



AUDIT

OF

UNDP MOLDOVA

BIOMASS HEATING SYSTEM
(Directly Implemented Project No. 77341)

Report No. 1197
Issue Date: 21 October 2013

**Report on the audit of UNDP Moldova
Biomass Heating System (Project No. 77341)
Executive Summary**

From 17 June to 5 July 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through Deloitte Audit s.r.o. (the audit firm), conducted an audit of Biomass Heating System, Project No. 77341 (the Project), which is directly implemented and managed by the UNDP Office in Moldova (the Office). The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The last audit of the Office was conducted by OAI in 2012.

The Project reported expenditure totalling \$7.2 million during the period from 1 January to 31 December 2012. The Project was funded by the European Commission.

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 2012 and Statement of Assets as of 31 December 2012.

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 | |
|------------------------|-------------|------------------------|-------------|
| Amount (in \$ '000) | Opinion | Amount (in \$ '000) | Opinion |
| 7,208 | Unqualified | 1 | Unqualified |

The Statement of Assets included eight assets procured prior to 2012 that were fully expensed and not capitalized, and therefore a depreciation charge was not applicable to them. The acquisition cost of these assets was \$52,000.

Key issues and recommendations

The audit did not raise any reportable issues.



Antoine Khoury
Officer-in-Charge
Office of Audit and Investigations



Auditor's Report

From financial audit of “Biomass Heating System” implemented by UNDP in Moldova

1 October 2013

**Auditor's Report from audit of "Biomass Heating System"
implemented by UNDP in Moldova**

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**Auditor's Report from audit of "Biomass Heating System"
implemented by UNDP in Moldova**

1. PART I - EXECUTIVE SUMMARY

1.1. Purpose And Scope Of This Report

Based on Contract No. PS 2013/02 dated 6 June 2013 and following our appointment we have performed an audit of one development project implemented by UNDP in Moldova named "Biomass Heating System" for the financial year 2012.

The objective of the financial audit was 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.

UNDP Office in Moldova prepared statement of expenditure (Combined Delivery Report) for the project and year under the examination. We provided Auditor's opinion on this statement. There were no Statement of Cash Position prepared, therefore our scope was to verify just CDR and Statement of Fixed 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 | 2012 | Total |
|----------------|---------------|------------------------|----------------------|--------------|--------------|
| 61146 | 77341 | Biomass Heating System | UNDP | 7,207,531.35 | 7,207,531.35 |

**Auditor's Report from audit of "Biomass Heating System"
implemented by UNDP in Moldova**

1.3. Background Information About Project

The project purpose is to increase the use of renewable energy technology significantly through fuel switching and energy efficiency.

The project primarily focuses on improving heating comfort levels in rural public sector buildings including schools and community centers by using readily available waste straw supplied from local agricultural enterprises.

The overall objective of the project is to contribute to a more secure, competitive and sustainable energy production in the Republic of Moldova through a targeted support to the most viable and readily available local source of renewable energy, namely biomass from agricultural wastes.

1.4. Work Done

1.4.1. Expenditures verified

In average, we verified 94 % of all reported expenditures as shown in the following table:

Table 2

| Output | Year | No. of samples | Total expenditure as per CDR (in USD) | Total expenditure tested | Percentage |
|--------|------|----------------|---------------------------------------|--------------------------|------------|
| 77341 | 2012 | 102 | 7,207,531.35 | 6,779,815.61 | 94.0% |

1.4.2. On-the-spot audit

We performed part of fieldwork directly on-the-spot in the UNDP Moldova Office premises in Chisinau during the period June 17 - 21, 2013. The fieldwork was completed in Bratislava.

Overall Audit timeline was as follows:

Table 3

| Audit Phase | Timeline |
|------------------------------|------------------------|
| Planning | June 10 – 14, 2013 |
| Fieldwork | June 17 – July 5, 2013 |
| - Of which on the spot audit | June 17 - 21, 2013 |
| Reporting | July 8 – July 30, 2013 |

1.5. Conclusions

We identified only findings with low priority. Financial errors identified were insignificant.

Our opinion on the CDR together with signed CDR and opinion on Statement of Fixed Assets together with signed Statement of Fixed Assets is included in the Chapter 2 of this Report.

Findings and recommendations with low priority are not included in this Report but were provided separately to the Project Management.



Marián Hudák
Country Leading Partner and Executive
Deloitte Audit s.r.o.

2. PART II – AUDIT REPORT WITH OPINION

2.1. Opinion on CDR

REPORT OF THE INDEPENDENT AUDITOR ON THE OUTPUT “BIOMASS HEATING SYSTEM”

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 Combined Delivery Report (“the statement”) of the UNDP Directly Implemented Project, output number 77341 named “Biomass Heating System” for the period 1.1.2012 – 31.12.2012.

Management Responsibility

Management is responsible for the preparation of the statement for output 77341 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 applicable for this engagement. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statements are 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 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 estimates made by management, as well as evaluating the 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 expenditure of USD 7,207,531.35 incurred by the output “Biomass Heating System” for the period 1.1.2012 – 31.12.2012 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.

Bratislava, 1 October 2013

A handwritten signature in blue ink, appearing to read 'MH', is positioned above the printed name of the auditor.

Marián Hudák, CA, FCCA
Responsible Auditor
Licence SKAu No. 856

Auditor's Report from audit of "Biomass Heating System" implemented by UNDP in Moldova

2.2. Signed CDR



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 1 of 5
Run Time: 30-09-2013 11:09:06

Selection Criteria :

Business Unit : MDA10
Period : Jan-Dec (2012)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00077341

| | | | | |
|-----------------------|----------------------------|-----------------|------------------|-----------|
| Project Id : 00061146 | Moldova Energy and Biomass | Period : | Jan-Dec (2012) | |
| Output # : 00077341 | Biomass Heating System | Impl. Partner : | 02106 GOVERNMENT | |
| | | Location : | | |
| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |

Dept: 56404 (Moldova Rep- Dem. Governance)

Fund : 30079 (EUROPEAN COMMISSION)

| | | | | |
|--|-------------|-------------|-------------|-------------|
| 72425 - Mobile Telephone Charges | 0.00 | 0.42 | 0.00 | 0.42 |
| 75105 - Facilities & Admin - Implement | 0.00 | 0.03 | 0.00 | 0.03 |
| Total for Fund 30079 | 0.00 | 0.45 | 0.00 | 0.45 |
| Total for Dept : 56404 | 0.00 | 0.45 | 0.00 | 0.45 |

Dept: 56405 (Moldova Rep- Energy & Environmnt)

Fund : 30079 (EUROPEAN COMMISSION)

| | | | | |
|--|------------|--------------|------|--------------|
| 71205 - Intl Consultants-Sht Term-Tech | 0.00 | 9,134.33 | 0.00 | 9,134.33 |
| 71305 - Local Consult.-Sht Term-Tech | 0.00 | 100,210.14 | 0.00 | 100,210.14 |
| 71405 - Service Contracts-Individuals | 0.00 | 210,315.64 | 0.00 | 210,315.64 |
| 71410 - MAIP Premium SC | 0.00 | 155.60 | 0.00 | 155.60 |
| 71415 - Contribution to Security SC | 0.00 | 0.00 | 0.00 | 0.00 |
| 71605 - Travel Tickets-International | 0.00 | 827.66 | 0.00 | 827.66 |
| 71615 - Daily Subsistence Allow-Intl | 0.00 | 2,897.80 | 0.00 | 2,897.80 |
| 71635 - Travel - Other | 0.00 | 314.38 | 0.00 | 314.38 |
| 72105 - Svc Co-Construction & Engineer | 0.00 | 6,096,845.55 | 0.00 | 6,096,845.55 |
| 72115 - Svc Co-Natural Resources & Env | 190,999.25 | 0.00 | 0.00 | 190,999.25 |
| 72210 - Machinery and Equipment | 0.00 | 293.29 | 0.00 | 293.29 |
| 72220 - Furniture | 0.00 | 9,023.50 | 0.00 | 9,023.50 |
| 72311 - Fuel, petroleum and other oils | 0.00 | 9,954.89 | 0.00 | 9,954.89 |
| 72399 - Other Materials and Goods | 0.00 | 706.53 | 0.00 | 706.53 |
| 72402 - Building Maintenance | 0.00 | 2,233.97 | 0.00 | 2,233.97 |
| 72405 - Acquisition of Communic Equip | 0.00 | 685.81 | 0.00 | 685.81 |
| 72415 - Courier Charges | 0.00 | 41.89 | 0.00 | 41.89 |
| 72420 - Land Telephone Charges | 0.00 | 478.30 | 0.00 | 478.30 |
| 72425 - Mobile Telephone Charges | 0.00 | 3,653.51 | 0.00 | 3,653.51 |
| 72430 - Postage and Pouch | 0.00 | 8.94 | 0.00 | 8.94 |
| 72440 - Connectivity Charges | 0.00 | 1,713.00 | 0.00 | 1,713.00 |
| 72505 - Stationery & other Office Supp | 0.00 | 4,842.75 | 0.00 | 4,842.75 |
| 72815 - Inform Technology Supplies | 0.00 | 1,410.49 | 0.00 | 1,410.49 |
| 73104 - Leased Building | 0.00 | 23,684.95 | 0.00 | 23,684.95 |
| 73105 - Rent | 0.00 | -1,115.77 | 0.00 | -1,115.77 |
| 73120 - Utilities | 0.00 | 2,098.41 | 0.00 | 2,098.41 |
| 73125 - Common Services-Premises | 0.00 | 1,625.76 | 0.00 | 1,625.76 |
| 73405 - Rental & Maint-Other Office Eq | 0.00 | 883.96 | 0.00 | 883.96 |
| 73410 - Maint, Oper of Transport Equip | 0.00 | 2,104.57 | 0.00 | 2,104.57 |
| 73420 - Leased Vehicles | 0.00 | 35,698.68 | 0.00 | 35,698.68 |
| 74205 - Audio Visual Productions | 0.00 | 2,096.80 | 0.00 | 2,096.80 |
| 74210 - Printing and Publications | 0.00 | 6,168.80 | 0.00 | 6,168.80 |

Deloitte.
Signed For Identification

Auditor's Report from audit of "Biomass Heating System" implemented by UNDP in Moldova



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 2 of 5
Run Time: 30-09-2013 11:09:06

| | | | | |
|--|------------|----------------------------------|-----------------|--------------|
| Project Id : 00061146 Moldova Energy and Biomass | | Period : Jan-Dec (2012) | | |
| Output # : 00077341 Biomass Heating System | | Impl. Partner : 02106 GOVERNMENT | | |
| | | Location : | | |
| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
| 74215 - Promotional Materials and Dist | 0.00 | 339.05 | 0.00 | 339.05 |
| 74225 - Other Media Costs | 0.00 | 2,944.30 | 0.00 | 2,944.30 |
| 74510 - Bank Charges | 0.00 | 696.71 | 0.00 | 696.71 |
| 74515 - Claims and Adjustments | 0.00 | 51.55 | 0.00 | 51.55 |
| 74525 - Sundry | 0.00 | - 279.14 | 0.00 | - 279.14 |
| 74965 - Low value equipment | 0.00 | 2,249.42 | 0.00 | 2,249.42 |
| 75105 - Facilities & Admin - Implement | 0.00 | 471,513.10 | 0.00 | 471,513.10 |
| 75705 - Learning costs | 0.00 | 9,471.56 | 0.00 | 9,471.56 |
| 76125 - Realized Loss | 0.00 | 11,056.83 | 0.00 | 11,056.83 |
| 76130 - Unrealized Gain | 0.00 | - 5,345.86 | 0.00 | - 5,345.86 |
| 76135 - Realized Gain | 0.00 | - 5,594.48 | 0.00 | - 5,594.48 |
| 77630 - Dep Exp Owned - ITC | 0.00 | 434.48 | 0.00 | 434.48 |
| Total for Fund 30079 | 190,999.25 | 7,016,531.65 | 0.00 | 7,207,530.90 |
| Total for Dept : 56405 | 190,999.25 | 7,016,531.65 | 0.00 | 7,207,530.90 |
| Total for Output : 00077341 | 190,999.25 | 7,016,532.10 | 0.00 | 7,207,531.35 |
| Project Total : | 190,999.25 | 7,016,532.10 | 0.00 | 7,207,531.35 |

Signed By :

Varine Sahakyan, R.A. a.i.

Date :

01.10.2013

Signed By :

Date :

Deloitte.
Signed For Identification

Auditor's Report from audit of "Biomass Heating System" implemented by UNDP in Moldova



UNDP UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 3 of 5
Run Time: 30-09-2013 11:09:07

Selection Criteria :

Business Unit : MDA10
Period : Jan-Dec (2012)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00077341

| | | | | |
|---|------------|-------------------------|-----------------|--------------|
| Project Id : ALL | | Period : Jan-Dec (2012) | | |
| Output # : ALL | | Impl. Partner : | | |
| | | Location : | | |
| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
| 56404 - Moldova Rep- Dem. Governance | 0.00 | 0.45 | 0.00 | 0.45 |
| 56405 - Moldova Rep- Energy &Environmnt | 190,999.25 | 7,016,531.65 | 0.00 | 7,207,530.90 |

Deloitte.
Signed For Identification

**Auditor's Report from audit of "Biomass Heating System"
implemented by UNDP in Moldova**



UN Development Programme
Report ID: unglcdp

Combined Delivery Report By Project

Page 4 of 5
Run Time: 30-09-2013 11:09:08

Funds Utilization

Selection Criteria:

Business Unit : MDA10
Period : Jan-Dec (2012)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00077341

Project/Award: 00061146 Moldova Energy and Biomass

Period : As at Dec 31, 2012

Output # 00077341 Impl. Partner :02106 GOVERNMENT

| | UNDP AMOUNT |
|----------------------------|-------------|
| Outstanding NEX advances | 9,065.31 |
| Undepreciated Fixed Assets | 1,380.52 |
| Inventory | 1,150.06 |
| Prepayments | 0.00 |
| Commitments | 0.00 |

[Signature]
Narine Salakhyan, UNDP R.R. a.i. 01.10.2013

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Signed For Identification

Auditor's Report from audit of "Biomass Heating System" implemented by UNDP in Moldova



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

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Run Time: 30-09-2013 11:09:08

Schedule to Combined Delivery Report IPSAS Adjustments as at 1 January 2012

Selection Criteria :

Business Unit : MDA10
Selected Project(s): ALL
Selected Fund Code : ALL
Selected Output(s): 00077341

| Project Id : 00061146 Moldova Energy and Biomass | | | | |
|--|---------|----------|--------------|--------|
| Output # : 00077341 Biomass Heating System | | | | |
| Impl. Partner : 02106 GOVERNMENT | | | | |
| Description | Account | Fund | Donor | Amount |
| Unliquidated Obligations | 21015 | 30079-EC | 10159-EUCOMM | 890.00 |
| Total for Output : 00077341 | | | | 890.00 |
| Project Total : | | | | 890.00 |

NOTES :

UNDP adopted IPSAS on 1 January 2012 which recognizes an expense based on goods received and/or services rendered. Consequently, expenses related to some IPSAS opening balance would be duplicated in the 2012 CDRs because of the following:

1. Goods received or services rendered in 2012 on non-fixed asset open purchase orders raised prior to 2012 would be recognized as an expense in 2012. These were ULOs in 2011
2. 2012 Inventory opening balances would be expensed in 2012 when goods are consumed or delivered
3. 2012 Prepaid opening balances would be expensed in 2012 when goods are received or services rendered

Deloitte.
Signed For Identification

2.3. Opinion on Statement of Fixed Assets

REPORT OF THE INDEPENDENT AUDITOR ON THE OUTPUT “BIOMASS HEATING SYSTEM”

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 Statement of Fixed Assets

We have audited the accompanying Statement of Fixed Assets (“the statement”) of the UNDP Directly Implemented Project, output number 77341 named “Biomass Heating System” for the period 1.1.2012 – 31.12.2012.

Management Responsibility

Management is responsible for the preparation of the statement for output 77341 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 applicable for this engagement. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statements are 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 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 estimates made by management, as well as evaluating the 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 Statement of Fixed Assets presents fairly, in all material respects, the balance of fixed assets of the UNDP output "Biomass Heating System" amounting to USD 1,380.52 as at 31.12.2012 in accordance with UNDP accounting policies.

Bratislava, 1 October 2013

A handwritten signature in blue ink, appearing to read 'MH', is positioned above the printed name of the auditor.

Marián Hudák, CA, FCCA
Responsible Auditor
Licence SKAu No. 856

2.4. Signed Statement of Fixed Assets

Statement of Assets

| No | Tag ID | Item | Description | Location | Project ID | Asset Profile | Quantity | Serial Number | Acquisition Date | In Service Date | Acquisition Cost | Currency | Acquisition Cost (USD) | Net Book Value (USD) | Comment |
|----|----------|-------------|--------------------------------|------------|------------|------------------------------|----------|------------------------|------------------|-----------------|------------------|----------|------------------------|----------------------|--|
| 1 | MEBP-048 | 00000000809 | Xerox WorkCentre5735A Finisher | MDAMEBP001 | 00077341 | ITCS | 1 | BFO-1 | 2/15/2012 | 2/15/2012 | 925 | USD | 925 | 713.02 | Asset recorded in Atlas |
| 2 | MEBP-047 | 00000000817 | Xerox ColorCube 8570 DN | MDAMEBP001 | 00077341 | ITC4 | 1 | XFN059743 | 1/31/2012 | 1/31/2012 | 890 | USD | 890 | 667.5 | Asset recorded in Atlas |
| 3 | MEBP-001 | n/a | Ford Focus Sedan 1.6 | MDAMEBP001 | 00077341 | Vehicles | 1 | VIN: WFOHXXWP0HBL54680 | 6/7/2011 | 6/7/2011 | 15,099.72 | USD | 15,099.72 | n/a | Asset procured in 2011 and not recorded in Atlas; depreciation is not applicable |
| 4 | MEBP-002 | n/a | Mitsubishi Outlander XL 2.0 | MDAMEBP001 | 00077341 | Vehicles | 1 | VIN: JMBXTCW4WBU005479 | 6/27/2011 | 6/27/2011 | 25,759.00 | USD | 25,759.00 | n/a | Asset procured in 2011 and not recorded in Atlas; depreciation is not applicable |
| 5 | MEBP-007 | n/a | Xerox WorkCentre 5735A | MDAMEBP001 | 00077341 | Information and telecomm ICT | 1 | 3643332069 (200) | 7/8/2011 | 7/8/2011 | 4,525.00 | USD | 4,525.00 | n/a | Asset procured in 2011 and not recorded in Atlas; depreciation is not applicable |
| 6 | MEBP-019 | n/a | HP EliteBook 8440p Notebook PC | MDAMEBP001 | 00077341 | Information and telecomm ICT | 1 | CZC 1274GVZ | 9/5/2011 | 9/5/2011 | 1,302.85 | USD | 1,302.85 | n/a | Asset procured in 2011 and not recorded in Atlas; depreciation is not applicable |
| 7 | MEBP-020 | n/a | HP EliteBook 8440p Notebook PC | MDAMEBP001 | 00077341 | Information and telecomm ICT | 1 | CZC 1280VLQ | 9/5/2011 | 9/5/2011 | 1,302.85 | USD | 1,302.85 | n/a | Asset procured in 2011 and not recorded in Atlas; depreciation is not applicable |
| 8 | MEBP-021 | n/a | HP EliteBook 8440p Notebook PC | MDAMEBP001 | 00077341 | Information and telecomm ICT | 1 | CZC 1280VLW | 9/5/2011 | 9/5/2011 | 1,302.85 | USD | 1,302.85 | n/a | Asset procured in 2011 and not recorded in Atlas; depreciation is not applicable |
| 9 | MEBP-022 | n/a | HP EliteBook 8440p Notebook PC | MDAMEBP001 | 00077341 | Information and telecomm ICT | 1 | CZC 1280VLY | 9/5/2011 | 9/5/2011 | 1,302.85 | USD | 1,302.85 | n/a | Asset procured in 2011 and not recorded in Atlas; depreciation is not applicable |
| 10 | MEBP-023 | n/a | HP EliteBook 8440p Notebook PC | MDAMEBP001 | 00077341 | Information and telecomm ICT | 1 | CZC 1280VLV | 9/5/2011 | 9/5/2011 | 1,302.85 | USD | 1,302.85 | n/a | Asset procured in 2011 and not recorded in Atlas; depreciation is not applicable |

Certified by:

Signature: 
 Name: Stanislav Blandaru
 Title: Operations Manager, UNDP Moldova

Signature: 
 Name: Alexandru Ursul
 Title: Project Manager, Moldova Energy and Biomass Project

Deloitte.
 Signed For Identification

3. PART III - MANAGEMENT LETTER

We identified only findings with low priority. Findings and recommendations with low priority are not included in this Report but are provided separately to the Project Management.

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 Moldova Office Management is responsible for the design, implementation and maintenance of the internal control system over the projects. To execute this obligation, the UNDP Moldova 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 Moldova Office Management for their comments on individual management letter points, which we have considered in completing this letter.

This letter together with low priority findings are intended primarily for the information and use of the Office of Audit and Investigation Director and UNDP Moldova Office Management.

We would be pleased to discuss our comments with you further, and if requested, to assist you in implementing any of the recommendations.

Yours faithfully,



Marián Hudák
Country Leading Partner and Executive
Deloitte Audit s.r.o.