



Russell
Bedford

**Auditor's Report and Management Letter
Empowering and Connecting the
Community through ICT Egypt, Atlas
Award No. 00045558 from 1 January
2012 through 31 December 2012**



UN
DP

Contents

	Page
Independent Auditor's Report	3
Statement of Expenditures	6
Statement of Assets and Equipments	9
Statement of Cash Position	10
Notes to the statements	11
Management Letter	14
 <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. 00045558 and project no 00053834 for the period from 1 January 2012 through 31 December 2012 represented in the Combined Delivery Report (CDR) of the Empowering and Connecting through ICT Egypt (ECC/ICT) as implemented by the Ministry of Communication and Information Technology (MCIT).

Management is responsible for the preparation of the statement of expenditures ECC/ICT's for 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 \$150,310 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 respect the expenditure of \$3,034,299 incurred by the UNDP project Empowering and Connecting the Community through ICT Egypt (ECC/ICT) for the period from 1 January 2012 to 31 December 2012 in accordance with agreed upon 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 UNDP regulations and rules, policies and procedures; and (iv) supported by properly approved vouchers and other supporting documents..

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. 00045558 and project no 00053834 as at 31 December 2012 represented in the statement of assets and equipments of the Empowering and Connecting the Community through ICT Egypt (ECC/ICT) as implemented by the Ministry of Communication and Information Technology (MCIT).

Management is responsible for the preparation of the statement of assets for ECC/ICT'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 assets and equipments present fairly, in all material respects the balance of inventory of the UNDP project Empowering and Connecting the Community through ICT Egypt (ECC/ICT) amounting to \$15,465 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. 00045558 and project no 00053834, Empowering and Connecting the Community through ICT Egypt (ECC/ICT) as implemented by the Ministry of Communication and Information Technology (MCIT) 31 December 2012.

Management is responsible for the preparation of the statement of cash for ECC/ICT'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 Empowering and Connecting the Community through ICT Egypt (ECC/ICT) 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 Programme (UNDP), Government of Arab Republic of Egypt, Empowering and Connecting the Community through ICT Egypt (ECC/ICT) 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.

Sherif Dabbous

Russell/Bedford Sherif Dabbous

Cairo, Egypt.

7 April 2013

3, Mamar Behlar, Down Town, Cairo

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Combined Delivery Report By Project

UN Development Programme
Report ID: unglcdrp

Page 1 of 4
Run Time: 25-03-2013 12:03:08

Selection Criteria :

Business Unit : EGY10
Period : Jan-Dec (2012)
Selected Project Id : 00045558
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : ALL

Project Id : 00045558 Empowering & Connecting the Com	Period : Jan-Dec (2012)		
Output # : 00053834 Empower&Connect Community	Impl. Partner : 01035 Ministry Of Communication & Main		
Location :			
Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Dept: 44804 (Egypt - Dem. Governance)

Fund : 30071 (Programme Cost Sharing GOV1)

76120 - Unrealized Loss	0.00	8,137.88	0.00	8,137.88
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Total for Fund 30071	0.00	8,137.88	0.00	8,137.88
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Total for Dept : 44804	0.00	8,137.88	0.00	8,137.88
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Dept: 44807 (Egypt - ICT for Development)

Fund : 30071 (Programme Cost Sharing GOV1)

71205 - Intl Consultants-Sht Term-Tech	0.00	4,076.18	0.00	4,076.18
71405 - Service Contracts-Individuals	2,436,373.66	0.00	0.00	2,436,373.66
71605 - Travel Tickets-International	0.00	179,544.64	0.00	179,544.64
71615 - Daily Subsistence Allow-Intl	0.00	123,635.27	0.00	123,635.27
71620 - Daily Subsistence Allow-Local	0.00	25,292.03	0.00	25,292.03
72130 - Svc Co-Transportation Services	0.00	21,724.20	0.00	21,724.20
72140 - Svc Co-Information Technology	0.00	31,806.47	0.00	31,806.47
72415 - Courier Charges	0.00	618.07	0.00	618.07
72510 - Publications	0.00	465.17	0.00	465.17
72710 - Hospitality-Vouchered Expenses	0.00	6,376.25	0.00	6,376.25
73105 - Rent	0.00	299.50	0.00	299.50
73505 - Reimb to UNDP for Supp Svcs	0.00	5,985.16	0.00	5,985.16
74105 - Management and Reporting Svcs	48,727.46	0.00	0.00	48,727.46
74110 - Audit Fees	0.00	1,563.72	0.00	1,563.72
75105 - Facilities & Admin - Implement	0.00	144,324.40	0.00	144,324.40
76120 - Unrealized Loss	0.00	6,118.02	0.00	6,118.02
76125 - Realized Loss	0.00	6.49	0.00	6.49
76130 - Unrealized Gain	0.00	-10,712.60	0.00	-10,712.60
76135 - Realized Gain	0.00	-63.36	0.00	-63.36

Total for Fund 30071	2,485,101.12	541,059.61	0.00	3,026,160.73
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Total for Dept : 44807	2,485,101.12	541,059.61	0.00	3,026,160.73
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Total for Output : 00053834	2,485,101.12	549,197.49	0.00	3,034,298.61
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Project Total :	2,485,101.12	549,197.49	0.00	3,034,298.61
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Project Management

UNDP CO Management

Name : Dr. Noha Adly
Title : National Project Director
Signature:

Name : Ignacio Artaza
Title : Country Director
Signature:

Audit Firm

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





Combined Delivery Report By Project

UNDP UN Development Programme
Report ID: unglcdrp

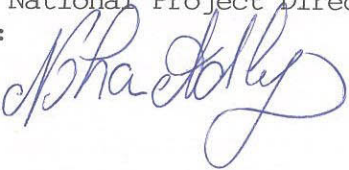
Page 2 of 4
Run Time: 25-03-2013 12:03:09

Selection Criteria :

Business Unit : EGY10
Period : Jan-Dec (2012)
Selected Project Id : 00045558
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : ALL

Project Id : ALL	Period : Jan-Dec (2012)			
Output # : ALL	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
44804 - Egypt - Dem. Governance	0.00	8,137.88	0.00	8,137.88
44807 - Egypt - ICT for Development	2,485,101.12	541,059.61	0.00	3,026,160.73


Project Management

Name : Dr . Noha Adly
Title : National Project Director
Signature: 

UNDP CO Management

Name : Ignacio Antaza
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 : 00045558
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : ALL

Project/Award: 00045558 Empowering &Connecting the Com

Period : As at Dec 31, 2012

Output #	00053834	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 : Dr. Noha Adly
Title : National Project Director
Signature:

UNDP CO Management

Name : Ignacio Arvaza
Title : Country Director
Signature:

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): 00045558
Selected Fund Code : ALL
Selected Output(s): ALL

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

No Data found for the Selection Criteria

Project Management

Name : Dr. Noha Adly
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:



Empowering and Connecting the Community through ICT Egypt
Atlas Award No. 00045558
Funded by United Nations for Development Programme
Statement Of Assets and Equipments
From 1 January 2012 through 31 December 2012

	<u>Cost</u>								Aaa
	<u>From 01/01/07 to 31/12/07</u>	<u>From 01/01/08 to 31/12/08</u>	<u>Cost as of 31/12/08</u>	<u>From 01/01/09 to 31/12/09</u>	<u>From 01/01/10 to 31/12/10</u>	<u>From 01/01/11 to 31/12/11</u>	<u>Adjustment To prior balance</u>	<u>From 01/01/12 to 31/12/12</u>	
	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$
Assets and Equipments	207	538	745	15,538	0	0	92	0	16,375
Foreign Currency Exchange Difference	(12)	(30)	(42)	(866)	0	0	(2)	0	(910)
Total	195	508	703	14,672	0	0	90	0	15,465

• The accompanying notes are integral part of the statement of assets and equipments

Project Management:

Name: Dr. Noha Adly

Title: National Project Director

Signature:

UN CO Management

Name: Ignacio Artaza

Title: Country Director

Signature:

Audit Firm

Russell Bedford Sherif Dabbous

Name: Sherif Dabbous

Title: Manager

Signature: Sherif Dabbous



Empowering and Connecting the Community through ICT Egypt
Atlas Award No. 00045558
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
Funds Received			
Fund Balance as at 31 December 2011	\$51,704	\$0	\$51,704
Funds Advanced to Project During Audited Period	2,437,198	0	2,437,198
UNDP Direct Payments	0	549,197	549,198
Total Funds Available	\$2,488,902	\$549,198	\$3,038,100
Expenditures Elements			
71200 International Consultants	\$0	\$4,076	\$4,076
71400 Contractual Services - Individuals	2,436,374	0	2,436,374
71600 Travel	0	336,610	336,610
72100 Contractual Services - Companies	0	53,531	53,531
72400 Communication and Reporting	0	618	618
72500 Supplies	0	465	465
72700 Hospitality	0	6,376	6,376
73100 Rental and Maintenance - Premises	0	300	300
73500 Reimbursements For UNDP Support Services	0	5,985	5,985
74100 Professional Services	48,727	1,564	50,291
75100 Facilities and Administration	0	144,325	144,325
76100 Foreign Currency Exchange (Gain) Loss	0	(4,652)	(4,652)
Sub Total	\$2,485,101	\$549,198	\$3,034,299
Exchange Difference	3,801	0	3,801
Total	\$2,488,902	\$549,198	\$3,019,203
Fund Balance as at 31 December 2012	\$0	\$0	\$0
Less: Cash Book Balance			
Bank Book Balance as at 31 December 2012			\$0
Petty Cash Balance as at 31 December 2012			0
Total Cash Book Balance as at 31 December 2012			\$0
Difference (If any)			\$0

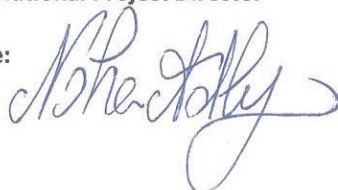
- The accompanying notes are integral part of the statement of cash position
- The statement do not include the UN Agencies disbursements and/or Encumbrance

Project Management:

Name: Dr. Noha Adly

Title: National Project Director

Signature:



UNDP CO Management

Name: Ignacio Artaza

Title: Country Director

Signature:



Audit Firm

Name: Russell Bedford Sherif Dabbou

Title: Manager

Sig: Sherif Dabbou



Notes to the statements

31 December 2012

1. Introduction and Background

A. Project Main Information

Empowering and Connecting the Community through ICT Egypt initiated under the UNDP Atlas award no. 00045558.

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

As per the last budget revision dated 17 January 2013, the project start date is year 2007 and end date is year 2013. The project approved budget is \$ 26,478,373. The project approved budget for year 2012 and beyond is \$8,173,373 distributed among \$1 from UNDP/TRAC and \$8,173,372 from GOV Cost Sharing.

B. Project Background and Objectives:

The objective of the project is to strengthen the efforts of the government of Egypt in cooperation with various stakeholders in the process of building the nation's information society. The project complements the ongoing projects between the government of Egypt and UNDP in the ICT sector aiming at a) facilitating the development process related to various organizational, legislative and regulatory framework issues, b) fostering the promotion of the information society through engaging the civil society and non-governmental organizations and c) helping better integrate Egypt into the global information society.

The project would help produce the following outputs:-

- a) universal access policies and strategies developed and upgraded
- b) ICT applications supported
- c) Innovation enhanced
- d) Legal and regulatory enabling environment enhanced
- e) Human resources training and development supported
- f) Knowledge sharing and internal management support system established

A substantial budget revision in 20April 2011 based on the results of the mid-term review to include new actions within the framework of the on-going project activities to adopt to MCIT's priorities and targets.

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 Empowering and Connecting the Community through ICT Egypt project funded by the UNDP through atlas award no. 00045558 as implemented by the Ministry of Communication and Information Technology during 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 and statement of cash position as of 31 December 2012 dated 7 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 the Empowering and Connecting the Community through ICT Egypt is responsible for management and execution 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, The Empowering and Connecting the Community through ICT Egypt 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

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 29 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. Part time contracting with GOV High Executive Official under SC Contracts

Condition:

During our audit, we noted that the project maintains part time service contract agreement with NIP High GOV Executive Level (First Under secretary). Though part time employment is certified in writing by NIP, however, part time contracting With NIP high executive officials is not allowed due to inability to evidence that work assigned under the project is outside their normal scope of work with the GOV.

Criteria:

As per Egyptian applicable rules and regulations, part contracting with NIP high executive officials is not allowed. In addition, as per UNDP rules and regulations covering contracting with GOV officials under SC contract, part time contracting with GOV officials is allowed provided that the work assigned under the project is outside their normal scope of work "do not conflict with their initial work" with the GOV. The matter that is in-feasible within high executive/managerial level.

Effect: Non Compliance

Risk Severity: Medium

Recommendation

We recommend the project management to ensure single source contracting with NIP high executive/managerial levels.

The GOV official should be employed on full time basis either with the GOV or with the project and accordingly, should receive remuneration from one source only. In case of appointment with project, the GOV official should be either on leave without pay or assigned to project without receiving any enumeration from the GOV and a letter in that context should be issued and endorsed by the NIP.

Management Comments:

Management agreed with review all the recruitments and comply starting from second quarter of year 2012.

Auditor Comments

The government has issued a statement addressed to us; Conforming its acceptance of allowing those governmental employees to work on the project as part timers. Moreover, it illustrates the amount of time they work in the government and amount of time they spend on project. Furthermore, it states that their jobs and duties in the government is totally different from the jobs and duties in the project. Therefore the finding is considered **Closed**

2. Part time salary remunerations in excess of pro-rated UNDP approved rates

Condition:

We noted incidents where part time remunerations to project's part time service contracts holders have exceeded the UNDP approved latest salary scale effective December 2010.

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

Criteria:

As per NIM project's implementation guidelines, the Section VII Recruiting and Administering Project Personnel 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 project management to review all contracts and ensure compliance with salary ceiling either by adjusting the pay scale or by adjusting the % of part time

allocation to project activities, if required by project, to ensure compliance with UNDP rules and regulations.

In addition to establish internal control procedure to ensure compliance with UNDP HR rules and regulations before authorization of transactions

Management Response:

Management agreed with our finding. Proper corrective action will take place in 2012.

Auditors Comments

The remunerations had been adjusted to be on part time bases and to be in-line with the UNDP approved latest salary scale which was effective on December 2010. Therefore the finding is considered **Closed**.

3. Insufficient number of members within the Project Recruitment Panel

Condition:

Although the recruitment process was adequately supported by three Curriculum vitae (CV's) of 3 applicants, yet we noted that the Project Recruitment Panel (PRP) is compromised of two officials only (less than three members) and in certain incidents we noted that the committee structure is not altered/modified based on the technical level of the individual being interviewed.

Criteria:

Internal control procedures as well as UNDP rules and regulations over recruitment process requires ensuring that screening and evaluation of potential candidates is done by a committee of not less than 3 member. Competence of the members should be in agreement with the technicality of the post being hired.

Effect: Inadequate selection process

Risk Severity: Medium

Recommendation:

We recommend project management to ensure future compliance with internal control policies and procedures as well as UNDP regulations and adherence to the NIM guidelines. As per NIM project's implementation guidelines, selection must be made on a competitive basis from a pool of at least three (3) screened applicants. To do this, the PM organizes a Project Recruitment panel (PRP) within the NIP to evaluate applicants against pre-established evaluation criteria and recommend the best candidate(s) to the NPD. The Panel should have at least three (3) members< including the PM who severs as chairperson. Representative(s) from the UNDP CO is/are also invited to meetings of the Panel as well as representative officials from the National Implementing Partner.

Management Response:

Management agreed with our finding and will consider our recommendation starting from second quarter of year 2012.

Auditors Comments

The results of our current year audit not identify any similar incident. Therefore the finding is considered **Closed** .

B. Financial operations

4. Delays in settlements of travel advances and delays in remittance of unsettled advance balance and/or expenses reimbursements to UNDP

Condition:

We noted the delay in settlement of travel advances, where settlement for advances for the whole year took place in December 2011 where an amount of \$19.470 was remitted to UNDP in 2012 while the amount of \$5.671 was not refunded to-date.

In addition, we noted delay in refund of insurance reimbursement in year 2011 amounting to \$1.385 that was reported and remitted to UNDP in 2012.

Criteria:

Internal control procedures over cash advances requires settlement of advances within reasonable period of time In addition, since UNDP is following the cash basis for accounting and reporting of project expenditures, therefore advances are reported as expenditures. Accordingly all advances should be settled by 31 December 2011 for cut off purposes and to ensure that reported expenditures are adequately supported. Any remaining cash balance and/or any reimbursements or refund of expenditures in general during any given fiscal year should be refunded to UNDP and reported as a cost reduction during the same given fiscal year.

Effect: Expenditures reported are overstated with unreported travel refunds for \$ 19.470, unreported insurance refunds for \$1.385 and unsettled advances for \$5.671.

Risk Severity: Medium

Recommendation:

We recommend project management to establish internal procedures to ensure periodic monitoring, settlement of advances within a reasonable period of time and full settlement of all outstanding advances balance as at 31 December of any reporting period where excess unsettled balance, if any should be fully refunded to UNDP before year end

Management Response:

Management agreed with our finding. Proper corrective action will be considered in the future.

Auditors Comments

The results of our current year audit not identify any similar incident. There 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 93% calculated as follows:-

Total Expenditures for the year ended 31 December 2012/Project budget revision as of 17 January 2013

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

Appendix A
Detailed Inventory List as of 31 December 2012

محضر جرد أصول

مشروع ربط ودعم المجتمع من خلال تكنولوجيا المعلومات التابع للبرنامج الإنمائي للأمم المتحدة

EGY 00045558

انه في يوم الاثنين الموافق 2012-12-31 قامت اللجنة الخاصة لجرد الأصول الثابتة لمشروع ربط ودعم المجتمع من خلال تكنولوجيا المعلومات التابع لبرنامج الأمم المتحدة EGY 00045558 والمكونة من البيان كما هو موضح في سجل أصول المشروع الآتي :-

المسلسل	البيان	رقم الوحدة المسلسل	العدد
001/2007	خزينة OGEIDA	TU 007488	1
002/2008	إسكانر (ماسح ضوئي) ماركة زيروكس Documate 510	729CN597300281EU/UK	1
003/2009	سيارة - نيسان صني - ترخيص 2009	NMECFAN16ZO 026340	1
004/2010	مسجل صوتي رقمي - OLYMPUS	VN-5200PC	1

وقد قام أعضاء اللجنة بفحص ومراجعة المستندات الخاصة بالأصول طبقا لتعليمات الجرد التابعة لبرنامج الأمم المتحدة .

وبعد إتمام الجرد تيقنت اللجنة من مطابقة المستندات مع الأصول الموجودة حيث وجد أن :

1. الخزينة OGEIDA مسلسل رقم TU 007488 عهده السيد / شادي زكي فريد صالح في مبنى وزارة الاتصالات في القرية الذكية B145 المكتب بالدور الثاني (مكتب زجاجي).
2. أن الماسح الضوئي مسلسل رقم 729CN597300281EU/UK عهده السيدة / نعمه الله صلاح الدين في مبنى B145 مكتب رقم 101 .
3. سيارة نيسان صني رقم الشاسية NMECFAN16ZO 026340 عهده السيد / علاء محمود محمد أحمد .
4. مسجل صوتي رقمي - VN-5200PC عهده الأستاذة / نهى جاب الله .

أعضاء اللجنة :

السيد / سامر محمد سعيد : التوقيع :
السيد / باسم عصمت عبد اللطيف : التوقيع :
السيد / رامي علاء الدين حسنين : التوقيع :
السيد / علاء محمود محمد أحمد : التوقيع :



Fixed Assets Register



Project Title: Empowering and Connecting the Community through ICT
Project Number: 00045558

No.	Description	Qty	Price/Unit	Total Cost	Serial Number	Asset Location	Custody	Asset Number
			L.E	L.E				
1	Safe Case	1	1,190.00	1,190.00	TU007488	B145 Smart Village - Glass office MCIT	Shady Zaki	001/2007
2	Xerox Scanner	1	3,100.00	3,100.00	729CN597300281 EU/UK	B145 Smart Village - Office 101, MCIT	Nemat Salah	002/2008
3	Nissan Sunny Car	1	89,500.00	89,500.00	NMECFAN16ZO 026340	B1 MCIT	Alaa Mahmoud	003/2009
4	Digital Voice Recorder	1	550.00	550.00	Olympus VN-5200PC	B1 I Smart Village - Office 2049, MCIT	Noha Gaballah	004/2010

Appendix B
Certified Follow Up Action Plan

Follow Up Action Plan – Year 2011 audit data and observations

Award No:		00045558		Output No:		53834		Opinion Type:		Unqualified		
Obs No	Observation	Recommendation	Audit Area	Risk Severity	Proj/CO Mgt Comm.	Action(s) Planned	Target Impl. Date	Action Unit	Person Respsble. for Action	Updated Status	Actual Impl. Date	Descri. of Status Update
1	<p><u>Part Time contracting GOV High Executive Official under SC Contracts</u></p> <p>During our audit, we noted that the project maintains part time service contract agreement with NIP High GOV Executive Level (First Under secretary). Though part time employment is certified in writing by NIP, however, part time contracting With NIP high executive officials is not allowed due to inability to evidence that work assigned under the project is outside their normal scope of work with the GOV.</p>	<p>We recommend the project management to ensure single source contracting with NIP high executive/managerial levels. The GOV official should be employed on full time basis either with the GOV or with the project and accordingly, should receive remuneration from one source only. In case of appointment with project, the GOV</p>	Human Resources selection & administration	Medium	Management agrees to review all the recruitments.	Proper corrective action will be taken in 2012	30/6/2012	Project Management	National Project Director	Closed	Q2 year 2012	<p>The government has issued a statement addressed to us; Conforming its acceptance of allowing those governmental employees to work on the project as part timers. Moreover, it illustrates the amount of time they work in the government and amount of time they spend on project. Furthermore, it states that their jobs and duties in the government is totally different from the jobs and duties in the project. Therefore the finding is considered Closed</p>

	As per Egyptian applicable rules and regulations, part contracting with NIP high executive officials is not allowed. In addition, as per UNDP rules and regulations covering contracting with GOV officials under SC contract, part time contracting with GOV officials is allowed provided that the work assigned under the project is outside their normal scope of work "do not conflict with their initial work" with the GOV. The matter that is infeasible within high executive/managerial level.	official should be either on leave without pay or assigned to project without receiving any enumeration from the GOV and a letter in that context should be issued and endorsed by the NIP										
2	<u>Par Time Salary remuneration in excess of pro-rated UNDP approved rates :</u> We noted incidents where part time	We recommend project management to review all contracts and ensure	Human resources selection & administration	Medium	Management agreed with our finding. Proper corrective action will take place	Proper corrective action will take place in 2012.	30/6/2012	Project Management	National Project Director	Closed	Q2 year 2012	The remunerations had been adjusted to be on part time bases and to be in-line with the UNDP approved latest salary scale which was effective on December 2010. Therefore the

<p>remunerations to project's part time service contracts holders have exceeded the UNDP approved latest salary scale effective December 2010.</p> <p>Pay for part time remuneration was not calculated on Pro-rata basis thus resulting in excess over prorated pay scale based on the employee corresponding part employment %.</p> <p>As per NIM project's implementation guidelines, the Section VII Recruiting and Administering Project Personnel C.9 "salaries and other entitlements of locally recruited personal must not exceed those applied in United Nations System". In addition, as per</p>	<p>compliance with salary ceiling either by adjusting the pay scale or by adjusting the % of part time allocation to project activities, if required by project, to ensure compliance with UNDP rules and regulations.</p> <p>In addition to establish internal control procedure to ensure compliance with UNDP HR rules and regulations before authorization of transactions</p>			<p>in 2012.</p>							<p>finding is considered Closed.</p>
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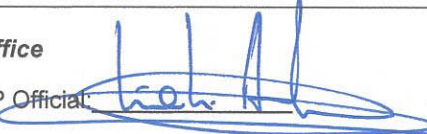
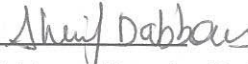

	Section C.7 "Part time contracting", the basic principle for establishing the pay for part-time remuneration is that of prorating the pay from full-time pay for comparable work											
3	<p><i>Insufficient number of members within the project recruitment Panel:</i></p> <p>Although the recruitment process was adequately supported by three Curriculum vitae (CV's) of 3 applicants, yet we noted that the Project Recruitment Panel (PRP) is compromised of two officials only (less than three members) and in certain incidents we noted that the committee structure is not altered/modified based on the technical level of the individual being</p>	<p>We recommend project management to ensure future compliance with internal control policies and procedures as well as UNDP regulations and adherence to the NIM guidelines. As per NIM project's implementation guidelines, selection must be made on a</p>	<p>Human resources selection & administration</p>	<p>Medium</p>	<p>Management agreed with our finding and will consider our recommendation starting from second quarter of year 2012.</p>	<p>Proper corrective action will take place in 2012</p>	<p>30/6/2012</p>	<p>Project Management</p>	<p>National Project Director</p>	<p>Closed</p>	<p>2012</p>	<p>The results of our current year audit not identify any similar incident. Therefore the finding is considered Closed .</p>

<p>interviewed.</p> <p>Internal control procedures as well as UNDP rules and regulations over recruitment process requires ensuring that screening and evaluation of potential candidates is done by a committee of not less than 3 member. Competence of the members should be in agreement with the technicality of the post being hired.</p>	<p>competitive basis from a pool of at least three (3) screened applicants. To do this, the PM organizes a Project Recruitment panel (PRP) within the NIP to evaluate applicants against pre-established evaluation criteria and recommend the best candidate(s) to the NPD. The Panel should have at least three (3) members including the PM who serves as chairperson. Representa</p>											
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		<p>tive(s) from the UNDP CO is/are also invited to meetings of the Panel as well as representative officials from the National Implementing Partner.</p>										
4	<p>We noted the delay in settlement of travel advances, where settlement for advances for the whole year took place in December 2011 where an amount of \$19,470 was remitted to UNDP in 2012 while the amount of \$5,671 was not refunded to-date.</p> <p>In addition, we noted delay in refund of insurance reimbursement in year 2011</p>	<p>We recommended project management to establish internal procedures to ensure periodic monitoring, settlement of advances within a reasonable period of time and full settlement of all outstanding advances balance as at 31</p>	Financial operations	Medium	<p>Management agreed with our finding. Proper corrective action will be considered in the future.</p>	<p>Proper corrective action will be considered in the future</p>	2012	Financial Management	Financial Manager	Closed	2012	<p>The results of our current year audit not identify any similar incident. There the finding is considered Closed .</p>

<p>amounting to \$1.385 that was reported and remitted to UNDP in 2012.</p> <p>Internal control procedures over cash advances requires settlement of advances within reasonable period of time. In addition, since UNDP is following the cash basis for accounting and reporting of project expenditures, therefore advances are reported as expenditures. Accordingly all advances should be settled by 31 December 2011 for cut off purposes and to ensure that reported expenditures are adequately supported. Any remaining cash balance and/or any reimbursements or refund of</p>	<p>December of any reporting period where excess unsettled balance, if any should be fully refunded to UNDP before year end</p>								
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expenditures in general during any given fiscal year should be refunded to UNDP and reported as a cost reduction during the same given fiscal year.											
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Implementing Partner (IP)	UNDP Country Office	Government Auditors/Audit Firm
Signature of IP Official: 	Signature of UNDP Official: 	Signature of Audit firm Official: 
Name and title (print): Dr. Noha Adly , National Project Manager	Name and title (print): Ignacio Artaza, Country Director	Name and title (print): Sherif Dabbous, Managing Partner Russell Bedford Sherif Dabbous
Date: <u>21/4/2013</u>	Date: <u>08/05/2013</u>	Date: <u>7/4/2013</u>
		Stamp and Seal of audit firm: 

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)	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)	Observation(s) that had impact on qualification of audit opinion (list observation number(s) and page of audit report/management letter)
	00045558	53834	Amount audited and certified \$3,034,299	Unqualified	NA	NA	NA


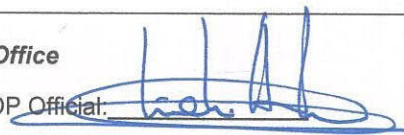
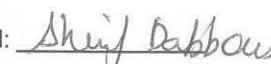

<p>Implementing Partner (IP)</p> <p>Signature of IP Official: </p> <p>Name and title (print): Dr. Noha Adly, National Project Manager</p> <p>Date: <u>21/4/2013</u></p>	<p>UNDP Country Office</p> <p>Signature of UNDP Official: </p> <p>Name and title (print): Ignacio Artaza, Country Director</p> <p>Date: <u>08/05/2013</u></p>	<p>Government Auditors/Audit Firm</p> <p>Signature of Audit firm Official: </p> <p>Name and title (print): Sherif Dabbous, Managing Partner Russell Bedford Sherif Dabbous</p> <p>Date: <u>7/4/2013</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	Total amount of qualification Statement of Cash Position (US\$)
00045558	53834	\$0	Unqualified	NA



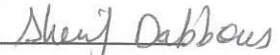

<p>Implementing Partner (IP)</p> <p>Signature of IP Official: </p> <p>Name and title (print): Dr. Noha Adly, National Project Manager</p> <p>Date: <u>21/6/2013</u></p>	<p>UNDP Country Office</p> <p>Signature of UNDP Official: </p> <p>Name and title (print): Ignacio Artaza, Country Director</p> <p>Date: <u>08/05/2013</u></p>	<p>Government Auditors/Audit Firm</p> <p>Signature of Audit firm Official: </p> <p>Name and title (print): Sherif Dabbous, Managing Partner Russell Bedford Sherif Dabbous</p> <p>Date: <u>7/6/2013</u></p> <p>Stamp and Seal of audit firm: </p>
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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	Total amount of qualification on the Statement of Assets and Equipment (US\$)
00045558	53834	\$15,465	Unqualified	NA

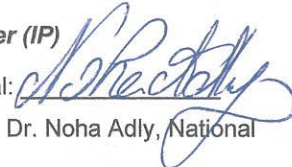
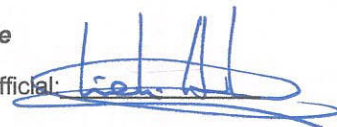
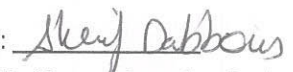
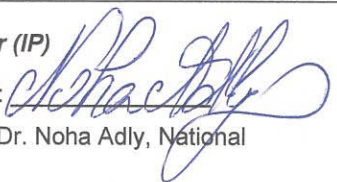

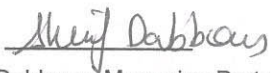

<p>Implementing Partner (IP)</p> <p>Signature of IP Official: </p> <p>Name and title (print): Dr. Noha Adly, National Project Manager</p>	<p>UNDP Country Office</p> <p>Signature of UNDP Official: </p> <p>Name and title (print): Ignacio Artaza, Country Director</p>	<p>Government Auditors/Audit Firm</p> <p>Signature of Audit firm Official: </p> <p>Name and title (print): Sherif Dabbous, Managing Partner Russell Bedford Sherif Dabbous</p>
<p>Date: <u>21/4/2013</u></p>	<p>Date: <u>08/05/2013</u></p>	<p>Date: <u>7/6/2013</u></p>
<p>Stamp and Seal of audit firm:</p>		



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
00045558	53834		The current audit did not identify any findings in connection with client operations				

<p>Implementing Partner (IP)</p> <p>Signature of IP Official: </p> <p>Name and title (print): Dr. Noha Adly, National Project Manager</p> <p>Date: <u>21/6/2013</u></p>	<p>UNDP Country Office</p> <p>Signature of UNDP Official: </p> <p>Name and title (print): Ignacio Artaza, Country Director</p> <p>Date: <u>08/05/2013</u></p>	<p>Government Auditors/Audit Firm</p> <p>Signature of Audit firm Official: </p> <p>Name and title (print): Sherif Dabbous, Managing Partner Russell Bedford Sherif Dabbous</p> <p>Date: <u>7/6/2013</u></p> <p>Stamp and Seal of audit firm: </p>
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