



AUDIT

OF

UNDP GEORGIA

CONFIDENCE BUILDING EARLY RESPONSE MECHANISM
(Directly Implemented Project No. 74936)

Report No. 1129
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**Report on the audit of UNDP Georgia - Confidence Building Early Response Mechanism (Project ID 74936)
Executive Summary**

From 1 to 5 October 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme, through KPMG, Slovakia (the audit firm), conducted an audit of Confidence Building Early Response Mechanism, Project ID 74936 (the Project), which is directly implemented and managed by UNDP Country Office in Georgia (the Office). The audit firm was under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

The Project reported expenditure totalling \$4 million during the period from 1 January 2011 to 31 December 2011. The Project was funded by the European Union.

Audit scope and objectives

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 review of the Project’s Statement of Expenditure (Combined Delivery Report) for the period from 1 January to 31 December 2011 and the Statement of Assets as of 31 December 2011.

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	NFI (in \$ '000)	Amount (in \$ '000)	Opinion
4,015	Qualified	n/a	122	Unqualified

NFI = Net Financial Impact

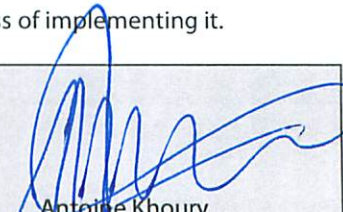
The audit firm qualified its opinion on project expenditure due to misclassification of expenditures amounting to \$ 876,018. These are micro capital grants that have mistakenly been charged to various other budget lines.

Key issues and recommendations

The audit raised one issue. There was one recommendation ranked medium (important) priority, which means “Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP.” This recommendation includes actions to address incorrect accounts used for accounting entries.

Management’s comments

The Resident Representative accepted the recommendation and is in the process of implementing it.



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