Not applicable*	-	Not applicable**
TOTAL	23,461			1,164			

NFI=Net Financial Impact

*The project did not acquire assets and equipment

**No separate bank account was held by the Project

The audit firm qualified its opinion on project expenditure for Project 000056981 due to loans amounting to \$0.6 million granted to five Micro Finance Institutions which were not paid back to the Ministry of Youth and Sports.

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 21 issues for the nine projects audited. There are 21 recommendations, of which 4 (19 percent) were 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.” There were two recommendations ranked low priority which the Office committed to implement, hence they will not be uploaded in the Comprehensive Audit and Recommendation Database System (CARDS).

Among the high priority issues noted in the audit firm’s management letter, the most significant ones are presented below:

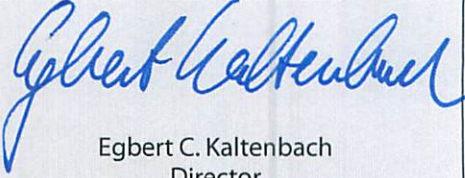
Project Management (Project 00056981) Loans granted to five Micro Finance Institutions totalling \$0.6 million not recovered. The IPs were given loans that were to be paid back into the account of the Ministry of Youth and Sports; some IPs failed to make such repayments. OAI recommends that Project Managers monitor the activities of IPs and verify the reason why the loans were not yet repaid and ultimately the Office through its government counterpart should ensure funds are effectively recovered as per agreed terms and conditions.

Asset Management (Project 00057482) Inadequate management of assets. The Project did not have a comprehensive fixed asset register and some of the assets were not assigned with unique identification numbers. OAI recommends that the Project Managers compile a comprehensive asset listing and assign a unique identification number on assets to be tagged accordingly.

Management’s comments

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




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