



*Russell  
Bedford*

**Auditor's Report and Management Letter  
Ozone Depleting Substances "EGY/FOA/58/  
TAS/100" , Atlas Award No. 00058215  
from 1 January 2012 through 31 December  
2012**



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## 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. 00058215 and project no 00072223 for the period from 1 January 2012 through 31 December 2012 represented in the Combined Delivery Report (CDR) of Ozone Depleting Substances “ EGY/FOA/58/TAS/100” as implemented by Ministry of State for Environmental Affairs.

Management is responsible for the preparation of the statement of expenditures for EGY/FOA/58/TAS/100'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 \$960 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 present fairly, in all material respects the expenditure of \$108,843 incurred by the UNDP project Egypt EGY/FOA/58/TAS/100 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. 00058215 and project no 00072223 as at 31 December 2012 represented in the statement of assets and equipments of Ozone Depleting Substances “ EGY/FOA/58/TAS/100” as implemented by Ministry of State for Environmental Affairs.

Management is responsible for the preparation of the statement of assets for EGY/FOA/58/TAS/100'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 EGY/FOA/58/TAS/100 amounting to \$32,057 as at 31 December 2012 in accordance with the UNDP accounting policies.

#### **Emphasis of Matter**

We draw attention to Note no. 1 to the accompany statement of assets and equipments, page 7, total expenditures incurred during the period from 1 January 2012 through 31 December 2012 included cash disbursement for acquisition of assets and equipments for \$33,325 that are not yet fully received thus not included in fixed assets register as at 31 December 2012. Our opinion is not qualified in respect of this matter.

### c) Certification of Statement of Cash Position

Due to the nature of the financing agreement and since all project expenditures are financed through UNDP disbursements, and since the project do not maintain a bank account and/or petty cash balance as of 31 December 2012, therefore we did not issue an audit report on the statement of cash position.

This report is intended solely for the information and use of the United Nations Development Programme (UNDP), Government of Arab Republic of Egypt , EGY/FOA/58/TAS/100'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.

9 May 2013

3, Mamar Behlar, Down Town, Cairo

Tel/Fax: +2 (02) 23951133 - 23934226





**Selection Criteria :**

Business Unit : EGY10  
Period : Jan-Dec (2012)  
Selected Award Id : 00058215  
Selected Fund Code : ALL

Award Id : 00058215 EGY/FOA/58/TAS/100	Period : Jan-Dec (2012)
Project # : 00072223 Phase-Out of Ozone Depletants	Impl. Partner : 01048 National Execution
	Location : Main

	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
Fund : 63030 (MP Prog Res Gen Prog)					
71205 - Intl Consultants-Sht Term-Tech	0.00	20,800.00	0.00	0.00	20,800.00
71615 - Daily Subsistence Allow-Intl	0.00	21,167.90	0.00	0.00	21,167.90
72210 - Machinery and Equipment	0.00	65,577.79	0.00	0.00	65,577.79
72425 - Mobile Telephone Charges	0.00	649.11	0.00	0.00	649.11
73505 - Reimb to UNDP for Supp Srvs	0.00	959.54	0.00	0.00	959.54
74525 - Sundry	0.00	616.91	0.00	0.00	616.91
76135 - Realized Gain	0.00	-928.31	0.00	0.00	-928.31
<b>Total for Fund 63030</b>	<b>0.00</b>	<b>108,842.94</b>	<b>0.00</b>	<b>0.00</b>	<b>108,842.94</b>
<b>Total for Project : 00072223</b>	<b>0.00</b>	<b>108,842.94</b>	<b>0.00</b>	<b>0.00</b>	<b>108,842.94</b>

Award Total :	0.00	108,842.94	0.00	0.00	108,842.94
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Project Management

Name : *Amir William Sabry*  
Title : Acting as National Project Director  
Signature : *Amir William*

UNDP CO Management

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

Audit Firm

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



Signed By : \_\_\_\_\_ Date : \_\_\_\_\_



**EGY/FOA/58//TAS/100**  
**Atlas Award No. 00058215**  
**Funded by United Nations for Development Programme**  
**Statement Of Assets and Equipments**  
**From 1 January 2012 through 31 December 2012**

	Cost		
	Cost as of 31/12/2011 U.S.\$	From 01/01/12 to 31/12/12 U.S.\$	Cost as of 31/12/12 U.S.\$
Assets and Equipments	\$0	\$32,057	\$32,057
Foreign Currency Exchange Difference	0	0	0
<b>Total</b>	<b>\$</b>	<b>\$32,057</b>	<b>\$32,057</b>

\* The amount of \$33,325 has been paid by project for acquisition of assets that are not yet fully received thus not included in fixed assets register as of 31 December 2012

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

**Project Management:**  
**Name: Amir William Sabry**  
**Title: Acting as National Project Director**  
**Signature: Amir William Sabry**

**UN CO Management**  
**Name: Ignacio Artaza**  
**Title: Country Director**  
**Signature: Ignacio Artaza**

**Audit Firm**  
**Russell Bedford Sherif**  
**Title: Managing Partner**  
**Signature: Sherif**



## Notes to the statements

### 31 December 2012

#### 1. Introduction and Background

##### A. Project Main Information

Ozone Depleting Substances “EGY/FOA/58/TAS/100” was initiated under the UNDP Atlas award no. 00058215.

The project is implemented by Ministry of State for Environmental Affairs.

As per the budget revision dated 14 November 2012, the project start date is year 2009 and end date is year 2012. The project approved budget is \$ 473,000. The project budget for year 2012 and beyond is \$109,150 fully funded by MPU “MP Prog Res gen Prog”.

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

Egypt is a Party to the Vienna Convention and the Montreal Protocol. I also ratified the London, Copenhagen and Montreal amendments. The country is fully committed to the phaseout of HCFCs and willing to take the lead in assessing and implementing new HCFC phaseout technologies, particularly in the foam sector – as it did for CFCs in 1992 when it submitted and completed the first foam sector investment projects ever under the MLF. Egypt has local PU system houses that frequently combine importations and distributions for major international chemical and equipment manufacturers with local blending for SMEs. In addition, most international PU chemicals suppliers are represented with offices or their own system houses.

The objective of this project is to develop, optimize, validate and disseminate low-cost systems for the use of hydrocarbons in the manufacture of PU rigid insulation and integral skin foams.

#### 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.

## 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.

## 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.

## Management Letter

We have completed our financial audit of the financial reports of the Ozone Depleting Substances “EGY/FOA/58/TAS/100” funded by the UNDP through Atlas award no. 00058215 as implemented by Ministry of State for Environmental Affairs 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 as of 31 December 2012 dated 9 May 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 EGY/FOA/58/TAS/100 is responsible for management and implementation 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, EGY/FOA/58/TAS/100 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.

#### **Follow up on Prior Audit Findings**

We did not conduct a follow up on prior audit findings as this was the first year audit for the project.

#### **Current Year Management Issues and Findings**

##### **Project Progress and Timelines**

The project's rate of delivery as of 31 December 2012 was 99.7% calculated as follows:-

Total Expenditures for the year ended 31 December 2012/Project budget revision as of 14 November 2012

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**

List of Assets – ODS Project- 31/12/2012

Award	year	Type	Name	Code	Serial	Amount	Rate	Amount	Invoice	Company	Place	Status
00058215	2012	01- Equipment	Picnometer	0001	10211071401	54,500 EGP	6.03	9038.143	10269	PSI	Dow Lab	Good
00058215	2012	01- Equipment	Viscosimeter	0002	8543327	38,936.36 EGP	6.03	6457.108	000338	CTS	Dow Lab	Good
00058215	2012	01- Equipment	HC Detector	0003	SSC20596	9,200 EGP	6.03	1525.705	11277	MICOM	Dow Lab	Good
00058215	2012	01- Equipment	Mixing Head	0004	MACR.N.2030	11,500 Euro	.7550	15231.79	OL5/124	SAIP	Dow Lab	Good

Total = 32,252.74 US\$

*Anne Williams*



**Appendix B**  
**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)
00058215	72223	Amount audited and certified \$108,843	Unqualified	NA	NA	NA

### Implementing Partner (IP)

Signature of IP Official: Amir William  
 Name and title (print): Acting as National Project Director

Date: 12/5/2013

### UNDP Country Office

Signature of UNDP Official: [Signature]  
 Name and title (print): Ignacia Artaza, Country Director

Date: 13/05/2013

### Government Auditors/Audit Firm

Signature of Audit firm Official: [Signature]  
 Name and title (print): Sherif Dabbous, Managing Partner  
 Russell Bedford Sherif Dabbous

Date: 9/5/2013

Stamp and Seal of audit firm

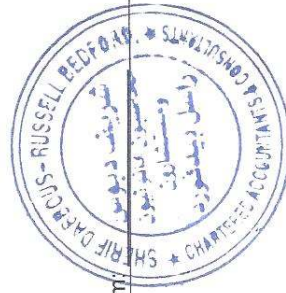


Table 2- Audit of the statement of cash position

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
00058215	72223	NA	Unqualified
			Total amount of qualification Statement of Cash Position (US\$)
			NA

**Implementing Partner (IP)**

Signature of IP Official: Amir W. Khan  
 Name and title (print):  
 Acting as National Project Director

Date: 12/5/2013

**UNDP Country Office**

Signature of UNDP Official: [Signature]  
 Name and title (print): Ignacia Artaza, Country  
 Director

Date: 13/05/2013

**Government Auditors/Audit Firm**

Signature of Audit firm Official: [Signature]  
 Name and title (print): Sherif Dabbous, Managing Partner  
 Russell Bedford Sherif Dabbous

Date: 9/5/2013

Stamp and Seal of audit firm:

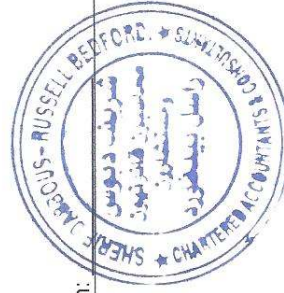




Table 3- Audit of the statement of assets and equipments

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
00058215	72223	\$32,057	Unqualified
			Total amount of qualification on the Statement of Assets and Equipment (US\$)
			NA

**Implementing Partner (IP)**

Signature of IP Official: *Aziz Williams*  
Name and title (print):  
Acting as National Project Director

Date: *13/5/2013*

**UNDP Country Office**

Signature of UNDP Official: *[Signature]*  
Name and title (print): Ignacia Artaza , Country  
Director

Date: *13/5/2013*

**Government Auditors/Audit Firm**

Signature of Audit firm Official: *[Signature]*  
Name and title (print): Sherif Dabbous, Managing Partner  
Russell Bedford Sherif Dabbous

Date: *9/5/2013*

Stamp and Seal of audit firm:

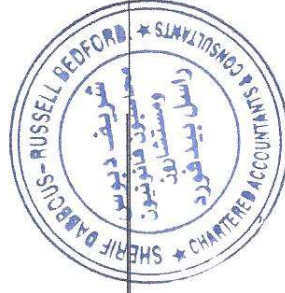


Table 4- Report on audit observations and recommendations

Project No.	Output No.	Observ. No	Audit Observation	Recommendation	Audit Area	Risk Severity	Project/CO Mngmt. Comments
00058215	72223		The current audit did not identify any findings in connection with client operations				

<p><b>Implementing Partner (IP)</b>            Signature of IP Official: <i>Amir W. Al-Deem</i>            Name and title (print): Acting as National Project Director            Date: 12/5/2013</p>	<p><b>UNDP Country Office</b>            Signature of UNDP Official: <i>[Signature]</i>            Name and title (print): Ignacia Artaza, Country Director            Date: 13/05/2013</p>	<p><b>Government Auditors/Audit Firm</b>            Signature of Audit firm Official: <i>Sherif Dabbous</i>            Name and title (print): Sherif Dabbous, Managing Partner            Russell Bedford Sherif Dabbous            Date: 9/5/2013</p>
<p>Stamp and Seal of audit firm:</p> 		