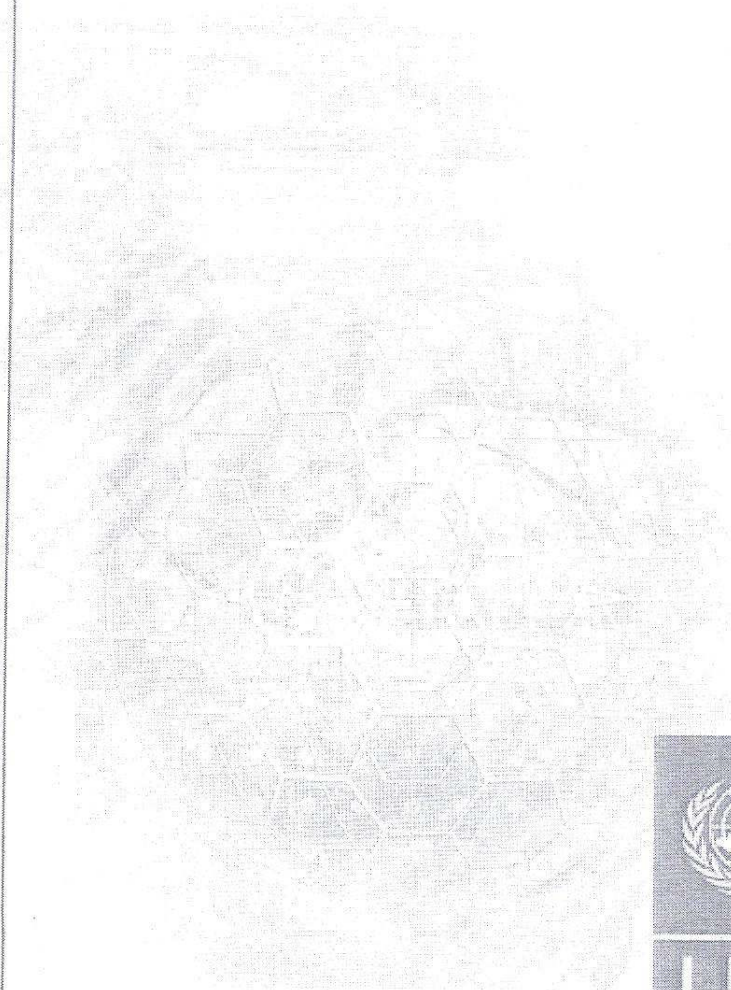




**Auditor's Report and Management Letter  
Supporting the Egyptian Education  
Initiative (EEI), Atlas Award No. 00045519  
from 1 January 2012 through 31 December  
2012**



## Contents

	Page
Independent Auditor's Report	3
Statement of Expenditures	6
Statement of Assets and Equipments	11
Notes to the statements	12
Management Letter	15
 <u>Appendix</u>	
Appendix A	Detailed Inventory List as of 31 December 2012
Appendix B	Follow Up Action Plan
Appendix C	Certified Action Plan Year 2012

## Independent auditor's report

To: National Project Director and  
Resident Representative - United Nations Development Programme (UNDP)  
Cairo, Egypt

### a) Certification of Statement of Expenditure

We have audited the accompanying Statement of Expenditure (the statement) of the UNDP project atlas award no. 00045519 and project no 00053786 for the period from 1 January 2012 through 31 December 2012 represented in the Combined Delivery Report (CDR) of the Supporting the Egyptian Education Initiative (EEI) as implemented by the Ministry of Communication and Information Technology.

Management is responsible for the preparation of the statement of expenditures for EEI's project and for such internal controls as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures elected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the statement 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 project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimated made by the management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We did not audit UNDP Support Services expenditures of \$42,164 and UN Agencies expenditures of \$ 0 reported in the CDR for the year ended 31 December 2012.

In our opinion, the attached statement of expenditure, except for the reasons indicated above in the preceding paragraph, present fairly in all material respects the expenditure of \$1,057,196 incurred by the UNDP project Supporting the Egyptian Education Initiative (EEI) for the period from 1 January 2012 to 31 December 2012 in accordance with agreed upon accounting policies.

**b) Certification of Statement of Assets and Equipments**

We have audited the accompanying Statement of Assets and Equipments (the statement) of the UNDP atlas award no. 00045519 and project no 00053786 as at 31 December 2012 represented in the statement of assets and equipments of the Supporting the Egyptian Education Initiative (EEI) as implemented by the Ministry of Communication and Information Technology.

Management is responsible for the preparation of the statement of assets for EEI's Project and for such internal controls as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the statement based on our audit. The assets and equipments balance as at 31 December 2010 amounting to \$0 was not audited by an independent auditor. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures elected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the statement 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 project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimated made by the management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the attached statement of assets and equipments present fairly, in all material respects the balance of inventory of the UNDP project Supporting The Egyptian Education Initiative (EEI) amounting to \$572,623 as at 31 December 2012 in accordance with the UNDP accounting policies.

**c) Certification of Statement of Cash Position**

We have audited the accompanying Statement of Cash Position (the statement) of the UNDP project atlas award no. 00045519 and project no 00053786 Supporting the Egyptian Education Initiative (EEI) as implemented by the Ministry of Communication and Information Technology as at 31 December 2012.

Management is responsible for the preparation of the statement of cash for EEI's Project and for such internal controls as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.


Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statements are free from material misstatement.

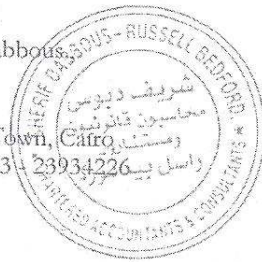
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures elected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the statement 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 project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimated made by the management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the attached statement of cash position present fairly, in all material respects the cash and bank balance of the UNDP project Supporting the Egyptian Education Initiative (EEI) amounting to \$0 as at 31 December 2012 in accordance with the UNDP accounting policies.

This report is intended solely for the information and use of the United Nations Development Program (UNDP), Government of Arab Republic of Egypt, the Supporting the Egyptian Education Initiative (EEI) project's management and others within the organization. However, upon release by the UNDP, this report is a matter of public record and its distribution is not limited.

  
Russell Bedford Sherif Dabbous  
Cairo, Egypt  
6 April 2013  
3, Mamar Behlar, Down Town, Cairo  
Tel/Fax: +2 (02) 23951133 / 23934226





**Combined Delivery Report By Project**

**Selection Criteria :**

Business Unit : EGY10  
Period : Jan-Dec (2012)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00053786

Project Id : 00045519 Supporting EEI	Period :	Jan-Dec (2012)		
Output # : 00053786 Supporting EEI	Impl. Partner :	01035 Ministry Of Communication & Main		
	Location :	Main		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Dept: 44807 (Egypt - ICT for Development)

Fund : 30071 (Programme Cost Sharing GOV1)

71305 - Local Consult.-Sht Term-Tech	11,180.34	0.00	0.00	11,180.34
71405 - Service Contracts-Individuals	179,792.49	0.00	0.00	179,792.49
71620 - Daily Subsistence Allow-Local	12,340.91	5,147.44	0.00	17,488.35
72140 - Svc Co-Information Technology	0.00	25,123.72	0.00	25,123.72
72145 - Svc Co-Training and Educ Serv	0.00	207,110.74	0.00	207,110.74
72205 - Office Machinery	0.00	2,320.03	0.00	2,320.03
72415 - Courier Charges	341.26	0.00	0.00	341.26
72505 - Stationery & other Office Supp	128.34	0.00	0.00	128.34
72510 - Publications	0.00	30,740.08	0.00	30,740.08
72705 - Hospitality-Special Events	0.00	62.29	0.00	62.29
72805 - Acquis of Computer Hardware	0.00	7,321.31	0.00	7,321.31
72810 - Acquis of Computer Software	0.00	52,181.60	0.00	52,181.60
73505 - Reimb to UNDP for Supp Srvs	0.00	1,210.89	0.00	1,210.89
74105 - Management and Reporting Srvs	1,902.55	0.00	0.00	1,902.55
74110 - Audit Fees	0.00	1,563.72	0.00	1,563.72
74525 - Sundry	2,901.03	0.00	0.00	2,901.03
75115 - Facilities & Admin - OH & Ind	0.00	16,241.55	0.00	16,241.55
76120 - Unrealized Loss	0.00	0.01	0.00	0.01
76125 - Realized Loss	0.00	122.12	0.00	122.12
76135 - Realized Gain	0.00	- 105.86	0.00	- 105.86
<b>Total for Fund 30071</b>	<b>208,586.92</b>	<b>349,039.64</b>	<b>0.00</b>	<b>557,626.56</b>

Fund : 40000 (ICT TF for Egypt)

71405 - Service Contracts-Individuals	9,647.40	0.00	0.00	9,647.40
71620 - Daily Subsistence Allow-Local	0.00	15,800.46	0.00	15,800.46
72140 - Svc Co-Information Technology	0.00	59,604.13	0.00	59,604.13
72145 - Svc Co-Training and Educ Serv	0.00	100,649.45	0.00	100,649.45
72205 - Office Machinery	0.00	42,665.32	0.00	42,665.32
72510 - Publications	0.00	7,090.62	0.00	7,090.62
72810 - Acquis of Computer Software	0.00	235,884.83	0.00	235,884.83
73505 - Reimb to UNDP for Supp Srvs	0.00	922.34	0.00	922.34
74105 - Management and Reporting Srvs	2,424.10	0.00	0.00	2,424.10
75115 - Facilities & Admin - OH & Ind	0.00	23,788.83	0.00	23,788.83
76120 - Unrealized Loss	0.00	1,377.31	0.00	1,377.31
76135 - Realized Gain	0.00	- 284.78	0.00	- 284.78
<b>Total for Fund 40000</b>	<b>12,071.50</b>	<b>487,498.51</b>	<b>0.00</b>	<b>499,570.01</b>

Total for Dept : 44807

220,658.42      836,538.15      0.00      1,057,196.57






Combined Delivery Report By Project

Selection Criteria :


Business Unit : EGY10  
Period : Jan-Dec (2012)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00053786

Project Id : ALL Output # : ALL	Period : Jan-Dec (2012)			Total Exp
	Govt Exp	UNDP Exp	UN Agencies Exp	
44807 - Egypt - ICT for Development	220,658.42	836,538.15	0.00	1,057,196.57

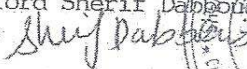
Project Management

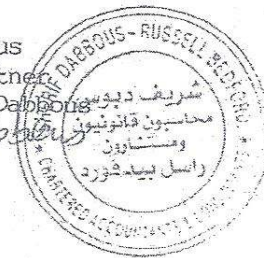
Name : Eng. Hoda Dahrou  
Title : National Project Director  
Signature: 

UNDP CO Management

Name : Ignacio Artaza  
Title : Country Director  
Signature: 

Audit Firm

Name : Sherif Dabbous  
Title : Managing Partner  
Russell Bedford Sherif Dabbous  
Signature: 







Funds Utilization

Selection Criteria :

Business Unit : EGY10  
Period : Jan-Dec (2012)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00053786

Project/Award: 00045519 Supporting EEI

Period : As at Dec 31, 2012

Output #	00053786	Impl. Partner :01035 Ministry Of Communication &	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			0.00

Project Management

Name : Eng. Hoda Dahroug  
Title : National Project Director  
Signature: *Hoda Dahroug*

UNDP CO Management

Name : Ignacio Artaza  
Title : Country Director  
Signature: *Ignacio Artaza*

Audit Firm

Name : Sherif Dabbous  
Title : Managing Partner  
Russell Bedford Sherif Dabbous  
Signature: *Sherif Dabbous*





Schedule to Combined Delivery Report  
IPSAS Adjustments as at 1 January 2012

Selection Criteria :

Business Unit : EGY10  
Selected Project(s) : ALL  
Selected Fund Code : ALL  
Selected Output(s) : 00053786

Project Id : ALL					
Output # :					
Impl. Partner :	NONE				
Description	Account	Fund	Donor	Amount	

No Data found for the Selection Criteria

Project Management

Name : Eng. Hoda Dahroug  
Title : National Project Director  
Signature: *Hoda Dahroug*

UNDP CO Management

Name : Ignacio Antaza  
Title : Country Director  
Signature: *Ignacio Antaza*

Audit Firm

Name : Sherif Dabbous  
Title : Managing Partner  
Russell Bedford Sherif Dabbous  
Signature: *Sherif Dabbous*



**Supporting The Egyptian Education Initiative (EEI)**  
**Atlas Award No. 00045519**  
**Funded by United Nations for Development Programme**  
**Statement Of Assets and Equipments**  
**From 1 January 2012 through 31 December 2012**

	Cost			
	From 01/01/10 to 31/12/10	From 01/01/11 to 31/12/11	Cost as of 31/12/11	From 01/01/12 to 31/12/12
	U.S.\$	U.S.\$	U.S.\$	U.S.\$
Assets and Equipments	0	88,834	88,834	485,536
Foreign Currency Exchange Difference	0	(1,747)	(1,747)	0
<b>Total</b>	<b>0</b>	<b>87,087</b>	<b>87,087</b>	<b>485,536</b>
				<b>(1,747)</b>
				<b>572,623</b>

\* The above figures are based on the period of the expenditure of assets and equip work.

**Project Management:**

Name: Eng. Hoda Dahroug

Title: National Project Director

Signature: 

**UN CO Management**

Name: Ignacio Artaza

Title: Country Director

Signature: 

**Audit Firm**

Russell Bedford Sheriff Dabbous

Name: Sheriff Dabbous

Title: Managing Partner

Sig: 



**Supporting The Egyptian Education Initiative (EEI)**  
**Atlas Award No. 00045519**  
**Funded by United Nations for Development Programme**  
**Statement Of Cash Position**  
**From 1 January 2012 through 31 December 2012**

Description	Actual Expenditures		
	Govt Disb	UNDP Disb	Total
	From 01/01/12 to 31/12/12	From 01/01/12 to 31/12/12	From 01/01/12 to 31/12/12
<b>Funds Received</b>			
Fund Balance as at 31 December 2011	\$25,986	\$0	\$25,986
Funds Advanced to Project During Audited Period	196,176	0	196,176
UNDP Direct Payments	0	836,538	836,538
<b>Total Funds Available</b>	<b>\$222,162</b>	<b>\$836,538</b>	<b>\$1,058,700</b>
<b>Expenditures Elements</b>			
71300 Local Consultants	\$11,180	\$0	\$11,180
71400 Contractual Services - Individuals	189,440	0	189,440
71600 Travel	12,341	20,948	33,289
72100 Contractual Services - Companies	0	392,488	392,488
72200 Equipments and Furniture	0	44,985	44,985
72400 Communication and Reporting	341	0	341
72500 Supplies	128	37,831	37,959
72700 Hospitality	0	62	62
72800 Information Technology Equipment	0	295,388	295,388
73500 Reimbursements For UNDP Support Services	0	2,133	2,133
74100 Professional Services	4,327	1,564	5,891
74500 Miscellaneous	2,901	0	2,901
75100 Facilities and Administration	0	40,030	40,030
76100 Foreign Currency Exchange (Gain) Loss	0	1,109	1,109
<b>Sub Total</b>	<b>\$220,658</b>	<b>\$836,538</b>	<b>\$1,057,196</b>
Exchange Difference	1,504	0	1,504
<b>Total</b>	<b>\$222,162</b>	<b>\$836,538</b>	<b>\$1,058,700</b>
Fund Balance as at 31 December 2012	\$0	\$0	\$0
<b>Less: Cash Book Balance</b>			
Bank Book Balance as at 31 December 2012			\$0
Petty Cash Balance as at 31 December 2012			0
<b>Total Cash Book Balance as at 31 December 2012</b>			<b>\$0</b>
Difference (If any)			\$0

- The accompanying notes are integral part of the statement of cash position
- The statement do not include the UN Agencies disbursements and/or Encumbrance

**Project Management:**

Name: Eng. Hoda Dahroug

Title: National Project Director

Signature: *Hoda Dahroug*

**UNDP CO Management**

Name: Ignacio Artaza

Title: Country Director

Signature: *Ignacio Artaza*

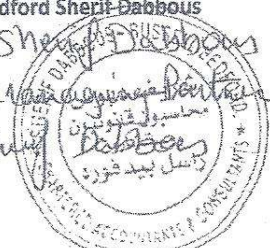
**Audit Firm**

Russell Bedford Sherif Dabbous

Name: *Russell Bedford Sherif Dabbous*

Title: *Managing Director*

Sig: *Russell Bedford Sherif Dabbous*



## Notes to the statements

### 31 December 2012

#### 1. Introduction and Background

##### A. Project Main Information

Supporting the Egyptian Education Initiative was initiated under the UNDP Atlas award no. 00045519.

The project is implemented by the Ministry of Communication and Information Technology.

As per the last budget revision dated 28 November 2012, the project start date is year 2006 and the estimated completion date is 2013. The project approved budget is \$ 5,000,000. The project budget for year 2012 and beyond is \$3,246,576 distributed as \$3,334 from UNDP/TRAC and \$1,377,953 from GOV Cost Sharing and \$1,865,289 from Egypt ICT TF for Egypt.

##### B. Project Background and Objectives:

The overall strategic objective of the Egyptian Educational Initiative is improvement of the development and delivery of the education in Egyptian Governmental Schools and Universities through facilitating educational reform in order to prepare students to enter the digital task force.

These objectives will be achieved through:-

- A) Enhancing the creativity of students and teachers to use ICT effectively
- B) Establishing a connected learning community to create a relevant educational experience and opportunities for 21 st century learners to realize their full potential
- C) Improving the delivery channels of life long learning and the e-learning industry in Egypt to foster socioeconomic development through enhancing the capacity of the local IT industry in promoting innovative learning solutions initiative will be implemented through efficient private/public relationship models.

## 2. Significant Accounting Policies

### A. Description of the Statements

#### 1. Statement of Expenditures - Combined Delivery Report (CDR)

The CDR combines the project expenditures from three disbursement sources for a calendar year. The three disbursement sources include:

- a. The implementing partner disbursements are recorded in the Government disbursement column in the CDR
- b. UNDP disbursements are recorded in UNDP disbursement column in the CDR. These disbursement includes the Direct Payment which the implementing partner is responsible for the expenditure but requesting UNDP to effect payments to vendors/consultant on its behalf, and UNDP Support Services which is the project expenditures that UNDP is fully responsible and accountable for.
- c. The UN agencies expenditures related to the project are recorded in the UN agencies column in the CDR.

#### 2. Statement of Assets and Equipments

The statement of assets and equipment is prepared based on actual delivery schedule of assets and equipments. Assets and equipments are recorded in the statement upon delivery and receipt of asset/equipment by the project. Assets /equipments are recorded at their historical cost.

The UNDP office retains the ownership title of all assets/equipment acquired through UNDP funds till project close-out. Upon close-out, the project management prepares a detailed list to be submitted to UNDP to obtain a final determination on the transfer of title to the implementing partner or delivery of assets to the UNDP office.

#### 3. Statement of Cash Position

The statement of cash position identifies the project's funds received, total expenditures incurred during the period from 1 January 2012 through 31 December 2012 and the project's fund balance as at 31 December 2012.

The statement of cash position is based on the detailed expenditures report received from the UNDP country office and agreed with the financial reports submitted by the project's management to UNDP country office.

The "Actual Expenditures" column identifies the costs incurred by the project from 1 January 2012 through 31 December 2012 under Government expenditures column and the direct payment disbursed by the UNDP provided that the expenditures are in agreement with expenditures reported in the combined delivery report.

## **B. Basis of Accounting**

### **1. Statement of Combined Delivery Report (CDR)**

The Combined Delivery Report (CDR) was prepared on the basis of cash receipts and disbursements. Consequently, revenues are recognized when they are actually received and expenditures are recognized and considered incurred when they are actually paid.

### **2. Statement of Assets and Equipments**

The statement of assets and equipments was prepared on the basis of actual delivery of assets and equipments when assets and equipments are actually received by the project. Assets and equipments are recorded at cost based on actual suppliers invoice.

### **3. Statement of Cash Position**

The statement of cash position was prepared on the basis of cash receipts and disbursements. Consequently, revenues are recognized when they are actually received and expenditures are recognized and considered incurred when they are actually paid.

## **C. Foreign Currency Exchange:**

### **1. For the Statement of Expenditures (Combined Delivery Report)**

For funds disbursed in U.S.\$, transactions are recorded and reported in U.S.\$ . For funds disbursed in Egyptian Pounds (L.E), the project records all transactions in Egyptian pound. However, for UNDP reporting purposes , the project funds received and expenditures paid in Egyptian pounds (LE) have been converted to U.S.\$ at fixed monthly exchange rate determined by the UNDP country office. The resulted foreign currency exchange differences is charged to foreign currency exchange loss or gain account.

### **2. For the Assets and Equipments**

For the purpose of preparing the statement of assets and equipments , cost of assets and equipments in L.E as at 31 December 2012 was translated to U.S.\$ at the year end exchange rate which was \$1 equivalent L.E 6.1. This translation is prepared for reporting purposes only.

### **3. For the Statement of Cash Position**

For the purpose of preparing the statement of cash position and reconciling the project's fund balance in U.S.\$ with the cash and bank book balance denominated in L.E. The project's fund balance in L.E as at 31 December 2012 was translated to U.S.\$ at the year end exchange rate which was \$1 equivalent L.E 6.1. Resulting translation differences were charged to a separate line item in the statement of cash position. This translation is prepared for reporting purposes only.

## Management Letter

We have completed our financial audit of the financial reports of the Supporting the Egyptian Education Initiative (EEI) financial audit from 1 January 2012 through 31 December 2012 project funded by the UNDP through Atlas award no. 00045519 as implemented by the Ministry of Communication and Information Technology the period from 1 January 2012 through 31 December 2012. We have issued our reports on the statement of expenditure for the year ended 31 December 2012, statement of assets and equipment as of 31 December 2012 dated 6 April 2013.

In planning and performing our audit of the financial reports and in accordance with the Terms of Reference (2012 NIM audit), we considered the general review of the project progress and the assessment of the project internal controls in order to determine the general compliance with broad project document covenants as well as our auditing procedures for the purpose of expressing our opinion on the financial reports and not to provide assurance on the internal control structure and/or compliance with specific covenants relating to specific performance criteria /output.

In addition and in accordance with annex 1 to the terms reference, we have assessed the overall management of the project's implementation, review work plans, progress reports, project budget, project expenditures, project delivery, recruitment, operations, financial closing and disposal /transfer of assets.

The management of EEI is responsible for management and execution of project's agreed upon activities as well as establishing and maintaining an adequate monitoring, evaluation and reporting system that measures and reports project's timelines in relation to progress milestones and planned completion date. Also, EEI's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by the management are required to assess the expected benefits and related costs of internal control structure policies and procedures.

The objectives of monitoring, evaluation and reporting system is to provide management with reasonable, but not absolute, assurance that project management has a results oriented reporting system which provided financial and performance results, actual results were in the same format as the budget, variances between budgeted and actual amounts were accounted for, meaningful measurements of actual performances were provided, accurate and timely performance reports were provided, and information necessary to periodically evaluate the cost versus benefits of the project were provided.

While the objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and in accordance with the terms and agreements; and transactions are recorded properly to permit the preparation of the financial reports in conformity with the basis of accounting described in Note 2 to the financial reports.



Because of the inherent limitations in any internal control structure, errors or irregularities may, nevertheless occur and not be detected.

Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial reports described in the first paragraph, we obtained an understanding of the internal control structure. However, our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses

During our audit, we noted certain issues involving the project internal control structure which we believe, are necessary to be highlighted to the project management.

In addition, we have considered the prior audit findings while performing our audit and we have followed up with management on the proper corrective action taken to address those findings, if any.

#### Follow up on Prior Audit Findings

We have conducted a follow up on the audit report dated 19 April 2012 covering the year ended 31 December 2011. We have followed up on the prior audit findings and the corrective actions undertaken by management to address these findings. Our methodology in this section is to write in details the prior audit finding, the possible causes, the risk severity, recommendation suggested to management, management comment and finally our audit comment. In the auditor comment, we clearly identify whether the finding is closed or still recurring. If management properly addressed the prior audit finding, then we report the finding as closed, thus no further action plan is required from management. If management did not take proper corrective action, we report the finding as an outstanding finding where management still have to prepare an action plan to address it.

#### Internal Control Assessment

##### A. Human resources selection & administration (HR)

###### 1. Payment Salary Scale

###### Condition:

We noted certain incidents where part time remunerations to project's part time service contracts holders have exceeded the UNDP approved latest salary scale effective December 2010 with net financial impact over statement of expenditures amounting to \$8,891 during year 2011.

For the part time remuneration was not calculated on Pro-rata basis thus resulting in excess over prorated pay scale based on the employee corresponding part time employment %.

###### Criteria:

As per NIM project's implementation guidelines, the Section VII Recruiting and Administering Project Personal, Section C.9, "salaries and other entitlements of locally recruited personal must not exceed those applied in United Nations System". In addition, as per Section C.7 "Part time contracting", the basic principle for establishing the pay for part-time remuneration is that of pro-rating the pay from full-time pay for comparable work.

**Effect:** Non Compliance with UNDP salary threshold

**Risk Severity:** Medium

**Recommendation**

We recommend the project management to either adjust the pay scale or to adjust the % of part time allocation to project activities, if required by project, to ensure compliance with UNDP rules and regulations.

In addition, we recommend management to establish internal control procedure to ensure compliance with UNDP HR rules and regulations before authorization of transactions.

**Management Comments:**

Management agreed with our findings. Management declared that it was first time to implement the part time system. Proper corrective action will be taken in second quarter of 2012 .

**Auditor Comments**

Proper corrective action has taken in the first quarter of 2012 and has adjusted the pay scale to match the UNDP approved latest salary scale effective December 2010. Therefore, The finding is considered **Closed**.

**Current Year Management Issues and Findings**

**Project Progress and Timelines**

The project's rate of delivery as of 31 December 2012 was 84% calculated as follows:-

Total Expenditures for the year ended 31 December 2012/Budget revision as of 28 November 2012

The results of our review did not identify any other material condition related to the project progress, monitoring, evaluation and reporting system.

**Internal Control Assessment**

**A. Human resources selection & administration (HR)/Internal Control**

**1. Conflict of Interest and Segregation of Duties**

During our audit it came to our attention an internal yearend cash count memo, signed by the finance manager and procurement manager as part of a cash count committee; we noted that they are first degree relatives. Despite that, we did not find any irregularities in both departments; we recommend that in-order not to impair the independence of both positions; we suggest that work process of both departments to be documented stressing that both positions as well as departments are entirely independent of each other.

**Effect:** Conflict of Interest and Segregation of duties

**Risk Severity:** Low

**Recommendation**

We suggest that Due to the overlap of both departments and that this relation impairs the independence of both positions; that a proper segregation of duties with predefined authorities and duties to be documented stressing that both jobs do not overlap or be integrated; In-order to avoid any conflict of interests.

**Management Comments:**

Management will document the work process of both departments to assure that both positions as well as departments are entirely independent of each other and their work do not overlap.

**Appendix A**  
**Detailed Inventory List as of 31 December 2012**



4	Adobe photo shop	Computek International	c55.1 Lic. for win & c55.1 meia for win	3	93170	Qena School Berkat El Sabaa school El Zawia El hamra school El Swis School Qena School Mohamed Saleh School El Menia School Berkat El Sabaa school Kafr El Sheikh School El Zakazik School Alex Vocatinal school El Zawia El hamra school AlManzla School	Done
5	Autodesk Software	Kemet Corporation		10	178500		Done
6	إنتاج نموذج مطور لعادة محركات مركبات الصنف الثاني والتحت ويادة التبريد والتكييف و عمل مختارى التكر وى ليهة الجواه	Nahdet Misr			289000		In progress
7	عمل تطبيقات في المعامل الأخرى اضية وأعداد نسخة ياتاحة العربية من التطبيقات المتوفرة وتثبيتها بالمطارس واستلام التوجيه في صورتها النهائية وتعليق استخدامها	Computek International			2183060		In progress
8	إنتاج نماذج لاجية الإيهة لمحركات السيارات لمطرواح تطوير نماذج من النحية المتكسمة باستخدام بكتو لوجيا المعلومات والاتصالات	GNS1			180000		In progress
9	بناء نماذج لاجي الإيهة لعادة التبريد وعلية الشحن والتفريغ وتلاجة ذات شابين وتو لوجيا والجيب فريزر	GNS2			180000		In progress
10	Equipment and adob software	Al Port Saidy	Notebook Dell inspiron n5110 15.6 personal computer Aopen KA51B TFT monitor Benq 19 network HDD2TB Adobe c55 package license 1 Media	1	5280	الأدارة العامة للتعليم الصناعى	Done

3/10/2012

Ayemen Refmy

Ahmed Tameen

Ahmed Hwan

Ahmed Tameen

11	Equipment	Al Port Saldy	AG-AC160EN كسيرا بالترينك	1	37375	الوزارة العامة للتعليم الصناعي	Done
			RP-SDQ16 GGIK SDKC16GB	4	2400		
			LS-38 كسيرا	1	6140		
			COSMO LIGHT	1	12000		
			ACT-707HM	1	5000		
			MIR-90	2	0		
			ACT707TM	1	5000		
			FB-S02	1	1700		
			LCD42"PLUTO	1	5000		
			Fuji-j250	1	2000		
			tm80	1	6000		
			sd32GB	1	400		

Ahmed Husain

Ahmed Tameem

Ahmed Kebra


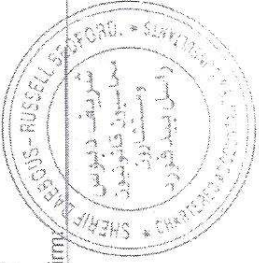
**Appendix B**  
**Certified Follow Up Action Plan**



## Follow Up Action Plan -- Year 2011 audit data and observations

Award No: Obs No	Observation	Recommendation	Output No: Audit Area	Risk Severity	53786			Opinion type:			Actual Impl. Date	Descr. of Status Update
					Proj/CO Mgt Comm.	Action(s) Planned	Target Impl. Date	Action Unit	Person Respsble. for Action	Updated Status		
1	<p><u>Payment of Salary Scale in excess of UNDP approved Rates:</u></p> <p>We noted certain incidents where part time remunerations to project's part time service contracts holders have exceeded the UNDP approved latest salary scale effective December 2010 with net financial impact over statement of expenditures amounting to \$8,891 during yearwe 2011.</p> <p>For the part time remuneration was internal not calculated on Pro-rata basis thus procedure to resulting in excess insure over prorated pay compliance scale based on the with UNDP</p>	<p>We recommend the project management administration to either adjust the pay scale or to adjust the % of part time allocation to project activities, if required by project, to ensure compliance with UNDP rules and regulations. In addition, we recommend management to establish internal control procedure to insure over prorated pay compliance scale based on the with UNDP</p>	Human resources selection and administration (HR)	Medium	Management agreed with our findings. Management declared that it was first time to implement the part time system. Proper corrective action will be taken in second quarter of 2012.	30/6/2012	Project Management	National Project Manager	Closed	Q1 Year 2012	Proper corrective action has taken in the first quarter of 2012 and has adjusted the pay scale to match the UNDP approved latest salary scale effective December 2010. Therefore, The finding is considered <b>Closed</b> .	

employee corresponding part time employment %.	FIR rules and regulations before authorization of transactions.											
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<p><b>Implementing Partner (IP)</b>  Signature of IP Official: _____  Name and title (print): Eng. Hoda Dahroug,  National Project Manager  Date: <u>Maha Dahroug</u></p>	<p><b>UNDP Country Office</b>  Signature of UNDP Official:   Name and title (print): Ignacio Artaza, Country Director  Date: <u>09/05/2013</u></p>	<p><b>Government Auditors/Audit Firm</b>  Signature of Audit firm Official: <u>Sherif Dabbous</u>  Name and title (print): Sherif Dabbous, Managing Partner  Russell Bedford Sherif Dabbous  Date: <u>6/6/2013</u></p>	<p>Stamp and Seal of audit firm:  </p>
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**Appendix C**  
**Current Action Plan – Year 2012**

# Certification of Action Plan – Year 2012 audit data and observations

Table 1- Audit of the UNDP CDR

UNDP Combined Delivery Report (CDR) as at 31 December 2012			
1. Project No.	Output No.	Amount audited and certified (US\$)	Audit opinion (unqualified, qualified, adverse, disclaimer)
00045519	00053786	Amount audited and certified \$1,057,196	Unqualified
			Total amount of qualification of audit opinion (if qualified, adverse or disclaimer opinion)
			Reason(s) for qualification of audit opinion and breakdown of NFI amount (US NA)
			Observation(s) that had impact on qualification of audit opinion (list observation number(s) and page of audit report/management letter)

<p><b>Implementing Partner (IP)</b> Signature of IP Official: _____ Name and title (print): Eng. Hoda Dahroug, National Project Director</p> <p>Date: <u>14/01/2013</u></p>	<p><b>UNDP Country Office</b> Signature of UNDP Official: <u>[Signature]</u> Name and title (print): Ignacia Artaza, Country Director</p> <p>Date: <u>21/01/2013</u></p>	<p><b>Government Auditors/Audit Firm</b> Signature of Audit firm Official: <u>[Signature]</u> Name and title (print): Sherif Dabbous, Managing Partner Russell Bedford Sherif Dabbous</p> <p>Date: <u>6/6/2013</u></p> <p>Stamp and Seal of audit firm: </p>
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Table 2- Audit of the statement of cash position

Statement of Cash Position as at 31 December 2012			
Project No.	Output No.	Value of Cash Position Statement as of 31 December 2012 (US\$)	Audit Opinion Statement of Cash Position
00045519	00053786	\$0	Unqualified
			Total amount of qualification Statement of Cash Position (US\$)
			NA

<b>Implementing Partner (IP)</b> Signature of IP Official: _____ Name and title (print): Eng. Hoda Dahroug, National Project Director Date: <u>Hoda Dahroug</u>	<b>UNDP Country Office</b> Signature of UNDP official: <u>[Signature]</u> Name and title (print): Ignacia Artaza , Country Director Date: <u>20/12/2013</u>	<b>Government Auditors/Audit Firm</b> Signature of Audit firm Official: <u>[Signature]</u> Name and title (print): Sherif Dabbous, Managing Partner Russell Bedford Sherif Dabbous Date: <u>6/4/2013</u> Stamp and Seal of audit firm: <u>[Stamp]</u>
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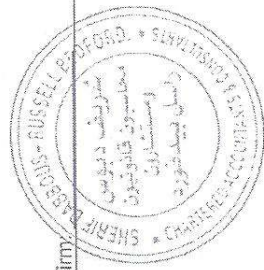


Table 3- Audit of the statement of assets and equipments

Statement of Assets and Equipment as at 31 December 2012			
Project No.	Output No.	Value of Assets and Equipments as of 31 December 2012 (Cumulative from project start date) (US\$)	Audit Opinion Statement of Assets and Equipment
0004519	00053786	\$572,623	Unqualified
			Total amount of qualification on the Statement of Assets and Equipment (US\$)
			NA

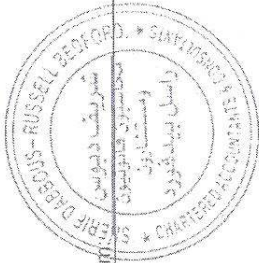
<b>Implementing Partner (IP)</b> Signature of IP Official: _____ Name and title (print): Eng. Hoda Dahroug, National Project Director Date: <u>Hoda Dahroug</u>	<b>UNDP Country Office</b> Signature of UNDP Official: _____ Name and title (print): Ignacia Artaza, Country Director Date: <u>09/01/2013</u>	<b>Government Auditors/Audit Firm</b> Signature of Audit firm Official: <u>Sherif Dabbous</u> Name and title (print): Sherif Dabbous, Managing Partner Russell Bedford Sherif Dabbous Date: <u>04/12/13</u>
Stamp and Seal of audit firm: 		

Table 4- Report on audit observations and recommendations

Project No.	Output No.	Observ. No	Audit Observation	Recommendation	Audit Area	Risk Severity	Project/CO Mngmt. Comments
00045519	00053786	1	<p><i>Conflict of Interest and Segregation of Duties</i></p> <p>During our audit it came to our attention an internal yearend cash count memo, signed by the finance manager and procurement manager as part of a cash count committee; we noted that they are first degree relatives. Despite that, we did not find any irregularities in both departments; we recommend that in order not to impair the independence of both positions; we suggest that work process of both departments to be documented stressing that both positions as well as departments Are entirely independent of each other.</p>	<p>We suggest that Due to the overlap of both departments and that this relation impairs the independence of both positions; that a proper segregation of duties with predefined authorities and duties to be documented stressing that both jobs do not overlap or be integrated; In order to avoid any conflict of interests.</p>	Human resources selection & administration (HR)/Internal Control	Low	Management will document the work process of both departments to assure that both positions as well as departments are entirely independent of each other and their work do not overlap.

