



AUDIT

OF

UNDP UKRAINE

EUROPEAN UNION BORDER ASSISTANCE MISSION TO MOLDOVA AND UKRAINE
PHASE 8
(Directly Implemented Project No. 76788)

Report No. 1127
Issue Date: 5 February 2013

Report on the audit of UNDP Ukraine - European Union Border Assistance Mission to Moldova and Ukraine Phase 8 (Project ID 76788) Executive Summary

From 8 to 12 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 European Union Border Assistance Mission to Moldova and Ukraine Phase 8, Project ID 76788 (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 \$10.9 million during the period from 1 January to 31 December 2011. The Project was funded by the European Union.

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		Cash	
Amount (in \$ '000)	Opinion	NFI (in \$ '000)	Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
10,853	Qualified	n/a	1,993	Unqualified	0.2	Unqualified

NFI = Net Financial Impact

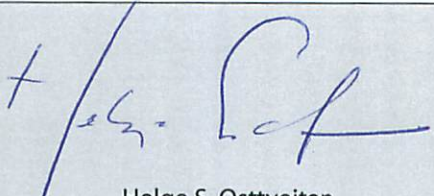
The audit firm qualified its opinion on project expenditure due to the incorrect recording of expenditure and reimbursement of Value-Added Tax (VAT) in the Combined Delivery Report. Expenditure of \$186,213 and VAT reimbursement of \$196,592 (a credit) were recorded under budgetary department 58205 and 58201, respectively. These amounts should have been recorded under budgetary department 58216.

Key issues and recommendations

The audit raised three issues and resulted in three recommendations, all were 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 late submissions to the Regional Advisory Committee on Procurement and improper allocation of Value Added Tax reimbursements in the Combined Delivery Report.

Management's comments

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

A handwritten signature in blue ink is enclosed in a rectangular box. The signature is cursive and appears to read 'H. S. Ostveiten'.

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 76788 that you agreed with us, we provide our Auditors' Report with respect to the accompanying Statement of Expenditures, Statement of Assets and Statement of Cash Position of the UNDP project the EUBAM 8 Project 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, Statement of Assets and Statement of Cash Position 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.
- Expressing an opinion on whether the Statement of Cash Position held by the project presents fairly in all material respects, the cash and bank balance of 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, unqualified opinion on Statement of Assets and unqualified opinion on Statement of Cash Position.

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	VAT reimbursement	Medium
Finding no.2	Presentation of expenditures in CDR	Medium
Finding no.3	Late RACP Submission	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

**European Union Border Assistance Mission to
Moldova and Ukraine**
Statement of Expenditures, Statement of Assets and
Statement of Cash Position
for the Period from 1 January 2011
to 31 December 2011

UNITED NATIONS DEVELOPMENT PROGRAMME

European Union Border Assistance Mission to Moldova and Ukraine

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Independent Auditors' Report – Statement of Expenditures

To Office of Audit and Investigations of UNDP

We have audited the accompanying Statement of Expenditures of the United Nations Development Programme (“UNDP”) project #76788 (Atlas ID 00042025), the European Union Border Assistance Mission to Moldova and Ukraine (“EUBAM”) 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 expenditures presented in the Statement of Expenditures under the department number 58201 amounting to USD -196,593 and under the department number 58205 amounting to USD 186,513 are not presented in accordance with UNDP accounting policies. The expenditures should be presented on the same disbursement lines, however under department number 58216 of the Statement of Expenditures.

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 10,852,868 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 Office of Audit and Investigations of UNDP

We have audited the accompanying Statement of Assets of the United Nations Development Programme (“UNDP”) project #76788 (Atlas ID 00042025), the European Union Border Assistance Mission to Moldova and Ukraine (“EUBAM”) 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 1,993,456 as at 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 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



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Independent Auditors' Report – Statement of Cash Position

To Office of Audit and Investigations of UNDP

We have audited the accompanying Statement of Cash Position of the United Nations Development Programme (“UNDP”) project #76788 (Atlas ID 00042025), the European Union Border Assistance Mission to Moldova and Ukraine (“EUBAM”) for the period from 1 January 2011 to 31 December 2011 and the summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of UNDP in accordance with UNDP accounting policies.

Management's Responsibility for the Statement of Cash Position

Management is responsible for the preparation and fair presentation of this Statement of Cash Position in accordance with UNDP accounting policies, and for such internal control as management determines is necessary to enable the preparation of the Statement of Cash Position 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 Cash Position 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 Cash Position. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Statement of Cash Position, 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 Cash Position 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 Cash Position.



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 Cash Position presents fairly, in all material respects, the cash balance amounting to USD 153 as at 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 3, the Basis of Presentation accompanying the Statement of Cash Position, which describes the basis of accounting. The Statement of Cash Position has been prepared to assist the entity to comply with the UNDP accounting policies referred to above. As a result, the Statement of Cash Position may not be suitable for another purpose.

KPMG SLOVAKIA

17 December 2012

Bratislava, Slovak Republic

UNITED NATIONS DEVELOPMENT PROGRAMME
European Union Border Assistance Mission to Moldova and Ukraine

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

Combined Delivery Report By Project

UN Development Programme
 ID: ungl143p

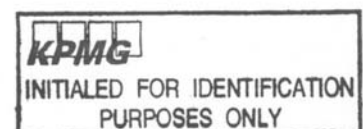
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Selection Criteria :

Business Unit : UKR10
 Period : Jan-Dec (2011)
 Award Id : 00042025
 Fund Code : ALL
 Dept. IDs : ALL
 Projects : 00076788

Project Id : 00042025 EU Border Assistance Mission	Period : Jan-Dec (2011)
Project # : 00076788 EUBAM 8	Impl. Partner : 03178 United Nations Development P
	Location :

	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
58201 (Ukraine - Central)					
30079 (EUROPEAN COMMISSION)					
72145 - Svc Co-Training and Educ Serv	0.00	225.00	0.00	0.00	225.00
72440 - Connectivity Charges	0.00	554.16	0.00	0.00	554.16
72505 - Stationery & other Office Supp	0.00	-184,510.54	0.00	0.00	-184,510.54
75105 - Facilities & Admin - Implement	0.00	-12,861.19	0.00	0.00	-12,861.19
for Fund 30079	0.00	-196,592.57	0.00	0.00	-196,592.57
for Dept : 58201	0.00	-196,592.57	0.00	0.00	-196,592.57
58205 (Ukraine - Energy & Environmt)					
30079 (EUROPEAN COMMISSION)					
61305 - Salaries - IP Staff	0.00	87,902.54	0.00	0.00	87,902.54
61310 - Post Adjustment - IP Staff	0.00	42,452.66	0.00	0.00	42,452.66
62305 - Dependency Allowances-IP Staff	0.00	3,458.76	0.00	0.00	3,458.76
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	26,884.61	0.00	0.00	26,884.61
62315 - Contrib. to medical, social in	0.00	1,526.47	0.00	0.00	1,526.47
62320 - Mobility, Hardship, Non-remova	0.00	3,776.54	0.00	0.00	3,776.54
64321 - Reassignment-Ticket Costs	0.00	150.00	0.00	0.00	150.00
64322 - Reassignments-Subsistence Allow	0.00	6,960.00	0.00	0.00	6,960.00
64324 - Reassignments-Shipment	0.00	1,200.00	0.00	0.00	1,200.00
75105 - Facilities & Admin - Implement	0.00	12,201.81	0.00	0.00	12,201.81
for Fund 30079	0.00	186,513.39	0.00	0.00	186,513.39
for Dept : 58205	0.00	186,513.39	0.00	0.00	186,513.39
58216 (Ukraine - Sub-office 2)					
30079 (EUROPEAN COMMISSION)					
61305 - Salaries - IP Staff	0.00	176,571.83	0.00	0.00	176,571.83
61310 - Post Adjustment - IP Staff	0.00	84,110.07	0.00	0.00	84,110.07
62305 - Dependency Allowances-IP Staff	0.00	6,839.91	0.00	0.00	6,839.91
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	54,122.52	0.00	0.00	54,122.52
62315 - Contrib. to medical, social in	0.00	3,222.96	0.00	0.00	3,222.96
62320 - Mobility, Hardship, Non-remova	0.00	28,377.24	0.00	0.00	28,377.24
62330 - Rental Supplements - IP Staff	0.00	3,720.00	0.00	0.00	3,720.00
63310 - Repat. Grant/Comm Annual Lv-IP	0.00	18,328.89	0.00	0.00	18,328.89
63330 - Ed Grt Incl Trvl&Allow-IP Stf	0.00	26,083.48	0.00	0.00	26,083.48
63530 - Contribution to Separations	0.00	6,517.09	0.00	0.00	6,517.09
63535 - Contribution to Security	0.00	10,427.32	0.00	0.00	10,427.32
63540 - Contribution to Training	0.00	6,517.09	0.00	0.00	6,517.09
64306 - Appointment-Ticket Costs	0.00	2,859.37	0.00	0.00	2,859.37
64307 - Appointment-Subsistence Allow	0.00	22,620.00	0.00	0.00	22,620.00
64308 - Appointments-Lump Sum	0.00	11,163.17	0.00	0.00	11,163.17
64309 - Appointment-Shipment	0.00	15,000.00	0.00	0.00	15,000.00
64310 - Separations - IP Staff	0.00	49,958.54	0.00	0.00	49,958.54
64321 - Reassignment-Ticket Costs	0.00	6,637.00	0.00	0.00	6,637.00



UNITED NATIONS DEVELOPMENT PROGRAMME
European Union Border Assistance Mission to Moldova and Ukraine

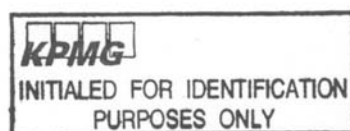
STATEMENT OF EXPENDITURES
AS AT 31 DECEMBER 2011
(in US dollars)

Combined Delivery Report By Project

UN Development Programme
 ID: ungl143p

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Project # : 00076788 EUBAM B		Period : Jan-Dec (2011)		Impl. Partner : 03178 United Nations Development P	
Project Name : 00042025 EU Border Assistance Mission		Location :			
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
64322 - Reassignmnts-Subsistence Allow	0.00	13,920.00	0.00	0.00	13,920.00
64323 - Reassignments-Lump Sum	0.00	9,482.81	0.00	0.00	9,482.81
64324 - Reassignments-Shipment	0.00	15,000.00	0.00	0.00	15,000.00
65115 - Contributions to ASHI Reserve	0.00	13,034.15	0.00	0.00	13,034.15
65135 - Payroll Mgt Cost Recovery ATLA	0.00	1,659.90	0.00	0.00	1,659.90
71110 - Medical Insurance - ALD	0.00	0.00	0.00	0.00	0.00
71205 - Intl Consultants-Sht Term-Tech	0.00	3,947,399.18	0.00	0.00	3,947,399.18
71210 - Intl Consultants-Sht Term-Supp	0.00	43,477.96	0.00	0.00	43,477.96
71305 - Local Consult.-Sht Term-Tech	0.00	1,151,165.69	0.00	0.00	1,151,165.69
71405 - Service Contracts-Individuals	0.00	245,803.55	0.00	0.00	245,803.55
71605 - Travel Tickets-International	0.00	136,887.46	0.00	0.00	136,887.46
71610 - Travel Tickets-Local	0.00	38,005.20	0.00	0.00	38,005.20
71615 - Daily Subsistence Allow-Intl	0.00	1,657,975.53	0.00	0.00	1,657,975.53
71620 - Daily Subsistence Allow-Local	0.00	119,632.62	0.00	0.00	119,632.62
71625 - Daily Substist Allow-Mtg Partic	0.00	375,524.52	0.00	0.00	375,524.52
71630 - Shipment	0.00	273.44	0.00	0.00	273.44
71635 - Travel - Other	0.00	549.00	0.00	0.00	549.00
72105 - Svc Co-Construction & Engineer	0.00	21,911.81	0.00	0.00	21,911.81
72120 - Svc Co-Trade and Business Serv	0.00	46,739.32	0.00	0.00	46,739.32
72130 - Svc Co-Transportation Services	0.00	696.03	0.00	0.00	696.03
72145 - Svc Co-Training and Educ Serv	0.00	288,969.75	0.00	- 3,783.10	285,186.65
72210 - Machinery and Equipment	0.00	1,069.20	0.00	0.00	1,069.20
72215 - Transporation Equipment	0.00	0.00	0.00	208,834.00	208,834.00
72220 - Furniture	0.00	15,879.26	0.00	0.00	15,879.26
72311 - Fuel, petroleum and other oils	0.00	28,107.65	0.00	0.00	28,107.65
72350 - Medical Kits	0.00	474.38	0.00	0.00	474.38
72399 - Other Materials and Goods	0.00	13,530.36	0.00	0.00	13,530.36
72402 - Building Maintenance	0.00	10,284.11	0.00	0.00	10,284.11
72405 - Acquisition of Communic Equip	0.00	30,458.14	0.00	0.00	30,458.14
72410 - Acquisition of Audio Visual Eq	0.00	4,130.55	0.00	0.00	4,130.55
72420 - Land Telephone Charges	0.00	11,295.34	0.00	0.00	11,295.34
72425 - Mobile Telephone Charges	0.00	133,552.48	0.00	0.00	133,552.48
72440 - Connectivity Charges	0.00	16,584.43	0.00	0.00	16,584.43
72505 - Stationery & other Office Supp	0.00	207,262.10	0.00	0.00	207,262.10
72510 - Publications	0.00	478.09	0.00	0.00	478.09
72620 - Joint Programming Expenditure	0.00	151.10	0.00	0.00	151.10
72715 - Hospitality Catering	0.00	60.16	0.00	0.00	60.16
72805 - Acquis of Computer Hardware	0.00	33,924.42	0.00	0.00	33,924.42
72810 - Acquis of Computer Software	0.00	18,257.02	0.00	0.00	18,257.02
72815 - Inform Technology Supplies	0.00	2,857.08	0.00	0.00	2,857.08
73105 - Rent	0.00	333,854.12	0.00	0.00	333,854.12
73106 - Leased premises alterations	0.00	2,515.65	0.00	0.00	2,515.65
73110 - Custodial & Cleaning Services	0.00	376.08	0.00	0.00	376.08
73120 - Utilities	0.00	13,941.80	0.00	0.00	13,941.80
73125 - Common Services-Premises	0.00	11,435.13	0.00	0.00	11,435.13
73205 - Premises Alternations	0.00	3,724.40	0.00	0.00	3,724.40
73210 - Reinforcement of premises	0.00	- 217.65	0.00	0.00	- 217.65
73410 - Maint, Oper of Transport Equip	0.00	202,317.86	0.00	0.00	202,317.86
74110 - Audit Fees	0.00	0.00	0.00	13,792.08	13,792.08
74215 - Promotional Materials and Dist	0.00	124,011.50	0.00	26,543.81	150,555.31
74505 - Insurance	0.00	17,392.80	0.00	0.00	17,392.80
74510 - Bank Charges	0.00	0.25	0.00	0.00	0.25
74525 - Sundry	0.00	263.82	0.00	0.00	263.82
74725 - Other L.T.S.H.	0.00	2,895.11	0.00	0.00	2,895.11
75105 - Facilities & Admin - Implement	0.00	694,608.85	0.00	0.00	694,608.85
75705 - Learning costs	0.00	11,489.57	0.00	0.00	11,489.57
75707 - Learning - subsistence allowan	0.00	9,453.47	0.00	0.00	9,453.47
76125 - Realized Loss	0.00	2.00	0.00	0.00	2.00
76135 - Realized Gain	0.00	- 44.68	0.00	0.00	- 44.68
for Fund 30079	0.00	10,617,560.35	0.00	245,386.79	10,862,947.14



UNITED NATIONS DEVELOPMENT PROGRAMME
European Union Border Assistance Mission to Moldova and Ukraine

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

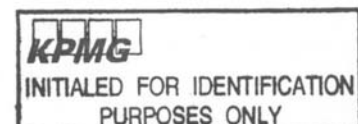
Combined Delivery Report By Project

UN Development Programme
 Report ID: ungl143p

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Project ID : 00042025 EU Border Assistance Mission	Period :	Jan-Dec (2011)			
Project # : 00076788 EUBAM 8	Impl. Partner :	03178 United Nations Development P			
	Location :				
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
for Dept : 58216	0.00	10,617,560.35	0.00	245,386.79	10,862,947.14
for Project : 00076788	0.00	10,607,481.17	0.00	0.00	10,852,867.96
Total :	0.00	10,607,481.17	0.00	0.00	10,852,867.96

Prepared By: Indo J. [Signature] Date: 26 March 2012



UNITED NATIONS DEVELOPMENT PROGRAMME
European Union Border Assistance Mission to Moldova and Ukraine

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

Movement of EUBAM's Capital and Non-Capital Assets is as follows:

Opening balance	1 903 838
Acquisitions during the year	59 845
Disposals	(37 379)
Adjustments	<u>67 152</u>
Closing balance	<u>1 993 456</u>

UNITED NATIONS DEVELOPMENT PROGRAMME
European Union Border Assistance Mission to Moldova and Ukraine

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

Cash balance as at 31 December 2011

153

UNITED NATIONS DEVELOPMENT PROGRAMME
European Union Border Assistance Mission to Moldova and Ukraine

**BASIS OF PRESENTATION FOR THE STATEMENTS OF EXPENDITURE,
ASSETS AND CASH POSITION 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.

3. STATEMENT OF CASH POSITION

All payments for the project's expenditures are performed from the UNDP's country office account or corporate account in the HQ. For all the payments in Ukrainian hryvnias (UAH) payment is performed from country office account.

EUBAM has its own bank account in local currency opened in State Export Import Bank of Ukraine.

6 June 2012

Mr. Oliver Adam
Resident Representative
UNDP Ukraine

Dear Mr. Oliver Adam,

In accordance with the established procedures regarding the submission of Inventory held in the **EUBAM** as at 31/12/2011, enclosed please find the **Project's Inventory Ledger** reflecting total assets of \$ **1,903,838.28** 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 01 January 2011:	\$1,903,838.28
Acquisitions in 2011 as of 31 December 2011:	\$59,845.04
Disposals in 2011 as of 31 December 2011:	\$ (37,379.48)
Adjustments in 2011 as of 31 December 2010:	\$67,152.00
- transfers in 2011 from MDA to UKR:	\$ 84,995.74
- transfers in 2011 from UKR to MDA:	(\$ 18,240.38)
- other adjustments made in 2011:	\$ 396.64
Closing Balance as of 31 December 2010:	\$ 1,993,455.84

Furthermore, we certify the following:

1. The **EUBAM** 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, 2010 through December 31, 2010.
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.

(Print name here):

Signature



Date:

17/02/2012

Atlas Bank to Book Reconciliation Report



GL Business Unit: UNDP1		Currency Code: UAH	
Operating Unit: UKR,Ukraine		Bank Name: THE STATE EXPORT IMPORT BK UKR	
Ext Bank Acct#: EXBSUAUX	Bank Code: 00058	Acct Name : UNDP REP UKR EUBAM (UAH) ACCT	
Account#: 26008010112379	Bank Account: 1003	Run Time	01-JAN-12 13:47
From Date: 2010-01-01	To Date: 2011-12-31		

Cash book	Reconciled	UnReconciled	Total
Cash book as of 2010-01-01			1,212,315.00
Treasury			
-Deals	0.00	0.00	0.00
-Bank Transfers	53,222,000.00	0.00	53,222,000.00
Accounts Receivable			
-Deposits	1,341,470.36	0.00	1,341,470.36
Accounts Payable			
-Cheques	(45,595.86)	(0.00)	(45,595.86)
-EFT	(0.00)	(0.00)	(0.00)
-Manual Payments	(55,730,036.90)	(0.00)	(55,730,036.90)
-Cancelled Payment Activity	N/A	0.00	0.00
Travel and Expenses			
-Payments	(0.00)	(0.00)	(0.00)
-Cancelled Payment Activity	N/A	0.00	0.00
Global Payroll	N/A	N/A	(0.00)
Global Payroll Adjustments	N/A	N/A	0.00
External Transactions Table			
-Fees and Interest	N/A	N/A	0.00
Cash book as of 2011-12-31			152.60

Bank reconciliation	
Bank statement balance	152.60
Add/(less):unreconciled TR transactions	
-Deals	0.00
-Bank Transfers	0.00
Add:unreconciled AR transactions	
-Deposits	0.00
(Less):unreconciled AP transactions	
-Cheques	(0.00)
-EFT	(0.00)
-Manual Payments	(0.00)
-Cancelled Payment Activity	0.00
(Less):unreconciled T&E transactions	
-Payments	(0.00)
-Cancelled Payment Activity	0.00
Unreconciled Transactions From Previous Period	0.00
Add/(less):unreconciled external items	
-Payments not in book and other unreconciled items	0.00
-Deposits not in book and other unreconciled items	0.00
Calculated Cash Book as of 2011-12-31	152.60
Difference to be Investigated	0.00

Prepared By

 N. Kuzmenko

Approved By

 Hristina Kladenova

Виписка за рахунком № 26008010112379 УАН Гривня
 З 29.12.2011 До 31.12.2011
 Банк 328618 ФІЛІЯ ВАТ "УКРЕКСІМБАНК", м.Одеса
 Клієнт Представництво ООН в Україні
 Податковий код (ЄДРПОУ) 1RNC012379

Enter EXIM
 Дата звіту
 11.01.2012 10:08:57

Дата оплати	Дата документа	Номер МФО	Рахунок	Податковий код (ЄДРПОУ)	Кореспондент	Дебет	Кредит
					Вхідний залишок 29.12.2011	129,00	
29.12.2011	29.12.2011	42812	300335	2600615032	32049199	ТОВ "МЕТРО КЕШ ЕНД КЕРІ УКРАЇНА"	23,60
Деталі операції		ПОВЕРНЕННЯ КОШТІВ ПО ПЕРЕДПЛАТІ ЗА ТОВАР ЗГІДНО РАХ.№ 3117000042537 ВІД В Т.Ч. ПДВ [№6400117270]					
Сума						0,00	23,60
						Вихідний залишок 31.12.2011	152,60

Випіски по рахунку №: 26000010112379 за 29/12/11

Клієнт: 000000000 ПРЕДСТАВНИЦТВО ОРГАНІЗАЦІЇ ОБ'ЄДНАНИХ НАЦІЯ В УКРАЇНІ

Адреса: 01021, м. Київ, вул. Кловський узвіз, 1

Дата	№№ рахунок	Кореспондент- ський рахунок	№№ доку- мента	ДЕБЕТ		КРЕДИТ	
				Балета	Гривня	Балета	Гривня

26000010112379.990 ПРЕДСТАВНИЦТВО ООН В УКРАЇНІ

980 Гривня

Дата останньої операції: 29/12/11

		Початкове сальдо:			0,00		129,00
29/12/11	300335 2600615032	1	42012				23,80
		Всього:		0,00	0,00	0,00	23,80
		Кінцеве сальдо:				0,00	152,80



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United Nations Development Programme

Project No.76788

Management Letter 2011

30 November 2012





KPMG Slovensko spol. s r.o. Tel +421 2 59984 111
Dvořákovo nábrežie 10 Fax +421 2 59984 888
811 02 Bratislava
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 (Ukraine) the final audit for the year ending 31 December 2011 of the EUBAM 8 Project, ATLAS project ID 76788 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 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 12 October 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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CDR

Combined Delivery Report

RACP

Regional Advisory Committee on Procurement

VAT

Value Added Tax

Observation 1

Late RACP submission

Observation 1

Late RACP submission

Condition:

During our testing we identified instances of late RACP submissions which is a departure from UNDP rules.

We have identified several work service contracts which were approved by RACP after the contract had been concluded, i.e., we identified 14 contracts each of them over USD 100 thousand which were concluded before RACP approval was provided. We included the list of work service contracts in the table below.

Work service contracts		
Person	RACP approval	Contract concluded
ALBARELLI JEAN-PIERRE	15.2.2011	1.12.2010
BARTOSZEK PIOTR	15.2.2011	1.12.2010
DE BLASIO ROSARIO	15.2.2011	1.12.2010
DUMITRESCU FLORIN	15.2.2011	1.12.2010
KARAKAS LAJOS ZSOLT	15.2.2011	1.12.2010
LINDSAAR INGE	15.2.2011	1.12.2010
NAGY TAMAS	15.2.2011	1.12.2010
NENOVA SNEJANA TZVETANOVA	15.2.2011	1.12.2010
PELLS MALCOLM	15.2.2011	1.12.2010
PISAR VLADIMIR	15.2.2011	1.12.2010
TOLS MARTINS	15.2.2011	1.12.2010
VAN ACKER JEAN	15.2.2011	1.12.2010
WINTERSBERGER MARTIN	15.2.2011	1.12.2010
ZGAJNER DAMJA	15.2.2011	1.12.2010

Criteria:

The UNDP considers a transaction over USD 100 thousand as significant, therefore contracts valued more than USD 100 thousand require prior review of the Regional Advisory Committee on Procurement.

Observation 1

Late RACP submission

Cause:

From our discussions with local management, we understand that the EUBAM project usually covers the period from 1st December until 30th November. In 2010, an extension of the project was announced by the European Union in late November so management had to take quick action to sign all relevant work service contracts. The RACP submissions were prepared afterwards.

Effect, potential impact or risk:

Late approvals create a post facto commitment which has not received prior approval in accordance with UNDP guidelines. This represents a departure from the UNDP's procurement policies and procedures.

Priority:

Medium

Recommendation:

Management should provide RACP approval before committing to any contractual obligation. In cases where the approval is not possible to obtain due to various unexpected reasons, a waiver of the approval from headquarters should be received.

Management comments:

Based on recommendation of the RACP Secretary, a number of IC contracts were extended within the limit of the delegated procurement authority. This was necessary due to a difference in understanding between the RACP and the Country Office which was solved in early 2011, following which all ICs were reviewed and extended by RACP. These could be considered as post facto submissions to RACP in 2011 representing contracts' extensions of those IC holders, who have been previously approved by RACP in 2009, when they were initially selected. All new selections have been timely submitted for RACP review.

Observation 1

Late RACP submission

Management comments:

In view of the large number of submissions and shortage of time, the CO consulted with the RACP chair prior to signing the contracts and asked for an exceptional approach. The agreement reached was that within the RR authority, the CO would commit to a maximum of 20% increase of the previous contracts, which meant 2.5 months. Therefore, the initial contracts have been issued for 2.5 months and extended for 9.5 months after RACP approval.

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. Afterwards VAT is distributed to the respective accounts in the CDR of the particular project. Then the finance team in Odessa reconciles the received amount to the claimed amount.

Before the VAT is reimbursed the finance team in Odessa books disbursements to CDR VAT inclusive. Reimbursed VAT related to EUBAM Odessa is then booked by the UNDP Kiev office to EUBAM Odessa CDR on account 72505 - Stationery & other Office Supplies. Afterwards, VAT is distributed by finance team in Odessa to accounts in CDR. The weakness in this process is that the VAT is not distributed to correct disbursement lines but only as one bulk amount.

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 proper presentation.

Cause:

The local accountants do not allocate the reimbursed VAT to the appropriate disbursement line. They book reimbursed VAT as a lump sum to one disbursement line in CDR.

Effect, potential impact or risk:

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

Priority:

Medium

Observation 2

VAT reimbursement

Recommendation:

In order to mitigate the risk of an 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:

It is correct that up to Jan 2012, VAT reimbursement related to payments to travel companies for air tickets was credited to two budget accounts: 71605 for international travel expenses and 71610 for travel within Mission area expenses. As VAT on air fare is only charged for local travel and VAT on travel agency's fee is negligent comparing to the amount of single payment to the Vendor, VAT amount was charged to the account 71610 (local travel expenses).

Upon introducing IPSAS since 01 January 2012, the procedure of accounting for VAT reimbursement has changed. Under the new procedure, all invoices containing VAT are being processed in the following way:

The amount excluding VAT is charged directly to project expenses and VAT is charged to the account 14056 which is used by UNDP to trace VAT reimbursement. In case the VAT on particular expense is not reimbursed by Tax Authorities, the finance team makes appropriate accounting entry (AP Journal Voucher) for the amount of VAT which was not reimbursed.

The new procedure has significantly facilitated the process of VAT reimbursement's maintenance in accounting books, and mitigated the risk of human mistakes when making Journal Voucher entries in ATLAS (under the previous procedure, one Journal Voucher consisted of average 50-60 entries which were made manually).

Observation 3

Presentation of expenditures
in CDR

Observation 3

Presentation of expenditures in CDR

Condition:

During our testing we identified VAT reimbursements which had been booked to improper department numbers. Department numbers represent identification numbers, similar to cost centers, for projects in UNDP offices. The EUBAM project in Odessa has the department number 58216, while the VAT reimbursement was booked to department number 58201. In general, the EUBAM project management in Odessa distributes VAT reimbursements through account 72505 - Stationery & other Office Supply, however accountants can only distribute it through the project's department number which is 58216. This setting caused department number 58201, account 72505 - Stationery & other Office Supply to show a negative amount, while the EUBAM correct department number 58216 is overstated for the same amount. Both department numbers are presented in the CDR.

Criteria:

Each office has its own department number which is stated on the CDR. Expenditures should be booked only to this department number.

Cause:

The VAT reimbursement from the tax authorities is collected by the UNDP Kiev office. The Kiev office booked the reimbursement to the incorrect department number which caused this department to show a negative amount in the CDR. The EUBAM accountants in Odessa cannot distribute VAT reimbursement from anywhere other than their department thus causing an improper presentation of account 72505 - Stationery & other Office Supply in CDR.

Effect, potential impact or risk:

There is an increased risk of incorrect presentation of disbursements in CDR.

Priority:

Medium

Observation 3

Presentation of expenditures in CDR

Recommendation:

In order to mitigate the risk of an incorrect presentation of disbursements in CDR, we recommend the accountants review amounts of reimbursement VAT during the financial year on a periodic basis as well as all the year end/close of the project.

Management comments:

Use of different departments does not affect the overall presentation of expenditures in the CDR. Furthermore, with IPSAS and change in the VAT procedure this has already been addressed.

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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