

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP ARMENIA

MODERNIZING BORDER CROSS POINTS
(Directly Implemented Project No. 68950, Output No. 83816)

Report No. 1786

Issue Date: 4 August 2017

**Report on the Audit of UNDP Armenia
Modernizing Border Cross Points (Project No. 68950, Output No. 83816)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through KPMG (the audit firm), from 22 May to 5 June 2017, conducted an audit of Modernization of Bagratashen, Brava, Project No. 68950, Output No. 83816 – Modernizing Border Cross Points (the Project), which is directly implemented and managed by the UNDP Country Office in Armenia (the Office). The last audit of the Project was conducted by OAI through Moore Stephens LLP in 2016 and covered project expenditure from 1 January to 31 December 2015.

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 2016 and the accompanying Funds Utilization statement¹ as of 31 December 2016 as well as Statement of Assets as of 31 December 2016. 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
5,978	Unqualified	33	Unqualified

*NFM= Net Financial Misstatement

The audit did not result in any recommendations.

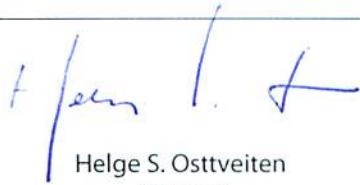
At the time of finalizing the audit, OAI was investigating a complaint related to a vendor.

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.

Implementation status of previous OAI audit recommendations: Report No. 1632, 24 August 2016.

Total recommendations: 1

Implemented: 1



Helge S. Osttveiten
Director
Office of Audit and Investigations



**United Nations Development Programme
(UNDP)**

Report of the Independent Auditor on
the United Nations Development Program (UNDP)
Directly Implemented (DIM) Project ID 68950
“Modernization of Bagratashen, Bavra” - Output ID 83816
“Modernizing border cross points”
- Yerevan, Armenia -
For the year ended 31 December 2016



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Executive Summary

KPMG Geneva conducted the financial audit of UNDP Project ID 68950 “Modernization of Bagratashen, Bavra” - Output ID 83816 “Modernizing border cross points” (the project) for the period 1 January to 31 December 2016. The audit was undertaken on behalf of the Office of Audit and Investigations (OAI) United Nations Development Programme (UNDP).

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

Statement of Expenditures	Unmodified
Project Statement of Fixed Assets	Unmodified
Statement of Cash Position	Not Applicable

There were no reportable findings with a Medium or High priority rating consequently we do not provide a management letter. The one audit recommendation raised from prior period was implemented in the current period.

KPMG SA

Karina Vartanova
Director

Henri Mwaniki

Geneva, 21 July 2017

Audit Objectives and Scope

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

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January and 31 December 2016 and the fund utilization as at 31 December 2016 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. The Combined Delivery Report (CDR) and the Funds Utilization statements are the mandatory and official Statement upon which the audit opinion should be expressed. Other forms of Statement of expenses that may be prepared by a project office are not accepted.
- Expressing an opinion on whether the Statement of Fixed Assets presents fairly the balance of assets of the UNDP project as at 31 December 2016. This Statement must include all assets available as at 31 December 2016 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 presents fairly the cash and bank balance of the project as at 31 December 2016. Where a DIM project does not have a dedicated bank account for the project, it will not be required to express such an opinion.

The Financial Audit was conducted in accordance with the International Standards of Auditing (ISA), the 700 series.

The scope of the audit relates only to transactions concluded and recorded against the UNDP DIM project, between 1 January and 31 December 2016. The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of “responsible parties”, or other UN agencies, 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 Offices and UNDP Headquarters and where the supporting documentation is not retained at the level of the UNDP country office.

Independent Auditors' Report

Statement of Expenditures

To: The Director of the Office of Audit and Investigations (OAI)
United Nations Development Programme (UNDP)

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization statement ("the statement of Expenditures") of the UNDP Project ID 68950 "Modernization of Bagratashen, Bavra" - Output ID 83816 "Modernizing border cross points" for the period 1 January to 31 December 2016.

Unmodified Opinion

In our opinion, the attached CDR and the Funds Utilization statement presents fairly, in all material respects, the expenses of US\$ 5,977,681.27 directly incurred by the UNDP Country Office in Armenia and charged to the project for the period 1 January to 31 December 2016 in accordance with UNDP accounting policies and were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the CDR and Funds Utilization section of our report. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management responsibilities

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

Auditors' Responsibility

Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the CDR and Funds Utilization statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization’s internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

KPMG SA



Karina Vartanova
Director



Henri Mwaniki

Geneva, 21 July 2017

Independent Auditors' Report

Statement of Fixed Assets

To: The Director of the Office of Audit and Investigations (OAI)
United Nations Development Programme (UNDP)

We have audited the accompanying statement of fixed assets of the UNDP Project ID 68950 "Modernization of Bagratashen, Bavra" - Output ID 83816 "Modernizing border cross points" as at 31 December 2016.

Unmodified Opinion

In our opinion, the accompanying statement of fixed assets presents fairly, in all material respects, the assets status of the UNDP project 68950 with a Net Book Value amounting to US\$ 32,639.57 as at 31 December 2016 in accordance with UNDP accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the statement of fixed assets. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management responsibilities

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

Auditor's responsibilities for the audit

Our objectives are to obtain reasonable assurance about whether the statement of fixed assets is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of fixed assets, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization’s internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG SA



Karina Vartanova
Director



Henri Mwaniki

Geneva, 21 July 2017

Annexes

Annex 1: Statement of Expenditures

Combined Delivery Report by Activity

UN Development Programme
 Report ID: unglcdrb

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 Run Time: 08-02-2017 13:02:32

Project Id : 00068950 Modernization of Bagratashen, Output # : 00083816 Modernizing Border Cross Points	Period : Impl. Partner : Location :	Jan-Dec (2016) 99999 UNDP ARMENIA OFFICE
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	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
76135 - Realized Gain	0.00	- 1,378.26	0.00	- 1,378.26
Total for Fund 30071	0.00	3,642,282.04	0.00	3,642,282.04
Total for Activity ACTIVITY2	0.00	3,642,282.04	0.00	3,642,282.04
Activity : ACTIVITY3 (Gogavan Network Services)				
Output Id : 30071 (Programme Cost Sharing GOV1)				
72105 - Svc Co-Construction & Engineer	0.00	27,384.60	0.00	27,384.60
75105 - Facilities & Admin - Implement	0.00	821.54	0.00	821.54
Total for Fund 30071	0.00	28,206.14	0.00	28,206.14
Total for Activity ACTIVITY3	0.00	28,206.14	0.00	28,206.14
Activity : ACTIVITY4 (Equipment)				
Output Id : 30071 (Programme Cost Sharing GOV1)				
71630 - Shipment	0.00	30,991.57	0.00	30,991.57
72105 - Svc Co-Construction & Engineer	0.00	0.00	0.00	0.00
72210 - Machinery and Equipment	0.00	119,150.24	0.00	119,150.24
72220 - Furniture	0.00	13,219.73	0.00	13,219.73
72399 - Other Materials and Goods	0.00	1,681.03	0.00	1,681.03
72405 - Acquisition of Communic Equip	0.00	481,003.76	0.00	481,003.76
72420 - Land Telephone Charges	0.00	4,089.52	0.00	4,089.52
72505 - Stationery & other Office Supp	0.00	1,456.93	0.00	1,456.93
72815 - Inform Technology Supplies	0.00	28,896.46	0.00	28,896.46
73405 - Rental & Maint-Other Office Eq	0.00	546.33	0.00	546.33
73406 - Maintenance of Equipment	0.00	0.00	0.00	0.00
74215 - Promotional Materials and Dist	0.00	2,801.52	0.00	2,801.52
74225 - Other Media Costs	0.00	219.38	0.00	219.38
74515 - Claims and Adjustments	0.00	1,200.00	0.00	1,200.00
74599 - UNDP cost recovery chrgs-Bills	0.00	1,038.81	0.00	1,038.81
74725 - Other L.T.S.H.	0.00	13,795.33	0.00	13,795.33
75105 - Facilities & Admin - Implement	0.00	21,066.71	0.00	21,066.71
75705 - Learning costs	0.00	2,132.80	0.00	2,132.80
76125 - Realized Loss	0.00	0.00	0.00	0.00
76135 - Realized Gain	0.00	- 0.01	0.00	- 0.01
Total for Fund 30071	0.00	723,290.11	0.00	723,290.11
Total for Activity ACTIVITY4	0.00	723,290.11	0.00	723,290.11
Activity : ACTIVITY6 (Gogavan Access Road and Bridge)				



Combined Delivery Report by Activity

UN Development Programme
 Report ID: unglcdrb

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Project Id : 00068950 Modernization of Bagratashen,	Period :	Jan-Dec (2016)
Report # : 00083816 Modernizing Border Cross Points	Impl. Partner :	99999 UNDP
	Location :	ARMENIA OFFICE

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
id : 30071 (Programme Cost Sharing GOV1)				
71605 - Travel Tickets-International	0.00	- 555.00	0.00	- 555.00
71615 - Daily Subsistence Allow-Intl	0.00	- 1,082.00	0.00	- 1,082.00
71635 - Travel - Other	0.00	- 152.00	0.00	- 152.00
72105 - Svc Co-Construction & Engineer	0.00	444,497.79	0.00	444,497.79
74599 - UNDP cost recovery chrgs-Bills	0.00	623.36	0.00	623.36
75105 - Facilities & Admin - Implement	0.00	13,299.98	0.00	13,299.98
76125 - Realized Loss	0.00	100.18	0.00	100.18
76135 - Realized Gain	0.00	- 889.50	0.00	- 889.50
Total for Fund 30071	0.00	455,842.81	0.00	455,842.81
Total for Activity ACTIVITY6	0.00	455,842.81	0.00	455,842.81

Activity : ACTIVITY7 (Project Management)

id : 04000 (Core Programme, UNU Centre)				
71205 - Intl Consultants-Sht Term-Tech	0.00	9,392.86	0.00	9,392.86
71305 - Local Consult.-Sht Term-Tech	0.00	4,164.84	0.00	4,164.84
71405 - Service Contracts-Individuals	0.00	111,811.64	0.00	111,811.64
71410 - MAIP Premium SC	0.00	248.12	0.00	248.12
71415 - Contribution to Security SC	0.00	4,218.06	0.00	4,218.06
71605 - Travel Tickets-International	0.00	30,192.84	0.00	30,192.84
71615 - Daily Subsistence Allow-Intl	0.00	6,742.00	0.00	6,742.00
71620 - Daily Subsistence Allow-Local	0.00	9,776.18	0.00	9,776.18
71630 - Shipment	0.00	671.87	0.00	671.87
71635 - Travel - Other	0.00	1,264.00	0.00	1,264.00
72105 - Svc Co-Construction & Engineer	0.00	27,689.23	0.00	27,689.23
72220 - Furniture	0.00	0.00	0.00	0.00
72311 - Fuel, petroleum and other oils	0.00	3,178.23	0.00	3,178.23
72405 - Acquisition of Communic Equip	0.00	200.26	0.00	200.26
72415 - Courier Charges	0.00	1,036.23	0.00	1,036.23
72420 - Land Telephone Charges	0.00	68.72	0.00	68.72
72425 - Mobile Telephone Charges	0.00	665.99	0.00	665.99
72430 - Postage and Pouch	0.00	19.46	0.00	19.46
72440 - Connectivity Charges	0.00	518.50	0.00	518.50
72505 - Stationery & other Office Supp	0.00	617.93	0.00	617.93
72510 - Publications	0.00	146.65	0.00	146.65
72705 - Hospitality-Special Events	0.00	0.00	0.00	0.00
72815 - Inform Technology Supplies	0.00	95.02	0.00	95.02
73120 - Utilities	0.00	126.12	0.00	126.12
73310 - Maint & Licencing of Software	0.00	3,256.00	0.00	3,256.00
73405 - Rental & Maint-Other Office Eq	0.00	1,497.16	0.00	1,497.16
73406 - Maintenance of Equipment	0.00	28.62	0.00	28.62
73410 - Maint, Oper of Transport Equip	0.00	1,279.15	0.00	1,279.15
74110 - Audit Fees	0.00	24,410.00	0.00	24,410.00
74210 - Printing and Publications	0.00	857.24	0.00	857.24
74215 - Promotional Materials and Dist	0.00	41.08	0.00	41.08
74220 - Translation Costs	0.00	3,176.62	0.00	3,176.62
74505 - Insurance	0.00	104.12	0.00	104.12



Combined Delivery Report by Activity

UN Development Programme
 Report ID: unglcdrb

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Project Id : 00068950 Modernization of Bagratashen, Output # : 00083816 Modernizing Border Cross Points		Period :	Jan-Dec (2016)	
		Impl. Partner :	99999 UNDP	
		Location :	ARMENIA OFFICE	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
74520 - Storage	0.00	21,912.31	0.00	21,912.31
74599 - UNDP cost recovery chrgs-Bills	0.00	8,436.24	0.00	8,436.24
74725 - Other L.T.S.H.	0.00	18,420.38	0.00	18,420.38
75705 - Learning costs	0.00	797.09	0.00	797.09
76125 - Realized Loss	0.00	54.48	0.00	54.48
76135 - Realized Gain	0.00	-25.52	0.00	-25.52
Total for Fund 04000	0.00	297,089.72	0.00	297,089.72
id : 30071 (Programme Cost Sharing GOV1)				
72105 - Svc Co-Construction & Engineer	0.00	0.00	0.00	0.00
75105 - Facilities & Admin - Implement	0.00	-49,707.70	0.00	-49,707.70
76135 - Realized Gain	0.00	0.00	0.00	0.00
Total for Fund 30071	0.00	-49,707.70	0.00	-49,707.70
Total for Activity ACTIVITY7	0.00	247,382.02	0.00	247,382.02
Total for Output : 00083816	0.00	5,977,681.27	0.00	5,977,681.27
Project Total :	0.00	5,977,681.27	0.00	5,977,681.27

Prepared By: Bradley Busceto, UNDP RR/UNDP

Date: _____

Prepared By: [Signature]

Date: 17.02.17



KPMG
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 PURPOSES ONLY

[Signature]

Karina Vartanova, Director
 KPMG SA, Geneva

[Signature]

Henri Mwaniki, Senior Manager
 KPMG SA, Geneva

Combined Delivery Report by Activity

UN Development Programme
Report ID: unglcdrb

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Selection Criteria :

Business Unit : ARM10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00083816

Project Id : ALL	Period : Jan-Dec (2016)
Output # : ALL	Impl. Partner :
	Location :

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
53401 - Armenia - Central	0.00	- 328,055.00	0.00	- 328,055.00
53404 - Armenia - Dem. Governance	0.00	6,305,736.27	0.00	6,305,736.27



Combined Delivery Report by Activity

UN Development Programme
Report ID: unglcdrb

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Funds Utilization

Selection Criteria :

Business Unit : ARM10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00083816

Project/Award: 00068950 Modernization of Bagratashen,

Period : As Of Dec31,2016

Output #	00083816	Impl. Partner :99999 UNDP	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			32,639.57
Inventory			0.00
Prepayments			1,306,292.12
Commitments			1,509,973.79



Annex 2: Project Statement of Fixed Assets

Statement of Assets and Equipment as at 31 December 2016

UNDP Country Office Armenia
 Project title: Modernization of Bagratashen, Bavra, Gogavan BCPS
 Project ID: 00068950
 Output ID: 00083816
 Period covered from inception of project as at 31 December 2016

Asset ID	Description	Serial Number*	Model	Location	Acquisition Date	Brought Forward 01.01.2016			Additions during the year			Disposals during the year	Depreciation Charge	Carried Forward 31.12.2016		
						Cost	Accumulated Depreciation	NBV	Cost	Accumulated Depreciation	NBV			Cost	Accumulated Depreciation	NBV
867	Toyota Land Cruiser 150 2.7 L	JTEBX3F10K098980	Toyota Land Cruiser	ARMUNPREM	17/10/2012	38,230.96	11,184.58	27,046.38	31,481.07	20,768.75	10,712.32	-	3,091.01	38,230.96	14,275.59	23,955.37
960	VEHICLE MITSUBI SHI-PAJERO	JMYLNV96W8J001487	PAJERO	ARMUNPREM	02/02/2008	-	-	-	2,428.57	2,428.57	-	-	2,623.43	31,481.07	23,392.18	8,088.89
961	TOSHIBA SATELITE	67245299K	TOSHIBA	ARMPA225	13/12/2007	-	-	-	2,532.50	2,532.50	-	-	-	2,428.57	2,428.57	-
962	PANASONIC NV-GS500	E6HW00859R	NV-GS500	ARMPA225	13/12/2007	-	-	-	2,041.10	1,190.65	850.45	-	255.14	2,532.50	2,532.50	-
963	DELL STUDIO XPS 9100	FMDJCP1	XPS 9100	ARMPA225	10/05/2011	-	-	-	38,483.24	26,920.47	11,562.77	-	5,969.58	2,041.10	1,445.79	595.31
						38,230.96	11,184.58	27,046.38	38,483.24	26,920.47	11,562.77	-	5,969.58	76,714.20	44,074.63	32,639.57

Signed By 
 Silva Abelyan
 Operations Associate - Asset Focal Point

Signed By 
 Ruben Hakobyan
 IBM Programme Manager

Signed By 
 Davit Asatryan
 Finance Analyst - Head of Finance Unit

17/02/2017

17.02.2017

17.02.2017




 Karina Vartanova, Director
 KPMG SA, Geneva
 21 July 2017


 Henri Mwaniki, Senior Manager
 KPMG SA, Geneva
 21 July 2017


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