UNITED NATIONS DEVELOPMENT PROGRAMME

DEEPENING DECENTRALIZATION PROGRAMME (Project 00070161, Output 00084292)

Financial Audit Report and Management letter

Period from January 1, 2016 to
December 31, 2016

Table of Acronyms

ACRONYM	NAME IN FULL
AWP	Annual Work Plan
CDR	Combined Delivery Report
NIM	National Implementation Modality
UNDP	United Nations Development Programme
DDP	Deepening Decentralization Programme
MOLG	Ministry of Local Government

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1 EXECUTIVE SUMMARY

BDO & Co was contracted by the United Nations Development Programme (UNDP) Office of Lesotho to carry out an audit of "Deepening Decentralization Programme" bearing Output number 00084292 for the period from January 1, 2016 to December 31, 2016. The audit field-work was carried out from 13th to 20st March 2016.

Audit scope and objectives

The assignment consisted of the financial audit to express an opinion whether the Combined Delivery Reports present fairly, in all material aspects, the financial expenses incurred by the project for the year ended December 31, 2016; the funds utilization as at that date are fairly presented in accordance with UNDP accounting policies; the cash position as at December 31, 2016, if applicable and the value and existence of the fixed assets held by the project as at December 31, 2016 presents fairly the balance of inventory of the Project's assets.

Project expenses incurred or undertaken at the level of "responsible parties", or processed and approved in locations outside the country or where the supporting documentation is not retained at the level of UNDP country office are outside the scope of the audit. Furthermore, expenses in relation to support services provided by UNDP to the project are also outside the scope of the audit.

Audit opinion

a) The Combined Delivery Report (CDR) presents fairly, in all material respects, the expenditure of USD 450,162.71 incurred by the project "Deepening Decentralization Programme" bearing output number 00084292 for the period January 1, 2016 to December 31, 2016. The audit report is set out on page 5.
b) The certification of assets is set out on page 9 and 10.

The issues raised during our audit, our recommendations and management response are set out in the Management Letter on pages to pages 13 to 18.

2 PROJECT OVERVIEW

2.1 Background

Building on previous collaborative work of the Government of Lesotho and UNDP/UNCDF in the area of decentralization, this project aims to accelerate progress and deepen decentralization in Lesotho. Its main purpose is to promote decentralized service delivery for social and economic growth through the development of transparent funding mechanisms and by improving the accountability of local authorities.

Specifically, the project supports the Government of Lesotho to:

(i) Further piloting of the Local Development Fund to improve mechanisms for funding councils thus accelerating decentralization;
(ii) Develop and implement a roadmap for improved decentralization, Integrated Financial Management Information System (IFMIS) roll out and enhanced local accountability; and
(iii) Change Management support to line ministries (including MoLG) and local authorities in decentralization through unpacking of functions at local level.

2.2 Funding of the Programme

The total project cost is estimated at US$ 11,044,776 out of which US$ 9,950,249 is funded by the European Union and the remaining by United Nations Capital Development Fund (UNCDF). The UNDP Country Office provides support to and facilitates the implementation of activities in the form of Implementation Support Services.

The implementation period of the project is 2013 to 2017.

2.3 Projected Results of the Programme

The intended outputs of the project were:

(i) Improved development funding through local authorities;
(ii) Decentralization and accountability systems at the local level promoted;
(iii) Capacities of Line Ministries and local authorities enhanced to decentralize functions.

4 AUDIT OBJECTIVES AND SCOPE

4.1 Audit objectives

BDO & Co was contracted by the United Nations Development Programme (UNDP) office of Lesotho to carry out an audit of "Deepening Decentralization Programme" bearing output number 00084292 for the period from January 1, 2016 to December 31, 2016.

The terms of reference described the scope of the audit and the areas to be addressed. The auditor was required to:

- Express an opinion on whether the financial expenses incurred by the project for the period from January 1, 2016 to December 31, 2016 were fairly presented in accordance with UNDP accounting policies and that expenses incurred were: (i) in conformity with the approved project budget; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents. The Combined Delivery Report (CDR) constituted the mandatory and official statements upon which the audit opinion should be expressed,
- Express an opinion on whether the statement of fixed assets presents fairly the balance of assets of the UNDP project as at the given date. This statement must include all assets available as at December 31, 2016 and not only those purchased during that period, and
- Express an opinion on whether the statement of cash held by the project presents fairly the cash and bank balance of UNDP project as at December 31, 2016 (in the case where a dedicated bank account was opened and used solely for the cash transactions). In the case where the cash transactions of the audited NIM project were made through the country office bank accounts, this type of opinion was not required.

The Financial Audit was conducted in accordance with the International Standards of Auditing (ISA), the 700 series.

4.2 Audit Scope

The scope of the audit relates to transactions concluded and recorded against the UNDP project for the period January 1, 2016 to December 31, 2016. The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of "responsible parties", unless the inclusion of these expenses was specifically required in the request for proposal;
- Expenses processed and approved in locations outside the country such as UNDP Regional Centres and UNDP Headquarters and where the supporting documentation were not retained at the level of the UNDP country office; and
- Expenses incurred in respect of support services provided by UNDP to the project.

Specifically, the audit covered the following:

a) Expenses incurred and recorded in the Combined Delivery Reports (CDR) of the project during the period January 1, 2016 to December 31, 2016 excluding the above mentioned expenses;
b) The value and existence of the fixed assets held by the project as at December 31, 2016; and
c) The value and existence of Cash held by the project as at December 31, 2016, either cash at hand or in bank account (in the case there was a separate bank account for the project under review).

Tel: +230 202 3000
Fax: +230 202 9993
www.bdo.mu

BDO & Co Ltd
10, Frère Félix de Valois Street
Port Louis, Mauritius
P.O. Box 799

5 INDEPENDENT AUDITORS REPORTS ON COMBINED DELIVERY REPORTS

We have audited the accompanying Combined Delivery Report (CDR) ("the statement") of the UNDP project Deepening Decentralization Programme bearing output number 00084292 for the period from January 1, 2016 to December 31, 2016.

Management is responsible for the preparation of the statement and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Clean Opinion:
In our opinion, the attached Combined Delivery Report (CDR) set out on Page 6 to 8 presents fairly, in all material respects, the expenditure of USD 450,162.71 incurred by the project "Deepening Decentralization Programme" bearing output number 00084292 for the period from January 1, 2016 to December 31, 2016 in accordance with UNDP accounting policies and were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents. The above amount includes Facilities and Admin - Implement (Atlas Code 75105) amounting to USD 29,011.70 which is outside the scope of our audit.

BDO & Co.

BDO & Co
Chartered Accountants

A Rajabalee.

Azize Rajabalee
Engagement Partner

April 6, 2017

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Combined Delivery Report By Project

UN Development Programme
Report ID: ungicdrp

Page 1 of 4
Run Time: 07-03-2017 13:03:50

Selection Criteria :

Business Unit : LSO10
Period : Jan-Dec (2016)
Selected Project Id : 00070161
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : ALL

Project Id : 00070161 Deepening Decentralization Pro — **Period :** Jan-Dec (2016)
Output # : 00084292 Deepening Decentralization Pro — **Impl. Partner :** 01855 National Execution
Location : UNDP Lesotho

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Dept: 34401 (Lesotho - Central)				
Fund : 30079 (EUROPEAN COMMISSION)				
75105 - Facilities & Admin - Implement	0.00	327.06	0.00	327.06
75705 - Learning costs	0.00	4,672.31	0.00	4,672.31
76125 - Realized Loss	0.00	242.88	0.00	242.88
Total for Fund 30079	**0.00**	**5,242.25**	**0.00**	**5,242.25**
Total for Dept : 34401	**0.00**	**5,242.25**	**0.00**	**5,242.25**
Dept: 34404 (Lesotho - Dem. Governance)				
Fund : 30079 (EUROPEAN COMMISSION)				
61205 - Salaries - GS Staff	0.00	15,275.00	0.00	15,275.00
62205 - Dependency Allow - GS Staff	0.00	502.68	0.00	502.68
62210 - Contrib to Jt Staff Pens Fd-GS	0.00	2,709.24	0.00	2,709.24
62215 - Contrib. to Medical, social In	0.00	1,107.45	0.00	1,107.45
62240 - Annual Leave Expense - GS	0.00	1,075.70	0.00	1,075.70
63530 - Contribution to EOS Benefits	0.00	572.83	0.00	572.83
63535 - Contribution to Security	0.00	650.96	0.00	650.96
63545 - Contribution to ICT	0.00	229.12	0.00	229.12
63550 - Contributions to MAIP	0.00	38.20	0.00	38.20
63555 - Contribution to UN JFA	0.00	496.44	0.00	496.44
63560 - Contributions to Appendix D	0.00	38.20	0.00	38.20
64398 - Direct Project Cost-Staff	0.00	4,854.79	0.00	4,854.79
65115 - Contributions to ASHI Reserve	0.00	1,222.00	0.00	1,222.00
65135 - Payroll Mgt Cost Recovery ATLA	0.00	268.85	0.00	268.85
71205 - Intl Consultants-Sht Term-Tech	0.00	16,978.47	0.00	16,978.47
71211 - Intl Consult Security Charge	0.00	721.58	0.00	721.58
71305 - Local Consult.-Sht Term-Tech	0.00	43,544.47	0.00	43,544.47
71310 - Local Consult.-Short Term-Supp	0.00	1,739.74	0.00	1,739.74
71405 - Service Contracts-Individuals	0.00	43,834.80	0.00	43,834.80
71410 - MAIP Premium SC	0.00	98.17	0.00	98.17
71415 - Contribution to Security SC	0.00	1,668.38	0.00	1,668.38
71505 - UN Volunteers-Stipend & Allow	0.00	53,167.24	0.00	53,167.24
71510 - UNV Settling-In-Grant	0.00	1,152.27	0.00	1,152.27
71515 - UNV-Security Allowance	0.00	0.00	0.00	0.00
71520 - UNV-Language Allowance	0.00	5,357.52	0.00	5,357.52
71535 - UNV-Medical Insurance	0.00	9,658.83	0.00	9,658.83
71540 - UNV-Global Charges	0.00	3,404.20	0.00	3,404.20
71541 - UNVs-Contribution to security	0.00	2,259.13	0.00	2,259.13
71550 - UNV-Resettlement Allowance	0.00	4,211.47	0.00	4,211.47
71590 - UNV Development Effectiveness	0.00	18,080.61	0.00	18,080.61
71615 - Daily Subsistence Allow-Intl	0.00	168.11	0.00	168.11

Combined Delivery Report By Project

UN Development Programme
Report ID unglcdrp

Page 2 of 4
Run Time: 07-03-2017 13:03:50

Project Id : 00070161 Deepening Decentralization Pro	Period :	Jan-Dec (2016)
Output # : 00084292 Deepening Decentralization Pro	Impl. Partner:	01855 National Execution
	Location :	UNDP Lesotho

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
71620 - Daily Subsistence Allow-Local	0.00	4,261.18	0.00	4,261.18
72145 - Svc Co-Training and Educ Serv	0.00	49,785.94	0.00	49,785.94
72215 - Transporation Equipment	0.00	- 506.61	0.00	- 506.61
72311 - Fuel, petroleum and other oils	0.00	751.43	0.00	751.43
72405 - Acquisiton of Communic Equip	0.00	2,601.00	0.00	2,601.00
72420 - Land Teephone Charges	0.00	1,987.68	0.00	1,987.68
72425 - Mobile Telephone Charges	0.00	2,570.15	0.00	2,570.15
72440 - Connectivity Charges	0.00	1,305.59	0.00	1,305.59
72445 - Common Services-Communications	0.00	191.21	0.00	191.21
72505 - Stationery & other Office Supp	0.00	23,994.95	0.00	23,994.95
72510 - Publications	0.00	8,230.97	0.00	8,230.97
72515 - Print Media	0.00	1,099.04	0.00	1,099.04
73410 - Maint, Cper of Transport Equip	0.00	1,036.52	0.00	1,036.52
73505 - Reimb to UNDP for Supp Srvs	0.00	10,331.33	0.00	10,331.33
74110 - Audit Fees	0.00	8,046.82	0.00	8,046.82
74210 - Printing and Publications	0.00	385.53	0.00	385.53
74505 - Insurance	0.00	425.32	0.00	425.32
74525 - Sundry	0.00	292.65	0.00	292.65
74598 - Direct Project Costs - GOE	0.00	7,061.16	0.00	7,061.16
75105 - Facilities & Admin - Implement	0.00	28,684.11	0.00	28,684.11
75705 - Learning costs	0.00	32,471.63	0.00	32,471.63
75707 - Learning – subsistence allowan	0.00	4,768.58	0.00	4,768.58
75709 - Learning - training of counter	0.00	970.66	0.00	970.66
75711 - TrnWrkshp&Conf - Stipends	0.00	8,763.99	0.00	8,763.99
76125 - Realized Loss	0.00	8,923.89	0.00	8,923.89
76135 - Realized Gain	0.00	- 2,460.92	0.00	- 2,460.92
77630 - Dep Exp Owned - ITC	0.00	308.87	0.00	308.87
77660 - Dep Exp Owned -Vehicle	0.00	3,551.34	0.00	3,551.34
Total for Fund 30079	**0.00**	**444,920.46**	**0.00**	**444,920.46**
Total for Dept : 34404	**0.00**	**444,920.46**	**0.00**	**444,920.46**
Total for Output : 00084292	**0.00**	**450,162.71**	**0.00**	**450,162.71**
Project Total :	**0.00**	**450,162.71**	**0.00**	**450,162.71**

BDO & Co.
Rajabake.

06 APR 2017

BDO & CO.

Signed By: Date: 08/03/17

Signed By: Date: 14/03/17

Combined Delivery Report By Project

UN Development Programme
Report ID: ungicdrp

Page 3 of 4
Run Time: 07-03-2017 13:03:52

Selection Criteria :

Business Unit : LSO10
Period : Jan-Dec (2016)
Selected Project Id : 00070161
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : ALL

Project Id : ALL | **Period : Jan-Dec (2016)**
Output # : ALL | **Impl. Partner :** | **Location :**

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
34401 - Lesotho - Central	0.00	5,242.25	0.00	5,242.25
34404 - Lesotho - Dem. Governance	0.00	444,920.46	0.00	444,920.46

Combined Delivery Report By Project

UN Development Programme
Report ID: ungicdrp

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Run Time: 07-03-2017 13:03:53

Funds Utilization

Selection Criteria :

Business Unit : LSO10
Period : Jan-Dec (2016)
Selected Project Id : 00070161
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : ALL

Project/Award: 00070161 Deepening Decentralization Pro | **Period : As at Dec 31, 2016**

Output # 00084292 Impl. Partner :01855 National Execution

	UNDP AMOUNT
Outstanding NEX advances	0.00
Undepreciated Fixed Assets	31,228.90
Inventory	0.00
Prepayments	0.00
Commitments	0.00

Tel: +230 202 3000
Fax: +230 202 9993
www.bdo.mu

BDO & Co Ltd
10, Frère Félix de Valois Street
Port Louis, Mauritius
P.O. Box 799

6 CERTIFICATION OF STATEMENT OF ASSETS

We have audited the accompanying statement of fixed assets ("the statement") of the UNDP output number 00084292, "Deepening Decentralization Programme" as at 31 December 2016.

Management is responsible for the preparation of the statement for the project and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the attached statement of assets set out on Page 10 presents fairly, in all material respects, the balance of fixed assets of the project "Deepening Decentralization Programme" amounting to USD 31,228.90 as at December 31, 2016 in accordance with UNDP accounting policies.

BDO & Co.

BDO & Co
Chartered Accountants

ARajabalee.

Azize Rajabalee
Engagement Partner

April 6, 2017

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Statement of Assets and Equipment
as at 31 December 2016

UNDP Country Office: Lesotho	
Project title: Deepening Decentralization Project	
Award ID: 00079161	
Project ID: 00084292	
Period covered from Inception of project: 01/01/2016 (day/mo/year) to 31 December 2016	

For asset value of a minimum of 10000 per item

TAG NO.	ACQUISITION DATE	ITEM DESCRIPTION (make and model)	PROJECT No.	FUND	CONDITION	RESPONS. PERSON/custody	ITEM LOCATION	MANUFACTURER/ VENDOR	USE VALUE	BOOK VALUE	SERIAL NO.	REMARKS
MD 996	25/06/2013	Toyota Hilux Raider 4 X 4	00084292	30079	NEW	Liau Motoko	UNDP	TOYOTA	42 818,00	29 890,44	077178413	
LSO10-122	23/10/2013		00084292	30079	NEW	Liau Motoko	MOLG	Pioneer National Office				
LSO10-295	23/10/2013	DESKS	00084292	30079	NEW	J. Wakugu	MOLG	Pioneer National Office	1 349,24			
LSO10-125	23/10/2013		00084292	30079	NEW	Liau Motoko	MOLG	Pioneer National Office				
LSO10-347	23/10/2013	Chairs	00084292	30079	NEW	J. Wakugu	MOLG	Pioneer National Office	500,53			
LSO10-293	23/10/2013	Filing Cabinet	00084292	30079	NEW	L. Motoko/Wakugu	MOLG	Pioneer National Office	479,32			
LSO10-121	25/05/2013	A Notebook computers	00084292	30079	NEW	Liau Motoko	MOLG	DELL	2 471,00	1 338,46	35QS4X1	
LSO10-1274	15/12/2015	Laptop	00084292	30079	NEW	Liau Motoko	MOLG	DELL	1 219,45		5SDL262	
LSO10-1275	19/05/2017	Colour Printer (all in one printer)	00084294	30079	NEW	Liau Motoko	MOLG	Xerox	4 146,77		3155317387	
								TOTAL VALUE	52 783,31	31 228,90		

Prepared by: Kekeletso Mokete
Signed by:
Name: Liau Motoko
Title: National Project Manager
Date: 31/12/2016

Approved by: George Wachira
Signed by:
Name:
Title: Peace & Development Advisor & Head of Unit GPU
Date: 31.12.16

Certified by signature: Rajabalee
Name: Azize Rajabalee
Title: Senior Partner
Name of the Audit Firm: BDO & co.
Date: 06 APR 2017

BDO & CO.

Tel: +230 202 3000
Fax: +230 202 9993
www.bdo.mu

BDO & Co Ltd
10, Frère Félix de Valois Street
Port Louis, Mauritius
P.O. Box 799

7 CERTIFICATION OF STATEMENT OF CASH POSITION

In accordance with the Terms of Reference for the audit of the "Deepening Decentralization Programme" project, we did not issue an opinion on the Statement of Cash Position as there was no separate bank account for the project under review.

BDO & Co.

BDO & Co
Chartered Accountants

ARajabalee.

Azize Rajabalee
Engagement Partner

April 6, 2017

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8 BASIS OF PREPARATION

The project was managed by a Unit within UNDP main operation in Lesotho and therefore neither separate accounting system and procedures nor separate bank accounts were maintained. The CDR was extracted from the accounting software ATLAS.

8.1 Significant accounting policies

Expenditure
Expenditure in respect of goods and services received are generally recognised in the financial statements at the time of payments.

Projects assets
Cost of assets is recognised as project expenditure upon date of purchase.

Foreign Currency transactions
The Combined Delivery Report and the financial accounting records are maintained in United State Dollars (USD). Transactions in other currencies are converted at the exchange rate communicated on a monthly basis by UN Treasury.

9 MANAGEMENT LETTER

9.1 Purpose of the management letter

As set out in our Terms of Reference, a Management Letter was to be prepared if deemed necessary in order to bring to the attention of UNDP the issues arising as a result of our financial audit of the "Deepening Decentralization Programme" project for the period from January 1, 2016 to December 31, 2016 and our recommendations to address these issues.

Our audit responsibility was to consider the Project control environment, accounting systems and control techniques in accordance with International Auditing Standards (ISA 700). We have done this so that we could:

- assess the accounting systems as a basis for preparing the financial statements;
- reach an opinion on whether proper accounting records were kept; and
- decide the nature, timing and extent of our audit work.

We draw the attention on the fact that the examination of a system which we carry out for the purposes of our audit, does not necessarily disclose every weaknesses, and for this reason the matters dealt with in this letter may not be the only shortcomings which exist in the system.

Our observations and recommendations are set out in the following paragraphs.

9.2 General review of project progress

The financial performance of the programme in comparison to the approved budget is set out in the following table.

Year	Budgeted expenditure (USD)	Actual expenditure (USD)	% utilised
2016	472,571.00	450,162.71	95%

The major activities completed during the year ended December 31, 2016 include:

1. The review of the Local Government Act of 1997 as amended and drafting of the new Local Government Bill of 2016;
2. Transfer of functions from the central government to local government;
3. Financial resources to OAG to commission audits through private audit firms;
4. The programme supported the Office of the Auditor General (OAG) to audit district councils and the MCC;
5. The drafting of the Local Government Bill 2016 which is a key achievement under this output; and
6. Information, education and communication materials have been produced to further raise awareness and disseminate decentralisation reforms and the work of the DDP.

There are challenges which impacted negatively on the activities during the year ended December 31, 2016 as follows:

1. inadequate capacity of local authorities to manage public finances;
2. The decentralisation processes and coordination would have been more effective if it was housed under a more senior and powerful government structure to coordinate more speedily; and
3. there is still some level of misunderstanding both at national and local level on modes of decentralization and the strategic actions due to limited sensitization and publicity on the decentralization policy.

9.3 Linkage between Annual Work Plan and CDR (recurring observation)

Observation	*Impact*	*Priority*	*Recommendation*
• The budget amount indicated for each activity planned in the Annual Work Plan (AWP) is not analysed by cost components, that is the main tasks required to undertake the activity and their related costs are not specified and categorised.	• Difficult to link the planned expenses with the accounts in the CDR.	High	• A detailed breakdown by nature of expenditure be provided for each activity in the AWP.
Management comments: Budget – UNDP uses standard AWP template, which does not include the breakdown noted by the Auditors. However, the template in use has a column for budget description which would be properly utilized include details as recommended by the Auditors. We acknowledge the usefulness of the breakdown and the project will provide this additional information as requested in the subsequent AWPs. Recommendation on budget revision noted and will be implemented.			

9.4 VAT charged to project expenditure (recurring observation)

Observation	*Impact*	*Priority*	*Recommendation*
• VAT amounting to Maloti 9,289 has been paid to Mmelesi Lodge Pty Ltd and charge to expenditure. We refer to section 7 of the convention on the priviledges and immunities of the United Nations which deals with tax exemption. We have not qualified our audit report in that respect because of the immateriality of the amount.	• Non-compliance with UNDP Policies and Procedures.	Low	• VAT payments should be recorded in a separate accounts code and claimed back from LRA on a timely basis.
Management comments: Recommendation noted. There is a standard procedure in place to create a voucher with two lines and charge VAT into a separate funds under account 14035 fund 0001. Approving Officers will ensure that VAT amount is separated when reviewing vouchers and before a voucher is approved in the system. These invoices will be taken to LRA for VAT refund.			

9.5 Project Budget Balance (recurring observation)

Observation	*Impact*	*Priority*	*Recommendation*
The Project Budget Balance is a report generated from Atlas to monitor budget utilization by accounts code. We noted that budget amount is not properly analysed into account codes. For instance, for year 2016, budget for UNV Staff (code 71,500) amounting to US$Nil while the actual expenditure is US$ 62,800 and budget for contribution (code 75100) amounting to Nil and actual while actual amount is US$ 10,643.	Comparison of budgeted expenditure to actual expenditure may be misleading.	Low	The budget amount be properly analysed between accounts codes on Atlas.
Management comments We acknowledge the error and proper care will be taken to choose the most appropriate budget code when budgeting; and regular review of expenditures and requisite revision will be done to ensure alignment of project budgets and expenditures.			

9.6 UN Volunteers recruitment

Observation	*Impact*	*Priority*	*Recommendation*
• Only data on selected candidate is kept as record. We understand that recruitment of UN Volunteers is performed as per UNDP procedures, however, there is no formal evidence of the selection process as to how the selected candidate has been chosen.	• Difficult to ascertain that best candidate has been appointed due to lack of documentary evidence.	Low	• Records of selection process on UN Volunteers per UNDP procedure should be kept systematically.
Management comments A soft copy of the recruitment process is kept electronically by the UNV Office and has been shared with the Auditors. However, we acknowledge the shortcoming on the manual record keeping and will implement this practise with the new recruitments.			