

UNITED NATIONS DEVELOPMENT PROGRAMME
Project no. 52517 / Atlas Award no. 44601
Country Programme Action Plan - Governance

AUDITORS' REPORT
&
MANAGEMENT LETTER
FOR THE YEAR ENDED DECEMBER 31, 2008



AUDITORS' REPORT

**To: *The National Project Director &
The Resident Representative***

Certification of Combined Delivery Report

We have audited the accompanying Combined Delivery Report of the UNDP project number 52517 (**Atlas award no. 44601**) for the period 1 January 2008 to 31 December 2008. The statement is the responsibility of the management of the project. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with International Standards of Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the Combined Delivery Report presents fairly, in all material respects the expenditure of US\$ 42,882.22 incurred by the project for the period 1 January 2008 to 31 December 2008 in accordance with UNDP accounting requirements.

This report is intended solely for the information and use of the UNDP and the Government of Dominica.

Francina Downey & Co

Chartered Accountants
May 19, 2009
Bridgetown, Barbados



Selection Criteria:

Business Unit: BR510
Period: Jan-Dec (2008)
Selected Award ID: 0004601
Selected Activity Code: ALL
Selected Fund Code: ALL

	Core Costs	UNDP Share	UN Agency	Encumbrance	Total (COP)
Activity: 0					
Fund: 00100 (Core Programme, UNF Centre)					
76125 - Resized Seat	0.00	- 1.89	0.00	0.00	- 1.89
Total for Fund 00100	0.00	- 1.89	0.00	0.00	- 1.89
Total for Activity	0.00	- 1.89	0.00	0.00	- 1.89
Activity: ACTIVITY1 (Civil Society Capacity Building)					
Fund: 04000 (Core Programme, UNF Centre)					
71205 - Local Consult-Gst Term-Tech	0.00	4,584.00	0.00	0.00	4,584.00
74525 - Sundry	0.00	3,892.76	0.00	0.00	3,892.76
Total for Fund 04000	0.00	8,206.76	0.00	0.00	8,206.76
Total for Activity ACTIVITY1	0.00	8,206.76	0.00	0.00	8,206.76
Activity: ACTIVITY2 (PuEbG Sector Modernization)					
Fund: 04000 (Core Programme, UNF Centre)					
71305 - Local Consult-Gst Term-Tech	0.00	10,705.47	0.00	0.00	10,705.47
71805 - Travel Tickets International	0.00	478.00	0.00	0.00	478.00
71810 - Travel Tickets Local	0.00	- 617.41	0.00	0.00	- 617.41
71615 - Daily Subsistence Allow Int'l	0.00	603.75	0.00	0.00	603.75
74525 - Sundry	0.00	21,924.26	0.00	0.00	21,924.26
Total for Fund 04000	0.00	33,093.67	0.00	0.00	33,093.67
Total for Activity ACTIVITY2	0.00	33,093.67	0.00	0.00	33,093.67
Activity: ACTIVITY3 (SANTAGADMI Priority Support)					
Fund: 04000 (Core Programme, UNF Centre)					
71805 - Travel Tickets International	0.00	622.56	0.00	0.00	622.56
74525 - Sundry	0.00	539.44	0.00	521.20	1,092.76
Total for Fund 04000	0.00	1,092.00	0.00	521.20	1,982.20
Total for Activity ACTIVITY3	0.00	1,092.00	0.00	521.20	1,982.20
Total for Project: 00050517	0.00	42,310.62	0.00	621.20	42,662.22
Project Total:	0.00	42,310.62	0.00	621.20	42,662.22

Signed By: Avin Benaide

Date: 03/30/2009

Francina Downey & Co
FRANCINA DOWNEY & CO.
Chartered Accountants

J. Hamu . 28/05/09
DRR, UNDP



May 19, 2009

Mr Alvin Bernard
Social Development Planner (Ag)
Ministry of Finance & Planning
5th Ave Financial Centre
Kennedy Ave
Roseau
Dominica

Dear Mr Bernard

Re: Audit of UNDP Project #52517 Award ID #44601
Country Programme Action Plan - Governance

Thank you for your co-operation in facilitating my visits to your offices last month and meeting with me.

We have completed the captioned audit and are pleased to present the draft audit report for your review. The following observations and concerns, together with our recommendations, are hereby brought to your attention. All matters outstanding are short-listed at the end of the letter for your attention.

Review of Project Progress

A copy of the Annual Work Plan (AWP) for 2008 was provided by UNDP and discussed with you.

The main activities as outlined on the Annual Work Plan were as follows:

- Civil Society & Youth Development
- Public Information Platform Development
- Public Sector Capacity Assessment, Consultations

Your comments on these activities were as follows:

- Civil Society: there was a conference held in South America which was attended by the government consultant, Mr Swinburne Lestrade. It is noted that this may have occurred in 2007.
- Public Information: nothing has been done as yet.
- Public Sector Capacity Assessment: this was done by Mr Lestrade as well. He worked with the Prime Minister's Office. The outcome was to be the formulation of structural

adjustment programmes and policies. However, no reports of the outcome were seen and therefore you could not confirm if the desired outcome was achieved.

You further confirmed that the project activities for 2008 were organized and executed by the UNDP Barbados office. Ms Paula Mohamed, UNDP Programme Manager, verbally confirmed that this was as a result of weak formulation and implementation capacity and non-response on programming responsibilities by Dominica.

The main areas of expenditure were:

- payments to UWI Cave Hill School of Business for coordination and provision of a report of Focus Group session on Capacity Building Project for Youth in Governance
- personnel costs re R.Royer (UNDP employee)

Assessment of Internal Control

Review of Expenditure / Authorisation for Payments

As Focal Point you are responsible for authorizing all requests for payments, that is, DPRs. There was only one DPR for this project for 2008 and it was signed by you.

The DPR bore a description of the purpose, being that of US\$73,000 for 2 programme components:

- 1) US\$30,000 for Civil Society and Youth Development and Public Information Platform Development - Activity 1; and
- 2) US\$43,000 for Public Sector Capacity Assessment, Consultations – Activity 2

The AWP budget for 2008 was for US\$42,360.92. Actual expenditure as per the Combined Delivery Report (CDR) is US\$42,360.92, which agrees to the AWP budget. There is a resulting difference of US\$30,639.08 between the signed DPR and the expenditure for the year. This difference, representing approved funds unspent, has not been accounted for.

Review of Accounting Records

There is one file for all documentation under the Country Programme Action Plan. This covers all of the projects which fall under the CPAP. This file was found to be in order.

There was no supporting documentation for the DPR submitted. Verification of expenditure took place at the UNDP office in Barbados. Our audit assistant, Katrina Welch visited the UNDP Barbados office and vouched several of the expenditure items, primarily to invoices and payment voucher.

Recruitment Process for Project Personnel/Consultants

You had confirmed that the only consultant contracted was, Mr Swinburne Lestrade. Mr Lestrade was initially recruited by UNDP and was subsequently requested to continue by the Government of Dominica.

In order to circumvent the procurement policy of UNDP, his contract was directly with the Government of Dominica to perform the duties of UNDP Policy Advisor in the Office of the Prime Minister. His remuneration was to be paid from the project funds. No expenditure was seen

for this consultant during the year, although his agreement was dated February 27, 2008 and covered the period of April 1, 2007 to March 31, 2008.

Equipment Acquired for Project

You confirmed that there were no assets for this project. Therefore no Statement of Assets and Equipment was provided.

Cash Management

No funds were sent to the country. All payments were disbursed by UNDP. There was one 'blanket' DPR for the year. However, there is a difference of US\$30,639.08 between the signed DPR and the expenditure for the year. This difference has not been accounted for.

Internal Control Weaknesses & Recommendations for Improvement

A DPR is sometimes issued as advance approval of funding for one or more activities. Each activity may incur several items of expenditure which collectively may not equal the amount approved as per the DPR. For this project, the DPR issued in March 2008 was for \$73,000 while the actual expenditure by UNDP, as evidenced by the CDR, totaled \$42,360.92. The amount approved for expenditure under the project but unspent was \$30,639.08.

When disbursements are made by UNDP Barbados which differ in total from the original request, that is DPR, this should be communicated in writing to the Focal Point in Dominica. These correspondences should be kept on file in Dominica.

Classification by Risk Severity: Low

DPRs are requests for funds to be committed towards planned or upcoming activities. They are not part of the accounting process and therefore do not impact on the project expenditure reported.

Causes: Guidelines

There is a need for on-going communication between UNDP and the focal points with respect to DPRs and actual expenditure.

There is no tracking system in place in Dominica to monitor DPRs submitted and the subsequent disbursement of the expenditure.

A book-keeping system should be implemented in the Ministry to record DPRs by activity issued during the year and their status, that is, the expenditure actually disbursed during the year. This could be achieved via the use of a spreadsheet software.

For activities executed directly by UNDP, there is a need for ongoing communication on the actual disbursements during the year. This can be achieved by providing the focal point with a listing of actual expenditure for these activities.

DPR totals could then be compared with actual expenditure during the year which would enable the country to be aware of any unspent budgeted funds and plan activities accordingly.

In addition, a system of recording details of expenditure can be used to verify the accuracy of the CDR issued by UNDP at the end of the year. Such a system is important for the government, since the CDR must be signed as approved by the focal point person.

Classification by Risk Severity: High

Focal point personnel must ensure that an independent book-keeping system is maintained so that there is adequate support for the responsibility of being an authorized signatory both for the DPRs and the CDR and equally importantly, the activity taking place.

Causes: Guidance

The focal point signatory must ensure adequate supporting information before signing documents.

Progress reports should be prepared at regular intervals and final outcome reports after activities/components have been completed. These reports should include funds received to finance activities and an indication of whether the budget was exceeded.

Classification by Risk Severity: Low

Focal point personnel must ensure that progress reports are received from the relevant sources.

Causes: Guidance

The focal point signatory must obtain an overall understanding of the progress of the project.

MANAGEMENT INPUT

Management Concerns

During our meeting, you would have outlined the following concerns regarding the execution of the project:

- Proper monitoring and reporting is lacking. Although you may be aware of the status informally, reports are generally not submitted to the Ministry of Finance. You are unable to confirm whether reports are being prepared or not.
- Lack of supporting documentation for payment requests / expenditure. This is a problem when one 'blanket' DPR is prepared followed by UNDP making the subsequent payments directly as they become due.
- The lack of proper tracking for assets acquired on projects.

UNDP PROGRAMME MANAGER COMMENTS – MS PAULA MOHAMED

- The Governance Programme Unit has not met or consulted with Dominica officials for over a year due to the absence of the Financial Secretary and the rotating assignments of Head of the Public Sector Reform. UNDP provided support which required response on recommendations and next steps which were not forthcoming.
- From 2003, UNDP support was focused on supporting the Ministry of Finance with funding for an Economic Advisor, Mr Lestrade. Mr Lestrade successfully led the Government's Economic Stabilization and Adjustment Programme (ESAP), supported by Stand-by Arrangement with IMF under a World Bank/IMF Structural Adjustment

Programme (SAP). This support provided by UNDP was catalytic as it supported the effective management of regional and donor assistance was provided by Trinidad and Tobago, Barbados, Grenada and St Vincent and the Grenadines, amounting to approximately US\$10.7 million. Additionally, funds were provided by the Eastern Caribbean Central Bank (ECCB), EC\$5 million (approx. value US\$1.85 million), Belize, US\$1 million, and the Bahamas US\$1.5 million. Technical assistance was also received from the donor community and participating governments.

- UNDP also supported the provision of in-country costs for Mr Julian Belgrave, Chief Project Analyst, Barbados Public Investment Unit, who was loan by the Government of Barbados on attachment to the Ministry of Finance. This complemented support of Mr Swinburne Lestrade as Economic Advisor of the ESAP, who main output was the preparation of the Dominica PSIP – themed GSPS. This support was shared between UNDP and DFID Caribbean within a UNDP cost-sharing project, not the CPAP.
- The 2009 letter to Dominica proposed the following areas of support for reactivating discussions on Government requirements with the UNDP Focal Point and other Ministries:
 - o Governance Evidence-Based Assessments/Accountability;
 - o Civil Society/Citizens and Youth Development;
 - o Dominica had also expressed interest in the VDA which will be explored for implementation in 2009.

Management's Response to Auditor's Findings & Recommendations

Your agreement with my audit findings and recommendations as outlined in this letter was noted during our meeting and in your written response received on May 19, 2009.

Audit Conclusions

No reason was seen to qualify this audit report. All recommendations are included in this letter and follow-up action plan.

Yours truly



Sharon Mohammed, ACCA, CA

cc UNDP Resident Representative

