



**AUDIT**

**OF**

**PROMOTION OF MEASUREMENTS TO IMPROVE ENERGY EFFICIENCY, CLEAN-  
ENERGY AND ENVIRONMENTAL QUALITY IN THE ELECTRICITY SECTOR**  
**(Directly Implemented Project No. 117181, Output No. 114063)**

**IN**

**UNDP ECUADOR**

**Report No. 2491**  
**Issue Date: 29 June 2022**

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**Report on the Audit of UNDP Ecuador**  
**Promotion of measurements to improve energy efficiency, clean-energy and environmental quality in**  
**the electricity sector (Project No. 117181, Output No. 114063)**  
**Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through PKF Littlejohn LLP (the audit firm), from 24 May to 3 June 2022, conducted an audit of 'Promotion of measurements to improve energy efficiency, clean-energy and environmental quality in the electricity sector' (Project No. 117181, Output No. 114063) (the Project), which is directly implemented and managed by the UNDP Country Office in Ecuador (the Office). This was the first audit of the Project.

The audit firm conducted a financial audit in accordance with the International Standards of Auditing (ISA), the 700 series, 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 expenses for the period from 1 January to 31 December 2021 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2021. The audit did not include activities and expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters) or expenses of other United Nations agencies. 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*.

### Audit results

Based on the audit report submitted by the audit firm, the results are summarized in the table below:

Project Expenses*	
Amount (in \$ '000)	Opinion
2,199	Unmodified

\*Expenses recorded in the Combined Delivery Report were \$6,039,979. Excluded from the audit scope were transactions that related to expenses processed and approved by other UNDP offices outside of the country (\$3,840,579).

The audit did not result in any recommendations.

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<sup>1</sup> 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.

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### Management comments and action plan

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

A handwritten signature in blue ink, appearing to read 'Helge S. Osttveiten', is located to the left of the printed name and date.

Helge  
Osttveiten  
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Helge S. Osttveiten  
Director  
Office of Audit and Investigations

**AUDIT**

**OF**

**UNITED NATIONS DEVELOPMENT PROGRAMME  
ECUADOR**

**PROMOTION OF MEASUREMENTS TO IMPROVE ENERGY EFFICIENCY, CLEAN-  
ENERGY AND ENVIRONMENTAL QUALITY IN THE ELECTRICITY SECTOR**

**(Directly Implemented Project No. 00117181, Output No. 00114063)**

**Issue Date: 27 June 2022**

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## **Report on the Audit of UNDP Ecuador**

### **Promotion of measurements to improve energy efficiency, clean-energy and environmental quality in the electricity sector**

**(Project ID 00117181, Output ID 00114063)**

The UNDP Office of Audit and Investigations (OAI) through PKF Littlejohn (the audit firm) conducted the audit of the project “Promotion of measurements to improve energy efficiency, clean-energy and environmental quality in the electricity sector” (Project ID 00117181, Output ID 00114063) (the Project), which is directly implemented by UNDP Ecuador (the Country Office). The duration of the audit was from 24 May to 03 June 2022.

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 Delivered Report, which includes expenses for the period from 1 January to 31 December 2021 and the accompanying Funds Utilization statements<sup>1</sup> as at 31 December 2021.

The audit did not include activities and expenses incurred or undertaken in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). In addition, the audit did not cover the Statement of Assets as no assets were held by the Project and 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 submitted by the audit firm, the results are summarized in the table below:

<b>Project Expenses *</b>		<b>Project Assets</b>	
<b>Amount (in \$ ‘000)</b>	<b>Opinion</b>	<b>Amount (in \$ ‘000)</b>	<b>Opinion</b>
2,199	Unmodified	-	Not applicable

\* Expenses recorded in the Combined Delivery Report amounted to USD 6,039,979.10. Transactions related to expenses processed and approved by UNDP Country Office, but carried out by the Procurement Services Unit in Copenhagen for USD 3,840,579.07 were excluded from the audit scope.

Commitments recorded in the CDR as at 31 December 2021 amounted to USD 876,623.85. Transactions related to commitments processed and approved by the Country Office, carried out by the Procurement Services Unit in Copenhagen for USD 180,792.80 were excluded from the audit scope. The commitments applicable to our scope were disbursed and recorded as expenses in project records in the first semester of 2022 for USD 695,831.05.

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<sup>1</sup> 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.

The commitments applicable to our scope at the time of our audit corresponded to ongoing contracts with consultants and companies, such as: (1) Consultancy to develop a gas chromatography analysis for the determination of Polychlorinated Biphenyls (PCB'S) in samples of dielectric oil from Empresa Electrica Quito, (2) Specialized services for the treatment and elimination of electrical equipment, dielectric oils and contaminated materials, (3) Acquisition of heavy machinery and (4) Acquisition of fireproof work clothes (pants and shirts).

The audit did not result in any recommendations.

**Management comments and action plan**

Comments and/or additional information provided by the Management of the Country Office has been incorporated into the report, where appropriate.

**United Nations Development Programme  
(UNDP)**

Report of the Independent Auditor on  
the United Nations Development Programme (UNDP)  
Directly Implemented (DIM) Project – with support services provided by UNDP

<b>Project name:</b>	Promotion of measurements to improve energy efficiency, clean-energy and environmental quality in the electricity sector.
<b>Output name:</b>	Eficiencia energética y calidad ambiental
<b>UNDP Country Office:</b>	Ecuador
<b>Atlas Project ID:</b>	00117181
<b>Atlas Output ID:</b>	00114063
<b>Auditor:</b>	PKF Littlejohn
<b>Period subject to audit:</b>	1 January to 31 December 2021



## EXECUTIVE SUMMARY

PKF Littlejohn conducted the financial audit of UNDP DIM Project ID 00117181 "Promotion of measurements to improve energy efficiency, clean-energy and environmental quality in the electricity sector"- Output 00114063 (the project), directly implemented by UNDP Ecuador (The Office) for the period from 1 January to 31 December 2021. The audit was undertaken on behalf of the United Nations Development Programme (UNDP), Office of Audit and Investigations (OAI).

### Audit opinions

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

Project Financial Position	Unmodified
Statement of Fixed Assets	Not applicable because the Project did not keep any assets
Statement of Cash	Not applicable because the project did not maintain a separate bank account.

### Management letter summary

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

### Prior year audit

The project ID 00117181 "Promotion of measurements to improve energy efficiency, clean-energy and environmental quality in the electricity sector" - Output ID 00114063 was not audited in the prior year and therefore there were no recommendations to follow up on.

A handwritten signature in blue ink that reads "PKF Littlejohn LLP". The signature is stylized and includes a long horizontal line underneath.

**PKF Littlejohn LLP**

27 June 2022

15 Westferry Circus  
Canary Wharf  
London  
E14 4HD

## THE AUDIT ENGAGEMENT

### Audit Objectives and Scope

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

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January to 31 December 2021 as well as the Funds Utilization statement as at 31 December 2021 and the accounts receivable and accounts payable as at 31 December 2021 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 project as at 31 December 2021. This statement must include all assets available as at 31 December 2021 and not only those purchased in a given period. Where a DIM project does not have any assets or equipment, it is not 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 2021. Disbursements made against a 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 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 project has been established. In cases where the cash transactions of the audited 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 on Auditing (ISA), the 700 series.

The scope of the audit relates only to transactions concluded and recorded against the UNDP project between 1 January to 31 December 2021. 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.

## **INDEPENDENT AUDITOR'S REPORT**

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

Regional Audit and Investigation Office for Latin America and Caribbean – Panama City,  
Panama

We have audited the financial position of the UNDP project ID 00117181 “Promotion of measurements to improve energy efficiency, clean-energy and environmental quality in the electricity sector”- Output 00114063 “Eficiencia energética y calidad ambiental”, for the period 1 January to 31 December 2021 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. The audit was carried out from 24 May to 03 June 2022.

The CDR expenditure totalling USD 6,039,979.10 is comprised of expenditure directly incurred by the UNDP Country Office in Ecuador for an amount of USD 2,199,400.03. Transactions related to expenses processed and approved by the Country Office but carried out by the Procurement Services Unit in Copenhagen for USD 3,840,579.07 were excluded from the audit scope. Our audit only covered the expenditure directly incurred by the UNDP Country Office in Ecuador of USD 2,199,400.03.

### **Unmodified opinion**

In our opinion, the attached CDRs and Funds Utilization statement present fairly, in all material respects, the expenses of USD 2,199,400.03 directly incurred by the Country Office in Ecuador and charged to the project for the period 1 January to 31 December 2021 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 of Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with this code. 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 the 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.

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**PKF Littlejohn LLP**

27 June 2022

15 Westferry Circus  
Canary Wharf  
London  
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# COMBINED DELIVERY REPORT AND FUNDS UTILIZATIONS STATEMENTS - 2021 – PROJECT NO. 00117181 - OUTPUT ID 00114063 (USD)

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UN Development Programme  
Report ID: unglodrp

## Combined Delivery Report By Project

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Run Time: 16-03-2022 13:03:04

### Selection Criteria :

Business Unit : ECU10  
Period : Jan-Dec (2021)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00114063

Project Id : 00117181 Eficiencia energética y calida		Period :	Jan-Dec (2021)	
Output # : 00114063 Eficiencia energética y calida		Impl. Partner :	99999 UNDP	
		Location :	Ecuador	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Dept: 50001 (Ecuador - Central)

Fund : 30071 (Programme cost sharing - GOV1)

71205 - Intl Consultants-Sht Term-Tech	0.00	12,047.20	0.00	12,047.20
71211 - Intl Consult Security Charge	0.00	368.00	0.00	368.00
71305 - Local Consult -Sht Term-Tech	0.00	26,456.15	0.00	26,456.15
71380 - Local Consult-Security	0.00	951.24	0.00	951.24
71405 - Service Contracts-Individuals	0.00	83,436.37	0.00	83,436.37
71410 - MAIP Premium SC	0.00	35.16	0.00	35.16
71415 - Contribution to Security SC	0.00	2,533.77	0.00	2,533.77
71630 - Shipment	0.00	106,234.80	0.00	106,234.80
71635 - Travel - Other	0.00	5.90	0.00	5.90
72105 - Svc Co-Construction & Engineer	0.00	433,290.96	0.00	433,290.96
72125 - Svc Co-Studies & Research Serv	0.00	38,458.83	0.00	38,458.83
72205 - Office Machinery	0.00	1,034.00	0.00	1,034.00
72210 - Machinery and Equipment	0.00	3,513,808.22	0.00	3,513,808.22
72215 - Transportation Equipment	0.00	1,025,957.73	0.00	1,025,957.73
72399 - Other Materials and Goods	0.00	116,472.00	0.00	116,472.00
72405 - Acquisition of Communic Equip	0.00	10,869.00	0.00	10,869.00
72415 - Courier Charges	0.00	22,118.00	0.00	22,118.00
72440 - Connectivity Charges	0.00	558.58	0.00	558.58
72445 - Common Services-Communications	0.00	98.00	0.00	98.00
72505 - Stationery & other Office Supp	0.00	6.75	0.00	6.75
73305 - Maint & Licensing of Hardware	0.00	18.00	0.00	18.00
73406 - Maintenance of Equipment	0.00	72,902.20	0.00	72,902.20
73410 - Maint, Oper of Transport Equip	0.00	2,488.90	0.00	2,488.90
74210 - Printing and Publications	0.00	964.50	0.00	964.50
74505 - Insurance	0.00	839.68	0.00	839.68
74507 - Warranty Expense	0.00	45,323.64	0.00	45,323.64
74510 - Bank Charges	0.00	71.00	0.00	71.00
74515 - Claims and Adjustments	0.00	94,594.37	0.00	94,594.37
74520 - Storage	0.00	2,383.00	0.00	2,383.00
74596 - Services to projects -GOE	0.00	46,492.41	0.00	46,492.41
74725 - Other L.T.S.H.	0.00	1,033.25	0.00	1,033.25
75105 - Facilities & Admin - Implement	0.00	287,645.48	0.00	287,645.48
75705 - Learning costs	0.00	91,080.00	0.00	91,080.00
76125 - Realized Loss	0.00	214.57	0.00	214.57
76135 - Realized Gain	0.00	-790.56	0.00	-790.56
77660 - Dep Exp Owned -Vehicle	0.00	0.00	0.00	0.00
<b>Total for Fund 30071</b>	<b>0.00</b>	<b>6,039,979.10</b>	<b>0.00</b>	<b>6,039,979.10</b>
<b>Total for Dept : 50001</b>	<b>0.00</b>	<b>6,039,979.10</b>	<b>0.00</b>	<b>6,039,979.10</b>
<b>Total for Output : 00114063</b>	<b>0.00</b>	<b>6,039,979.10</b>	<b>0.00</b>	<b>6,039,979.10</b>




UN  
UN Development Programme  
Report ID: unglodrp

Combined Delivery Report By Project

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Run Time: 16-03-2022 13:03:04

Project Id : 00117181	Eficiencia energética y calida	Period :	Jan-Dec (2021)
Output # : 00114063	Eficiencia energética y calida	Impl. Partner :	99999 UNDP
		Location :	Ecuador
		Govt Exp	UNDP Exp
		UN Agencies Exp	Total Exp

Project Total :	0.00	6,039,979.10	0.00	6,039,979.10
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 Signed By: \_\_\_\_\_ Date: 10-Jun-2022  
 Matilde Mordt Representante Residente  
 Signed By: \_\_\_\_\_ Date: \_\_\_\_\_  
 UNDP Headquarters



PKF Littlejohn LLP  
15 Westferry Circus  
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E14 4HD



UN Development Programme  
Report ID: unglodrp

# Combined Delivery Report By Project

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Run Time: 16-03-2022 13:03:05

## Selection Criteria :

Business Unit : ECU10  
Period : Jan-Dec (2021)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00114063

Project Id : ALL	Period : Jan-Dec (2021)			
Output # : ALL	Impl. Partner :			
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
50001 - Ecuador - Central	0.00	6,039,979.10	0.00	6,039,979.10



## Funds Utilization

## Selection Criteria :

Business Unit : ECU10  
Period : Jan-Dec (2021)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00114063

Project/Award: 00117181 Eficiencia energética y calida Period : As at Dec 31, 2021

Output #	00114063	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			876,623.85

**PKF Littlejohn LLP**  
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## **INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF FIXED ASSETS**

**To: The Director of the Office of Audit and Investigations (OAI)**

**United Nations Development Programme (UNDP)**

Regional Audit and Investigation Office for Latin America and Caribbean – Panama City,  
Panama

We noted that the project ID 00117181 “Promotion of measurements to improve energy efficiency, clean-energy and environmental quality in the electricity sector”- Output 00114063 “Eficiencia energética y calidad ambiental”, did not present balances in the fixed assets accounts and accordingly a Statement of Fixed Assets was not produced.

## **INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF CASH**

**To: The Director of the Office of Audit and Investigations (OAI)**

**United Nations Development Programme (UNDP)**

Regional Audit and Investigation Office for Latin America and Caribbean – Panama City,  
Panama

We noted that the project ID 00117181 “Promotion of measurements to improve energy efficiency, clean-energy and environmental quality in the electricity sector”- Output 00114063 “Eficiencia energética y calidad ambiental”, did not have a dedicated bank account for the project subject to audit and accordingly a Statement of Cash was not produced.