



**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:

<b>Project Expenditures</b>		<b>Project Assets</b>	
<b>Amount (in \$ '000)</b>	<b>Opinion</b>	<b>Amount (in \$ '000)</b>	<b>Opinion</b>
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

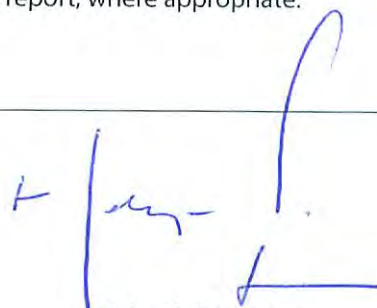
The recommendation aims to ensure reliability and integrity of financial and operational information.

<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.



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Director  
Office of Audit and Investigations