



AUDIT

OF

UNDP UKRAINE

**RAPID RESPONSE TO SOCIAL AND ECONOMIC ISSUES OF
INTERNALLY DISPLACED PEOPLE IN UKRAINE
(Directly Implemented Project No. 83016, Output No. 94682)**

Report No. 1639

Issue Date: 14 July 2016

Report on the Audit of UNDP Ukraine
Rapid Response to Social and Economic Issues of Internally Displaced People in Ukraine
(Project No. 83016, Output No. 94682)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 2 to 13 May 2016, conducted an audit of Rapid Response to Social and Economic Issues of Internally Displaced People in Ukraine (Project No. 83016, Output No. 94682) (the Project), which is directly implemented and managed by the UNDP Country Office in Ukraine (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 2015, and the accompanying Funds Utilization statement¹ as well as Statement of Assets as of 31 December 2015. The audit did not include activities and expenses incurred or undertaken at the "responsible party" level, or expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). In addition, the audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit results

Based on the audit 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
3,637	Unqualified	25	Unqualified

*Expenditures recorded in the Combined Delivery Report were \$3,651,215. Excluded from the audit scope were transactions that relate to expenditures processed by other United Nations agencies (\$13,717).

Key recommendation: Total = 1, high priority = 0

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." This recommendation includes actions to address an overstatement in the commitment balance on the Funds Utilization statement (without impact on the expenditure reported).

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

¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) depreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

Management comments and action plan

The UN Resident Coordinator and UNDP 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.

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

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

**UNITED NATIONS DEVELOPMENT PROGRAMME
(UNDP)**

AUDIT REPORT

30 June 2016

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

**Rapid Response to Social and Economic Issues of
Internally Displaced People in Ukraine**

UNDP Country Office:	Ukraine
Atlas Project ID:	83016
Atlas Output number:	94682
Auditor:	Moore Stephens LLP
Period subject to audit:	1 January to 31 December 2015

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EXECUTIVE SUMMARY

Moore Stephens LLP conducted the financial audit of Rapid Response to Social and Economic Issues of Internally Displaced People in Ukraine (Project ID 83016 and Output 94682 (the project), directly implemented by UNDP Ukraine ('the Office') for the year ended 31 December 2015. The audit was undertaken on behalf of UNDP, Office of Audit and Investigations (OAI).

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

Statement of Expenditure	Unqualified
Statement of Fixed Assets	Unqualified
Statement of Cash Position	Not applicable

As a result of our audit, we have raised one audit finding with no financial impact as summarised below:

No.	Description	Priority	Net financial impact \$
1	Error in the commitments balance on the Funds Utilization Statement	Medium	-
Total			-



Mark Henderson
Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

30 June 2016

THE AUDIT ENGAGEMENT

Audit Objectives and Scope

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

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January and 31 December 2015 and the funds utilization as at 31 December 2015 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 presents fairly the balance of assets of the UNDP project as at 31 December 2015. This statement must include all assets available as at 31 December 2015 and not only those purchased in a given period. Where a DIM project does not have any assets or equipment, it will not be necessary to express such an opinion.
- Expressing an opinion on whether the statement of cash held by the project presents fairly the cash and bank balance of UNDP project as at 31 December 2015.

The scope of the audit relates only to transactions concluded and recorded against the UNDP DIM project between 1 January and 31 December 2015. 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 - Rapid Response to Social and Economic Issues of Internally Displaced People in Ukraine

Statement of Expenditure

Unqualified Opinion

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization statement totalling \$3,651,214.75 ("the statement") of the UNDP project 83016 'Rapid Response to Social and Economic Issues of Internally Displaced People in Ukraine' for the period from 1 January to 31 December 2015. CDR expenditure totalling \$13,717.26 not processed or approved by the Office was not within the scope of our audit.

Management is responsible for the preparation of the statement 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.

Our responsibility is to express an opinion on the statement 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 is 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 statement 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.

Unqualified Opinion

In our opinion, the attached Combined Delivery Report (CDR) and Funds Utilization statement presents fairly, in all material respects, the expenses of \$3,637,497.49 incurred by the project Rapid Response to Social and Economic Issues of Internally Displaced People in Ukraine for the period 1 January to 31 December 2015 in accordance with UNDP accounting policies and were i) in conformity with the approved budget; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.



Mark Henderson
Partner

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150 Aldersgate Street
London EC1A 4AB

30 June 2016

Independent Auditor's Report to UNDP - Rapid Response to Social and Economic Issues of Internally Displaced People in Ukraine

Statement of Assets and Equipment

Unqualified Opinion

We have audited the accompanying Statement of Fixed Assets ('the statement') of the UNDP project 83016 'Rapid Response to Social and Economic Issues of Internally Displaced People in Ukraine' as at 31 December 2015.

Management is responsible for the preparation of the statement 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.

Our responsibility is to express an opinion on the statement 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 is 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 schedule 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.

Unqualified Opinion

In our opinion, the attached Statement of Assets presents fairly, in all material respects, the balance of inventory of the UNDP project Rapid Response to Social and Economic Issues of Internally Displaced People in Ukraine amounting to \$24,821.15 as at 31 December 2015 in accordance with UNDP accounting policies.



Mark Henderson
Partner

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30 June 2016

Independent Auditor's Report to UNDP - Rapid Response to Social and Economic Issues of Internally Displaced People in Ukraine

Statement of Cash Position

We noted that the UNDP project Rapid Response to Social and Economic Issues of Internally Displaced People in Ukraine did not have a dedicated bank account for DIM project activities subject to audit and accordingly a Statement of Cash Position was not produced.

MANAGEMENT LETTER

The findings related to the audit of the financial statements are discussed in our management letter below:

Finding n°: 1	Title: Error in the commitments balance on the Funds Utilization Statement
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Observation:

In line with UNDP accounting procedures, an open commitment balance exists at the end of a period where there is an open purchase order (PO) which has not been fully offset by payment vouchers, i.e. has not been fully paid.

The commitment balance is stated at the VAT exclusive amount. However, we noted that the commitment on PO UKR10-0000030045 included VAT. The correct commitment balance is \$42,543 but the balance on the Funds Utilization Statement is \$51,051, therefore the balance is overstated by \$8,509.

There is no financial impact on the expenditure reported on the CDR as a result of this error.

Priority: Medium

Recommendation:

We recommend that the Office ensure sufficient training is provided to all finance staff to ensure they are aware of the procedures relating to the recording of VAT in Atlas.

Management comments:

The CO acknowledges the mistake at the level of CoA of the VAT line. The corrective transaction has been made to record VAT in a separate line. The necessary training is provided to procurement staff in order to prevent similar mistakes in the future. All consecutive POs have been created correctly.



Mark Henderson
Partner

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30 June 2016

Annexes

Annex 1: Combined Delivery Report

Combined Delivery Report By Project

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Run Time: 13-05-2016 14:05:08



UN Development Programme
Report ID: unglcdrp

Selection Criteria :

Business Unit : UKR10
Period : Jan-Dec (2015)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00094682

Project Id : 00093016	Response to IDPs Issues	Period :	Jan-Dec (2015)
Output # : 00094682	Rapid Response	Impl. Partner :	99999 UNDP
		Location :	

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Dept: 58205 (Ukraine - Energy & Environment)				
Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)				
72615 - Micro Capital Grants-Other	0.00	18,699.84	0.00	18,699.84
75105 - Facilities & Admin - Implement	0.00	1,495.99	0.00	1,495.99
Total for Fund 32045	0.00	20,195.83	0.00	20,195.83
Total for Dept : 58205	0.00	20,195.83	0.00	20,195.83
Dept: 58206 (Ukraine - HIV/AIDS)				
Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)				
72615 - Micro Capital Grants-Other	0.00	0.00	0.00	0.00
Total for Fund 32045	0.00	0.00	0.00	0.00
Total for Dept : 58206	0.00	0.00	0.00	0.00
Dept: 58208 (Ukraine - Poverty Reduction)				
Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)				
63360 - Medical Exams(Incl Pre-empt)	0.00	919.25	0.00	919.25
71205 - Intl Consultants-Sht Term-Tech	0.00	19,864.00	0.00	19,864.00
71305 - Local Consult.-Sht Term-Tech	0.00	29,369.41	0.00	29,369.41
71405 - Service Contracts-Individuals	0.00	296,749.94	0.00	296,749.94
71410 - MAIP Premium SC	0.00	1,066.95	0.00	1,066.95
71415 - Contribution to Security SC	0.00	12,205.26	0.00	12,205.26
71605 - Travel Tickets-International	0.00	566.03	0.00	566.03
71610 - Travel Tickets-Local	0.00	2,400.78	0.00	2,400.78
71615 - Daily Subsistence Allow-Intl	0.00	204.88	0.00	204.88
71620 - Daily Subsistence Allow-Local	0.00	12,347.66	0.00	12,347.66
71635 - Travel - Other	0.00	12,519.88	0.00	12,519.88
72105 - Svc Co-Construction & Engineer	0.00	705,091.54	0.00	705,091.54
72120 - Svc Co-Trade and Business Serv	0.00	32,707.50	0.00	32,707.50
72135 - Svc Co-Communications Service	0.00	14,716.84	0.00	14,716.84
72138 - Service Co - Business Analysis	0.00	117.52	0.00	117.52
72145 - Svc Co-Training and Educ Serv	0.00	87,440.27	0.00	87,440.27
72165 - Svc Co-Social Svcs, Social Sci	0.00	163,132.22	0.00	163,132.22
72220 - Furniture	0.00	2,711.79	0.00	2,711.79
72311 - Fuel, petroleum and other oils	0.00	6,770.85	0.00	6,770.85
72315 - Food & Textile Products	0.00	1,833.68	0.00	1,833.68
72399 - Other Materials and Goods	0.00	378.83	0.00	378.83

Combined Delivery Report By Project

UN Development Programme

Page 2 of 4

Run Time: 13-05-2016 14:05:08

Report ID: unglcdpr

Project ID : 00085016 Response to IDPs Issues	Period : Jan-Dec (2015)
Output # : 00094682 Rapid Response	Impl. Partner : 88888 UNDP
	Location :

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
72405 - Acquisition of Communic Equip	0.00	23,875.86	0.00	23,875.86
72406 - Security communication equipme	0.00	363.00	0.00	363.00
72410 - Acquisition of Audio Visual Eq	0.00	2,450.52	0.00	2,450.52
72420 - Land Telephone Charges	0.00	154.87	0.00	154.87
72425 - Mobile Telephone Charges	0.00	249.46	0.00	249.46
72440 - Connectivity Charges	0.00	204.95	0.00	204.95
72505 - Stationery & other Office Supp	0.00	2,488.28	0.00	2,488.28
72510 - Publications	0.00	2,486.89	0.00	2,486.89
72520 - Electronic Media	0.00	94.45	0.00	94.45
72605 - Grants to Instit & other Benef	0.00	3,145.73	0.00	3,145.73
72615 - Micro Capital Grants-Other	0.00	1,775,742.79	0.00	1,775,742.79
72815 - Inform Technology Supplies	0.00	5,430.00	0.00	5,430.00
73104 - Leased Building	0.00	4,208.10	0.00	4,208.10
73105 - Rent	0.00	51,859.71	0.00	51,859.71
73110 - Custodial & Cleaning Services	0.00	133.88	0.00	133.88
73406 - Maintenance of Equipment	0.00	65.15	0.00	65.15
73410 - Maint. Oper of Transport Equip	0.00	375.24	0.00	375.24
74205 - Audio Visual Productions	0.00	8,536.96	0.00	8,536.96
74210 - Printing and Publications	0.00	734.77	0.00	734.77
74215 - Promotional Materials and Dist	0.00	3,010.84	0.00	3,010.84
74220 - Translation Costs	0.00	2,805.58	0.00	2,805.58
74505 - Insurance	0.00	39.66	0.00	39.66
74525 - Sundry	0.00	2,165.92	0.00	2,165.92
74598 - Direct Project Costs - GOE	0.00	36,335.19	0.00	36,335.19
74599 - UNDP cost recovery chrgs-Bills	0.00	28,070.98	0.00	28,070.98
74725 - Other L.T.S.H.	0.00	1,661.64	0.00	1,661.64
75105 - Facilities & Admin - Implement	0.00	268,985.46	0.00	268,985.46
75705 - Learning costs	0.00	2,067.70	0.00	2,067.70
76125 - Realized Loss	0.00	139.76	0.00	139.76
76135 - Realized Gain	0.00	- 424.55	0.00	- 424.55
77630 - Dep Exp Owned - ITC	0.00	100.79	0.00	100.79
77660 - Dep Exp Owned -Vehicle	0.00	344.26	0.00	344.26
Total for Fund 32045	0.00	3,631,018.92	0.00	3,631,018.92
Total for Dept : 58208	0.00	3,631,018.92	0.00	3,631,018.92
Total for Output : 00094682	0.00	3,651,214.75	0.00	3,651,214.75

Project Total :	0.00	3,651,214.75	0.00	3,651,214.75
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Signed By :  Date : 16.05.2016

Signed By :  Date : 30 June 2016

Partner

Moore Stephens LLP

Janthomas Williams
Country Director

MOORE STEPHENS



Combined Delivery Report By Project

UN Development Programme

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Run Time: 13-05-2016 14:05:10

Report ID: ungicdrp

Selection Criteria :

Business Unit : UKR10

Period : Jan-Dec (2015)

Selected Project Id : ALL

Selected Fund Code : ALL

Selected Dept. IDs : ALL

Selected Outputs : 00094682

Project Id : ALL	Period :	Jan-Dec (2016)		
Output # : ALL	Impl. Partner :			
	Location :			
		Govt Exp	UNDP Exp	UN Agencies Exp
				Total Exp
58205 - Ukraine - Energy & Envrmmnt		0.00	20,195.83	0.00
58206 - Ukraine - HIV/AIDS		0.00	0.00	0.00
58208 - Ukraine - Poverty Reduction		0.00	3,631,018.92	0.00
				20,195.83
				0.00
				3,631,018.92

Combined Delivery Report By Project

 **UN Development Programme**
Report ID: unglcdrp

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Run Time: 13-05-2016 14:05:13

Funds Utilization**Selection Criteria :**

Business Unit : UKR10
Period : Jan-Dec (2015)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00094682

Project/Award: 00083016 Response to IDPs Issues

Period : As at Dec 31, 2015

Output #	00094682	Impl. Partner : 99999 UNDP	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			24,821.15
Inventory			0.00
Prepayments			0.00
Commitments			888,108.04

Annex 2: Statement of Assets and Equipment



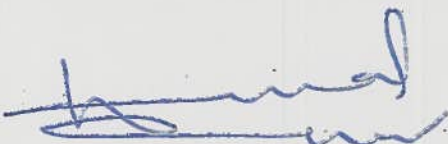
Empowered lives.
Resilient nations.


Statement on Fixed Assets as of the 31st December 2015
Project ID 00094682 (Rapid Response to Social and Economic Issues of IDPs in Ukraine)


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
UKR10	UKR	000000001790	MTRV4	Toyota Camry Elegance 2.5L A	000000001790	JTNBF4FK003030603	UKROF-1	03.03.2015	03.03.2015	24,786.79	23,065.49	1	58208	001981	00141	00094682	32045
UKR10	UKR	000000001862	ITC14	Network Hubs	UKRINST-28	FCW1843A647	UKRINST-28	17.04.2015	17.04.2015	1,025.30	986.85	0,333	58208	001981	00141	00094682	32045
UKR10	UKR	000000001863	ITC4	Computer Printers	000000001863	3327718184	UKRINST-28	08.04.2015	08.04.2015	831.15	768.81	0,333	58208	001981	00141	00094682	32045

26,542.00


Mr. Ruslan Fedorov,
Project Manager


Mr. Kunal Dhar,
Recovery and Stabilization Advisor,
Head of UNDP Project Office In Kramatorsk


Ms. Andra Brige
Deputy Country Director (Operations), UNDP Ukraine


Mark Henderson
e
Partner
e e e
Moore Stephens LLPe

30 June
2016

MOORE STEPHENS

Annex 3: Audit finding priority ratings

The following categories of priorities are used:

High (Critical)	Action is considered imperative to ensure that UNDP is not exposed to high risks. Failure to take action could result in major consequences and issues.
Medium (Important)	Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.
Low	Action is considered desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the Auditors directly with the Office management, during the exit meeting and through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in the audit report.