

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP LEBANON

INCREASING ACCESS TO WATER
(Directly Implemented Project No. 77399, Output No. 88194)

Report No. 1933
Issue Date: 20 July 2018

**Report on the Audit of UNDP Lebanon
Increasing Access to Water (Project No. 77399, Output No. 88194)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 14 to 18 May 2018, conducted an audit of Increasing Access to Water (Project No. 77399, Output No. 88194) (the Project), which is directly implemented and managed by the UNDP Country Office in Lebanon (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 expenses for the period from 1 January to 31 December 2017 and the accompanying Funds Utilization statement¹ as of 31 December 2017 as well as Statement of Assets as of 31 December 2017. The audit did not cover 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 submitted by the audit firm, the results are summarized in the table below:

Project Expenses		Project Assets	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
6,425	Unmodified*	25	Unmodified

*Unmodified = unqualified or clean audit opinion.

The audit did not result in any recommendations.

Management comments and action plan

Management comments and/or additional information provided have been incorporated into the report, where appropriate.

Helge S. Osttveiten
Director
Office of Audit and Investigations

¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) undepreciated 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.

**UNITED NATIONS DEVELOPMENT PROGRAMME
(UNDP)
AUDIT REPORT
FINAL**

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

Increasing access to portable water

Output name:	Increasing access to water
UNDP Country Office:	Lebanon
Atlas Project ID:	77399
Atlas Output ID:	88194
Auditor:	Moore Stephens LLP
Period subject to audit:	1 January to 31 December 2017

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EXECUTIVE SUMMARY

Moore Stephens LLP conducted the financial audit of Output ID 88194 'Increasing access to water', part of Project ID 77399 'Increasing access to portable water' ("the project"), directly implemented by UNDP Lebanon ("The Office") for the year ended 31 December 2017. 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:

Project Financial Position	Unmodified
Statement of Fixed Assets	Unmodified
Statement of Cash Position	Not applicable

We have not raised any audit findings or recommendations as a result of our audit.

The output 88194 was not audited in the prior year.



Mark Henderson
Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

16 July 2018

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 position which includes:

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January and 31 December 2017 in the Combined Delivery Report (CDR), the Funds Utilization statement as at 31 December 2017 and the accounts receivable and accounts payable as at 31 December 2017 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 Fixed Assets, at net book value, presents fairly the balance of depreciated assets of the UNDP project as at 31 December 2017. This statement must include all assets available as at 31 December 2017 and not only those purchased in a given period.

Where a DIM project does not have any assets or equipment, it is not necessary to express such an opinion.

- Expressing an opinion on whether the Statement of Cash Position held by the project presents fairly the cash and bank balance of the UNDP project as at 31 December 2017.

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 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 2017. 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.

AUDIT OPINIONS

Independent Auditor's Report to UNDP – Increasing access to potable water

Project Financial Position

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

We have audited the financial position of the UNDP project ID 77399 'Increasing access to potable water' output ID 88194 'Increasing access to water' for the period from 1 January to 31 December 2017 which includes: (a) the accompanying Combined Delivery Report (CDR); (b) the Funds Utilization statement ("the statement"); and (c) the project-related accounts receivable and accounts payable.

Unmodified opinion

In our opinion, the attached CDR and Funds Utilization statement present fairly, in all material respects, the expenses of US\$ 6,424,702 directly incurred by the UNDP Country Office in Lebanon and charged to the project for the period from 1 January to 31 December 2017 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.

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' section of this report.

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

Management responsibilities

Management is responsible for the preparation of the CDR and the Funds Utilization statement of the project and for such internal control as management determines is necessary to enable the preparation of a CDR and Funds Utilization statement that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are 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 these documents.

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 CDR and the Funds Utilization 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 organization's internal control.

We communicate with those charged with governance 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

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16 July 2018

MOORE STEPHENS

Independent Auditor's Report to UNDP – Increasing Access to Water

Statement of Fixed Assets

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

Unmodified Opinion

We have audited the accompanying statement of fixed assets ('the statement') of the UNDP project ID 77399 'Increasing access to portable water' output ID 88194 'Increasing access to water' as at 31 December 2017.

In our opinion, the attached statement of fixed assets presents fairly, in all material respects, the assets status of the UNDP project 'Increasing Access to Water' amounting to \$ 25,360.41 as at 31 December 2017 in accordance with UNDP accounting policies set out in the note to the statement.

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 section of this report.

We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management responsibilities

Management is responsible for the preparation of the Statement of Fixed Assets of the project, and for such internal control as management determines is necessary to enable the preparation of a Statement of Fixed Assets that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Statement of Fixed Assets 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 of Fixed Assets.

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 of Fixed Assets, 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 organization's internal control.

We communicate with those charged with governance 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

16 July 2018

MOORE STEPHENS

Independent Auditor's Report to UNDP – Increasing Access to Water

Statement of Cash Position

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

We noted that the UNDP Project ID 77399 'Increasing access to portable water' Output ID 88194 'Increasing access to water' did not have a dedicated bank account for the DIM project activities subject to audit and accordingly a Statement of Cash Position was not produced.

Annexes

Annex 1: Combined Delivery Report



Combined Delivery Report By Project

Selection Criteria :

Business Unit : LBN10
Period : Jan-Dec (2017)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : B0456
Selected Outputs : 00088194

Project Id : 00077399 Increasing Access to Potable W		Period :	Jan-Dec (2017)	
Output # : 00088194 Increasing access to water		Impl. Partner :	01848 UNDP (Direct Execution)	
		Location :	Lebanon	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Dept: 45605 (Lebanon - Energy & Envirnmnt)

Fund : 30000 (PROGRAMME COST SHARING)

64397 - Services to projects -CO staff	0.00	78,707.27	0.00	78,707.27
71305 - Local Consult.-Sht Term-Tech	0.00	7,181.43	0.00	7,181.43
71405 - Service Contracts-Individuals	0.00	156,481.64	0.00	156,481.64
71410 - MAIP Premium SC	0.00	336.09	0.00	336.09
71415 - Contribution to Security SC	0.00	5,714.28	0.00	5,714.28
71505 - UN Volunteers-Stipend & Allow	0.00	7,691.20	0.00	7,691.20
71520 - UNV-Language Allowance	0.00	300.75	0.00	300.75
71535 - UNV-Medical Insurance	0.00	294.51	0.00	294.51
71540 - UNV-Global Charges	0.00	360.64	0.00	360.64
71541 - UNVs-Contribution to security	0.00	314.96	0.00	314.96
71550 - UNV-Resettlement Allowance	0.00	617.61	0.00	617.61
71565 - UNV-Natl Appoint/Sep incl Trvl	0.00	74.74	0.00	74.74
71590 - UNV Development Effectiveness	0.00	1,497.75	0.00	1,497.75
71615 - Daily Subsistence Allow-Intl	0.00	723.00	0.00	723.00
71635 - Travel - Other	0.00	152.00	0.00	152.00
72105 - Svc Co-Construction & Engineer	0.00	5,659,295.20	0.00	5,659,295.20
72115 - Svc Co-Natural Resources & Env	0.00	9,000.00	0.00	9,000.00
72311 - Fuel, petroleum and other oils	0.00	3,686.03	0.00	3,686.03
72399 - Other Materials and Goods	0.00	167.82	0.00	167.82
72425 - Mobile Telephone Charges	0.00	2,184.76	0.00	2,184.76
72505 - Stationery & other Office Supp	0.00	421.44	0.00	421.44
72815 - Inform Technology Supplies	0.00	16.52	0.00	16.52
73410 - Maint, Oper of Transport Equip	0.00	3,969.58	0.00	3,969.58
74210 - Printing and Publications	0.00	4,400.35	0.00	4,400.35
74505 - Insurance	0.00	696.00	0.00	696.00
74525 - Sundry	0.00	459.55	0.00	459.55
75105 - Facilities & Admin - Implement	0.00	475,903.36	0.00	475,903.36
75705 - Learning costs	0.00	308.35	0.00	308.35
75710 - Participation of counterparts	0.00	606.96	0.00	606.96
76110 - Foreign Exch Translation Loss	0.00	5.19	0.00	5.19
76125 - Realized Loss	0.00	1.56	0.00	1.56
76135 - Realized Gain	0.00	-0.15	0.00	-0.15
77660 - Dep Exp Owned -Vehicle	0.00	3,131.25	0.00	3,131.25
Total for Fund 30000	0.00	6,424,701.64	0.00	6,424,701.64
Total for Dept : 45605	0.00	6,424,701.64	0.00	6,424,701.64
Total for Output : 00088194	0.00	6,424,701.64	0.00	6,424,701.64



Combined Delivery Report By Project

Project Id : 00077399 Increasing Access to Potable W		Period :		Jan-Dec (2017)	
Output # : 00088194 Increasing access to water		Impl. Partner :		01848 UNDP (Direct Execution)	
		Location :		Lebanon	
	Govt Exp	UNDP Exp		UN Agencies Exp	Total Exp
Project Total :		0.00	6,424,701.64	0.00	6,424,701.64



Signed By : _____ Date : _____

Signed By : Juan Seaud Juan Seaud Date : 22 Feb. 2018

Programme Manager
Energy and Environment Programme



Combined Delivery Report By Project

Selection Criteria :

Business Unit : LBN10
Period : Jan-Dec (2017)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : B0458
Selected Outputs : 00088194

Project Id : ALL	Period : Jan-Dec (2017)			
Output # : ALL	Impl. Partner : Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
45605 - Lebanon - Energy & Envimmnt	0.00	6,424,701.64	0.00	6,424,701.64



Funds Utilization

Selection Criteria :

Business Unit : LBN10
Period : Jan-Dec (2017)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : B0456
Selected Outputs : 00088194

Project/Award: 00077399 Increasing Access to Potable W

Period : As at Dec 31, 2017

Output #	00088194	Impl. Partner :01846 UNDP (Direct Execution)	UNDP AMOUNT
	Outstanding NEX advances		0.00
	Depreciated Fixed Assets		25,360.41
	Unamortized Intangible Assets		0.00
	Inventory		0.00
	Prepayments		0.00
	Commitments		341,287.84

Annex 2: Statement of Fixed Assets as of 31 December 2017

2017 end of year asset certification - Project ID 00088194 - as of 31 December 2017

Business unit	Operating Unit	Asset ID	Profile ID	Description	TAG Number	Serial Number	Location	Acquisition Date	In Service Date	Cost,USD	Net Book Value	Quantity	Department	Impl Agency	Donor	Project	Fund code
LBN10	LBN	000000001529	MTRV4	Ford Explorer - SUV	KFW01	1FM5K8B86FGA23196	LBNTRPF6	4/7/2015	4/7/2015	32,900.00	25,360.41	1	45605	001981	10283	00088194	90000
TOTAL										32,900.00	25,360.41						

Jihan Seoud
Programme Analyst
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