



AUDIT

OF

UNDP UKRAINE

**STRENGTHENING GOVERNANCE AND FINANCIAL SUSTAINABILITY
OF THE NATIONAL PROTECTED AREAS SYSTEM IN UKRAINE
(Directly Implemented Project No. 59098)**

Report No. 1125
Issue Date: 5 February 2013

**Report on the audit of UNDP Ukraine - Strengthening Governance and Financial Sustainability of the
National Protected Areas System in Ukraine (Project ID 59098)
Executive Summary**

From 1 to 5 October 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme, through KPMG, Slovakia (the audit firm), conducted an audit of Strengthening Governance and Financial Sustainability of the National Protected Areas System in Ukraine, Project ID 59098 (the Project), which is directly implemented and managed by the UNDP Country Office in Ukraine (the Office). The audit firm was under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

The Project reported expenditure totalling \$0.3 million during the period from 1 January to 31 December 2011. The Project was funded by the Global Environment Facility.

Audit scope and objectives

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit covered the Project's Statement of Expenditure (Combined Delivery Report) for the period from 1 January to 31 December 2011 and Statement of Assets as of 31 December 2011.

Audit results

Based on the audit report and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

| Project Expenditure | | | Project Assets | |
|------------------------|-----------|---------------------|------------------------|-------------|
| Amount (in \$ '000) | Opinion | NFI (in \$ '000) | Amount (in \$ '000) | Opinion |
| 270 | Qualified | n/a | 24 | Unqualified |

NFI = Net Financial Impact

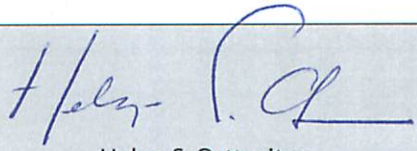
The audit firm qualified its opinion on project expenditure due to misclassification of expenditures in the Combined Delivery Report amounting to \$23,731.

Key issues and recommendations

The audit raised two issues and resulted in two recommendations, both ranked medium (important) priority, meaning "Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to address incorrect accounts used for accounting entries and improper allocation of Value Added Tax reimbursements.

Management's comments

The Resident Representative accepted both recommendations and is in the process of implementing them.



Helge S. Ostveiten
Director
Office of Audit and Investigations



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EXECUTIVE SUMMARY

TO THE CONTRACTING AUTHORITY

Director
Office of Audit and Investigations (OAI)
United Nations Development Programme
Daily News Building, 23rd Floor
220 East 42nd Street
New York, NY 10017, USA

17 December 2012

In accordance with the Terms of Reference dated 20 September 2012 and the Contract No. PS 2012/07 dated 20 September 2012 for audit services for the project ID 59098 that you agreed with us, we provide our Auditors' Report with respect to the accompanying Statement of Expenditures and Statement of Assets of the UNDP project the Strengthening Governance and Financial Sustainability of the National Protected Areas System in Ukraine for the year ending 31 December 2011.

The field work was performed during the period October 2012 and was based on the review of the accounting records and reports of the Project maintained at the UNDP Country office in Ukraine.

Objective

Our engagement was to perform financial audit and to express an opinion on the Project's Statement of Expenditures and Statement of Assets which include:

- Expressing an opinion on whether the Statement of Expenditures presents fairly in all material respects, the expenditure incurred by the project over a specified period in accordance with UNDP accounting policies and that the expenditures incurred 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; and
- Expressing an opinion on whether the Statement of Assets and equipment presents fairly in all material respects, the asset balance of the UNDP project as at 31 December 2011.



Standard and Ethics

Our engagement was undertaken in accordance with:

- International Standards on Auditing (ISA) as promulgated by the International Federation of Accountants (IFAC);
- The Code of Ethics for Professional Accountants issued by the IFAC.

Summaries of Findings

In summary, we have issued a qualified opinion on the Statement of Expenditures and unqualified opinion on Statement of Assets.

Our findings are summarized below and refer to internal control matters that came to our attention during the normal course of our audit which are also addressed to the management of the UNDP Country Office in Ukraine in the Management Letter dated 30 November 2012:

| Finding no | Issue Title | Priority |
|--------------|---|----------|
| Finding no.1 | Accounting entries using incorrect accounts | Medium |
| Finding no.2 | VAT reimbursement | Medium |

We look forward to discussing our report with you and would be pleased to provide any further information or assistance which may be required.

17 December 2012

Bratislava, Slovak Republic

**UNITED NATIONS
DEVELOPMENT PROGRAMME**

Independent Auditors' Report

**Strengthening Governance and Financial Sustainability
of the National Protected Areas System in Ukraine**

Statement of Expenditures and Statement of Assets
for the Period from 1 January 2011
to 31 December 2011

UNITED NATIONS DEVELOPMENT PROGRAMME

Strengthening Governance and Financial Sustainability of the National Protected Areas System in Ukraine

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Independent Auditors' Report – Statement of Expenditures

To the Office of Audit and Investigations of UNDP

We have audited the accompanying Statement of Expenditures of the United Nations Development Programme ("UNDP") project #59098 (Atlas ID 00048804), the Strengthening Governance and Financial Sustainability of the National Protected Areas System in Ukraine for the period from 1 January 2011 to 31 December 2011 and the summary of significant accounting policies and other explanatory information. The Statement of Expenditures has been prepared by management of UNDP in accordance with UNDP accounting policies.

Management's Responsibility for the Statement of Expenditures

Management is responsible for the preparation and fair presentation of this Statement of Expenditures in accordance with UNDP accounting policies, and for such internal control as management determines is necessary to enable the preparation of the Statement of Expenditures that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this Statement of Expenditures 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 of Expenditures is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement of Expenditures. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Statement of Expenditures, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the Statement of Expenditures 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 entity'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 overall presentation of the Statement of Expenditures.

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



Basis for Qualified Opinion

The expenditure presented in the Statement of Expenditures on disbursement line 72105 - Svc Co-Construction & Engineer is overstated by the amount of USD 23,731 due to a misclassification contrary to UNDP guidelines. Management is unable to identify and quantify which disbursement lines are understated as a result.

Qualified Opinion

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the Statement of Expenditures presents fairly, in all material respects, the expenditure of USD 270,208 incurred by the project for the period from 1 January 2011 to 31 December 2011 in accordance with the UNDP accounting policies.

Basis of Accounting and Restriction on Use and Distribution

Without modifying our opinion, we draw attention to note 1, the Basis of Presentation accompanying the Statement of Expenditures, which describes the basis of accounting. The Statement of Expenditures has been prepared to assist the entity to comply with the UNDP accounting policies referred to above. As a result, the Statement of Expenditures may not be suitable for another purpose.

KPMG Slovakia

17 December 2012

Bratislava, Slovak Republic



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Independent Auditors' Report – Statement of Assets

To the Office of Audit and Investigations of UNDP

We have audited the accompanying Statement of Assets of the United Nations Development Programme ("UNDP") project #59098 (Atlas ID 00048804), the Strengthening Governance and Financial Sustainability of the National Protected Areas System in Ukraine for the period from 1 January 2011 to 31 December 2011 and the summary of significant accounting policies and other explanatory information. The Statement of Assets has been prepared by management of UNDP in accordance with UNDP accounting policies.

Management's Responsibility for the Statement of Assets

Management is responsible for the preparation and fair presentation of this Statement of Assets in accordance with UNDP accounting policies, and for such internal control as management determines is necessary to enable the preparation of the Statement of Assets that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this Statement of Assets 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 of Assets is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement of Assets. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Statement of Assets, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the Statement of Assets 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 entity'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 overall presentation of the Statement of Assets.



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 Statement of Assets presents fairly, in all material respects, the asset balance amounting to USD 23,795 as at 31 December 2011 in accordance with UNDP accounting policies.

Basis of Accounting and Restriction on Use and Distribution

Without modifying our opinion, we draw attention to note 2, the Basis of Presentation accompanying the Statement of Assets, which describes the basis of accounting. The Statement of Assets has been prepared to assist the entity to comply with the UNDP accounting policies referred to above. As a result, the Statement of Assets may not be suitable for another purpose.

KPMG Slovakia

17 December 2012

Bratislava, Slovak Republic

UNITED NATIONS DEVELOPMENT PROGRAMME
Strengthening Governance and Financial Sustainability of the National Protected Areas
System in Ukraine

STATEMENT OF EXPENDITURES
AS AT 31 DECEMBER 2011
(in US dollars)



UN Development Programme
 Report ID: ungl143a

Combined Delivery Report With Encumbrance

Page 1 of 1
 Run Time: 11-05-2012 09:05:17

Selection Criteria:

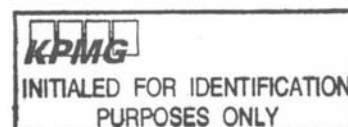
Business Unit : UKR10
 Period : Jan-Dec (2011)
 Selected Award Id : 00048804
 Selected Fund Code : 62000

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|--|----------------------------------|--|--|--|--|
| Award Id : 00048804 PIMS 1275 BD FP: PAs Financing | Period : Jan-Dec (2011) | | | | |
| Project #: 00059098 PIMS 1275 BD FP: PAs Financing | Impl. Partner : 03158 GOVERNMENT | | | | |
| | Location : Ukraine | | | | |
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Fund : 62000 (GEF Voluntary Contribution)

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|--|-------------|-------------------|-------------|--------------------|-------------------|
| 71205 - Init Consultants-Sht Term-Tech | 0.00 | 0.00 | 0.00 | - 4,564.51 | - 4,564.51 |
| 71305 - Local Consult. -Sht Term-Tech | 0.00 | 2,940.55 | 0.00 | 0.00 | 2,940.55 |
| 71405 - Service Contracts-Individuals | 0.00 | 123,079.96 | 0.00 | - 2.52 | 123,077.44 |
| 71605 - Travel Tickets-International | 0.00 | 144.21 | 0.00 | 0.00 | 144.21 |
| 71610 - Travel Tickets-Local | 0.00 | 3,190.69 | 0.00 | 0.00 | 3,190.69 |
| 71615 - Daily Subsistence Allow-Intl | 0.00 | 7,758.70 | 0.00 | 0.00 | 7,758.70 |
| 71620 - Daily Subsistence Allow-Local | 0.00 | 24,491.16 | 0.00 | 0.00 | 24,491.16 |
| 71635 - Travel - Other | 0.00 | 4,932.83 | 0.00 | - 152.00 | 4,780.83 |
| 72105 - Svc Co-Construction & Engineer | 0.00 | 44,349.18 | 0.00 | - 18,389.67 | 25,959.51 |
| 72120 - Svc Co-Trade and Business Serv | 0.00 | 1,944.79 | 0.00 | 0.00 | 1,944.79 |
| 72125 - Svc Co-Studies & Research Serv | 0.00 | 7,127.19 | 0.00 | 0.00 | 7,127.19 |
| 72130 - Svc Co-Transportation Services | 0.00 | 3,854.28 | 0.00 | 0.00 | 3,854.28 |
| 72135 - Svc Co-Communications Service | 0.00 | 1,545.53 | 0.00 | 0.00 | 1,545.53 |
| 72140 - Svc Co-Information Technology | 0.00 | 5,527.81 | 0.00 | 0.00 | 5,527.81 |
| 72145 - Svc Co-Training and Educ Serv | 0.00 | 6,077.59 | 0.00 | 0.00 | 6,077.59 |
| 72150 - Svc Co-Manufacturing Services | 0.00 | 363.66 | 0.00 | 0.00 | 363.66 |
| 72205 - Office Machinery | 0.00 | 1,779.37 | 0.00 | 0.00 | 1,779.37 |
| 72225 - Sale of Equip & Furniture | 0.00 | 2,640.99 | 0.00 | 0.00 | 2,640.99 |
| 72311 - Fuel, petroleum and other oils | 0.00 | 1,888.76 | 0.00 | 0.00 | 1,888.76 |
| 72715 - Hospitality Catering | 0.00 | 327.49 | 0.00 | 0.00 | 327.49 |
| 74210 - Printing and Publications | 0.00 | 18,687.20 | 0.00 | 0.00 | 18,687.20 |
| 74215 - Promotional Materials and Dist | 0.00 | 8,309.86 | 0.00 | 0.00 | 8,309.86 |
| 74220 - Translation Costs | 0.00 | 1,477.44 | 0.00 | 0.00 | 1,477.44 |
| 74525 - Sundry | 0.00 | 5,233.67 | 0.00 | 0.00 | 5,233.67 |
| 75705 - Learning costs | 0.00 | 15,694.89 | 0.00 | 0.00 | 15,694.89 |
| 76125 - Realized Loss | 0.00 | 0.06 | 0.00 | 0.00 | 0.06 |
| 76135 - Realized Gain | 0.00 | - 51.28 | 0.00 | 0.00 | - 51.28 |
| Total for Fund 62000 | 0.00 | 293,316.58 | 0.00 | - 23,108.70 | 270,207.88 |
| Total for Project : 00059098 | 0.00 | 293,316.58 | 0.00 | - 23,108.70 | 270,207.88 |

| | | | | | |
|----------------------|-------------|-------------------|-------------|--------------------|-------------------|
| Award Total : | 0.00 | 293,316.58 | 0.00 | - 23,108.70 | 270,207.88 |
|----------------------|-------------|-------------------|-------------|--------------------|-------------------|



Signed By :

Bd. mo - V. Polkashov

Date :

May 11, 2012

UNITED NATIONS DEVELOPMENT PROGRAMME
Strengthening Governance and Financial Sustainability of the National Protected Areas
System in Ukraine

STATEMENT OF ASSETS
AS AT 31 DECEMBER 2011
(in US dollars)

Movement of Strengthening governance and financial sustainability of the national protected areas system in Ukraine project's Capital and Non-Capital Assets is as follows:

| | |
|------------------------------|----------------------|
| Opening balance | 62 903 |
| Acquisitions during the year | 76 567 |
| Disposals | (113 505) |
| Adjustments | <u>(2 170)</u> |
| Closing balance | <u>23 795</u> |

UNITED NATIONS DEVELOPMENT PROGRAMME
Strengthening Governance and Financial Sustainability of the National Protected Areas
System in Ukraine

BASIS OF PRESENTATION FOR THE STATEMENTS OF EXPENDITURES AND
ASSETS FOR THE PERIOD FROM 1 JANUARY 2011 TO 31 DECEMBER 2011
(in US dollars)

1. STATEMENT OF EXPENDITURES

The Statement of Expenditures is prepared on the cash basis of accounting. The expenditures are recorded on the basis that they are made: (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 reporting currency is United States dollars ("USD"). Transactions in other currencies are converted to US dollars at the exchange rate established by United Nations at the date of the transaction. The resulting foreign exchange gain/losses are recorded separately in the Statement of Expenditures.

2. STATEMENT OF ASSETS

The management of assets includes all actions necessary for the acquisitions and receipt, custody, maintenance and disposal of non-expendable assets which are controlled and safeguard by UNDP.

Complete and accurate records from acquisition to disposal are maintained for all assets in the Atlas Assets Module under the classification of "capital assets" or "non-capital assets".

Atlas is used to record all items assigned to a staff member, or custodian of the item; update to the asset status is performed when the item is returned, disposed of, or reassigned to another staff member.

For UNDP purposes a capital asset is an item with a minimum life expectancy of three or more years and with a value of USD 1,000 or more.

Cameras, cell phones, projectors and all other items issued to individuals, valued at less than USD 1,000 must be recorded as "non-capital assets" in the Atlas Assets Module.

All project equipment, supplies and other property financed or provided by UNDP belong to UNDP until and unless at such time as its ownership is transferred to a government or an entity designated by UNDP.

Assets are entered on the Statement of Assets at the date of delivery, i.e. when they are in possession of UNDP, and this date may be different from the actual date of purchase, i.e. cash payment, which is mentioned in the Assets Ledger.

The Annual Statement of Assets is comprised of the following:

- In service assets balance (prior year acquisitions) in US Dollars;
- Plus the value of the acquisitions made during the current year in US Dollars; .
- Less the value of disposals made during the current year in US Dollars.

UNDP's accounting policy does not depreciate or amortize assets. The value of an item disposed from the Statement of Assets is the same as the original purchase cost.

30 January 2012

Ms. Ricarda Rieger
Country Director
UNDP Ukraine

Dear Ms. Ricarda,

In accordance with the established procedures regarding the submission of Inventory held in the Project **"Strengthening governance and financial sustainability of the National Protected Area System in Ukraine"** as at 31/12/2011, enclosed please find the **Project's Inventory Ledger** reflecting total assets of **\$23 794,63** for the year ended 31/12/2011.

The detailed information as shown in the **Project's Inventory Ledger** is as follows:

| | |
|--|--------------|
| Opening Balance as of 1 January 2011: | \$ 62 902,72 |
| Acquisitions in 2011 as of 31 December 2011: | \$ 76 567,58 |
| Disposals in 2011 as of 31 December 2011: | \$113 504,87 |
| Adjustments in 2011 as of 31 December 2011: | \$ 2 170,80 |
| Closing Balance as of 31 December 2011: | \$ 23 794,63 |

Furthermore, we certify the following:

1. The **"Strengthening governance and financial sustainability of the National Protected Area System in Ukraine"** Project has carried out a thorough physical inventory and the Project's Inventory Ledger matches the physical inventory for all non-expendable items held by this Project.
2. This report reflects all assets acquired during the financial period January 1, 2011 through December 31, 2011.
3. The report reflects the correct calculation taking into consideration the beginning/opening balance, acquisitions, and disposals for the year ended 31/12/2011.
4. No changes have been made to the opening balance.
5. All adjustments made to the assets reflected therein have been verified and are correct.
6. The report has been verified to ensure that there are not multiple items listed as one item.
7. All obsolete Assets have been disposed of by way of a Request for Asset Disposal, Theft or Transfer form and reflected in this report as a disposal.
8. All descriptions and locations for furniture have been verified for accuracy.
9. All descriptions, serial numbers and locations for IT and electrical equipment as well as vehicles have been verified for accuracy.
10. The report does not reflect any asset(s) with zero cost.
11. The USD amount reflected for each asset has been verified against the local currency for accuracy.
12. The Project's Inventory Ledger which should be used as a *"Stock Taking Form"* has been used to verify the Annual Physical Inventory Exercise.
13. Project's Inventory Ledger *"Stock Taking Form"* has been signed and dated by Physical Inventory Team.
14. Project's Inventory Ledger *"Stock Taking Form"* has been verified, signed and dated by the Project Manager/Coordinator.

This serves to confirm that I take full responsibility and accountability for the veracity and accurateness of the data contained in this report and I have ensured adherence to the prescribed timeliness as far as preparation of this report.

Vasyl Tolkachov,
Project Coordinator:

Signature



Date:

30.01.12

| Asset No. | Description of item | Quantity | Serial No. | Date of purchase | Price of purchase (USD) | Location | Vendor | Transferred To whom, when | If disposed When, date of sale |
|---|---|----------|---|--------------------------|--|--|----------------------------|--|--------------------------------|
| Inv. # 37-1 Inv. # 37-2 Inv. # 37-3 Inv. # 37-4 Inv. # 37-5 | Office phone Panasonic KX-LS 2501 | 5 | 8CBB.A086218 8CBB.A086219 8CBB.A086222 8CBB.A086180 8CBB.A086179 | 25.07.2008 | 140.82 | Ukraine, Kyiv, Amr Barbusa str. 5-b, of 9 | Grand Office TOV | | |
| Inv. # 38 Inv. # 39 | Office system phone Panasonic KX-17735 for man. ATS Phone Nokia 995 8 GHz | 1 | USCINNOK01450000 8AASAM01339 | 27.05.2008 | 147.01 | Ukraine, Kyiv, Amr Barbusa str. 5-b, of 9 | Grand Office TOV | | |
| Inv. # 40-1 Inv. # 40-2 | Drawer pedestals with central locks | 2 | | 15.08.2008 | 424.62 | Ukraine, Kyiv, Kovskiy nezv 1 | Grand Office TOV | Transferred to Mr. Sergei Volkov on 15.08.2008 | |
| Inv. # 41-1 Inv. # 41-2 | Wardrobes | 2 | | 20.10.2008 | 213.09 | Ukraine, Kyiv, Amr Barbusa str. 5-b, of 9 | Mechevy Dim "Korley" TOV | | |
| Inv. # 43-1 Inv. # 43-2 | Office heaters Delonghi TRD 0820 T | 2 | | 13.10.2008 | 213.43 | Ukraine, Kyiv, Amr Barbusa str. 5-b, of 9 | Mechevy Dim "Korley" TOV | | |
| Inv. # 44 | Digital camera Canon EOS 450D Supplies: Zoom-lens EF 28-135mm f/3.5-5.6 IS USM Transgend SDHC Card 16 GB | 1 | 64014 JN 46014 JN 530105047 | 19.11.2008 | 1 101.99 | Ukraine, Kyiv, Amr Barbusa str. 5-b, of 9 | Ukraino cent TOV | | |
| Inv. # 54-1 | Laminator A4 Head Seal H65 | 1 | | | | | Rozetka TOV | | |
| Inv. # 55-1 | NT-Computer Giga NT 3000/160 | 1 | SL346611 | 21.09.2007 | 78.80 | Ukraine, Kyiv, Uritskogo, 35 | Profit Solutions TOV | | |
| Inv. # 56-1 | Monitor Samsung 750B (LS15CTB0SO) TFT | 1 | 100603543 | 19.07.2006 | 633.60 | Ministry of environmental protection Ukraine, Kyiv, Uritskogo, 35 | NT-Computer TOV | | |
| Inv. # 57-1 | Laptop TOSHIBA Satellite L100-120 | 1 | PU17HME1.501610N | 19.07.2006 | 236.52 | Ministry of environmental protection Ukraine, Kyiv, Uritskogo, 35 | NT-Computer TOV | | |
| Inv. # 58-1 | Multimedia projector TOSHIBA TDP-1W95 | 1 | PSLA0E-00F00PR4 | 19.07.2006 | 1 009.96 | Ministry of environmental protection Ukraine, Kyiv, Uritskogo, 35 | NT-Computer TOV | | |
| Inv. # 59-1 | Digital Camera CANON EOS 350D | 1 | 76632833 | 19.07.2006 | 1 968.13 | Ministry of environmental protection Ukraine, Kyiv, Uritskogo, 35 | NT-Computer TOV | | |
| Inv. # 67-1 Inv. # 67-2 | System units AMI PC650B Intel Core Duo T6570 Windows Vista Business | 2 | 2330713202 1453863 | 25.04.2007 | 613.76 | Ministry of environmental protection Ukraine, Kyiv, Uritskogo, 35 | Rozetka TOV | | |
| Inv. # 68-1 Inv. # 68-2 | TV Samsung 941N | 2 | 1453864 | 16.03.2009 | 917.97 | Ministry of environmental protection Ukraine, Kyiv, Amr Barbusa str. 5-b, of 9 | AMI TOV | | |
| Inv. # 72-1 | Mobile phone Nokia E51-1 Black Steel | 1 | MY1911MA0837662V MY1911MH08320771 | 16.03.2009 | 349.13 | Ukraine, Kyiv, Amr Barbusa str. 5-b, of 9 | NPP AMI TOV | | |
| Inv. # 93-1 | Laptop HP EliteBook 8530p | 1 | 356795021009167 | 12.05.2009 | 118.85 | Ukraine, Kyiv, Amr Barbusa str. 5-b, of 9 | Personalia elektronika TOV | | |
| Inv. # 95-3 Inv. # 95-5 Inv. # 95-7 | Monitors LCD 19" ACIR | 3 | CZC01453X2 E7LBS08071948028104284 E7LBS08071948028444 E7LBS08071003050C94233 | 16.08.2010 20.09.2010 | 1 833.76 154.38 154.38 154.38 | Ukraine, Kyiv, Amr Barbusa str. 5-b, of 9 | Profit Solutions TOV | | |
| Inv. # 96-6 Inv. # 96-7 | System units Monitors | 3 | FX357891 FX357896 FX357895 | 22.09.2010 | 896.30 896.30 440.00 | Ukraine, Kyiv, Amr Barbusa str. 5-b, of 9 | Delta-Systems TOV | | |
| Inv. # 99-8 | Monitors | 1 | | 08.12.2004 | | Ukraine, Kyiv | ACS | | |

| Asset No. | Description of item | Quantity | Serial No. | Date of purchase | Price of purchase (USD) | Location | Vendor | If transferred To whom, when | If disposed When, date of CAP |
|--|--|----------|--------------------|------------------|-------------------------|---|----------------------------------|---------------------------------|----------------------------------|
| Inv #99-1 (NCSA 002) Inv #99-2 (NCSA 001) | 17' LCD 1720B 117 LCD | | | | | Auri Barbusa str. 5-b, of 9 | Ltd | | |
| 00059098 Inv #100-1 (NCSA 005) | System unit NT-Computer | 1 | 1000400492 | 09.12.2004 | 705.00 | Ukraine, Kyiv, Auri Barbusa str. 5-b, of 9 | Alla-NT Ltd | | |
| 00059098 Inv #101-1 (NCSA 006) | System unit NT-Computer | 1 | 1000500893 | 09.12.2004 | 705.00 | Ukraine, Kyiv, Auri Barbusa str. 5-b, of 9 | Alla-NT Ltd | | |
| 00059098 Inv #102-1 (C arp. #006) | Scanner Scanjet 8270 | 1 | CN5CDA022 L1986A | 10.05.2006 | 1 145.00 | Ukraine, Kyiv, Auri Barbusa str. 5-b, of 9 | ACS Ltd | | |
| Inv #104-1 | UPS CS 500VA (BK500-RS) | 1 | 4B1031P27961 | 01.11.2010 | 69.00 | Ukraine, Kyiv, Auri Barbusa str. 5-b, of 9 | Rozetka UA TOV | | |
| 00059098 Inv #105-1 | UPS RS 1100VA (BR1100C1-C/S) | 1 | 3B1027X33842 | 01.11.2010 | 137.99 | Ukraine, Kyiv, Auri Barbusa str. 5-b, of 9 | Rozetka UA TOV | | |
| 00059098 Inv #106-1 | Switch Asus FX-D161 | 1 | 09-0B621ANJN0N3M40 | 01.11.2010 | 30.57 | Ukraine, Kyiv, Auri Barbusa str. 5-b, of 9 | Rozetka UA TOV | | |
| 00059098 Inv #107-1 | Laser Printer HP Laser Jet P1102w (T657A) | 1 | VNC4B50606 | 21.03.2011 | 174.65 | Ukraine, Kyiv, Auri Barbusa str. 5-b | Rozetka UA TOV | | |
| 00059098 Inv #108-1 Inv #108-2 Inv #108-3 Inv #108-4 Inv #108-5 | Bookshelves | 5 | | 04.03.2011 | 220.65 | Ukraine, Kyiv, Auri Barbusa str. 5-b, of 9 | Mebleva Kompania "Kortey" TOV | | |
| 00059098 Inv #109-1 Inv #109-2 | Bookcases | 2 | | 04.03.2011 | 371.99 | Ukraine, Kyiv, Auri Barbusa str. 5-b, of 9 | Mebleva Kompania "Kortey" TOV | | |
| 00059098 Inv #110-1 | Low bookcase with the doors | 1 | | 04.03.2011 | 103.68 | Ukraine, Kyiv, Auri Barbusa str. 5-b, of 9 | Mebleva Kompania "Kortey" TOV | | |
| 00059098 Inv #111-1 (NCSA 003) | Printer HP Laser Jet 1020 | 1 | CNCKC91232 | 08.12.2004 | 205.00 | Ukraine, Kyiv, Auri Barbusa str. 5-b, of 9 | ACS Ltd | | |

23 794.63

TOTAL SUM

prepared by:

Olga Potko, Administrative and Financial Assistant

approved by:

Vasyl Tolkachov, Project Coordinator



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United Nations Development Programme

Project No.59098

Management Letter 2011

30 November 2012





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Slovak Republic

Director, UNDP Office of Audit and Investigations
Daily News Building, 23rd Floor,
220 East 42nd Street,
New York, NY 10017,
USA

30 November 2012

Dear Director,

We have recently completed our fieldwork for the final audit for the year ending 31 December 2011 of the Strengthening Governance and Financial Sustainability of the National Protected Areas System in Ukraine, ATLAS project ID 59098 executed by UNDP Ukraine.

The purpose of this letter is to bring to your attention certain matters which were encountered in the course of our work and to offer our comments and recommendations. These comments, by their nature, are critical as they relate solely to weaknesses and do not address the many strong features and controls within the companies systems.

The primary purpose of our examination was expressing an opinion on the Statement of Expenditures and Assets position of the project.

We performed our procedures on the financial systems of the project Combined Delivery Report only to the extent as required by International Standards on Auditing.

Our evaluation with respect to these financial systems was not designed to specifically audit internal controls. Such procedures would not necessarily disclose all weaknesses in the systems.

To facilitate your review and follow up, detailed information relating to the major findings is presented on the following pages.

The contents of this letter have been discussed with the responsible management personnel and apply to the controls and procedures in existence during our examination. We have not updated these items since 28 September 2012.

We would be pleased to discuss our comments and recommendations with you and to assist you with their implementation.

We would also like to acknowledge the co-operation and assistance extended to us by the personnel of the companies during the course of our work.

Very truly yours,

Quentin Crossley

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Glossary of terms

| | |
|-------------|--|
| CAP | Contracts, Assets and Procurement Committee |
| CDR | Combined Delivery Report |
| POPP | Programme and Operations Policies and Procedures |
| RACP | Regional Advisory Committee and Procurement |
| RADT | Request for an Asset Disposal/Transfer |
| VAT | Value Added Tax |

Observation 1

Accounting entries using
incorrect accounts

Observation 1

Accounting entries using incorrect accounts

Condition:

During our audit we identified several instances of accounting entries being made using incorrect accounts. Several entries were made to the Sundry account instead of the correct respective account. For instance, during our testing we identified accounting entries related to communication services booked on account 74525 – Sundry, instead of being booked on account 72135 - Service Co - communication services.

Criteria:

We understand the UNDP office should follow the UNDP Accounting Standard Chart of Accounts and place accounting entries to the correct disbursement line in the CDR in order to preserve a proper presentation.

Cause:

Based on our understanding it was the local accountant's assumption that it was permissible to use the Sundry account for the accounting entry of any expenses as long as it is not „overspent“ and is less than 10% of total spending. However, we understand there is no such UNDP policy in place.

Effect, potential impact or risk:

Increase of risk of incorrect presentation of disbursements in CDR.

Priority:

Medium

Recommendation:

In order to mitigate the risk of incorrect in presentation of disbursements in the CDR, we recommend the accountants cease using the so called “overspent” rule and book expenses on the appropriate disbursements line in accordance with UNDP accounting standard chart of accounts.

Observation 1

Accounting entries using incorrect accounts

Management comments:

In accordance with UNDP Programme and Operations Policies and Procedures each project implemented by UNDP has individual Annual Work Plan (AWP) duly approved by the Project Board with detailed distribution of available resources to achieve the expected results. Any substantial or financial adjustments to already approved AWP are subject to Project/Programme Board decision and agreement between signatories of the project. Thus, Project Manager is fully responsible for utilization of the available resources within the approved AWP only.

Bearing in mind that National Protected Areas System in Ukraine project did not have any resources under the budget account 73400 - "Maintenance, Operation of Transport Equipment" all expenses related to maintenance of project vehicle were allocated to the budget account 74500 "Miscellaneous Expenses" or expenses not identified under any available inputs within the annual approved resource allocation.

We will make every effort to accurately plan for all required inputs, so that most appropriate account code are used.

Observation 2

VAT reimbursement

Observation 2

VAT reimbursement

Condition

During our audit we obtained an understanding of VAT reimbursement. We understand that the Ukraine UNDP office is registered in Kiev with the local tax authorities for the purposes of VAT reimbursement. The UNDP office in Kiev collects all VAT claims from all projects and files one VAT return with the tax authority. Claimed and received VAT is booked by the Kiev office to the Project CDRs. Afterwards, VAT is distributed to the respective accounts in the CDR of the particular project. We understand that the weakness of this process is that VAT reimbursement is not distributed to the appropriate accounts but only as one bulk amount.

For instance, we identified VAT reimbursement booked to account 72105 - Svc Co-Construction & Engineer in amounts of USD 24 thousand and to 71405 - Service Contracts-Individuals of USD 2 thousand, to which these VAT reimbursement did not relate.

Criteria

VAT reimbursements are not correctly matched to appropriate disbursement lines in the CDR. We understand the UNDP office should follow the UNDP Accounting Standard Chart of Accounts and place accounting entries to the correct disbursement line in CDR in order to preserve a proper presentation.

Cause:

The local accountants do not allocate the reimbursed VAT to the appropriate disbursement line. They book the reimbursed VAT as a lump sum to one disbursement line in CDR. The accountants should follow the list of accounts and select the most appropriate line of disbursement to match the substance of the expenditure.

Effect, potential impact or risk:

Improper allocation of VAT reimbursements causes incorrect presentation of disbursements in the CDR.

Priority:

Medium

Observation 2

VAT reimbursement

Recommendation:

In order to mitigate the risk of incorrect presentation of disbursements in the CDR, we recommend the accountants keep a detailed track of reimbursed VAT and allocate it to the appropriate disbursement line.

Management comments:

We acknowledge your observation and are pleased to inform of the following.

With adoption of International Public Sector Accounting Standards (IPSAS) and implementation of the procurement catalogues office has already started the use of VAT control account (which is separately recorded in General Ledger) to reflect individual transactions for capital items or items with the material effect.

Appendix 1

Definitions of Priorities of Audit
Recommendations

Appendix 1

Definitions of Priorities of Audit Recommendations

The audit observations are categorized according to the priority of the audit recommendations and the possible causes of the issues. The categorized audit observations provide a basis by which the UNDP country office management is to address the issues.

The following categories of priorities are used:

High (Critical)

Action is considered imperative to ensure that UNDP is not exposed to high risks. Failure to take action could result in major consequences and issues.

Medium (Important)

Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.



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