



Russell
Bedford

**Auditor's Report and Management Letter
Phase – Out of HCFCs in Foam Pro,
Atlas Award No. 00061637 from 1 January
2012 through 31 December 2012**



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Contents

	Page
Independent Auditor's Report	3
Statement of Expenditures	5
Notes to the statements	10
Management Letter	12
 <u>Appendix</u>	
Appendix A	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. 00061637 and project no 00078164 for the period from 1 January 2012 through 31 December 2012 represented in the Combined Delivery Report (CDR) of Phase-Out of HCFCs in Foam Pro as implemented by Ministry of State For Environmental Affairs.

Management is responsible for the preparation of the statement of expenditures for Phase-Out of HCFCs in Foam Pro'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 \$1,183 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 \$448,667 incurred by the UNDP project the Phase-Out of HCFCs in Foam Pro 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

Due to the nature of the financing agreement and since no UNDP funds were disbursed under no expendable property, therefore we did not issue an audit report on the statement of assets and equipments.

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 , Phase-Out of HCFCs in Foam Pro 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.
6 April 2013
3, Mamar Behlar, Down Town, Cairo
Tel/Fax: +2 (02) 23951133 - 23934226





Selection Criteria :

Business Unit : EGY10
Period : Jan-Dec (2012)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00078164

Project Id : 00061637 Phase-out of HCFCs in Foam Pro	Period :	Jan-Dec (2012)		
Output # : 00078164 Phase-out of Ozone Depletants	Impl. Partner :	01028 Egyptian Environmental Affai		
	Location :	Main		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Dept: 08401 (BDP/Montreal Protocol)

Fund : 63030 (MP Prog Res Gen Prog)

71205 - Intl Consultants-Sht Term-Tech	0.00	67,996.00	0.00	67,996.00
Total for Fund 63030	0.00	67,996.00	0.00	67,996.00
Total for Dept : 08401	0.00	67,996.00	0.00	67,996.00

Dept: 44801 (Egypt - Central)

Fund : 63030 (MP Prog Res Gen Prog)

71205 - Intl Consultants-Sht Term-Tech	0.00	8,000.00	0.00	8,000.00
Total for Fund 63030	0.00	8,000.00	0.00	8,000.00
Total for Dept : 44801	0.00	8,000.00	0.00	8,000.00

Dept: 44805 (Egypt - Energy & Envirnmnt)

Fund : 63030 (MP Prog Res Gen Prog)

71205 - Intl Consultants-Sht Term-Tech	0.00	0.00	0.00	0.00
71405 - Service Contracts-Individuals	0.00	21,796.42	0.00	21,796.42
71615 - Daily Subsistence Allow-Intl	0.00	8,302.55	0.00	8,302.55
72105 - Svc Co-Construction & Engineer	0.00	330,000.00	0.00	330,000.00
72210 - Machinery and Equipment	0.00	2,623.48	0.00	2,623.48
72425 - Mobile Telephone Charges	0.00	- 90.76	0.00	- 90.76
73505 - Reimb to UNDP for Supp Srvs	0.00	1,183.37	0.00	1,183.37
75708 - Learning - subcontracts	0.00	2,949.33	0.00	2,949.33
76125 - Realized Loss	0.00	0.01	0.00	0.01
Total for Fund 63030	0.00	366,764.40	0.00	366,764.40
Total for Dept : 44805	0.00	366,764.40	0.00	366,764.40

Dept: 44807 (Egypt - ICT for Development)

Fund : 63030 (MP Prog Res Gen Prog)

71615 - Daily Subsistence Allow-Intl	0.00	5,906.45	0.00	5,906.45
Total for Fund 63030	0.00	5,906.45	0.00	5,906.45



Combined Delivery Report By Project

UN Development Programme
Report ID: unglcdrp

Page 2 of 5
Run Time: 25-03-2013 11:03:33

Project Id : 00061637 Phase-out of HCFCs in Foam Pro	Period :	Jan-Dec (2012)		
Output # : 00078164 Phase-out of Ozone Depletants	Impl. Partner :	01028 Egyptian Environmental Affai		
	Location :	Main		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Total for Dept : 44807	0.00	5,906.45	0.00	5,906.45
Total for Output : 00078164	0.00	448,666.85	0.00	448,666.85
Project Total :	0.00	448,666.85	0.00	448,666.85

Project Management

Name : *Dr. Ezzat Lewis*
Title : *National Project Director*
Signature : *Ezzat Lewis*

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 : _____
Signed By : _____ Date : _____

Selection Criteria :

Business Unit : EGY10
 Period : Jan-Dec (2012)
 Selected Project Id : ALL
 Selected Fund Code : ALL
 Selected Dept. IDs : ALL
 Selected Outputs : 00078164

Project Id : ALL	Period : Jan-Dec (2012)
Output # : ALL	Impl. Partner :
	Location :

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
08401 -BDP/Montreal Protocol	0.00	67,996.00	0.00	67,996.00
44801 -Egypt - Central	0.00	8,000.00	0.00	8,000.00
44805 -Egypt - Energy & Environmt	0.00	366,764.40	0.00	366,764.40
44807 -Egypt - ICT for Development	0.00	5,906.45	0.00	5,906.45

Project Management

Name : *Dr. Ezzat Lewis*
 Title : *National Project Director*
 Signature : *Ezzat Lewis*

UNDP CO Management

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

Audit Firm

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





Funds Utilization

Selection Criteria :

Business Unit : EGY10
Period : Jan-Dec (2012)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00078164

Project/Award: 00061637 Phase-out of HCFCs in Foam Pro Period : As at Dec 31, 2012

Output #	00078164	Impl. Partner :01028 Egyptian Environmental Affai	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. Ezzat Lewis*
Title : *National Project Director*
Signature : *Ezzat Lewis*

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]*





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

Selection Criteria :

Business Unit : EGY10
Selected Project(s) : ALL
Selected Fund Code : ALL
Selected Output(s) : 00078164

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

No Data found for the Selection Criteria

Project Management

Name : *Dr. Ezzat Lewis*
Title : *National Project Director*
Signature : *Ezzat Lewis*

UNDP CO Management

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

Audit Firm

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



Notes to the statements

31 December 2012

1. Introduction and Background

A. Project Main Information

Phase-Out of HCFCs in Foam Pro was initiated under the UNDP Atlas award no. 00061637 .

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

As per the budget revision dated 3 December 2012, the project start date is year 2011 and end date is year 2014. The project approved budget is \$ 6,195,400. The project budget for year 2012 and beyond is \$6,180,024 fully funded from MP Prog Res Gen Prog (MPU).

B. Project Background and Objectives:

The government of Egypt is committed to terminate the use of the ozone depleting chemicals as specified under the Montreal Protocol and its amendments. In addition it has commitments under the HPMP it developed and for which it received approval and financial support from the MLF. All these commitments are in process of being fulfilled through the national ozone unit of NOU, an office under the responsibility of the Egyptian Environmental Affairs Agency (EEA).

Accordingly this project is set to consists of six individual projects and to five system houses/importers along with their customers/end users(supplier-assisted phase-out). Under this plan a local system/house supplier receives technical and financial assistance to develop and commercialize new non-ODS technology or technologies and then in turn will implement this technology to its end-users.

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.

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.

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.

Management Letter

We have completed our financial audit of the financial reports of the Phase-Out of HCFCs in Foam Pro Project funded by the UNDP through Atlas award no. 00061637 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 dated 6 April 2013.

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

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

The management of Phase-Out of HCFCs 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, Phase-Out of HCFCs 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 98% calculated as follows:-

Total Expenditures for the year ended 31 December 2012/Project budget revision as of 3 December 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
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)
	00061637	78164	Amount audited and certified \$448,667	Unqualified	NA	NA	NA

<p>Implementing Partner (IP) Signature of IP Official: <u>Ezzat Lewis</u> Name and title (print): <u>National Project Director</u> Date: <u>16/4/2013</u></p>	<p>UNDP Country Office Signature of UNDP Official: <u>[Signature]</u> Name and title (print): <u>Ignacia Artaza, Country Director</u> Date: <u>08/05/2013</u></p>	<p>Government Auditors/Audit Firm Signature of Audit firm Official: <u>[Signature]</u> Name and title (print): <u>Sherif Dabbous, Managing Partner Russell Bedford Sherif Dabbous</u> Date: <u>6/4/2013</u> 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\$)
00061637	78164	NA	Unqualified	NA

<p>Implementing Partner (IP)</p> <p>Signature of IP Official: <u>Ezzat Lewis</u></p> <p>Name and title (print): <u>National Project Director</u></p> <p>Date: <u>16/4/2013</u></p>	<p>UNDP Country Office</p> <p>Signature of UNDP Official: <u>[Signature]</u></p> <p>Name and title (print): <u>Ignacio Artaza</u>, Country Director</p> <p>Date: <u>08/05/2013</u></p>	<p>Government Auditors/Audit Firm</p> <p>Signature of Audit firm Official: <u>[Signature]</u></p> <p>Name and title (print): <u>Sherif Dabbous</u>, Managing Partner Russell Bedford Sherif Dabbous</p> <p>Date: <u>6/6/2013</u></p> <p>Stamp and Seal of audit firm:</p>
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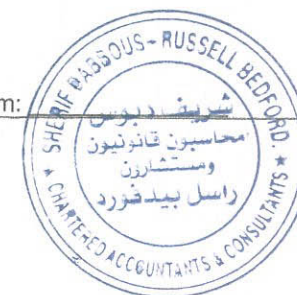


Table 3- Audit of the statement of assets and equipments

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\$)
00061637	78164	NA	Unqualified	NA

<p>Implementing Partner (IP)</p> <p>Signature of IP Official: <u>Ezzat Lewis</u></p> <p>Name and title (print): <u>National Project Director</u></p> <p>Date: <u>16/4/2013</u></p>	<p>UNDP Country Office</p> <p>Signature of UNDP Official: <u>[Signature]</u></p> <p>Name and title (print): <u>Ignacio Artaza, Country Director</u></p> <p>Date: <u>08/05/2013</u></p>	<p>Government Auditors/Audit Firm</p> <p>Signature of Audit firm Official: <u>[Signature]</u></p> <p>Name and title (print): <u>Sherif Dabbous, Managing Partner Russell Bedford Sherif Dabbous</u></p> <p>Date: <u>6/4/2013</u></p> <p>Stamp and Seal of audit firm:</p>
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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
00061637	78164		The current audit did not identify any findings in connection with client operations				

<p>Implementing Partner (IP)</p> <p>Signature of IP Official: <u>Ezzat Lewis</u></p> <p>Name and title (print): <u>National Project Director</u></p> <p>Date: <u>16/4/2013</u></p>	<p>UNDP Country Office</p> <p>Signature of UNDP Official: <u>[Signature]</u></p> <p>Name and title (print): <u>Ignacio Artaza</u>, Country Director</p> <p>Date: <u>08/05/2013</u></p>	<p>Government Auditors/Audit Firm</p> <p>Signature of Audit firm Official: <u>[Signature]</u></p> <p>Name and title (print): <u>Sherif Dabbous</u>, Managing Partner Russell Bedford Sherif Dabbous</p> <p>Date: <u>6/4/2013</u></p> <p>Stamp and Seal of audit firm:</p>
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