



AUDIT

OF

**EU FOR CIVIL PROTECTION AND DISASTER RESILIENCE STRENGTHENING
IN THE REPUBLIC OF SERBIA**
(Directly Implemented Project No. 126724, Output No. 120703)

IN

UNDP SERBIA

Report No. 2345
Issue Date: 8 July 2021

Report on the Audit of UNDP Serbia
EU for Civil Protection and Disaster Resilience Strengthening in the Republic of Serbia
(Project No. 126724, Output No. 120703)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through KPMG SA (the audit firm), from 24 May to 2 June 2021, conducted an audit of 'EU for Civil Protection and Disaster Resilience Strengthening in the Republic of Serbia' (Project No. 126724), 'Covid-19 Risk Resilience (EU)' (Output No. 120703) (the Project), which is directly implemented and managed by the UNDP Country Office in Serbia (the Office). This was the first audit of the Project.

The audit was conducted in accordance with the International Standards of Auditing (ISA), the 700 series. The audit work covered financial transactions as well as internal controls and systems for the purpose of expressing an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations, as well as assess compliance with UNDP regulations, rules, policies and procedures and donor agreements. The audit covered the Project's Combined Delivery Report, which includes expenses for the period from 1 January to 31 December 2020 and the accompanying Funds Utilization statement¹ as of 31 December 2020. It also reviewed the relevant systems, procedures, and practices in place as they relate to the Project, in the areas of governance, programme, and operations. The audit did not cover the Statement of Assets as no assets were held by the Project. 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*.

Overall audit rating

Based on the audit report submitted by the audit firm, OAI assessed the management of the Project as **fully satisfactory**, which means, "The assessed governance arrangements, risk management practices as applicable to the Project's financial statements, and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/ area."

The details of the audit results are presented in the table below:

Project Expenses	
Amount (in \$ '000)	Opinion
10,085	Unmodified

The audit did not result in any recommendations.

¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) undepreciated 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.

Brett Simpson
Officer-in-Charge
Office of Audit and Investigations



**United Nations Development Programme
(UNDP)**

Report of the Independent Auditor on
the United Nations Development Programme (UNDP)
Directly Implemented (DIM) Project ID 00126724
“EU for Civil Protection and Disaster Resilience Strengthening in the
Republic of Serbia”
Output ID 00120703
“Covid-19 Risk Resilience (EU)”
Serbia
For the period from 01 January to 31 December 2020



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Executive Summary

KPMG Geneva conducted the financial audit of UNDP Project ID 00126724 "EU for Civil Protection and Disaster Resilience Strengthening in the Republic of Serbia" – Output ID 00120703 "Covid-19 Risk Resilience (EU)", directly implemented by UNDP Serbia for the period from 01 January to 31 December 2020. 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:

Financial Position	Unmodified
Statement of Fixed Assets	Not Applicable because the project did not have fixed assets
Statement of Cash	Not Applicable because the project did not have a separate bank account

There were no reportable findings with a medium or high priority rating consequently we do not issue a management letter.

The Project ID 126724 "EU for Civil Protection and Disaster Resilience Strengthening in the Republic of Serbia" – Output ID 00120703 "Covid-19 Risk Resilience (EU)" was not audited in the prior year.

We conducted a combined financial audit and an audit of internal controls and systems of the project. Based on our assessment, the internal controls and systems of the project was satisfactory, which means that: "The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area."

KPMG SA



Pierre-Henri Pingeon
Partner



Henri Mwaniki
Senior Manager

Geneva, 01 July 2021



Audit Objectives and Scope

A. Financial Audit

The objective of the financial audit was to express an opinion on the project financial position which includes:

- Expressing an opinion on whether the financial expenses incurred by the project between 01 January and 31 December 2020 as well as the Fund Utilization statement, as at 31 December 2020 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, at Net Book Value, presents fairly the balance of depreciated assets of the UNDP project as at 31 December 2020. This Statement must include all assets available as at 31 December 2020 and not only those purchased in a given period. The opinion is rendered on the Net Book value balance of the Assets. 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 the project as at 31 December 2020. Disbursements made against a DIM project are usually financed from regular country office bank accounts. Exceptionally, a dedicated account may be opened and used solely for the cash transactions of a DIM project, e.g. if the project is in a remote location. The audit firm is required to express an opinion on the Statement of Cash only where a dedicated bank account for the DIM project has been established. 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.
- As maybe applicable, provide the progress made in implementing the recommendations raised in previous year audit report.

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 01 January and 31 December 2020. 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.

B. Audit of internal controls and systems of the project

In addition, we conducted the necessary audit steps to cover the project's internal controls and systems in order to assess:

- Reliability and integrity of project financial and operational information;
- Effectiveness and efficiency of project operations;
- Safeguarding of project assets;
- Compliance with legislative mandates, regulations and rules, policies and procedures, as well as donor agreements.

Specifically, we assessed the internal controls with regard to the audited project in the following areas:

- (i) Organization and Staffing: Assess the overall project structure for effective work flows and management arrangements, including assignment of authority, accountability and responsibility to staff.
- (ii) Programme and project management: Assess the management aspects in terms of approval of the project, financial management of project funds, and monitoring of implementation towards achievement of project objectives. This includes reporting to the, Steering Committee, Project Board and/or Donors.
- (iii) Human Resources: Assess competitiveness and transparency of the recruitment process; and effectiveness of the management of project personnel, including contract administration, performance evaluation and payment of salaries and allowances.
- (iv) Finance: Assess the compliance with UNDP policies with respect to the safe custody and adequate management of cash, commitment of expenditures against approved budget, disbursement or payments against liabilities and cash advances to field offices, project staff, etc.
- (v) Procurement: Assess whether goods, services and civil works for the project are procured competitively and in a transparent manner in accordance with UNDP policies and procedures. This includes management of obligations and appropriate assessment of goods or services delivered and monitoring performance of the contractors, before payment.
- (vi) Asset Management: Assess whether project assets are adequately recorded, safeguarded, monitored, including periodic physical verification of their use and existence.
- (vii) Cash Management: Review the safeguarding of all cash (including bank accounts) held separately for the purposes of the project either in the UNDP country office or at the project field offices, including cash held as advances or imprest in any sub-office or field office.
- (viii) Information Systems: Assess the efficiency and security of the information systems established and maintained from project funds and their adequacy to meet the management and reporting requirements of the projects.
- (ix) General Administration: These include areas of operations not specifically covered above and for which expenses are charged to the project covering such areas as: travel of project staff, use and maintenance of project vehicles, lease and maintenance of office premises.
- (x) Follow-up on previous audits: As may be applicable, assess the status of implementation of the previous year's audit recommendations.



Independent Auditors' Report

Opinion on Financial Position

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

We have audited the financial position of the UNDP Project ID 00126724 "EU for Civil Protection and Disaster Resilience Strengthening in the Republic of Serbia"– Output ID 00120703 "Covid-19 Risk Resilience (EU)" for the period from 01 January to 31 December 2020 which includes: (a) the accompanying Combined Delivery Report (CDR); (b) the Funds Utilization Statement ("The Statement"); and (c) the project related accounts receivable and accounts payable.

Unmodified Opinion

In our opinion, the attached CDR and Funds Utilization statement present fairly, in all material respects, the expenses of USD 10,085,072.70 directly incurred by the UNDP Country Office in Serbia and charged to the project for the period from 01 January to 31 December 2020 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 unmodified 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 for Accountants' International 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.



Auditor's responsibilities

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

Pierre-Henri Pingeon
Partner

Henri Mwaniki
Senior Manager

Geneva, 01 July 2021

Independent Auditors' Report

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

Results of the project's internal control and systems assessment

Specifically, the following internal controls were assessed with regard to the audited project in the following areas:

Terms of reference	Conclusion	Reference
Organization and Staffing	Fully Satisfactory	Not applicable
Programme and project management	Fully Satisfactory	Not applicable
Human Resources	Fully Satisfactory	Not applicable
Finance	Fully Satisfactory	Not applicable
Procurement	Fully Satisfactory	Not applicable
Asset Management	Fully Satisfactory	Not applicable
Cash Management	Fully Satisfactory	Not applicable
Information Systems	Fully Satisfactory	Not applicable
General Administration	Fully Satisfactory	Not applicable
Follow-up on previous audits	Not applicable	Not applicable

KPMG SA



Pierre-Henri Pingeon
Partner

Geneva, 01 July 2021



Henri Mwaniki
Senior Manager

Annex:

Annex 1: Combined Delivery Report and Funds Utilization Statement – Output ID 00120703 (USD)

UN Development Programme

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Run Time: 02-06-2021 15:06:52

Business Unit : SRB10
Period : Jan-Dec (2020)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00120703

Dept: 58601 (Serbia - Central)

71305 - Local Consult.-Sht Term-Tech	0.00	70,642.34	0.00	70,642.34
71360 - Local Consult-Security	0.00	2,174.63	0.00	2,174.63
71405 - Service Contracts-Individuals	0.00	64,521.79	0.00	64,521.79
71410 - MAIP Premium SC	0.00	27.52	0.00	27.52
71415 - Contribution to Security SC	0.00	2,198.92	0.00	2,198.92
71610 - Travel Tickets-Local	0.00	1,172.31	0.00	1,172.31
71615 - Daily Subsistence Allow-Intl	0.00	4,374.24	0.00	4,374.24
71635 - Travel - Other	0.00	15,298.06	0.00	15,298.06
72215 - Transporation Equipment	0.00	734,965.71	0.00	734,965.71
72315 - Food & Textile Products	0.00	87,339.28	0.00	87,339.28
72330 - Medical Products	0.00	136,546.58	0.00	136,546.58
72399 - Other Materials and Goods	0.00	500,070.00	0.00	500,070.00
72401 - Prefab structure/other buildin	0.00	157,666.66	0.00	157,666.66
72405 - Acquisition of Communic Equip	0.00	21,997.10	0.00	21,997.10
72425 - Mobile Telephone Charges	0.00	253.27	0.00	253.27
72430 - Postage and Pouch	0.00	20.26	0.00	20.26
72440 - Connectivity Charges	0.00	470.56	0.00	470.56
72505 - Stationery & other Office Supp	0.00	652.82	0.00	652.82
72705 - Hospitality-Special Events	0.00	3,616.38	0.00	3,616.38
72715 - Hospitality Catering	0.00	1,261.98	0.00	1,261.98
74210 - Printing and Publications	0.00	887.96	0.00	887.96
74215 - Promotional Materials and Dist	0.00	5,528.45	0.00	5,528.45
74220 - Translation Costs	0.00	1,884.34	0.00	1,884.34
74510 - Bank Charges	0.00	116.64	0.00	116.64
74525 - Sundry	0.00	3,545.43	0.00	3,545.43
74725 - Other L.T.S.H.	0.00	7,592,078.88	0.00	7,592,078.88
75105 - Facilities & Admin - Implement	0.00	658,753.89	0.00	658,753.89
75709 - Learning - training of counter	0.00	1,457.82	0.00	1,457.82
76125 - Realized Loss	0.00	36.34	0.00	36.34
76135 - Realized Gain	0.00	- 5.11	0.00	- 5.11

Total for Dept :	58601	0.00	10.069.555.05	0.00	10.069.555.05
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Fund : 30079 (EUROPEAN COMMISSION)

71405 - Service Contracts-Individuals	0.00	14,027.61	0.00	14,027.61
71410 - MAIP Premium SC	0.00	5.90	0.00	5.90
71415 - Contribution to Security SC	0.00	468.98	0.00	468.98
75105 - Facilities & Admin - Implement	0.00	1,015.16	0.00	1,015.16

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**Combined Delivery Report By Project**

UN Development Programme

Report ID: unglcdrp

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Run Time: 02-06-2021 15:06:52

Project Id : 00126724 EU for Civil Protection	Period :	Jan-Dec (2020)		
Output # : 00120703 COVID-19 Risk Resilience (EU)	Impl. Partner :	99999 UNDP		
	Location :	UNDP CO Serbia		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Total for Fund 30079	0.00	15,517.65	0.00	15,517.65
Total for Dept : 58614	0.00	15,517.65	0.00	15,517.65
Total for Output : 00120703	0.00	10,085,072.70	0.00	10,085,072.70
Project Total :	0.00	10,085,072.70	0.00	10,085,072.70

Pierre-Henri Pingeon, Partner
KPMG SA, Geneva
01 July 2021

Henri Mwaniki, Senior Manager
KPMG SA, Geneva
01 July 2021

Signed By: Anas Qarman, UNDP Deputy Resident Representative

Date: 02-Jun-2021

Signed By: Francine Pickup

Date: 03-Jun-2021

Francine Pickup, UNDP Resident Representative



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Combined Delivery Report By Project

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Run Time: 02-06-2021 15:06:52



UN Development Programme
Report ID: unglcdrp

Selection Criteria :

Business Unit : SRB10
Period : Jan-Dec (2020)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00120703

Project Id : ALL	Period : Jan-Dec (2020)			
Output # : ALL	Impl. Partner :			
	Location :			
		Govt Exp	UNDP Exp	UN Agencies Exp
				Total Exp
58601 - Serbia - Central		0.00	10,069,555.05	0.00
58614 - Serbia - General Services		0.00	15,517.65	0.00
				10,069,555.05
				15,517.65

Pierre-Henri Pingeon, Partner
KPMG SA, Geneva
01 July 2021

Henri Mwaniki, Senior Manager
KPMG SA, Geneva
01 July 2021



Anas Fayyad Qarman

Anas Qarman, UNDP Deputy Resident Representative

02-Jun-2021

Francine Pickup

Francine Pickup, UNDP Resident Representative

03-Jun-2021

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Combined Delivery Report By Project

UN Development Programme

Report ID: unglcdrp

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Run Time: 02-06-2021 15:06:55

Funds Utilization**Selection Criteria :**

Business Unit : SRB10
 Period : Jan-Dec (2020)
 Selected Project Id : ALL
 Selected Fund Code : ALL
 Selected Dept. IDs : ALL
 Selected Outputs : 00120703

Project/Award: 00126724 EU for Civil Protection

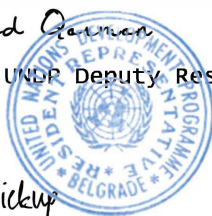
Period : As at Dec 31, 2020

Output #	00120703	Impl. Partner :99999 UNDP	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			0.00
Unamortized Intangible Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			120,953.34



02-Jun-2021

Anas Qarman, UNDP Deputy Resident Representative



03-Jun-2021



Francine Pickup, UNDP Resident Representative



Pierre-Henri Pingeon, Partner
 KPMG SA, Geneva
 01 July 2021



Henri Mwaniki, Senior Manager
 KPMG SA, Geneva
 01 July 2021

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