UNITED NATIONS DEVELOPMENT PROGRAMME

DEEPENING DECENTRALIZATION PROGRAMME (Award 00070161, Project 00084292)

Financial Audit Report and Management letter

Period from January 1, 2015 to December 31, 2015

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

Contents

1 EXECUTIVE SUMMARY 1

2 PROJECT OVERVIEW 2

2.1 BACKGROUND 2
2.2 FUNDING OF THE PROGRAMME 2
2.3 PROJECTED RESULTS OF THE PROGRAMME 2

4 AUDIT OBJECTIVES AND SCOPE 3

4.1 AUDIT OBJECTIVES 3
4.2 AUDIT SCOPE 4

5 INDEPENDENT AUDITORS REPORTS ON COMBINED DELIVERY REPORTS 5

6 CERTIFICATION OF STATEMENT OF ASSETS 11

7 CERTIFICATION OF STATEMENT OF CASH POSITION 13

8 BASIS OF PREPARATION 14

8.1 SIGNIFICANT ACCOUNTING POLICIES 14

9 MANAGEMENT LETTER 15

9.1 PURPOSE OF THE MANAGEMENT LETTER 15
9.2 GENERAL REVIEW OF PROJECT PROGRESS 15
9.3 LINKAGE BETWEEN ANNUAL WORK PLAN AND CDR (RECURRING OBSERVATION) 17
9.4 VAT CHARGED TO PROJECT EXPENDITURE (RECURRING OBSERVATION) 18
9.5 MONITORING AND EVALUATION CONSULTANT 19
9.6 PROJECT BUDGET BALANCE (RECURRING OBSERVATION) 20
9.7 VEHICLE LOG BOOK 21
9.8 FILING OF DOCUMENTS (RECURRING OBSERVATION) 22

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 project number 00084292 for the period from January 1, 2015 to December 31, 2015. The audit field-work was carried out from 14th to 21st 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, 2015; the funds utilization as at that date are fairly presented in accordance with UNDP accounting policies; the cash position as at December 31, 2015, if applicable and the value and existence of the fixed assets held by the project as at December 31, 2015 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 1,036,123.68 incurred by the project "Deepening Decentralization Programme" bearing project number 00084292 for the period January 1, 2015 to December 31, 2015. The audit report is set out on page 5.
b) The certification of assets is set out on page 11.

The issues raised during our audit, our recommendations and management response are set out in the Management Letter on pages to pages 15 to 22.

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 project number 00084292 for the period from January 1, 2015 to December 31, 2015.

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, 2015 to December 31, 2015 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, 2015 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, 2015 (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, 2015 to December 31, 2015. 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, 2015 to December 31, 2015 excluding the above mentioned expenses;
b) The value and existence of the fixed assets held by the project as at December 31, 2015; and
c) The value and existence of Cash held by the project as at December 31, 2015, either cash at hand or in bank account (in the case there was a separate bank account for the project under review).

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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 project number 00084292 for the period from January 1, 2015 to December 31, 2015.

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 10 presents fairly, in all material respects, the expenditure of USD 1,036,123.68 incurred by the project "Deepening Decentralization Programme" bearing project number 00084292 for the period from January 1, 2015 to December 31, 2015 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 UNDP support services expenses (Atlas Code 74599) amounting to USD 28,304.75 and EU administrative expenses (Atlas Code 75105) amounting to USD 68,276.06 which are outside the scope of our audit.

BDO & Co.

BDO & Co
Chartered Accountants

ARajabalee.

Azize Rajabalee
Engagement Partner

April 6, 2016

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Combined Delivery Report By Project

UN Development Programme
Report ID: unglcdrp

Page 1 of 5
Run Time: 02-03-2016 10:03

Selection Criteria :

Business Unit : LSO10
Period : Jan-Dec (2015)
Selected Project Id : 00070161
Selected Fund Code : ALL
Selected Dept. IDs : B0344
Selected Outputs : ALL

Project Id : 00070161 Deepening Decentralization Pro	Period :	Jan-Dec (2015)
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)				
72215 - Transporation Equipment	0.00	558.37	0.00	558.37
72311 - Fuel, petroleum and other oils	0.00	187.88	0.00	187.88
72420 - Land Telephone Charges	0.00	1,654.84	0.00	1,654.84
72425 - Mobile Telephone Charges	0.00	796.15	0.00	796.15
72440 - Connectivity Charges	0.00	107.60	0.00	107.60
72505 - Stationery & other Office Supp	0.00	102.30	0.00	102.30
75105 - Facilities & Admin - Implement	0.00	272.40	0.00	272.40
75705 - Learning costs	0.00	484.30	0.00	484.30
76125 - Realized Loss	0.00	0.37	0.00	0.37
Total for Fund 30079	0.00	4,164.21	0.00	4,164.21
Total for Dept : 34401	0.00	4,164.21	0.00	4,164.21
Dept: 34402 (Lesotho - UN Dev Coord)				
Fund : 30079 (EUROPEAN COMMISSION)				
72510 - Publications	0.00	- 983.53	0.00	- 983.53
75105 - Facilities & Admin - Implement	0.00	- 68.85	0.00	- 68.85
Total for Fund 30079	0.00	- 1,052.38	0.00	- 1,052.38
Total for Dept : 34402	0.00	- 1,052.38	0.00	- 1,052.38
Dept: 34404 (Lesotho - Dem. Governance)				
Fund : 30079 (EUROPEAN COMMISSION)				
61205 - Salaries - GS Staff	0.00	18,955.90	0.00	18,955.90
62205 - Dependency Allow - GS Staff	0.00	579.78	0.00	579.78
62210 - Contrib to Jt Staff Pens Fd-GS	0.00	3,661.93	0.00	3,661.93
62215 - Contrib. to Medical, social In	0.00	1,374.30	0.00	1,374.30
62240 - Annual Leave Expense - GS	0.00	- 2,743.22	0.00	- 2,743.22
63530 - Contribution to EOS Benefits	0.00	710.85	0.00	710.85
63535 - Contribution to Security	0.00	853.02	0.00	853.02
63545 - Contribution to ICT	0.00	284.35	0.00	284.35
63550 - Contributions to MAIP	0.00	75.82	0.00	75.82
63555 - Contribution to UN JFA	0.00	568.68	0.00	568.68
63560 - Contributions to Appendix D	0.00	56.85	0.00	56.85
65115 - Contributions to ASHI Reserve	0.00	1,516.45	0.00	1,516.45
65135 - Payroll Mgt Cost Recovery ATLA	0.00	336.15	0.00	336.15

Combined Delivery Report By Project

UN Development Programme
Report ID: unglcdrp

Page 2 of 5
Run Time: 02-03-2016 10:03:19

Project Id : 00070161 Deepening Decentralization Pro	Period :	Jan-Dec (2015)
Output # : 00084292 Deepening Decentralization Pro	Impl. Partner :	01855 National Execution
	Location :	UNDP Lesotho

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
71205 - Intl Consultants-Sht Term-Tech	0.00	183,829.04	0.00	183,829.04
71305 - Local Consult.-Sht Term-Tech	0.00	53,026.23	0.00	53,026.23
71405 - Service Contracts-Individuals	0.00	31,256.79	0.00	31,256.79
71410 - MAIP Premium SC	0.00	111.76	0.00	111.76
71415 - Contribution to Security SC	0.00	1,257.38	0.00	1,257.38
71505 - UN Volunteers-Stipend & Allow	0.00	43,504.02	0.00	43,504.02
71510 - UNV Settling-In-Grant	0.00	1,477.84	0.00	1,477.84
71520 - UNV-Language Allowance	0.00	5,048.08	0.00	5,048.08
71535 - UNV-Medical Insurance	0.00	7,566.62	0.00	7,566.62
71540 - UNV-Global Charges	0.00	2,368.17	0.00	2,368.17
71541 - UNVs-Contribution to security	0.00	1,957.68	0.00	1,957.68
71550 - UNV-Resettlement Allowance	0.00	3,625.24	0.00	3,625.24
71590 - UNV Development Effectiveness	0.00	12,115.44	0.00	12,115.44
71605 - Travel Tickets-International	0.00	5,879.09	0.00	5,879.09
71615 - Daily Subsistence Allow-Intl	0.00	62,726.49	0.00	62,726.49
71620 - Daily Subsistence Allow-Local	0.00	47,126.81	0.00	47,126.81
71635 - Travel - Other	0.00	742.05	0.00	742.05
72105 - Svc Co-Construction & Engineer	0.00	0.00	0.00	0.00
72145 - Svc Co-Training and Educ Serv	0.00	35,758.49	0.00	35,758.49
72311 - Fuel, petroleum and other oils	0.00	655.24	0.00	655.24
72399 - Other Materials and Goods	0.00	166.78	0.00	166.78
72405 - Acquisition of Communic Equip	0.00	1,432.91	0.00	1,432.91
72415 - Courier Charges	0.00	17.76	0.00	17.76
72420 - Land Telephone Charges	0.00	1,224.94	0.00	1,224.94
72425 - Mobile Telephone Charges	0.00	1,468.74	0.00	1,468.74
72505 - Stationery & other Office Supp	0.00	917.41	0.00	917.41
72510 - Publications	0.00	4,706.08	0.00	4,706.08
72515 - Print Media	0.00	1,885.05	0.00	1,885.05
72605 - Grants to Instit & other Benef	0.00	232,771.08	0.00	232,771.08
72715 - Hospitality Catering	0.00	2,137.18	0.00	2,137.18
72966 - Licenses and other	0.00	20.78	0.00	20.78
73115 - Moving Expenses	0.00	97.90	0.00	97.90
73410 - Maint, Oper of Transport Equip	0.00	982.23	0.00	982.23
74110 - Audit Fees	0.00	4,829.81	0.00	4,829.81
74210 - Printing and Publications	0.00	980.40	0.00	980.40
74215 - Promotional Materials and Dist	0.00	31,006.15	0.00	31,006.15
74505 - Insurance	0.00	1,188.81	0.00	1,188.81
74515 - Claims and Adjustments	0.00	116.01	0.00	116.01
74525 - Sundry	0.00	496.38	0.00	496.38
74599 - UNDP cost recovery chrgs-Bills	0.00	28,304.75	0.00	28,304.75
75105 - Facilities & Admin - Implement	0.00	68,344.91	0.00	68,344.91
75705 - Learning costs	0.00	97,134.90	0.00	97,134.90
75707 - Learning – subsistence allowan	0.00	529.30	0.00	529.30
75708 - Learning - subcontracts	0.00	26,047.30	0.00	26,047.30
75709 - Learning - training of counter	0.00	7,769.77	0.00	7,769.77
76125 - Realized Loss	0.00	2,663.53	0.00	2,663.53
76135 - Realized Gain	0.00	- 14,352.55	0.00	- 14,352.55
77630 - Dep Exp Owned - ITC	0.00	308.88	0.00	308.88
77660 - Dep Exp Owned -Vehicle	0.00	3,551.34	0.00	3,551.34
Total for Fund 30079	**0.00**	**1,033,011.85**	**0.00**	**1,033,011.85**
Total for Dept : 34404	**0.00**	**1,033,011.85**	**0.00**	**1,033,011.85**

Combined Delivery Report By Project

UN Development Programme
Report ID: unglodrp

Page 3 of 5
Run Time: 07-03-2016 13:03:06

Project Id : 00070161 Deepening Decentralization Pro		Period :	Jan-Dec (2015)	
Output # : 00084292 Deepening Decentralization Pro		Impl. Partner :	01855 National Execution	
		Location :	UNDP Lesotho	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Total for Output : 00084292	0.00	1,036,123.68	0.00	1,036,123.68
Project Total :	0.00	1,036,123.68	0.00	1,036,123.68

BDO & CO

Audit Firm: BDO & Co
Name: Azize Rajabalee
Signature: ARajabalee.
Title: Partner
06 APR 2016

Signed By : _____ Date : _____

Signed By : _____ Date : _____

MINISTRY OF LOCAL GOVERNMENT AND CHIEFTAINSHIP
LEKALA LA PUSO EA LIBAKA LE BOBENA
10 MAR 2015
18/03/2016
PRINCIPAL SECRETARY
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MASERU, LESOTHO

Combined Delivery Report By Project

UN Development Programme
Report ID: unglcdrp

Page 4 of 5
Run Time: 02-03-2016 10:03:21

Selection Criteria :

Business Unit : LSO10
Period : Jan-Dec (2015)
Selected Project Id : 00070161
Selected Fund Code : ALL
Selected Dept. IDs : B0344
Selected Outputs : ALL

Project Id : ALL	Period : Jan-Dec (2015)
Output # : ALL	Impl. Partner : Location :

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
34401 - Lesotho - Central	0.00	4,164.21	0.00	4,164.21
34402 - Lesotho - UN Dev Coord	0.00	- 1,052.38	0.00	- 1,052.38
34404 - Lesotho - Dem. Governance	0.00	1,033,011.85	0.00	1,033,011.85

Combined Delivery Report By Project

UN Development Programme
Report ID: unglcdrp

Page 5 of 5
Run Time: 02-03-2016 10:03:22

Funds Utilization

Selection Criteria :

Business Unit : LSO10
Period : Jan-Dec (2015)
Selected Project Id : 00070161
Selected Fund Code : ALL
Selected Dept. IDs : B0344
Selected Outputs : ALL

Project/Award: 00070161 Deepening Decentralization Pro — Period : As at Dec 31, 2015

Output # 00084292 Impl. Partner :01855 National Execution	UNDP AMOUNT
Outstanding NEX advances	0.00
Undepreciated Fixed Assets	35,089.11
Inventory	0.00
Prepayments	0.00
Commitments	34,867.00

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6 CERTIFICATION OF STATEMENT OF ASSETS

We have audited the accompanying statement of fixed assets ("the statement") of the UNDP project number 00084292, "Deepening Decentralization Programme" as at 31 December 2015.

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 12 presents fairly, in all material respects, the balance of fixed assets of the project "Deepening Decentralization Programme" amounting to USD 35,089.11 as at December 31, 2015 in accordance with UNDP accounting policies.

BDO & Co.

BDO & Co
Chartered Accountants

ARajabalee.

Azize Rajabalee
Engagement Partner

April 6, 2016

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Statement of Assets and Equipment
as at 31 December 2015

undp Country Office: Lesotho	
Project title: Deepening Decentralization Project	
Award ID: 00070161	
Project ID: 00084292	
Period covered from inception of project: 01/01/2015 (day/mo/year) to 31 December 2015	

For asset value of a minimum of 10005 per item

TAG NO.	ACQUISITION DATE	ITEM DESCRIPTION (make and model)	PROJECT No.	FUND	CONDITION	RESPONS. PERSON/entity	ITEM LOCATION	MANUFACTURER	US$ VALUE	Net Book Value	SERIAL NO.	REMARKS
MD 996	26/06/2013	Toyota Hilux Raider 4 X 4	00084292	30079	NEW	Liau Motoko	UNDP	TOYOTA	42,616.00	33,441.78	D77176413	
LSO10-122	23/10/2013		00084292	30079	NEW	Liau Motoko	UNDP	Pioneer National Office				
LSO10-295	23/10/2013	DESKS	00084292	30079	NEW	J. Wakhungu	UNDP	Pioneer National Office	1,349.24			
LSO10-125	23/10/2013		00084292	30079	NEW	Liau Motoko	UNDP	Pioneer National Office				
LSO10-347	23/10/2013	Chairs	00084292	30079	NEW	J Wakugu	UNDP	Pioneer National Office	500.53			
LSO10-293	23/10/2013	Filing Cabinet	00084292	30079	NEW	L. Motoko/Wakhun	UNDP	Pioneer National Office	479.32			
LSO10-121	25/05/2013	A Notebook computers	00084292	30079	NEW	Liau Motoko	UNDP	DELL	2,471.00		35Q54X1	
LSO10-1274	15/12/2015	Laptop	00084293	30079		Liau Motoko	UNDP	DELL	1,219.45	1,647.33	5SDL262	
								TOTAL VALUE	48,635.54	35,089.11		

Prepared by: Kekeletso Mokete
Signed by: signature
Name: Liau Motoko
Title: National Project Manager
Date: 31/12/2015

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

Certified by: signature
Name: Azize Rajabalee
Title: Senior Partner
Name of the Audit Firm: BDO & co.
Date: 06 APR 2016

UNITED NATIONS DEVELOPMENT PROGRAMME MASERU LESOTHO

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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, 2016

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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, 2015 to December 31, 2015 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
2015	1,543,313	1,036,124	67%

The major activities completed during the year ended December 31, 2015 include:

1. Disbursement of Capacity Building Grant to the Ministry of Local Government;
2. Assessment of local authorities on 6 minimum conditions to access the 2nd cycle of the Local Development Grant;
3. Review of the Local Government Act;
4. Development of the constitution and the strategic plan of the Local Government Association;
5. Support in function mapping and business process improvement;
6. Recruitment and induction of Junior Professionals to be posted in all districts; and
7. Support to government auditor to accelerate the audit of district councils.

It is to be noted that many activities which were planned to be carried out by external consultants were implemented by the Technical Advisor and the Program Manager. Therefore, there were cost savings on these activities.

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)

<table>
<tr><th>Observation</th><th>Impact</th><th>Priority</th><th>Recommendation</th></tr>
<tr><td>• VAT amounting to Maloti 53,031 has been paid on certain expenditure and has been charged to the project as follows:

<table><tr><th>Voucher</th><th>Amount (Maloti)</th></tr><tr><td>28925</td><td>20,873</td></tr><tr><td>29692</td><td>31,158</td></tr><tr><td>Total</td><td>53,031</td></tr></table>
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.</td><td>• Non-compliance with UNDP Policies and Procedures.</td><td>Low</td><td>• VAT payments should be recorded in a separate accounts code and claimed back from LRA on a timely basis.</td></tr>
<tr><td colspan="4">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.</td></tr>
</table>

9.5 Monitoring and evaluation consultant

Observation	Impact	Priority	Recommendation
• The project recruited a consultant to develop tools and templates for the monitoring and evaluation of the district councils. It was noted that the quality of the deliverables of the consultant were not satisfactory, was due to the fact that he did not have enough expertise in the development of monitoring and evaluation frameworks.	• Project funds may not be utilized properly. • Evaluation process may not have been properly carried out.	Medium	• The qualifications and experience of consultants be properly evaluated during the recruitment process.
Management comments We acknowledge the recommendation and proper evaluation procedure will be followed.			

9.6 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 2015, budget for travels amounting to US$ 82,400 was recorded in code 75700 while the actual expenditure was recorded in code 71600.	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.			

9.7 Vehicle log book

Observation	Impact	Priority	Recommendation
While reviewing the log book for the project vehicle, we noted that there is no evidence that the log book is verified and approved by a responsible official.	Non-compliance with UNDP Policies and Procedures.	Low	The log book be reviewed and approved by a responsible officer on a regular basis.
Management comments The recommendation is acknowledged and will make sure the Driver presents the log book to the responsible officer for approval on a regular basis.			

9.8 Filing of documents (recurring observation)

Observation	Impact	Priority	Recommendation
Documents are not always filed in their respective files. We present a list of documents which were not filed but were made available on request. **Missing from permanent file** Steering Committee minutes Technical Committee minutes Signed Statement of Assets	Important documents may be misplaced.	Low	All important documents be properly filed.
Management comments We acknowledge the observation and the review of filing procedures will be improved in 2016.			