



AUDIT

OF

**EU SUPPORT TO THE EAST OF UKRAINE: RECOVERY, PEACEBUILDING, AND
GOVERNANCE**
(Directly Implemented Project No. 111513)

IN

UNDP UKRAINE

Report No. 2813
Issue Date: 11 October 2024

**Report on the Audit of EU Support to the East of Ukraine: Recovery, Peacebuilding, and Governance
(Project No. 111513)
Implemented by UNDP Ukraine
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through BDO LLP (the audit firm), from 24 to 28 June 2024, conducted an audit of EU Support to the East of Ukraine: Recovery, Peacebuilding, and Governance (Project No. 111513) (the Project), which is directly implemented and managed by the UNDP Country Office in Ukraine (the Office). The last audit of the Project was conducted by OAI, through BDO LLP in 2023 and covered project expenses from 1 January to 31 December 2022.

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 2023 and the accompanying Funds Utilization statement¹ as of 31 December 2023. 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 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* of The Institute of Internal Auditors (The IIA).

Given the current security situation in Ukraine, the audit was conducted remotely. As advised by the audit firm, there were no scope limitations as a result of the remote audit.

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*	
Amount (in \$ '000)	Opinion
5,689	Unmodified

*Expenses recorded in the Combined Delivery Report were \$9,008,517. Excluded from the audit scope were transactions that relate to expenses of other United Nations agencies amounting to \$2,578,759 (this represents the difference between \$3,842,481 recorded under the UN agencies column and \$1,263,722 processed by UN agencies and incorrectly recorded under UNDP column in the CDR (finding 1 in the report) and expenses processed and approved by other UNDP offices outside of the country (\$741,138).

Key recommendations: Total = 1, high priority = 0

The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, which means, "Action is required to ensure that UNDP is not exposed to risks.

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.



Failure to take action could result in negative consequences for UNDP.” The recommendation includes actions to address the misclassification of expenses in the Combined Delivery Report (CDR).

The recommendation aims to ensure the reliability and integrity of financial and operational information. The audit team noted that an amount of \$1,263,721.61 related to an accrual reversal for 2022 was incorrectly claimed under the “UNDP expenses” column in the CDR instead of reported under the “UN agencies” column.

The Office confirmed that the 2022 expense accrual transaction was posted by UNDP HQ based on the estimated amount of expenses incurred by the UNDP Responsible Party (UN agency), as provided by the Office. This resulted in the misclassification of \$1,263,721.61, which was incurred by another UN agency as UNDP expenditure in the CDR.

Implementation status of previous OAI audit recommendations:

The previous audit (Report No. 2682, issued on 23 August 2023) did not result in any recommendations.

Management comments and action plan

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

Sean DeBlieck
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