



AUDIT

OF

RECOVERY AND PEACEBUILDING PROGRAMME (RPP)
(Directly Implemented Project No. 102396, Output No. 111513)

IN

UNDP UKRAINE

Report No. 2347
Issue Date: 12 August 2021

**Report on the Audit of Recovery and Peacebuilding Programme (RPP)
implemented by UNDP Ukraine
(Project No. 102396, Output No. 111513)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through BDO LLP (the audit firm), from 17 May to 24 June 2021, conducted an audit of ‘Recovery and Peacebuilding Programme’ (RPP) (Project No. 102396), ‘EU Support to the East of Ukraine’ (Output No. 111513) (the Project), which is directly implemented and managed by the UNDP Country Office in Ukraine (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 2020 and the accompanying Funds Utilization statement¹ as of 31 December 2020 as well as Statement of Assets as of 31 December 2020. The audit did not include activities and expenses incurred or undertaken at the “responsible party” level, or expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). 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 Expenses*		Project Assets	
Amount (in \$ '000)	Opinion	Amount (in \$'000)	Opinion
8,861	Unmodified**	236	Unmodified

*Expenses recorded in the Combined Delivery Report were \$14,107,525. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country (\$283,591). Also excluded were expenses incurred at the “responsible party” level (\$4,962,859).

** There was a Net Financial Misstatement (overstatement) of \$43,543 but it did not affect the audit opinion as it was not financially material.

Key recommendations: Total = 2, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are two medium (important) priority recommendations, which means, “Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.” These recommendations include

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.



actions to address a conflict of interest in a procurement process (valued at \$43,543) conducted by a grantee, and the allocation of personnel costs not being documented.

The two recommendations aim to ensure the reliability and integrity of financial and operational information (Recommendation 2), and compliance with legislative mandates, regulations and rules, policies, and procedures (Recommendation 1).

Management comments and action plan

The Resident Representative accepted both recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.

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Director
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