

**UNITED NATIONS DEVELOPMENT PROGRAMME
COUNTRY OFFICE IN MACEDONIA
PROJECT: Mitigating climate change through energy
efficiency in building sector
Project number ID: 00059896
Financial Statements and Auditor's Report
For the period from 1 July 2009 to 31 December 2010**

**United Nations Development Programme Project:
Mitigating climate change through energy efficiency in building sector**

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Certification of Combined Delivery Report

We have audited the accompanying Combined Delivery Report ("the Statement") of the UNDP project "Mitigating climate change through energy efficiency in building sector" (the "Project"), project number Id. 00059896 for the period from 1 July 2009 to 31 December 2010. The Statement is the responsibility of the management of the Project. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with International Standards of Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe our audit provides a reasonable basis for our opinion.

The policy of the project is to prepare the accompanying Statement on a cash disbursements basis. On this basis expenses are recognized when paid rather than when incurred.

In our opinion, the Combined Delivery Report presents fairly, in all material respects the expenditure of USD 288.384,21 incurred by the project for the period 1 July 2009 to 31 December 2010 in accordance with UNDP accounting requirements.

This report is intended solely for the information and use of UNDP and the Government of the Republic of Macedonia.



Ernst & Young Certified Auditors Ltd
Skopje, 20 May 2011



**United Nations Development Programme Project:
Mitigating climate change through energy efficiency in building sector**

**Combined Delivery Report
For the period from 1 July 2009 to 31 December 2009
(Expressed in USD)**



Combined Delivery Report With Encumbrance

UN Development Programme
Report ID: /eng/1436

Page 1 of 1
Rev Time: 23-03-2010 10:03:58

Selection Criteria:

Business Unit: MKD10
Period: Jan-Dec (2009)
Selected Award ID: 0049236
Selected Fund Code: ALL

Award No:	0049236 Mitigating CO2 through improv...	Period:	Jan-Dec (2009)
Project #:	0049236 Energy Efficiency in Buildings	Impl. Finance Location:	85438 UNDP, Macedonia, former Yugoslav Rep
	Govt Disb	UNDP Disb	UN Accruals
			Encumbrance
			Total Exp.

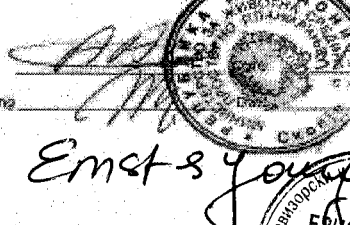


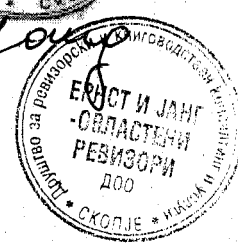
Fund: 23409 (TTF Envr City DecReg Co Financ)

71310 - Local Consult-Short Term-Supp	0.00	3,832.96	0.00	0.00	3,832.96
71405 - Services Contracts-Individuals	0.00	10,262.96	0.00	0.00	10,262.96
71605 - Travel Tickets-International	0.00	250.55	0.00	0.00	250.55
71615 - Daily Subsistence Allow-Int'l	0.00	400.00	0.00	0.00	400.00
71620 - Daily Subsistence Allow-Local	0.00	184.85	0.00	0.00	184.85
71635 - Travel - Other	0.00	254.98	0.00	0.00	254.98
72415 - Courier Charges	0.00	27.84	0.00	0.00	27.84
72420 - Land Telephone Charges	0.00	55.12	0.00	0.00	55.12
72425 - Mobile Telephone Charges	0.00	110.04	0.00	0.00	110.04
72445 - Common Services-Communications	0.00	1,296.00	0.00	0.00	1,296.00
72502 - Stationery & other Office Supp	0.00	102.32	0.00	0.00	102.32
72705 - Hospitality-Special Events	0.00	1,223.25	0.00	0.00	1,223.25
72805 - Acquis of Computer Hardware	0.00	2,310.10	0.00	0.00	2,310.10
72810 - Acquis of Computer Software	0.00	1,634.82	0.00	0.00	1,634.82
72815 - Inform Technology Supplies	0.00	31.92	0.00	0.00	31.92
74205 - Audio Visual Productions	0.00	221.03	0.00	0.00	221.03
74215 - Promotional Materials and Dist	0.00	340.01	0.00	0.00	340.01
74225 - Other Media Costs	0.00	2,278.38	0.00	0.00	2,278.38
74525 - Sundry	0.00	1,006.40	0.00	0.00	1,006.40
75115 - Facilities & Admin - UN & Int'l	0.00	25,714.00	0.00	0.00	25,714.00
76105 - Realized Gain	0.00	-7.44	0.00	0.00	-7.44
Total for Fund 23409	0.00	61,880.14	0.00	0.00	61,880.14
Total for Project: 0049236	0.00	61,880.14	0.00	0.00	61,880.14

Award Total	0.00	61,880.14	0.00	0.00	61,880.14
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Signed By: Ann Marie K1, UNCF Deputy Resident Representative

Signed By: Dr. Nexhat Jakup, Minister of Environment and Physical Planning

**United Nations Development Programme Project:
Mitigating climate change through energy efficiency in building sector**

Combined Delivery Report

For the period from 1 January 2010 to 31 December 2010

(Expressed in USD)



UN Development Programme
Report ID: ungl143a

Combined Delivery Report With Encumbrance

Page 1 of 1
Run Time: 23-03-2011 09:03:15

Selection Criteria:

Business Unit: MKD10
Period: Jan-Dec (2010)
Selected Award Id: 00049238
Selected Fund Code: 23400

Award Id: 00049238 Mitigating CC through improv	Period: Jan-Dec (2010)			
Project #: 00059866 Energy Efficiency in Buildings	Unit Partner: 99999 UNDP			
	Location: Macedonia, former Yugoslav Rep			
Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp

Fund : 23400 (TTF Envr Cty Ofc/Reg Co Financ)

71210 - Intl Consultants-Sht Term-Supp	0.00	744.28	0.00	0.00	744.28
71305 - Local Consult-Sht Term-Tech	0.00	711.29	0.00	0.00	711.29
71310 - Local Consult-Short Term-Supp	0.00	31,001.83	0.00	0.00	31,001.83
71405 - Service Contracts-Individuals	0.00	36,737.92	0.00	0.00	36,737.92
71605 - Travel Tickets-International	0.00	7,302.44	0.00	0.00	7,302.44
71615 - Daily Subsistence Allow-Intl	0.00	4,518.00	0.00	0.00	4,518.00
71620 - Daily Subsistence Allow-Local	0.00	219.86	0.00	0.00	219.86
71635 - Travel - Other	0.00	3,355.00	0.00	0.00	3,355.00
72105 - Svc Co-Construction & Engineer	0.00	87.65	0.00	0.00	87.65
72125 - Svc Co-Studies & Research Serv	0.00	38,641.48	0.00	0.00	38,641.48
72130 - Svc Co-Transportation Services	0.00	1,157.67	0.00	0.00	1,157.67
72135 - Svc Co-Communications Service	0.00	2,465.47	0.00	0.00	2,465.47
72140 - Svc Co-Information Technology	0.00	32,011.94	0.00	0.00	32,011.94
72145 - Svc Co-Training and Educ Serv	0.00	31,912.85	0.00	0.00	31,912.85
72210 - Machinery and Equipment	0.00	201.42	0.00	0.00	201.42
72420 - Land Telephone Charges	0.00	897.08	0.00	0.00	897.08
72425 - Mobile Telephone Charges	0.00	67.54	0.00	0.00	67.54
72430 - Postage and Pouch	0.00	537.35	0.00	0.00	537.35
72440 - Connectivity Charges	0.00	885.44	0.00	0.00	885.44
72445 - Common Services-Communications	0.00	3,120.39	0.00	0.00	3,120.39
72505 - Stationery & other Office Supp	0.00	735.15	0.00	0.00	735.15
72705 - Hospitality-Special Events	0.00	8,326.48	0.00	0.00	8,326.48
72805 - Acquis of Computer Hardware	0.00	8,542.68	0.00	0.00	8,542.68
72815 - Inform Technology Supplies	0.00	1,397.08	0.00	0.00	1,397.08
73105 - Rent	0.00	1,851.34	0.00	0.00	1,851.34
74210 - Printing and Publications	0.00	266.82	0.00	0.00	266.82
74215 - Promotional Materials and Dist	0.00	3,668.47	0.00	0.00	3,668.47
74225 - Other Media Costs	0.00	754.70	0.00	0.00	754.70
74525 - Sundry	0.00	4,614.82	0.00	0.00	4,614.82
76125 - Realized Loss	0.00	48.50	0.00	0.00	48.50
76135 - Realized Gain	0.00	-78.87	0.00	0.00	-78.87
Total for Fund 23400	0.00	226,504.07	0.00	0.00	226,504.07
Total for Project : 00059866	0.00	226,504.07	0.00	0.00	226,504.07

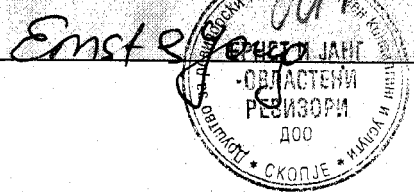
Award Total	0.00	226,504.07	0.00	0.00	226,504.07
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Signed By: Ann-Marie Ali,
Deputy Resident Representative, UNDP

Date: 25.3.2011

Signed By: Dr. Miroslav Jankovik,
Minister of Environment and Physical Planning

Date: 30.3.2011



Certification of Statement of Assets and Equipment

We have audited the accompanying Statement of Assets and Equipment ("the statement") of the UNDP project "Mitigating climate change through energy efficiency in building sector" (the "Project"), project number Id. 00059896 as at 31 December 2010. The statement is the responsibility of the management of the project. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with International Standards of Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the statement of assets and equipment presents fairly, in all material respects the inventory balance as at 31 December 2010 in accordance with UNDP requirements.



Ernst & Young Certified Auditors Ltd
Skopje, 20 May 2011



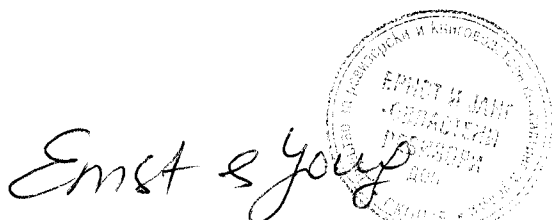
Certification of Statement of Cash position

We have audited the accompanying Statement of Cash Position (“the Statement”) of the UNDP Project “Mitigating climate change through energy efficiency in building sector” (the “Project”), project number Id. 00059896 as at 31 December 2010. The Statement is the responsibility of the management of the Project. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with International Standards of Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe our audit provides a reasonable basis for our opinion.

Related to expenditure executed under UNDP NIM modality, as stated in note 1d to the statements the bank accounts are entirely controlled by UNDP CO and all the payments are done by UNDP CO except for the petty cash payments that are executed through the UNDP project unit. Any petty cash amount needs to be approved and authorized by Treasury/HQ. The responsibility of opening, replenishment and closure of petty cash remain with UNDP CO.

In our opinion, the Statement of cash position presents fairly, in all material respects the petty cash balance of the UNDP Project unit as at 31 December 2010 in accordance with UNDP requirements.



Ernst & Young

ERNST & YOUNG
CERTIFIED AUDITORS LTD
SKOPJE
REPUBLIC OF MACEDONIA

Ernst & Young Certified Auditors Ltd
Skopje, 20 May 2011

**United Nations Development Programme Project:
Mitigating climate change through energy efficiency in building sector**

Statement of Cash position
As at 31 December 2010
(Expressed in USD)

Statement of Cash Position
as at 31 December 2010

Country Office: UNDP Macedonia	
Project title: Mitigating climate change through improving energy efficiency in building	
Award ID: 00059396	
Period covered:	2010

	Amount	
	Local currency	US\$
A Opening Fund Balance		
Cash in hand		
Bank		
Sub Total	-	-
B Advance Received from UNDP during 2010	123,286.00	2,592.00
C Total Funds Available(A+B) for 2010	123,286.00	2,592.00
D Payments/Expenditure for 2010	123,286.00	2,592.00
E Exchange Gain/(Loss)	NA	
F Closing Fund Balance (C-D)	-	-
G Closing Balance represented by:		
Cash in hand		
Bank		
Total	-	-

Signed by:

Name: Ilija Szadzovski

Title: National Project Manager

Date: 16.02.2011

Signed by:

Name: Ann-Marie Ali

Title: UNDP Deputy Resident Representative

Date: 16.02.2011

Signed by:

Name: Teodora Obradovic
Grcaroveka

Title: State Councillor, Ministry of
Environment and Physical
Planning

Date: 16.02.2011

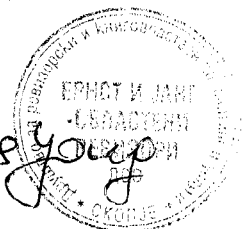
Certified by: (stamp & signature)

Name:

Title: Senior Partner

Name of the Audit Firm:

Ernst & Young



**United Nations Development Programme Project:
Mitigating climate change through energy efficiency in building sector**

1. UNDP REGULATIONS FOR PROJECT MANAGEMENT

This project is executed under UNDP NIM (National Implementation) modality while the scope of support services provided by the UNDP CO is regulated with the Project document as of 3 July 2009. Funding from the Austrian Government was channeled through the Energy and Environment Thematic Trust Fund.

The applicable regulations and procedures for NIM projects given by the UNDP country office are summarized below:

Financial and Accounting regulations

- a) The project recognizes expenses only when the payment is made and not when the liability for expense arises.
- b) The expenditure is recorded in the accounting records in US Dollars only. Expenditure in any currency other than US Dollars is converted at the UN exchange rate applicable for the month, which is centrally uploaded into the ATLAS accounting software. In case of payments in currencies other than US Dollars, which are made subsequent to the month of the preparation of Voucher, the difference arising on account of exchange rate fluctuation between the months of Voucher preparation and payment is treated as realized loss/gain. The accounting system automatically calculates such difference.

The applicable exchange rates representing the official UN exchange rate (USD to MKD) during the year 2010 were as follows:

Month	2009	2010
January	45,80	42,50
February	46,40	43.25
March	48,09	45.50
April	45,00	45.60
May	44,92	46.18
June	44,36	49.86
July	43,92	49.76
August	42,80	47.69
September	42,85	48.42
October	41,41	45.64
November	40,79	44.23
December	40,95	47.00

- c) The project budget is entered in the ATLAS MIS (Management Information System) at the beginning of the year according to the Annual Work Plan (AWP) and any subsequent revisions of the AWP made are fed into the UNDP accounting software ATLAS. There is control in the software which does not permit processing of any expense beyond the total budget (as available in the system at any given time).
- d) Project funds are completely assembled with the UNDP Country Office. Payments are made through the bank accounts of UNDP Country Office, except for the petty cash payments, which are exercised by the Project Manager, considering the limit of petty cash payments up to USD 500.
- e) Once the Project activity as foreseen in the AWP is completed, all the Requests for Direct Payment (RDP) in original and duly signed by the PM are sent to the UNDP Country Office together with the supporting documents. Then a voucher is raised and approved in ATLAS by UNDP Country Office. The Project unit has limited access to Atlas for review of the reports

**United Nations Development Programme Project:
Mitigating climate change through energy efficiency in building sector**

1. UNDP REGULATIONS FOR PROJECT MANAGEMENT (Continued)

and only has authorization for preparing Requisitions and the Project manager has right for approval of the requisitions. The Finance department makes the funds disbursement.

f) Utilization of resources under the project

Value (USD)	Preparation of Procurement Request	Process of selection	Approval of procurement	Purchase Order Approval in ATLAS	Request for Direct Payment Approval in ATLAS
< 2.500	For purchase below 1000 USD -Direct Contracting as per requisitions specifications For purchase above 1000 USD-informal market research i.e. thee informal quotes.	Informal quotes (CV) by collecting three offers (Only for procurement over 1000 USD) or Administrative Note with explanation the due process follow.	PM		Project Manager Programme Associate Programme Officer
2.500 - 100.000	Requisition in Atlas is prepared by Project Assistant. Approved by PM, PO	Request for quotation(RFO) / Acquisition process starts with Evaluation of quotations and selection of best offer (done by Evaluation committee) If the value is beyond 30.000 USD, Evaluation committee Evaluates, CAPC Reviews the case and sends request for approval to DRR. If the value is from 30.000 USD to 100.000 USD Evaluation committee Evaluates, CAPC Reviews the case and sends comments and request for approval to RR.	The buyer DRR/RR CAP Reviews DRR/RR Approves	PO Approver DRR/RR	Project Manager Programme Associate Programme Officer
>100.000	Requisition in Atlas is prepared by Project Assistant. Approved by PM, PO	Request for quotation (RFO) / Invitation to Bid (ITB)/Request for Proposal (RFP) issued by PM/Public advertisement. Evaluation of at least three responsive offers done by Evaluation committee and submitted to UNDP CO/RR for CAP review and RACP submission for final decision. Final Approval by the RACP	RACAP in Bratislava based on CAP recommendations approved by RR.	PO Approver DRR/RR	Project Manager Programme Associate Programme Officer

g) All the contracts for recruitment of personnel and all the Special Services Agreements are signed by the DRR/RR of the UNDP Country Office.

h) The documentation related to the project are maintained as follows:

- The project documentation on procurement, contracts and payments is kept at (i) the PMU - copies of all documents and (ii) UNDP Country Office: originals including vouchers, signed Requests for Direct Payments along with set of supporting documents and copies of bank transfer orders or check.

**United Nations Development Programme Project:
Mitigating climate change through energy efficiency in building sector**

1. UNDP REGULATIONS FOR PROJECT MANAGEMENT (Continued)

- The equipment (expendable and non-expendable) procured under the project is the property of the UNDP CO unless a decision on transfer of equipment is taken by UNDP during or at the end of the project. The non-expendable equipment form part of the inventory of the project. When no longer needed by the project, equipment may be transferred to another project or to the government, or it may be disposed of by sale or donation. In all cases of transfer, a transfer document must be prepared and kept on file.
- i) Based on UNDP Cost Recovery Policies, the cost sharing projects are subject to General Management Support (GMS) and Implementation Support Service (ISS) fees. The GMS rate is set at the percentage negotiated and agreed with donors and is calculated by the financial department. The UNDP Country Office will ensure that the total ISS and GMS is properly charged over the project life based on incurred expenditures.
- j) In accordance with the agreement signed between the UNDP and Government of Republic of Macedonia date 30 October 1995, the project as a receiver of UNDP funds is exempt from the profit tax, withholding tax and personnel income tax.

Procedure relating to project delivery and assessment

Annual Work Plan (AWP) is agreed at the beginning of the year by all the partners of the project. The AWP sets out the expected outputs, monitoring activities, key activities, the timeframe for the activities/outputs and the responsible agency for each activity/output. A financial budget based on the activities planned is prepared and taken as the approved budget for the year. Budget revisions are conducted when needed during the year to reflect changes in activities or re-phase unspent funds.

Monitoring and reporting of delivery is done against the AWP. Also the following reporting / review schedule is followed:

Report/Review	Frequency
Annual work plan (AWP)	Year-end
Annual program/project report	Year-end
Final report	At the end of the project

**"Mitigating climate change through
energy efficiency in building sector"**

MANAGEMENT LETTER

FOR THE PERIOD FROM 1 JULY 2009 TO 31 DECEMBER 2010

**UNDP "Mitigating climate change through energy efficiency in building sector"
Management letter**

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General review of the Project progress and Timelines	2
Assessment of the Project's internal control	4
Management Letter Points	5



**UNDP "Mitigating climate change through energy efficiency in building sector"
Management letter**

PRIVATE AND CONFIDENTIAL

20 May 2011

To the management of the
UNDP Country Office in Macedonia

Dear Sirs,

Herein with, we attach a report covering issues as stated in Terms of Reference (ToR) for the project "Mitigating climate change through energy efficiency in building sector" (herein after the "Project") audit for the period from 1 July 2009 to 31 December 2010. We report only on those matters that came to our attention during the normal course of our audit that included a general review of the project progress and timeliness and evaluation of the project's system of internal control to the extent necessary to determine the nature, timing and extent of other procedures.

This work is not primarily directed towards the discovery of weaknesses, the detection of fraud or other irregularities and should not, therefore, be relied upon to show that no other weaknesses exist or areas require attention.

Our report is solely for the purpose of expressing an independent audit opinion on the financial and operational activities of project and for UNDP's information and it is not to be used for any other purpose or to be distributed to any other parties. This audit was carried out on behalf of the UNDP's Office of Audit and Performance Review (OAPR).

We would like to express our appreciation to the Project's management and staff and UNDP Country Office Macedonia for the courtesy and co-operation we received during the audit.

Yours faithfully,

Ernst & Young

Ernst & Young Certified Auditors Ltd - Skopje

UNDP "Mitigating climate change through energy efficiency in building sector"

Management letter

General review of the Project progress and timelines

The project is one of the three components of Energy Efficiency programme, financed by the Austrian Development Cooperation, aimed in enabling the environment for mitigating climate change in the country through improving energy efficiency in the building sector and enhance awareness and capacities of the stakeholders involved in energy efficiency issues. The programme aimed to strengthen the capacities of the Macedonian Energy Agency, to develop energy efficiency regulations in the building sector, to develop applicable energy efficiency tools, to ensure long term sustainability by supporting the curricula changes in the appropriate faculties, to improve interactive cooperation between the Government and the appropriate business community and to rise awareness among the stakeholders on energy efficiency issues.

Project objectives

The main objective of the project is to contribute to an enabling environment for improving energy efficiency in building sector and at that end contributing to climate change mitigation at national level. The project objectives were implemented through realisation of the following activities / outputs:

Output 1: National database, including required climate parameters per regions in the country developed.

Output 2: Inventory of Public buildings and dynamic database development, the most effective investment - oriented energy efficiency building programme identified and energy efficiency programmes for public buildings in selected municipalities developed.

Output 3: Public awareness and knowledge about energy efficiency and energy saving measures in building sector increased.

The project is executed using the national implementation (NIM) modality. Main national counterparts are: the Ministry of Environment and Physical Planning (MEPP) as an implementing partner and the Ministry of Economy as

Executing Agency for the overall Energy Efficiency Programme financed by Austria Development Cooperation.

UNDP concluded a Letter of Agreement with Government as of 3th July 2009 for the provision of the support Services for the project, where is agreed that UNDP role is Executing agent. The funds from the Austrian Government were channelled through the Energy and Environment Thematic Trust Fund.

The following is a summary of the project expenditure schedule for the period from 1 January 2009 to 31 December 2010:

Start Date	July 2009
New completion date	December 2011
Total budget (Austrian Government):	
Budgeted for 2009	61.880
Budgeted for 2010	227.534
Total for the Project as of 31 December 2010	289.414
Expenditures CDR as of 31 December 2010	
Actual Expenditures CDR for 2009	61.880
Actual Expenditures CDR for 2010	226.504
Actual Expenditures CDR for the period ended as of 31 December 2010	288.384
Delivery rate as of 31 December 2010	99,6%

Additional funds for implementing a study tour to Czech Republic as well as for development of report on the Czech experience implementing the EPBD were granted by the Czech Trust Fund. This activity was complementary to the Output 3 of the project: Raising awareness and knowledge about energy efficiency and energy saving measures in building sector increased. This activity included preparation of a report on the Czech experience in implementing the EPBD and organization of a Study Tour for representatives of Local Self Government to relevant stakeholders in the Czech Republic.

UNDP "Mitigating climate change through energy efficiency in building sector"

Management letter

In addition, during the implementation of the activities, strategic partnership was established with the key energy distributions companies like EVN Macedonia and Toplifikacija AD Skopje through signing Memorandum of Understanding. The main objective of this partnership was creation of the national inventory database on public buildings.

The project was initially planned to be executed during the period from June 2009 to May 2011. However, the project was extended till 31 December 2011 because of the following reasons:

1. **General management issues:** According the Project Document the official project start was planned for June 2009, but due to delays in the recruitment process, the project team was fully established end of October 2009.
2. **Networking and development of partnerships:** signing Memorandum of Understanding with Toplifikacija A.D. and EVN Macedonia preserved a significant amount of funds that were initially planned for data gathering from the municipalities.
3. **Mobilization of additional resources from the Czech Trust Fund**
4. **Technical issues:** Possible technical intervention can be implemented only when the public objects are closed. Considering the fact that most of the public objects under the municipal jurisdiction are schools and kindergartens, those technical activities can only be implemented during the period of June 2011 and September 2011 and when the weather conditions are suitable for implementation of these activities.

UNDP "Mitigating climate change through energy efficiency in building sector"

Management letter

Assessment of the Project's internal control

a) *The adequacy of expenditures made by implementing partner*

Based on our audit procedures, nothing has come to our attention that causes us to believe that the expenditures were not in accordance with project document, AWP and budgets, except for the findings described in notes no. 1 and 3 below.

b) *The transparency of procurement/contracting activities*

Based on our audit procedures, nothing has come to our attention that causes us to believe that the procurement process for goods and services was not appropriate, adequate and working, except for the findings described in notes no. 2 below.

c) *The use, control and disposal of equipment*

Based on our audit procedures, nothing has come to our attention that causes us to believe that the procurement process for goods and services was not appropriate, adequate and working.

d) *The transparency of recruitment and hiring process;*

Based on our audit procedures, nothing has come to our attention that causes us to believe that the recruitment and hiring process was not appropriate, adequate and working.

e) *The adequacy of accounting records;*

Based on our audit procedures, nothing has come to our attention that causes us to believe that the accuracy and completeness of records of receipts and disbursements of cash and for supporting the preparation of the Statement of expenditures was not appropriate, adequate and working, *except the following* - see findings no. 1 and 3 below.

f) *The adequacy of direct payments and their proper authorization*

Based on our audit procedures, nothing has come to our attention that causes us to believe that the verification and authorization of direct payments was not appropriate, adequate and working.

g) *The implementation level of previous audit recommendation*

This is the first time the project is audited therefore there are no previous audit recommendation.

UNDP "Mitigating climate change through energy efficiency in building sector"

Project ID 00059896

Action Plan for Addressing Findings in 2010 NIM Audit

No	Risk severity	Description	Recommendation	Management response
1	Low	<p>Included in account 72805 in CDR 2009 is the invoice dated 09.09.2009 of MKD 95.865 or EUR 2.237 (including VAT of MKD 4.565 or EUR 107) for purchase of computers that are used by the project manager and assistant, for which no request for return of VAT in 2009 was submitted, and therefore this invoice is paid and recorded in CDR in total amount (including VAT).</p>	<p>The expenses should be monitored with due care otherwise the project will be overburdened with expenditures not related to the project activities and project period.</p>	<p>This invoice (dated September 2009) is from the vacuum period when UNDP was communicating with the Ministry of Finance on the issue - VAT return for "official need of the projects" (UNDP cannot open accounts for each project). According to the new regulations (starting from 1 Jan 2010) VAT exemption for "official need of the project" is no longer in effect. The projects cannot reimburse paid VAT for invoices for official need. By the time this communication with the Ministry of Finance was resolved, the deadline for VAT return of this invoice has passed.</p>
2	High	<p>Included in the account 72805 in 2010, is the amount of USD 8.070 related to advance payment to supplier DANOFFICE for purchase of hardware (SERVER) for the ExCITE software and the web portal. In addition, UNDP HQ has concluded long term agreement (LTA) with this vendor.</p> <p>According to the LTA, the invoice is payable within 30 days of receipt of supplier's invoice for the goods and copies of the shipping documents or if otherwise stated in the Purchase order. However, terms of payment are not defined in the purchase order.</p> <p>In addition, according to the UNDP policies and procedures, the advance payment should not exceed 20% of the total contract amount. The advance paid by the project relates to the total value of the contract.</p>	<p>UNDP policies and procedures should be followed without exceptions.</p>	<p>According to the UNDP Corporate LTA with supplier DANOFFICE for purchasing IT equipment, purchase order (PO) replaces a contract. The PO was raised in December 2010 and was paid on the last possible date according to deadline for payments in ATLAS for the year. The server was delivered immediately upon clearance from the custom office which confirmed the judgment of the project on low risk of non-delivery of the product by this vendor, which has a good track record with UNDP as evidenced by the corporate LTA.</p>

UNDP "Mitigating climate change through energy efficiency in building sector"

Project ID 00059896

Action Plan for Addressing Findings in 2010 NIM Audit

3	Medium	<p>The expenditures charged in 2010 for communication fee were calculated based on old version of budget instead of using the latest approved budget for the period. As a result, the expenditures for 2010 were overstated for USD 1.036.</p>	<p>The calculation and charge of the expenses should be made with due care otherwise the project will be overburden with expenditures not related to the project activities and project period.</p>	<p>As stated in the description field, the communication fee for 2010 has been calculated and paid according to budget revision that was valid at the beginning of 2010. Since another budget revision was done in 2010 which decreased the project budget a difference of 1.036US\$ occurred. However, this amount will be taken into consideration when calculations for communication fee are made for 2011.</p>
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Audit Data and Observations

UNDP "Mitigating Climate Change through Energy Efficiency in Building Sector", Project ID: 00059896

Table 1 - Report on the audit of the UNDP CDR

UNDP Combined Delivery Report (CDR) as at 31 December 2010							
Award No.	Project 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)	Total amount of Net financial impact (NFI) 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)
00049238	00059896	\$ 288,384,21	Unqualified	n/a	n/a	n/a	n/a

Table 2 - Report on the audit of the statement of cash position

Statement of Cash Position					
Award No.	Project No.	Value of Cash Position Statement as at 31 December 2010 (US\$)	Audit Opinion - Statement of Cash Position	Total amount of qualification - Statement of Cash Position (US\$)	Total amount of Net financial impact (NFI) of qualification of audit opinion - Statement of Cash Position (US\$)
00049238	00059896	\$ -	Unqualified	n/a	n/a

Table 3 - Report on the audit of the statement of assets and equipment

Statement of assets and equipment					
Award No.	Project No.	Value of Assets and equipment as at 31 December 2010 (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\$)	Total amount of Net financial impact (NFI) of qualification of audit opinion on Statement of assets and equipment (US\$)
00049238	00059896	\$ 3,431,00	Unqualified	n/a	n/a

Table 4 - Report on audit observations and recommendations

Award	Project	Observ. No	Audit Observation	Recommendation	Audit Area	Audit Cause	Risk Severity	Project/CO Mngmt. Comments
00049238	00059896	1	Included in account 72805 in CDR 2009 is the invoice dated 09.09.2009 of MKD 95.865 or EUR 2.237 (including VAT of MKD 4.565 or EUR 107) for purchase of computers that are used by the project manager and assistant, for which no request for return of VAT in 2009 was submitted, and therefore this invoice is paid and recorded in CDR in total amount (including VAT).	The expenses should be monitored with due care otherwise the project will be overburden with expenditures not related to the project activities and project period.	Record Keeping Systems and Controls	Lack of inadequate policies/ procedures/ guidelines	Low	This invoice (dated September 2009) is from the vacuum period when UNDP was communicating with the Ministry of Finance on the issue - VAT return for "official need of the projects" (UNDP cannot open accounts for each project). According to the new regulations (starting from 1 Jan 2010) VAT exemption for "official need of the project" is no longer in effect. The projects cannot reimburse paid VAT for invoices for official need. By the time this communication with the Ministry of Finance was resolved, the deadline for VAT return of this invoice has passed.
		2	Included in the account 72805 in 2010, is the amount of USD 8.070 related to advance payment to supplier DANOFFICE for purchase of hardware (SERVER) for the ExCITE software and the web portal. In addition, UNDP HQ has concluded long term agreement (LTA) with this vendor. According to the LTA, the invoice is payable within 30 days of receipt of supplier's invoice for the goods and copies of the shipping documents or if otherwise stated in the Purchase order. However, terms of payment are not defined in the purchase order. In addition, according to the UNDP policies and procedures, the advance payment should not exceed 20% of the total contract amount. The advance paid by the project relates to the total value of the contract.	UNDP policies and procedures should be followed without exceptions.	Financial Management	Intentional overriding of internal controls	High	According to the UNDP Corporate LTA with supplier DANOFFICE for purchasing IT equipment, purchase order (PO) replaces a contract. The PO was raised in December 2010 and was paid on the last possible date according to deadline for payments in ATLAS for the year. The server was delivered immediately upon clearance from the custom office which confirmed the judgment of the project on low risk of non-delivery of the product by this vendor, which has a good track record with UNDP as evidenced by the corporate LTA.
		3	The expenditures charged in 2010 for communication fee were calculated based on old version of budget instead of using the latest approved budget for the period. As a result, the expenditures for 2010 were overstated for USD 1.036.	The calculation and charge of the expenses should be made with due care otherwise the project will be overburden with expenditures not related to the project activities and project period.	Financial Management	Lack of/or inadequate policies/ procedures/ guidelines	Medium	As stated in the description field, the communication fee for 2010 has been calculated and paid according to budget revision that was valid at the beginning of 2010. Since another budget revision was done in 2010 which decreased the project budget a difference of 1.036US\$ occurred. However, this amount will be taken into consideration when calculations for communication fee are made for 2011.

Name and position of Auditor:

Signature of Auditor:

Name and stamp of Audit Firm:

