

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP UKRAINE

COMMUNITY BASED APPROACH – PHASE III
(Directly Implemented Project No. 83522, Output Nos. 91957 and 91960)

Report No. 1789

Issue Date: 4 August 2017

**Report on the Audit of UNDP Ukraine
Community Based Approach – Phase III
(Project No. 83522, Output Nos. 91957 and 91960)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 15 to 26 May 2017, conducted an audit of Community Based Approach – Phase III Project No. 83522, Output Nos. 91957 Local Capacity Development and 91960 Knowledge Management, (the Project), which is directly implemented and managed by the UNDP Country Office in Ukraine (the Office). The last audit of the Project was conducted by P.S.P Audit LLC under HACT audits in 2016 covering the expenditure for the year ended 31 December 2015.

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 2016 and the accompanying Funds Utilization statement¹ as of 31 December 2016, as well as Statement of Assets as of 31 December 2016. The audit did not include expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). In addition, 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 reports and corresponding management letters submitted by the audit firm, the results are summarized in the table below:

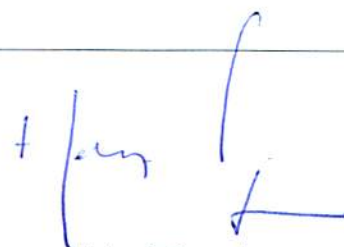
Project Expenditure			Project Assets	
Output Nos.	Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
91957	3,051*	Unqualified	0	N/A
91960	3,657**	Unqualified	327	Unqualified

*Expenditures recorded in the Combined Delivery Report were \$3,053,967. Excluded from the audit scope were expenditures processed and approved by other UNDP offices outside of the country (\$2,547).

**Expenditures recorded in the Combined Delivery Report were \$3,923,578. Excluded from the audit scope were expenditures processed and approved by other UNDP offices outside of the country (\$266,705).

¹ 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 recommendations.

A handwritten signature in blue ink is enclosed within a rectangular box. The signature is stylized and appears to read 'H. Osttveiten'.

Helge S. Osttveiten
Director
Office of Audit and Investigations

**UNITED NATIONS DEVELOPMENT PROGRAMME
(UNDP)**

AUDIT REPORT

28 July 2017

**FINANCIAL AUDIT OF THE UNDP DIRECTLY
IMPLEMENTED (DIM) PROJECT**

Local Capacity Development

UNDP Country Office: Ukraine
Atlas Project ID: 83522
Atlas Output ID: 91957
Auditor: Moore Stephens LLP
Period subject to audit: 1 January to 31 December 2016

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EXECUTIVE SUMMARY

Moore Stephens LLP conducted the financial audit of 'Local Capacity Development' (Project ID 83522 - Output 91957 ('the project')), directly implemented by UNDP Ukraine ('the Office') for the year ended 31 December 2016. The audit was undertaken on behalf of UNDP, Office of Audit and Investigations (OAI).

We have issued audit opinions as summarised in the table below and as detailed in the next section:

Statement of Expenditure	Unmodified
Statement of Assets & Equipment	Not applicable
Statement of Cash Position	Not applicable

As a result of our audit, we have raised no audit findings.

This output ID 91957 'Local Capacity Development' was audited in the prior year but there were no audit findings or recommendations raised.



Mark Henderson
Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

28 July 2017

MOORE STEPHENS

THE AUDIT ENGAGEMENT

Audit Objectives and Scope

The objective of the financial audit was to express an opinion on the DIM project's financial statements which include:

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January and 31 December 2016 and the funds utilization as at 31 December 2016 are fairly presented in accordance with UNDP accounting policies and that the expenses 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.
- Expressing an opinion on whether the statement of assets & equipment presents fairly the balance of assets of the UNDP project as at 31 December 2016. This statement must include all assets available as at 31 December 2016 and not only those purchased in a given period. Where a DIM project does not have any assets or equipment, it will not be necessary to express such an opinion.
- Expressing an opinion on whether the statement of cash held by the project presents fairly the cash and bank balance of UNDP project as at 31 December 2016. In cases where the cash transactions of the audited DIM project are made through the country office bank accounts, this type of opinion is not required.

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

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

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

Independent Auditor's Report to UNDP – Local Capacity Development

Statement of Expenditure

To the Director of the Office of Audit and Investigations United Nations Development Programme

Unmodified Opinion

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization statement totalling \$ 3,053,967.36 ("the statement") of the UNDP project ID 83522 - output ID 91957 'Local Capacity Development' for the period from 1 January to 31 December 2016. The CDR expenditure totalling \$ 3,053,967.36 is comprised of expenditure directly incurred by the UNDP Country Office in Ukraine for an amount of \$ 3,051,420.31 and expenditure not processed or approved by UNDP Country Office in Ukraine for an amount of \$ 2,547.05. Our audit only covered the expenditure directly incurred by the UNDP Country Office in Ukraine of \$ 3,051,420.31.

In our opinion, the attached Combined Delivery Report (CDR) and Funds Utilization statement presents fairly, in all material respects, the expenses of \$ 3,051,420.31 incurred by the output 'Local Capacity Development' for the period 1 January to 31 December 2016 in accordance with UNDP accounting policies and were: (i) in conformity with the approved 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the Statement of Expenditure' section of this report.

We are independent of UNDP in accordance with the IESBA Code of Ethics for Professional Accountants. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management responsibilities

UNDP project management is responsible for the preparation of the Statement and other financial records for the project's activities and for such internal control as management determines is necessary to enable the preparation of the Statement to be free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.

We communicate with UNDP project management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Mark Henderson
Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

28 July 2017

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Independent Auditor's Report to UNDP – Local Capacity Development

Statement of Assets and Equipment

We noted that UNDP output ID 91957 'Local Capacity Development' had no assets or equipment and accordingly a Statement of Fixed Assets was not produced.

Independent Auditor's Report to UNDP – Local Capacity Development

Statement of Cash Position

We noted that the UNDP output 'Local Capacity Development' did not have a dedicated bank account for DIM project activities subject to audit and accordingly a Statement of Cash Position was not produced.

MANAGEMENT LETTER

As a result of our audit, we have raised no audit findings.



Mark Henderson
Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

28 July 2017

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Annexes

Annex 1: Combined Delivery Report



Combined Delivery Report By Project

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Run Time: 18-07-2017 14:07:49

UN Development Programme
Report ID: unglcdrp

Selection Criteria :

Business Unit : UKR10
Period : Jan-Dec (2016)
Selected Project Id : 00083522
Selected Fund Code : ALL
Selected Dept. IDs : B0582
Selected Outputs : 00091957

Project Id : 00083522 CBA Project - Phase III	Period :	Jan-Dec (2016)
Output # : 00091957 Local Capacity Development	Impl. Partner :	99999 UNDP
	Location :	Ukraine

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Dept: 58201 (Ukraine - Central)				
Fund : 30079 (EUROPEAN COMMISSION)				
71165 - MIP Conts UN agy NOT adm UNDP	0.00	- 3,637.43	0.00	- 3,637.43
72605 - Grants to Instit & other Benef	0.00	3,637.43	0.00	3,637.43
Total for Fund 30079	0.00	0.00	0.00	0.00
Total for Dept : 58201	0.00	0.00	0.00	0.00
Dept: 58204 (Ukraine - Dem. Governance)				
Fund : 04000 (Core Programme, UNU Centre)				
72605 - Grants to Instit & other Benef	0.00	412,299.61	0.00	412,299.61
76125 - Realized Loss	0.00	2,370.24	0.00	2,370.24
Total for Fund 04000	0.00	414,669.85	0.00	414,669.85
Fund : 30079 (EUROPEAN COMMISSION)				
71165 - MIP Conts UN agy NOT adm UNDP	0.00	3,637.43	0.00	3,637.43
71610 - Travel Tickets-Local	0.00	1,753.94	0.00	1,753.94
71620 - Daily Subsistence Allow-Local	0.00	41,461.66	0.00	41,461.66
71635 - Travel - Other	0.00	7,756.06	0.00	7,756.06
72145 - Svc Co-Training and Educ Serv	0.00	274.32	0.00	274.32
72205 - Office Machinery	0.00	392.46	0.00	392.46
72605 - Grants to Instit & other Benef	0.00	2,191,703.62	0.00	2,191,703.62
72615 - Micro Capital Grants-Other	0.00	41,993.84	0.00	41,993.84
72705 - Hospitality-Special Events	0.00	0.00	0.00	0.00
72815 - Inform Technology Supplies	0.00	2,699.12	0.00	2,699.12
74205 - Audio Visual Productions	0.00	485.44	0.00	485.44
74215 - Promotional Materials and Dist	0.00	594.45	0.00	594.45
75105 - Facilities & Admin - Implement	0.00	172,652.76	0.00	172,652.76
75705 - Learning costs	0.00	173,715.60	0.00	173,715.60
76125 - Realized Loss	0.00	1,816.72	0.00	1,816.72
76135 - Realized Gain	0.00	- 1,639.91	0.00	- 1,639.91
Total for Fund 30079	0.00	2,639,297.51	0.00	2,639,297.51
Total for Dept : 58204	0.00	3,053,967.36	0.00	3,053,967.36
Total for Output : 00091957	0.00	3,053,967.36	0.00	3,053,967.36



Combined Delivery Report By Project

UN Development Programme

Page 2 of 4
Run Time: 18-07-2017 14:07:49

Project Id : 00083522 CBA Project - Phase III		Period :	Jan-Dec (2016)	
Output # : 00091957 Local Capacity Development		Impl. Partner :	99999 UNDP	
		Location :	Ukraine	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Project Total :	0.00	3,053,967.36	0.00	3,053,967.36
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Signed By : Blerta Ceta, Country Director Date : _____

Signed By : _____ Date : _____





Report ID: unglcdrp

Selection Criteria :

Business Unit : UKR10
Period : Jan-Dec (2016)
Selected Project Id : 00083522
Selected Fund Code : ALL
Selected Dept. IDs : B0582
Selected Outputs : 00091957

Project Id : ALL	Period : Jan-Dec (2016)			
Output # : ALL	Impl. Partner :			
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
58201 - Ukraine - Central	0.00	0.00	0.00	0.00
58204 - Ukraine - Dem. Governance	0.00	3,053,967.36	0.00	3,053,967.36



Funds Utilization

Selection Criteria :

Business Unit : UKR10
Period : Jan-Dec (2016)
Selected Project Id : 00083522
Selected Fund Code : ALL
Selected Dept. IDs : B0582
Selected Outputs : 00091957

Project/Award: 00083522 CBA Project - Phase III

Period : As at Dec 31, 2016

Output #	00091957	Impl. Partner :99999 UNDP	UNDP AMOUNT
	Outstanding NEX advances		0.00
	Undepreciated Fixed Assets		0.00
	Inventory		0.00
	Prepayments		0.00
	Commitments		0.00

Annex 2: Audit finding priority ratings

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.
Low	Action is considered desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the Auditors directly with the Office management, during the exit meeting and through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in the audit report.