



**AUDIT**

**OF**

**UNDP ARMENIA**

**MODERNIZATION OF BAGRATASHEN, BAVRA, GOGAVAN BORDER CROSSING POINTS OF  
THE REPUBLIC OF ARMENIA**  
**(Directly Implemented Project No. 68950, Output No. 83816)**

**Report No. 1484**

**Issue Date: 10 August 2015**

**Report on the Audit of UNDP Armenia  
Modernization of Bagratashen, Bavra, Gogavan Border Crossing Points of the  
Republic of Armenia  
(Project No. 68950, Output No. 83816)  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 18 May to 3 June 2015, through Deloitte Audit s.r.o. (the audit firm), conducted an audit of Modernization of Bagratashen, Bavra, Gogavan Border Crossing Points of the Republic of Armenia (Project No. 68950, Output No. 83816) (the Project), which is directly implemented and managed by the UNDP Country Office in Armenia (the Office). This was the first audit of the Project.

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 Combined Delivery Report, which includes expenditure for the period from 1 January to 31 December 2014 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2014 as well as Statement of Assets as of 31 December 2014. The audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

### 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 Expenditures		Project Assets	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
14,964	Unqualified	30	Unqualified

Without qualifying its audit opinion, the audit firm also reported an emphasis of matter relating to \$11.6 million of \$14.9 million (78 percent) of expenditures recorded in the 2014 Combined Delivery Report and pertaining to contracts signed with vendors in 2012 and 2013. At the time of the audit, the contracts from 2012 and 2013 were under investigation by OAI for allegations of irregularities and/or collusion. The audit firm stated that the opinion was not modified as no irregularities specifically pertaining to the verification of the 2014 expenditure were noted. The OAI investigation fieldwork was completed in 2014 and at the time of report finalization, the majority of the case files were under review by UNDP to consider appropriate follow-up action, as applicable.

**Key recommendations:** Total = 1, high priority = 0

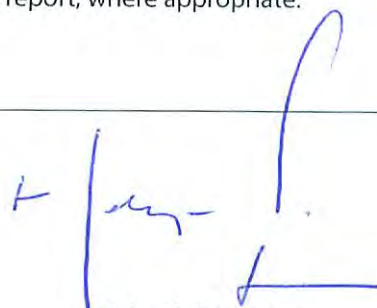
The recommendation aims to ensure reliability and integrity of financial and operational information.

<sup>1</sup> The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) depreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, which means, "Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP." The recommendation includes actions to improve documentation of procurement processes, including defining in the standard operating procedures templates to be used.

#### Management comments and action plan

The Resident Representative accepted the recommendation and is in the process of implementing it. Comments and/or additional information provided have been incorporated into the report, where appropriate.



Helge S. Osttveiten  
Director  
Office of Audit and Investigations



## Auditor's Report

From financial audit of “Modernization of Bagratashen,  
Bavra and Gogavan Border Crossing Points of the RA”  
implemented by UNDP in Armenia

8 June 2015

**Auditor's Report from audit of "Modernization of Bagratashen, Bavra and Gogavan  
Border Crossing Points of the RA" implemented by UNDP in Armenia**

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**Auditor's Report from audit of "Modernization of Bagratashen, Bavra and Gogavan  
Border Crossing Points of the RA" implemented by UNDP in Armenia**

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**1. PART I - EXECUTIVE SUMMARY**

**1.1. Purpose And Scope Of This Report**

Following our appointment we have performed an audit of one development project implemented by UNDP in Armenia named "Modernization of Bagratashen, Bavra and Gogavan Border Crossing Points of the RA" for the financial year 2014.

The objective of the financial audit was:

1. To express an opinion on a project's financial statements and particularly to express an opinion on whether the statement of expenditure presents fairly 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.
2. To express an opinion on whether the statement of fixed assets presents fairly the balance of assets of the UNDP project as at a given date.

UNDP Office in Armenia prepared Statement of expenditure (Combined Delivery Report - CDR) and Statements of Assets for the project and year under the examination. We provided Auditor's opinion on these statements. There was no Statement of Cash Position prepared as the project did not have separate bank account, therefore our scope was to verify just CDR and Statement of Assets.

**1.2. Projects Identification Data**

The following table summarizes the amount of expenditures (in USD) under examination:

**Table 1**

Project number	Output number	Project name	Implementing partner	2014	Total
68950	83816	Modernization of Bagratashen, Bavra and Gogavan Border Crossing Points of the RA	UNDP	14,964,066.29	14,964,066.29



### **1.3. Background Information about Project**

The overall objective of this project is to support the Government of Armenia in establishing state-of-the-art border crossing point (BCP) infrastructure to ensure improved conditions for business and trade, safe, secure, gender friendly and facilitated movement of people and goods across the border.

The project specific objectives are:

- To facilitate free movement of persons and goods across borders while at the same time maintaining secure borders of the Republic of Armenia by provision of all necessary conditions for effective performance of border, customs, phyto-sanitary, veterinary and health controls;
- To enhance inter-agency cooperation efficiency, including technical capacity for information exchange between executive authorities on border management related issues and on border control operational procedures;
- To strengthen the international cooperation between the South Caucasus countries, EU Member States and other international stakeholders for securing the legal movement of people and goods;
- To ensure the modern equipment is provided to 3 BCPs,
- To ensure that EU adopted best IBM standards and gender-sensitive policies and procedures are employed by the border management agencies.

The project main components are:

1. Construction works in Bagratashen, Bavra and Gogavan BCPs, including provision of fixed-placed equipment to be included in a turn-key construction contract,
2. Provision of a supervision and consultancy contract,
3. Installation of the off-the-site gas-supply, power-supply and fibre-optics networks in Gogavan BCP,
4. Provision of the portable equipment and IT systems to three BCPs,
5. Enhancement of capacities of border management agencies through the trainings on use of the provided equipment and joint use of IT systems, and
6. Overall management of all project components.

**Auditor's Report from audit of "Modernization of Bagratashen, Bavra and Gogavan  
Border Crossing Points of the RA" implemented by UNDP in Armenia**

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#### **1.4. Work Done**

##### **1.4.1. Expenditures verified**

The following table shows total reported expenses and number of items tested during our audit:

**Table 2**

<b>Output</b>	<b>Year</b>	<b>No. of samples</b>	<b>Total expenses as per CDR (in USD)</b>
83816	2014	101	14,964,066.29

##### **1.4.2. On-the-spot audit**

We performed part of fieldwork directly on-the-spot in the UNDP Armenia Office premises in Yerevan during the period May 18 - 22, 2015. The fieldwork was completed in Deloitte offices.

Overall Audit timeline was as follows:

**Table 3**

<b>Audit Phase</b>	<b>Timeline</b>
<b>Planning</b>	May 4 - 15, 2015
<b>Fieldwork</b>	May 18 – June 3, 2015
<b>- Of which on the spot audit</b>	May 18 – 22, 2015
<b>Reporting</b>	June 4 – 8, 2015

#### **1.5. Conclusions**

Our opinion on CDR is included in the Chapter 2 of this Report. We have not identified material errors in the CDR that's why our opinion is unmodified. However, we identified several cases when the documentation of the procurement process could be improved.

Moreover, the expenses in the amount of USD 11,552,417.09 included in the CDR relate to contracts which were concluded with particular vendors based on the 2012 and 2013 procurement. The process leading to the closure of these contracts is currently investigated by the Office of Audit and Investigations, New York, as to the allegations of procurement fraud and collusion. Result of this investigation has not been known as of the date of our report. The process leading to the closure of the contracts subject to investigation relates to years 2012 and 2013. These years were not in the scope of our audit.



**Auditor's Report from audit of "Modernization of Bagratashen, Bavra and Gogavan  
Border Crossing Points of the RA" implemented by UNDP in Armenia**

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Our opinion on Statement of Assets is also included in the Chapter 2 of this Report.

For more details about particular findings and recommendations refer to the Chapter 3 of this Report.



Marián Hudák  
Country Leading Partner and Principal Auditor  
**Deloitte Audit s.r.o.**

**Auditor's Report from audit of "Modernization of Bagratashen, Bavra and Gogavan  
Border Crossing Points of the RA" implemented by UNDP in Armenia**

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**2. PART II – AUDIT REPORT WITH OPINION**

**2.1. Opinion on CDR**



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VAT Id. Nr.: SK2020325516

**INDEPENDENT AUDITOR'S REPORT ON OUTPUT NO. 83816 OF THE  
PROJECT "MODERNIZATION OF BAGRATASHEN, BAVRA AND GOGAVAN  
BORDER CROSSING POINTS OF THE RA"**

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

We have audited the accompanying Combined Delivery Report of the UNDP Directly Implemented Project, output number 83816, named "Modernization of Bagratashen, Bavra and Gogavan Border Crossing Points of the RA" for the period 1 January 2014 – 31 December 2014 (the "Statement").

**Management Responsibility**

Management is responsible for the preparation of the Statement in accordance with the UNDP accounting policies 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with the 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 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

**Auditor's Report from audit of "Modernization of Bagratashen, Bavra and Gogavan  
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estimates made by the management, as well as evaluating the overall 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.

**Unmodified Opinion**

In our opinion, the attached Combined Delivery Report presents fairly, in all material respects, the expenses of \$14,964,066.29 incurred by the output no. 83816 "Modernizing Border Cross Points" of the UNDP Directly Implemented Project number 68950 named "Modernization of Bagratashen" for the period 1.1.2014 – 31.12.2014 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.

**Emphasis of Matter**

We draw attention to the Chapter 1.5 of the Report describing certain expenses included in the Statement related to particular vendors based on the contracts procured in years 2012 and 2013. The process leading to the closure of these contracts is currently investigated by the UNDP Office of Audit and Investigations, New York. Our opinion is not modified in this respect.

Bratislava, 8 June 2015



Marián Hudák, CA, FCCA  
Principal Auditor

**Auditor's Report from audit of "Modernization of Bagratashen, Bavra and Gogavan  
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**2.2. Signed CDR**





UN Development Programme  
Report ID: unglcdrb

**Combined Delivery Report by Activity**

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**Selection Criteria :**

Business Unit : ARM10  
Period : Jan-Dec (2014)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00083816

Project Id : 00068950 Modernization of Bagratashen,	Period :	Jan-Dec (2014)
Output # : 00083816 Modernizing Border Cross Points	Impl. Partner :	99999 UNDP
	Location :	ARMTigranyan11/18
	Govt Exp	UNDP Exp
	UN Agencies Exp	Total Exp

Activity : ()

Fund : 04000 (Core Programme, UNU Centre)

33001 - Change(s) in accounting policy	0.00	4,066.01	0.00	4,066.01
77660 - Dep Exp Owned -Vehicle	0.00	3,091.02	0.00	3,091.02
<b>Total for Fund 04000</b>	<b>0.00</b>	<b>7,157.03</b>	<b>0.00</b>	<b>7,157.03</b>
<b>Total for Activity</b>	<b>0.00</b>	<b>7,157.03</b>	<b>0.00</b>	<b>7,157.03</b>

Activity : ACTIVITY1 (Civil works quality assurance)

Fund : 30071 (Programme Cost Sharing GOV1)

72105 - Svc Co-Construction & Engineer	0.00	1,113,309.56	0.00	1,113,309.56
74599 - UNDP cost recovery chrgs-Bills	0.00	370.76	0.00	370.76
75105 - Facilities & Admin - Implement	0.00	33,410.41	0.00	33,410.41
76125 - Realized Loss	0.00	662.67	0.00	662.67
76135 - Realized Gain	0.00	-4,188.01	0.00	-4,188.01
<b>Total for Fund 30071</b>	<b>0.00</b>	<b>1,143,565.39</b>	<b>0.00</b>	<b>1,143,565.39</b>
<b>Total for Activity ACTIVITY1</b>	<b>0.00</b>	<b>1,143,565.39</b>	<b>0.00</b>	<b>1,143,565.39</b>

Activity : ACTIVITY2 (Construction works in 3 BCPs)

Fund : 30071 (Programme Cost Sharing GOV1)

72105 - Svc Co-Construction & Engineer	0.00	11,376,496.97	0.00	11,376,496.97
72210 - Machinery and Equipment	0.00	26,358.70	0.00	26,358.70
73115 - Moving Expenses	0.00	625.00	0.00	625.00
73406 - Maintenance of Equipment	0.00	1,141.30	0.00	1,141.30
74599 - UNDP cost recovery chrgs-Bills	0.00	516.52	0.00	516.52
75105 - Facilities & Admin - Implement	0.00	342,190.84	0.00	342,190.84
75709 - Learning - training of counter	0.00	1,222.83	0.00	1,222.83
76125 - Realized Loss	0.00	53,266.63	0.00	53,266.63
76135 - Realized Gain	0.00	-11,731.59	0.00	-11,731.59
<b>Total for Fund 30071</b>	<b>0.00</b>	<b>11,790,087.20</b>	<b>0.00</b>	<b>11,790,087.20</b>
<b>Total for Activity ACTIVITY2</b>	<b>0.00</b>	<b>11,790,087.20</b>	<b>0.00</b>	<b>11,790,087.20</b>



**UNDP** UN Development Programme  
Report ID: unglcdrb

**Combined Delivery Report by Activity**

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Project Id : 00068950 Modernization of Bagratashen,	Period :	Jan-Dec (2014)
Output # : 00083816 Modernizing Border Cross Points	Impl. Partner :	99999 UNDP
	Location :	ARMTigranyan11/18
	Govt Exp	UNDP Exp
	UN Agencies Exp	Total Exp

**Activity : ACTIVITY3 (Gogavan\_Network Services)**

**Fund : 30071 (Programme Cost Sharing GOV1)**

72105 - Svc Co-Construction & Engineer	0.00	266,232.14	0.00	266,232.14
74599 - UNDP cost recovery chrgs-Bills	0.00	633.82	0.00	633.82
75105 - Facilities & Admin - Implement	0.00	8,005.97	0.00	8,005.97
76125 - Realized Loss	0.00	17.67	0.00	17.67
76135 - Realized Gain	0.00	- 819.79	0.00	- 819.79

**Total for Fund 30071** 0.00 274,069.81 0.00 274,069.81

**Total for Activity ACTIVITY3** 0.00 274,069.81 0.00 274,069.81

**Activity : ACTIVITY4 (Equipment and IT to 3 BCPs)**

**Fund : 30071 (Programme Cost Sharing GOV1)**

72399 - Other Materials and Goods	0.00	200.00	0.00	200.00
72405 - Acquisition of Communic Equip	0.00	249,330.32	0.00	249,330.32
72445 - Common Services-Communications	0.00	463.35	0.00	463.35
74505 - Insurance	0.00	460.00	0.00	460.00
74599 - UNDP cost recovery chrgs-Bills	0.00	1,066.79	0.00	1,066.79
74725 - Other L.T.S.H.	0.00	4,850.00	0.00	4,850.00
75105 - Facilities & Admin - Implement	0.00	7,691.11	0.00	7,691.11

**Total for Fund 30071** 0.00 264,061.57 0.00 264,061.57

**Total for Activity ACTIVITY4** 0.00 264,061.57 0.00 264,061.57

**Activity : ACTIVITY6 (Gogavan\_Access Road & Bridge)**

**Fund : 04000 (Core Programme, UNU Centre)**

72425 - Mobile Telephone Charges	0.00	- 116.95	0.00	- 116.95
74599 - UNDP cost recovery chrgs-Bills	0.00	0.00	0.00	0.00
76135 - Realized Gain	0.00	- 1.06	0.00	- 1.06

**Total for Fund 04000** 0.00 - 118.01 0.00 - 118.01

**Fund : 30071 (Programme Cost Sharing GOV1)**

71205 - Intl Consultants-Sht Term-Tech	0.00	12,000.00	0.00	12,000.00
71605 - Travel Tickets-International	0.00	555.00	0.00	555.00
71615 - Daily Subsistence Allow-Intl	0.00	1,082.00	0.00	1,082.00
71635 - Travel - Other	0.00	152.00	0.00	152.00
72105 - Svc Co-Construction & Engineer	0.00	1,032,232.26	0.00	1,032,232.26
74599 - UNDP cost recovery chrgs-Bills	0.00	529.21	0.00	529.21
75105 - Facilities & Admin - Implement	0.00	31,396.52	0.00	31,396.52



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**Combined Delivery Report by Activity**

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Project Id : 00068950 Modernization of Bagratashen,	Period :	Jan-Dec (2014)
Output # : 00083816 Modernizing Border Cross Points	Impl. Partner :	99999 UNDP
	Location :	ARMTigranyan11/18
	Govt Exp	UNDP Exp
	UN Agencies Exp	Total Exp

76125 - Realized Loss	0.00	7,891.80	0.00	7,891.80
76135 - Realized Gain	0.00	- 190.97	0.00	- 190.97
<b>Total for Fund 30071</b>	<b>0.00</b>	<b>1,085,647.82</b>	<b>0.00</b>	<b>1,085,647.82</b>
<b>Total for Activity ACTIVITY6</b>	<b>0.00</b>	<b>1,085,529.81</b>	<b>0.00</b>	<b>1,085,529.81</b>

Activity : ACTIVITY7 (Project Management)

Fund : 04000 (Core Programme, UNU Centre)

61105 - Salaries - NP Staff	0.00	2,794.06	0.00	2,794.06
61205 - Salaries - GS Staff	0.00	901.87	0.00	901.87
61305 - Salaries - IP Staff	0.00	88,270.24	0.00	88,270.24
61310 - Post Adjustment - IP Staff	0.00	40,427.36	0.00	40,427.36
62105 - Dependency Allowance-NP Staff	0.00	29.14	0.00	29.14
62110 - Contrib Joint Staff Pension-NP	0.00	537.30	0.00	537.30
62115 - Contrib to Med,SocIns-NP Staff	0.00	202.56	0.00	202.56
62140 - Annual Leave Expense - NO	0.00	84.49	0.00	84.49
62205 - Dependency Allow - GS Staff	0.00	34.97	0.00	34.97
62210 - Contrib to Jt Staff Pens Fd-GS	0.00	180.08	0.00	180.08
62215 - Contrib. to Medical, social In	0.00	67.27	0.00	67.27
62220 - Language Allowance - GS Staff	0.00	26.04	0.00	26.04
62240 - Annual Leave Expense - GS	0.00	13.33	0.00	13.33
62305 - Dependency Allowances-IP Staff	0.00	8,787.00	0.00	8,787.00
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	28,138.61	0.00	28,138.61
62315 - Contrib. to medical, social In	0.00	1,630.79	0.00	1,630.79
62320 - Mobility, Hardship, Non-remova	0.00	17,869.92	0.00	17,869.92
62340 - Annual Leave Expense - IP	0.00	1,161.52	0.00	1,161.52
63330 - Ed Grt Incl Trvl&Allow-IP Stf	0.00	820.16	0.00	820.16
63335 - Home Leave Trvl & Allow-IP Stf	0.00	4,625.04	0.00	4,625.04
63530 - Contribution to EOS Benefits	0.00	4,964.77	0.00	4,964.77
63535 - Contribution to Security	0.00	5,955.78	0.00	5,955.78
63540 - Contribution to Training	0.00	1,544.36	0.00	1,544.36
63545 - Contribution to ICT	0.00	1,985.91	0.00	1,985.91
63550 - Contributions to MAIP	0.00	661.97	0.00	661.97
63555 - Contribution to UN JFA	0.00	3,045.04	0.00	3,045.04
63560 - Contributions to Appendix D	0.00	397.17	0.00	397.17
64321 - Reassignment-Ticket Costs	0.00	6,692.02	0.00	6,692.02
64322 - Reassignmnts-Subsistence Allow	0.00	11,580.00	0.00	11,580.00
64324 - Reassignments-Shipment	0.00	5,000.00	0.00	5,000.00
65115 - Contributions to ASHI Reserve	0.00	10,591.49	0.00	10,591.49
65135 - Payroll Mgt Cost Recovery ATLA	0.00	804.84	0.00	804.84
71205 - Intl Consultants-Sht Term-Tech	0.00	0.00	0.00	0.00
71305 - Local Consult.-Sht Term-Tech	0.00	2,510.00	0.00	2,510.00
71405 - Service Contracts-Individuals	0.00	93,273.36	0.00	93,273.36
71410 - MAIP Premium SC	0.00	155.38	0.00	155.38
71415 - Contribution to Security SC	0.00	3,906.38	0.00	3,906.38
71605 - Travel Tickets-International	0.00	871.82	0.00	871.82
71615 - Daily Subsistence Allow-Intl	0.00	1,280.64	0.00	1,280.64
71620 - Daily Subsistence Allow-Local	0.00	1,147.17	0.00	1,147.17
71635 - Travel - Other	0.00	152.00	0.00	152.00





UN Development Programme  
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Combined Delivery Report by Activity

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Project Id : 00068950 Modernization of Bagratashen,	Period :	Jan-Dec (2014)
Output # : 00083816 Modernizing Border Cross Points	Impl. Partner :	99999 UNDP
	Location :	ARMTigranyan11/18
	Govt Exp	UNDP Exp
	UN Agencies Exp	Total Exp

72105 - Svc Co-Construction & Engineer	0.00	14,817.94	0.00	14,817.94
72311 - Fuel, petroleum and other oils	0.00	5,621.91	0.00	5,621.91
72405 - Acquisition of Communic Equip	0.00	928.55	0.00	928.55
72420 - Land Telephone Charges	0.00	392.65	0.00	392.65
72425 - Mobile Telephone Charges	0.00	543.08	0.00	543.08
72430 - Postage and Pouch	0.00	79.39	0.00	79.39
72440 - Connectivity Charges	0.00	300.00	0.00	300.00
72505 - Stationery & other Office Supp	0.00	496.11	0.00	496.11
72510 - Publications	0.00	38.52	0.00	38.52
72705 - Hospitality-Special Events	0.00	2,435.49	0.00	2,435.49
73107 - Rent - Meeting Rooms	0.00	222.22	0.00	222.22
73120 - Utilities	0.00	227.94	0.00	227.94
73125 - Common Services-Premises	0.00	4,313.16	0.00	4,313.16
73310 - Maint & Licencing of Software	0.00	3,890.75	0.00	3,890.75
73405 - Rental & Maint-Other Office Eq	0.00	1,306.60	0.00	1,306.60
73406 - Maintenance of Equipment	0.00	270.59	0.00	270.59
73410 - Maint, Oper of Transport Equip	0.00	776.52	0.00	776.52
74210 - Printing and Publications	0.00	3,091.15	0.00	3,091.15
74215 - Promotional Materials and Dist	0.00	22.06	0.00	22.06
74220 - Translation Costs	0.00	900.49	0.00	900.49
74225 - Other Media Costs	0.00	0.00	0.00	0.00
74599 - UNDP cost recovery chrgs-Bills	0.00	4,604.75	0.00	4,604.75
74696 - PP&E Expensed Items	0.00	854.55	0.00	854.55
75705 - Learning costs	0.00	378.61	0.00	378.61
76125 - Realized Loss	0.00	3.72	0.00	3.72
76135 - Realized Gain	0.00	-43.12	0.00	-43.12
<b>Total for Fund 04000</b>	<b>0.00</b>	<b>399,595.48</b>	<b>0.00</b>	<b>399,595.48</b>
<b>Total for Activity ACTIVITY7</b>	<b>0.00</b>	<b>399,595.48</b>	<b>0.00</b>	<b>399,595.48</b>
<b>Total for Output : 00083816</b>	<b>0.00</b>	<b>14,964,066.29</b>	<b>0.00</b>	<b>14,964,066.29</b>
<b>Project Total :</b>	<b>0.00</b>	<b>14,964,066.29</b>	<b>0.00</b>	<b>14,964,066.29</b>

Signed By :

Date :

22/05/2015

Signed By :

Date :



**UNDP** UN Development Programme  
Report ID: unglcdrb

Combined Delivery Report by Activity

Page 5 of 6  
Run Time: 02-03-2015 12:03:19

Selection Criteria :

Business Unit : ARM10  
Period : Jan-Dec (2014)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00083816

Project Id : ALL	Period : Jan-Dec (2014)			
Output # : ALL	Impl. Partner : Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
53404 - Armenia - Dem. Governance	0.00	14,962,849.65	0.00	14,962,849.65
53409 - Armenia - Service Center	0.00	1,216.64	0.00	1,216.64





**Funds Utilization**

Selection Criteria :

Business Unit : ARM10  
Period : Jan-Dec (2014)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00083816

Project/Award: 00068950 Modernization of Bagratashen, Period : As Of Dec31,2014

Output #	00083816	Impl. Partner :99999 UNDP	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			30,137.40
Inventory			0.00
Prepayments			2,106,131.04
Commitments			1,929,727.03

**Auditor's Report from audit of "Modernization of Bagratashen, Bavra and Gogavan  
Border Crossing Points of the RA" implemented by UNDP in Armenia**

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**2.3. Opinion on Statement of Fixed Assets**

## **REPORT OF THE INDEPENDENT AUDITOR ON THE PROJECT “MODERNIZATION OF BAGRATASHEN, BAVRA AND GOGAVAN BORDER CROSSING POINTS OF THE RA”**

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

### **Report on the Project Financial Statement**

We have audited the accompanying Statement of Fixed Assets (“the statement”) of the UNDP Directly Implemented Project, output number 83816, named “Modernization of Bagratashen, Bavra and Gogavan Border Crossing Points of the RA” for the period 1.1.2014 – 31.12.2014.

### **Management Responsibility**

Management is responsible for the preparation of the statement for output 83816 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.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with the 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 schedule 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.

**Auditor's Report from audit of "Modernization of Bagratashen, Bavra and Gogavan  
Border Crossing Points of the RA" implemented by UNDP in Armenia**

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

**Unmodified Opinion**

In our opinion, the attached Statement of Fixed Assets presents fairly, in all material respects, the balance of fixed assets reported under the UNDP project, output number 83816, named "Modernization of Bagratashen, Bavra and Gogavan Border Crossing Points of the RA" amounting to 30,137.40 USD as at 31.12.2014 in accordance with UNDP accounting policies.

Bratislava, 8 June 2015



Marián Hudák, CA, FCCA  
Principal Auditor

**Auditor's Report from audit of "Modernization of Bagratashen, Bavra and Gogavan  
Border Crossing Points of the RA" implemented by UNDP in Armenia**

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**2.4. Signed Statement of Fixed Assets**



Statement of Assets and Equipment  
as at 31 December 2014

UNDP Country Office: Armenia	
Project title: Modernization of Bagratashen, Bavra and Gogavan Border Crossing Points of the RA	
Project ID:	00068950
Output ID:	00083816
Period covered from inception of project: as at 31 December 2014	

TAG NO.	ITEM DESCRIPTION	MANUFACTURER	SERIAL NO.	ACQUISITION DATE	ACQUISITION PRICE US\$	Net book value	Accumulated depreciation	ITEM LOCATION	CONDITION	RESPONS. PERSON/ENTITY	FUND	PROJECT No.	REMARKS
ARM10-0000000000857	Toyota Land Cruiser 150 2.7 LJ	Toyota	JTESX3F110K098980	17-Oct-12	38,230.96	30,137.40	8,093.56	ARMUNPREMI	working	Ara Ashjian	04000	00083816	
				TOTAL VALUE	38,230.96								

Signed by:  
Name: Gagik Shahinyan  
Title: Asset Focal point  
Date:

Signed by:  
Name: Ara Ashjian  
Title: National Project Coordinator  
Date:

Signed by: signature  
Name:  
Title: UNDP RR or DRR  
Date:

Certified by: Name:  
Title:  
Name of the Audit Firm:  
Date:

### **3. PART III - MANAGEMENT LETTER**

We enclose a letter that documents our observations and provide recommendations on certain matters identified during the performance of our audit of financial statements of the project described in the previous chapters.

It should be noted that these findings do not result from a specifically targeted review engagement but are only those that came to our attention during the course of our audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial 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 entity's internal control.

UNDP Armenia Office Management is responsible for the design, implementation and maintenance of the internal control system over the projects. To execute this obligation, the UNDP Armenia Office Management is required to assess the expected risks and rewards of the policies and procedures for management control.

The objectives of the internal control system are, to provide UNDP Directors and Management sufficient assurance that the project assets of the Company are protected from loss resulting from unauthorized use or manipulation, and that the project operations are performed in accordance with the policies adopted and are recorded properly in order to allow for the timely preparation of reliable accounting information in accordance with the applicable accounting principles.

We would like to thank the UNDP Armenia Office Management for their comments on individual management letter points, which we have considered in completing this letter.

This letter is intended primarily for the information and use of the Office of Audit and Investigation Director and UNDP Armenia Office Management.

Yours faithfully,



Marián Hudák  
Country Leading Partner and Principal Auditor  
**Deloitte Audit s.r.o.**

### **3.1. Procurement process**

#### ***Priority***

**Medium**

#### ***Observation***

During our audit we have observed several cases when the documentation in regard to procurement processes conducted by UNDP office in Armenia could be improved. The following weaknesses were identified:

1. Technical specification were not specific enough ,
2. Changes during the procurement process were not well justified, supported and documented,
3. Technical evaluation was without clear conclusions and not well documented,
4. Purchase order was sent to vendor before the approval of the procurement process,

These weaknesses were observed during the review of the following procurement cases:

#### **Procurement case RFQ 076/14**

- Decision to use Long Term Agreement was not well justified by comparative analysis between using the existing Long Term Agreement and conducting a competitive procurement process.
- Technical evaluation of the two proposals was weak and did not evidence deep evaluation, scoring and conclusion (rejection) of the evaluation committee. The evaluation report was not signed by the members of the evaluation committee.
- National counterpart rejected one quotation as it did not match the requirements but did not express any opinion on another quotation.

#### **Procurement case RFQ 085/14**

- Two lots were cancelled due to weaknesses in technical specifications.
- The technical evaluation did not include any decision (in the management response to the draft audit report the UNDP Armenia office provided additional documentation supporting the decisions made but the documentation was not included in the procurement filling system originally).

#### **Procurement case RFQ 085/14**

- Purchase order was sent to vendor on 5 February 2014 while the procurement process was reviewed by Contract, Assets and Procurement Committee and approved only on 16 February 2014.

**Auditor's Report from audit of "Modernization of Bagratashen, Bavra and Gogavan  
Border Crossing Points of the RA" implemented by UNDP in Armenia**

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***Recommendation***

We recommend improving the documentation of the procurement process (e.g. by using standard/ template forms) to enhance the transparency of the process and to ensure that the process was conducted in line with all relevant UNDP policies. Particularly, we recommend defining in Standard Operating Procedures which standard documents/ templates are to be used in the procurement process.

***Management Comments***

Management will consider implementation of this recommendation.

***Auditor's response***

No further comments.