

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP LEBANON

THE REHABILITATION OF SAIDA DUMPSITE
(Project No. 68385, Output No. 83622)

Report No. 1796

Issue Date: 10 August 2017

**Report on the Audit of UNDP Lebanon
The Rehabilitation of Saida Dumpsite
(Project No. 68385, Output No. 83622)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 3 to 18 May 2017, conducted an audit of The Rehabilitation of Saida Dumpsite, Project No. 68385, Output No. 83622 (the Project), which is nationally implemented¹ with direct support services by the UNDP Country Office in Lebanon (the Office). The last audit of the Project was conducted by OAI 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 statement² as of 31 December 2016. The audit did not include activities and expenses incurred or undertaken by the Government, or expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). The audit did not cover the Statement of Assets as no assets were held by the Project as of 31 December 2016. 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* | |
|------------------------|-------------|
| Amount (in \$ '000) | Opinion |
| 5,405 | Unqualified |

*Expenditures recorded in the Combined Delivery Report were \$5,410,210. Excluded from the audit scope were transactions that relate to expenditures processed and approved by other UNDP offices outside of the country (\$5,650).

The audit did not result in any recommendations.

The previous audit (Report No. 1645, issued on 3 August 2016) did not result in any recommendations.

¹ Nationally implemented projects, or NIM projects are audited by the responsible unit in UNDP. However, this NIM project was audited by OAI due to the significant involvement of the Country Office in its implementation, and the subsequent materiality of the amount expensed by UNDP. The audit firm is, in its audit report, referring to the Project as a DIM project.

² 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

Comments and/or additional information provided have been incorporated into the report, where appropriate.



Helge S. Osttveiten
Director
Office of Audit and Investigations

**UNITED NATIONS DEVELOPMENT PROGRAMME
(UNDP)**

AUDIT REPORT

3 August 2017

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

The Rehabilitation of Saida Dumpsite

| | |
|---------------------------------|--------------------------------------|
| UNDP Country Office: | Lebanon |
| Atlas Project ID: | 68385 |
| Atlas Output ID: | 83622 |
| Auditor: | Moore Stephens LLP |
| Period subject to audit: | 1 January to 31 December 2016 |

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EXECUTIVE SUMMARY

Moore Stephens LLP conducted the financial audit of The Rehabilitation of Said Dump (Project ID 68385 and Output ID 83622) ('the project'), directly implemented by UNDP Lebanon ('the office') for the year ended 31 December 2016. 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 | Unmodified |
| Statement of Assets and Equipment | Not applicable |
| Statement of Cash Position | Not applicable |

We did not raise any findings as a result of or audit.

The project was audited in the prior year. No recommendations were raised.



Mark Henderson
Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

3 August 2017

MOORE STEPHENS

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 2016 and the funds 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.
- 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 held by the project presents fairly the cash and bank balance of UNDP project as at 31 December 2016. In cases where the cash transactions of the audited DIM project are made through the country office bank accounts, this type of opinion is not required.

The Financial Audit will be 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", 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 – Rehabilitation of the Saida Dumpsite

Statement of Expenditure (The CDR and Funds Utilization Statement)

To the Director of the Office and Audit and Investigations, United Nations Development Programme

Unmodified Opinion

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization statement totalling \$ 5,410,209.50 ("the statement") of the UNDP project 68385 "Rehabilitation of the Saida Dumpsite" for the period from 1 January to 31 December 2016.

The CDR expenditure totalling \$ 5,410,209.50 is comprised of expenditure directly incurred by the UNDP Country Office in Lebanon for an amount of \$ 5,404,559.46 and expenditure incurred by entities other than the UNDP Country Office in Lebanon for an amount of \$ 5,650.04. Our audit only covered the expenditure directly incurred by the UNDP Country Office in Lebanon of \$ 5,404,559.46.

In our opinion, the attached Combined Delivery Report (CDR) and Funds Utilization statement presents fairly, in all material respects, the expenses of \$ 5,404,559.46 directly incurred by UNDP Country Office in Lebanon and charged to the project 68385 and output 836222 "The Rehabilitation of Saida Dumpsite" for the period 1 January to 31 December 2016 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the CDR and Funds Utilization statement section of this report.

We are independent of UNDP in accordance with the IESBA Code of Ethics for Professional Accountants. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management responsibilities

UNDP project management is responsible for the preparation of the CDR and Funds Utilization statement and other financial records for the project's activities and for such internal control as management determines is necessary to enable the preparation of the Statement to be free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement 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 the Statement.

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, 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 project's internal control.

We communicate with UNDP project management 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.



Mark Henderson
Partner

Moore Stephens LLP
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3 August 2017

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Independent Auditor's Report to UNDP – Lebanese Hosting Communities

Statement of Fixed Assets

To the Director of the Office and Audit and Investigations, United Nations Development Programme

We noted that the UNDP output 'The Rehabilitation of Saida Dumpsite' held no assets or equipment as at 31 December 2016 and accordingly a Statement of Fixed Assets was not produced. The project has been operationally closed as of 31 December 2016 and its assets with a total Net Book Value of \$ 24,938.55 were transferred to other active UNDP projects where the remaining Net Book Value of the assets will be charged over the remaining useful life of the fixed assets. The effective transfer date was 31 December 2016, bringing the total Net Book Value for output 83622 to a balance of \$ nil.

Independent Auditor's Report to UNDP – The Rehabilitation of Saida Dumpsite

Statement of Cash Position

We noted that the UNDP output 'The Rehabilitation of Saida Dumpsite' 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

We did not raise any findings as a result of our audit.



Mark Henderson
Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

3 August 2017

MOORE STEPHENS

Annexes

Annex 1: Combined Delivery Report



Selection Criteria :

Business Unit : LBN10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : B0456
Selected Outputs : 00083622

| Project Id : 00068385 The Rehabilitation of Saida Du | | Period : | Jan-Dec (2016) | |
|---|-------------|---------------------|-------------------------------|---------------------|
| Output # : 00083622 Rehabilitation of Saida Dump | | Impl. Partner : | 01832 Ministry Of Environment | |
| | | Location : | Lebanon | |
| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
| Dept: 45601 (Lebanon - Central) | | | | |
| Fund : 30071 (Programme Cost Sharing GOV1) | | | | |
| 75105 - Facilities & Admin - Implement | 0.00 | 159.39 | 0.00 | 159.39 |
| 77660 - Dep Exp Owned -Vehicle | 0.00 | 5,312.89 | 0.00 | 5,312.89 |
| Total Fund 30071 | 0.00 | 5,472.28 | 0.00 | 5,472.28 |
| Total for Dept : 45601 | 0.00 | 5,472.28 | 0.00 | 5,472.28 |
| Dept: 45605 (Lebanon - Energy & Envirnmnt) | | | | |
| Fund : 30071 (Programme Cost Sharing GOV1) | | | | |
| 64398 - Direct Project Cost-Staff | 0.00 | 45,500.00 | 0.00 | 45,500.00 |
| 71305 - Local Consult.-Sht Term-Tech | 0.00 | 10,625.00 | 0.00 | 10,625.00 |
| 71405 - Service Contracts-Individuals | 0.00 | 172,742.32 | 0.00 | 172,742.32 |
| 71410 - MAIP Premium SC | 0.00 | 372.95 | 0.00 | 372.95 |
| 71415 - Contribution to Security SC | 0.00 | 6,340.33 | 0.00 | 6,340.33 |
| 72105 - Svc Co-Construction & Engineer | 0.00 | 4,958,850.40 | 0.00 | 4,958,850.40 |
| 72425 - Mobile Telephone Charges | 0.00 | 2,325.00 | 0.00 | 2,325.00 |
| 72435 - E-mail-Subscription | 0.00 | 459.00 | 0.00 | 459.00 |
| 72505 - Stationery & other Office Supp | 0.00 | 50.88 | 0.00 | 50.88 |
| 72520 - Electronic Media | 0.00 | 66.06 | 0.00 | 66.06 |
| 72805 - Acquis of Computer Hardware | 0.00 | 192.91 | 0.00 | 192.91 |
| 72815 - Inform Technology Supplies | 0.00 | 49.55 | 0.00 | 49.55 |
| 73410 - Maint, Oper of Transport Equip | 0.00 | 10,883.36 | 0.00 | 10,883.36 |
| 74110 - Audit Fees | 0.00 | 10,442.00 | 0.00 | 10,442.00 |
| 74215 - Promotional Materials and Dist | 0.00 | 4,530.00 | 0.00 | 4,530.00 |
| 74505 - Insurance | 0.00 | 1,170.00 | 0.00 | 1,170.00 |
| 74525 - Sundry | 0.00 | 915.89 | 0.00 | 915.89 |
| 74598 - Direct Project Costs - GOE | 0.00 | 19,500.00 | 0.00 | 19,500.00 |
| 74710 - Land Transport | 0.00 | 165.00 | 0.00 | 165.00 |
| 75105 - Facilities & Admin - Implement | 0.00 | 157,419.51 | 0.00 | 157,419.51 |
| 75705 - Learning costs | 0.00 | 1,800.00 | 0.00 | 1,800.00 |
| 76110 - Foreign Exch Translation Loss | 0.00 | 0.27 | 0.00 | 0.27 |
| 76135 - Realized Gain | 0.00 | -0.36 | 0.00 | -0.36 |
| 77660 - Dep Exp Owned -Vehicle | 0.00 | 337.15 | 0.00 | 337.15 |
| Total for Fund 30071 | 0.00 | 5,404,737.22 | 0.00 | 5,404,737.22 |
| Total for Dept : 45605 | 0.00 | 5,404,737.22 | 0.00 | 5,404,737.22 |
| Total for Output : 00083622 | 0.00 | 5,410,209.50 | 0.00 | 5,410,209.50 |

| | | | | |
|--|----------|-----------------|-------------------------------|-----------|
| Project Id : 00068385 The Rehabilitation of Saida Du | | Period : | Jan-Dec (2016) | |
| Output # : 00083622 Rehabilitation of Saida Dump | | Impl. Partner : | 01832 Ministry Of Environment | |
| | | Location : | Lebanon | |
| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |

| | | | | |
|-----------------|------|--------------|------|--------------|
| Project Total : | 0.00 | 5,410,209.50 | 0.00 | 5,410,209.50 |
|-----------------|------|--------------|------|--------------|

Project Manager
Signed By : M. Nicolas Gharib; Nicolas Gharib
Signed By : H.E. Mr. Tarek El Khatib
Minister of Environment

Date : 2 June 20

Date : _____



Selection Criteria :

Business Unit : LBN10
 Period : Jan-Dec (2016)
 Selected Project Id : ALL
 Selected Fund Code : ALL
 Selected Dept. IDs : B0456
 Selected Outputs : 00083622

| Project Id : ALL | | Period : Jan-Dec (2016) | | |
|-------------------------------------|----------|-------------------------------|-----------------|--------------|
| Output # : ALL | | Impl. Partner : Location : | | |
| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
| 45601 - Lebanon - Central | 0.00 | 5,472.28 | 0.00 | 5,472.28 |
| 45605 - Lebanon - Energy & Envrmmnt | 0.00 | 5,404,737.22 | 0.00 | 5,404,737.22 |



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Funds Utilization

Selection Criteria :

Business Unit : LBN10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : B0456
Selected Outputs : 00083622

Project/Award: 00068385 The Rehabilitation of Saida Du

Period : As at Dec 31, 2016

| Output # | 00083622 | Impl. Partner :01832 Ministry Of Environment | UNDP AMOUNT |
|----------------------------|----------|--|-------------|
| Outstanding NEX advances | | | 0.00 |
| Undepreciated Fixed Assets | | | 0.00 |
| Inventory | | | 0.00 |
| Prepayments | | | 0.00 |
| Commitments | | | 0.00 |

Annex 2: 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. |