

**United Nations Development Programme
(UNDP)**

**Report of the Independent Auditor and Management Letter on
United Nations Development Programme (UNDP)**

**Project ID 98237
“VSU Pilot project”
“Output No. 00101625 – Cairo, Egypt”**

For the period from 1 January 2020 to 31 December 2020

31 March 2021

Talal Abu-Ghazaleh & Co.

Certified Public Accountants



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1. PART I – EXECUTIVE SUMMARY, AUDIT OBJECTIVES AND SCOPE

1.1. Executive Summary:

This report represents the results of the financial audit conducted by Talal Abu-Ghazaleh & Co. of United Nations Development Programme (UNDP) Project ID 98237 “VSU Pilot project –Output No. 00101625” (the project), for the period from 1 January 2020 to 31 December 2020. The Project was implemented by - Egyptian Environmental Affairs Agency (EEAA).

We have issued audit opinions as summarized in the table below and as detailed in the next section.

Audit opinions:

The following is the summary of the audit opinions provided:

Report on:	Type of Opinion	Note
Statement of Expenses (UNDP CDR)	Unmodified	None.
Statement of Assets and Equipment	Unmodified	None.
Statement of Cash Position	Not applicable	There was no a separate bank account for the project under audit, therefore no audit opinion is provided on the Statement of Cash Position.

Audit Findings:

As a result of our audit, we have raised three audit findings that have no financial impact. More details to the findings are provided in the management letter in annex 3.

Summary of Audit Finding	Priority	Financial Impact
Expenditure on non-existing budget line: The project has expended an amount of US\$ 8,155 from budget line number 72210 which does not exist in the budget revision dated on 4/3/2020.	Medium (Important)	No financial impact
Non-Cancellation of the original invoices: We noticed that invoices were not canceled to avoid duplicate payments of expenses. and the project title and project number were not clearly identified on the supporting documents relating to the project’s expenditures.	Low	No financial impact
Lack of Regular Accounting System: Data was entered manually by using excel sheets instead of using an regular accounting system.	Medium (Important)	No financial impact

Follow-up of Previous Audit Recommendations:

The Project ID 98237 “VSU Pilot project – Output No. 00101625” was audited in the prior year, and the audit report was issued with no Findings, for further discussion on the previous audit report, refer to annex 3.3.2.

Sincerely yours,

Jamal Milhem, CPA
Certified Accountant License # (100/98)



Jamal J. Milhem

Talal Abu-Ghazaleh & Co.
License No. 251/1997
Ramallah - Palestine, 18 February 2021

1.2. Audit Objectives

A. The objective of the financial audit is to express an opinion on the project’s financial statements, which include:

- 1) Expressing an opinion on whether the statement of expenses (UNDP CDR i.e. Combined Delivery Report-line of Governmental expenses) presents fairly the expenses incurred by the project for the period from 1 January 2020 to 31 December 2020 in accordance with UNDP accounting policies and that the expenses incurred were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents. The Combined Delivery Report (CDR) is the mandatory and official statement of expenses to be certified. Other forms of statement of expenses that may be prepared by a project office are not accepted.
 - 2) Expressing an opinion on the value and existence of the project’s statement of assets and equipment as at a given date. This statement must include all assets and equipment available as at 31 December 2020, and not only those purchased in a given period. Where a project does not have any assets or equipment, it will not be necessary to express such an opinion; however, this should be disclosed in the audit report.
 - 3) Expressing an opinion on the value and existence of the cash held by the project as at a given date, i.e. 31 December 2020. The Audit Firm is required to express an opinion on the Statement of Cash Position where a dedicated bank account for the project has been established and/or the project holds petty cash. Where the project does not hold any cash, this should be disclosed in the audit report.
- B. Providing the progress made in implementing the recommendations raised in a previous year audit report (if any).

The financial audit was conducted in accordance with the International Standards on Auditing (ISA).

1.3. Scope of Audit:

The scope of the audit relates only to transactions concluded and recorded against the implementing partner expense project for the period from 1 January 2020 to 31 December 2020.

2. PART II – INDEPENDENT AUDITORS' REPORTS

2.1. Report on Statement of Expenses.

To: The National Project Director and
The Resident Representative.

Audited Project: VSU Pilot project

Period covered by the audited Statement: From 1 January 2020 to 31 December 2020

Project ID: 98237

Output No.: 00101625

Location: Cairo, Egypt

We have audited the accompanying Statement of Expenses (“the statement”) of “VSU Pilot project” Project ID 98237 - Output No. 00101625”, for the period from 1 January 2020 to 31 December 2020. The expenditures recorded in the statement amounted to US\$ 17,753.05 of which audited expenditures were US\$ 15,943.26 and out-of-scope expenditures amounted to US\$ 1,809.79 (Excluding UNDP support service expenditure).

Unmodified Opinion

In our opinion the attached statement of expenses presents fairly, in all material respects, the expense of US\$ 15,943.26 incurred by the Project ID 98237 “VSU Pilot project - Output No. 00101625” for the period from 1 January 2020 to 31 December 2020 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.

Basis for opinion

- We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the auditor’s responsibilities for the audit of the statement of expenses section of our report. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management’s Responsibilities

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

Auditor’s Responsibilities

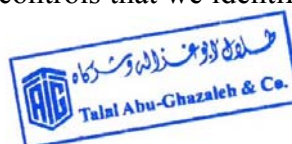
Our objectives are to obtain reasonable assurance about whether the statement of expenses is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of expenses, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 organization’s internal controls.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identified during our audit.

Jamal Milhem, CPA
Certified Accountant License # (100/98)



Jamal J. Milhem
Talal Abu –Ghazaleh & Co.
License No. 251/1997

Ramallah - Palestine, 18 February 2021

2.2. Report on Statement of Fixed Assets.

**To: The National Project Director and
The Resident Representative.**

Audited Project: VSU Pilot project

Period covered by the audited Statement: From 1 January 2020 to 31 December 2020

Project ID: 00098237

Output No.: 00101625

Location: Cairo, Egypt

We have audited the accompanying Statement of assets and equipment (“the statement”) of Project ID 98237 “VSU Pilot project - Output No. 00101625”, for the period from 1 January 2020 to 31 December 2020.

Unmodified Opinion

In our opinion the attached statement of assets and equipment presents fairly, in all material respects, the assets and equipment of Project ID098237 “VSU Pilot project - Output No. 00101625” amounting to US\$ 89,887.16 as at 31 December 2020 in accordance with agreed upon accounting policies.

Basis for Unmodified Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the auditor’s responsibilities for the audit of the statement of assets and equipment section of our report. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management’s Responsibilities

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

Auditor’s Responsibilities

Our objectives are to obtain reasonable assurance about whether the statement of assets and equipment is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of assets and equipment, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 organization’s internal controls.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identified during our audit.

Jamal Milhem, CPA
Certified Accountant License # (100/98)



Jamal J. Milhem

Talal Abu –Ghazaleh & Co.
License No. 251/1997
Ramallah - Palestine, 18 February 2021

2.3. Report on Statement of Cash Position

Audited Project: VSU Pilot project

Period covered by the audited Statement: From 1 January 2020 to 31 December 2020

Project ID: 00098237

Output No.: 00101625

Location: Cairo, Egypt

As there is no separate bank account was maintained for the project under audit, therefore no audit opinion is provided on the Statement of Cash Position as at 31 December 2020.

3. PART III: ANNEXES

3.1 Annex 1: Statement of Expenses (UNDP CDR):

United Nations Development Programme (UNDP) Project ID 98237 "VSU Pilot project – Output No. 00101625" for the period from 1 January 2020 to 31 December 2020.

Combined Delivery Report

Project: **00098237 - Demonstration of LowCost Optio**

Country: **Egypt - Cairo**

Period: **Quarter 4, 2020**

Status: **Approved**

Report by Output and Fund

Account	Description	Government	UNDP	UN Agencies	Total
Output: 00101625 - Very Small Users VSU		0.00	17,753.05	0.00	17,753.05
Fund: 63030 - MP Prog Res Gen Prog		0.00	17,753.05	0.00	17,753.05
64397	Services to projects -CO staff	0.00	1,271.47	0.00	1,271.47
71205	Intl Consultants-Sht Term-Tech	0.00	3,500.00	0.00	3,500.00
71211	Intl Consult Security Charge	0.00	145.25	0.00	145.25
71605	Travel Tickets-International	0.00	2,236.00	0.00	2,236.00
71630	Shipment	0.00	394.23	0.00	394.23
71635	Travel - Other	0.00	119.24	0.00	119.24
72210	Machinery and Equipment	0.00	8,155.00	0.00	8,155.00
74110	Audit Fees	0.00	954.26	0.00	954.26
74596	Services to projects -GOE	0.00	538.32	0.00	538.32
75705	Learning costs	0.00	439.28	0.00	439.28
76135	Realized Gain	0.00	0.00	0.00	0.00
Project Total:		0.00	17,753.05	0.00	17,753.05

Report by Activity and Fund

Account	Description	Government	UNDP	UN Agencies	Total
Output: 00101625 - Very Small Users VSU		0.00	17,753.05	0.00	17,753.05
Activity: ACTIVITY 1 - VSU Pilot		0.00	17,753.05	0.00	17,753.05
Fund: 63030 - MP Prog Res Gen Prog		0.00	17,753.05	0.00	17,753.05
64397	Services to projects -CO staff	0.00	1,271.47	0.00	1,271.47
71205	Intl Consultants-Sht Term-Tech	0.00	3,500.00	0.00	3,500.00
71211	Intl Consult Security Charge	0.00	145.25	0.00	145.25
71605	Travel Tickets-International	0.00	2,236.00	0.00	2,236.00
71630	Shipment	0.00	394.23	0.00	394.23
71635	Travel - Other	0.00	119.24	0.00	119.24
72210	Machinery and Equipment	0.00	8,155.00	0.00	8,155.00
74110	Audit Fees	0.00	954.26	0.00	954.26
74596	Services to projects -GOE	0.00	538.32	0.00	538.32
75705	Learning costs	0.00	439.28	0.00	439.28
76135	Realized Gain	0.00	0.00	0.00	0.00
Project Total:		0.00	17,753.05	0.00	17,753.05

Signed by

Amany Nakhla

amany.nakhla@undp.org

Date: Feb 23, 2021

Signed by

Bassem Gamil

Project Manager

Ministry of Environment, Egyptian Environmental Affairs Agency

Project Management:

Name: Bassem Gamil

Title: Project Manager

Signature:



UNDP Management

Name: Sylvain Merlen

Title

Signature: Deputy Resident Representative

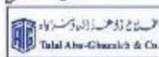
Sylvain Merlen

Audit Firm

Name

Title

Signature

Jamal J. Mekk

 Talal Abu-Ghazal & Co.
 For identification purposes only

3.2 Annex 2: Statement of Assets and Equipment

United Nations Development Programme (UNDP) Project ID 98327 ““VSU Pilot project – Output No. 00101625” for the period from 1 January 2020 to 31 December 2020.


Project Title: VSU Pilot Project Award: 98237

List of Assets as of: 11-Jan-21

Invoice Code	Item/Description	Brand	Supplier	Serial Number	Quantity	Price in L.E.	Exchange Rate	Equivalent in USD	Date of Purchase	User	Location
132	Laptop	Dell	Professional for Services	5381898842	1	EGP 32,656.20	17.652	\$1,850.00	13/01/2019	Bassem Gamil	Maadi

Name: Bassem Gamil  Title: Project Manager Date: January 11, 2021

Name: Amir William  Title: Technical Consultant Date: January 11, 2021

Project Management:
Name: Bassem Gamil
Title: Project Manager
Signature: 

UNDP Management
Name: Sylvain Merlen
Title: Deputy Resident Representative
Signature: 

Audit Firm
Name: 
Title: 
Signature: 

 For identification purposes only

**United Nations Development Programme
(UNDP)**

**Egyptian Environmental Affairs Agency (EEAA), Egypt
Management Letter**

For the period from 1 January 2020 to 31 December 2020

31 March 2021

3.3 Annex 3: Management Letter:

**To: The National Project Director and
The Resident Representative**

Audited Project: VSU Pilot project

Implementing Partner (IP): Egyptian Environmental Affairs Agency (EEAA),
Egypt

Period covered by the audited Statement: From 1 January 2020 to 31 December
2020

Project ID: 98237

Output No.: 00101625

Location: Cairo, Egypt

Introduction

Under International Standards on Auditing, auditors are encouraged to report various matters concerning an entity's internal control structure noted during their audit, and are required to report certain of those matters. Matters that are required to be reported are "significant deficiencies in the design or operation of the internal control structure that, in the auditor's judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements".

As part of our audit of the Project's financial position of "VSU Pilot project –Output No. 00101625" for the period from 1 January 2020 to 31 December 2020, we considered the IP's internal control structure and compliance with its accounting policies in determining the scope of our audit procedures for the purpose of rendering an opinion on the financial statements. Our purpose was not to provide assurance on the internal control structure.

We emphasize that the responsibility for a sound system of internal controls rests with management and work performed by external audit should not be relied upon to identify all strengths and weaknesses that may exist, neither should our work be relied upon to identify all circumstances of irregularity should there be any, although our audit procedures have been designed so that any material irregularity has a reasonable probability of discovery.

The matters raised in this part are those, which came to our attention during the audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be needed. Recommendations for improvements should be assessed by management for their full business impact before they are implemented. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Acknowledgment

We wish to express our appreciation for the courtesy and cooperation extended to our representatives during the course of their work.

Jamal Milhem, CPA

Certified Accountant License # (100/98)



Jamal J. Milhem

Talal Abu –Ghazaleh & Co.

License No. 251/1997

Ramallah – Palestine, 18 February 2021

3.3.1 Current year audit findings and recommendations

Finding No. 1: Expenditures Not-existing in the budget line

Condition:

During our audit, we noticed that the IP’s management has expended an amount of US\$ 8,155 from budget line number 72210 which does not exist in the budget revision dated on 4/3/2020.

Criteria:

All expenditures should be in line with the agreed proper budget line.

Effect, Potential Impact or Risk

If a budget is overspent, there is risk that the overspent amount will not be reliable by the donor.

Possible Causes: Compliance.

Risk Level: Medium.

Recommendation

We recommend that the IP’s management to monitor the progress of the project by comparing the budget with the actual during implementation, by investigating the reasons for the Expenditures on the non-existing budget line. All other Expenditures on the non-existing budget line will need to be resolved by identifying alternative sources of income/funds that could be used to cover the spending. Expenditures should then be transferred to the alternate source(s) to resolve the expenditure spending issue.

Management Response and Action Plan:

All expenditures are in line & under the threshold of the approved budget by the donor. The budget has been revised to reflect all the actual expenditures of 2020 and all payments are included in it.

Further Auditors’ Comment:

Referring to the budget revision dated on 3 March 2020 there is no budget line for 72200 budget line. The recommendation is still valid.

Finding No. 2: Non-Cancellation of the original invoices

Condition:

According to the best Practice of internal controls, management should ensure maintaining accurate and complete set of financial files and maintaining effective financial control policies and procedures. An important financial control is canceled paid invoices and stamping the project title and number on all of the supporting documents.

During our audit of the supporting documentation pertaining to the project’s expenditures, we noticed that some reviewed invoices were not canceled, and the project title and project number were not clearly identified on the supporting documents relating to the project’s expenditures.

Criteria:

Best Practices and sounds of internal controls.

Effect, Potential Impact or Risk:

Duplicate payments or duplicate funding may occur in such cases where documents supporting the payment voucher, e.g. original bills, invoices, receipts and other documents related to the transactions, are not canceled and stamped by the project title and number.

Possible Cause(s): Guidelines.

Risk Level: Low.

Recommendation(s):

We recommend that the IP’s management should ensure that all invoices and supporting documents to the payment vouchers canceled, to avoid duplicate payments of expenses.

Management Response and Action Plan:

As the project is following the financial & administrative rules of UNDP. PAID stamp request has not been asked before from the project to be done. As for the project name & title, it is mentioned in all supporting documents (Face Form, Attach to Face Form, COP & FR) submitted by the project manager to UNDP in order to process any payment and this has been provided to the auditors during the visit.

Further Auditors’ Comment:

Cancellation of original invoices and adding project title of number strengthen the control over payment. The recommendation is still valid.

Finding No. 3: Lack of Regular Accounting System

Condition:

During our review on the IP’s operations and a sample of transactions, we noticed that data was entered manually by using excel sheets instead of using a regular accounting system.

Criteria:

Best Practices and sounds of internal controls.

Effect, Potential Impact or Risk:

Such practices may lead to increasing the time efforts and human errors. In addition, excel sheets do not automatically recognize double entries, moreover it is more simple to change information and is difficult to keep track of personnel making changes.

Risk Level: Medium.

Possible Cause(s): Resources.

Recommendation(s):

We recommend that the IP’s management should use a regular accounting system to facilitate recording daily transactions, preparing monthly trial balance and issuing the financial statements and related reports easily.

Management Response and Action Plan:

The project is financially managed by UNDP & OUDA and we are following & under control of the financial department at UNDP, which has a computerized accounting system & the approved project fund by the donor does not contain a budget for a computerized accounting system. On the other hand, investing in obtaining a computerized accounting system is not a cost-effective option for a project which process a very few payments yearly.

Further Auditors’ Comment:

Relying on Excel sheet increasing the time efforts and human errors. The recommendation is still valid.

3.3.2 Follow-up of Prior Period Recommendations

The prior period audit of the Project ID 98237 “VSU Pilot project – Output No. 00101625”, did not identify any material findings in connection with the client’s operations.

3.4 Audit Findings Priority Ratings

The following categories of priorities are used:

High (Critical)	Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences and issues.
Medium (Important)	Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.
Low	Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.

End of the report