



INDEPENDENT AUDITOR'S REPORT AND MANAGEMENT LETTER FOR THE YEARS ENDED 31 DECEMBER 2018

UNDP NIM PROJECT ATLAS NO: 00095862

"Support to Development of a Policy Framework on Total Factor Productivity (TFP)"

(The project name is abbreviated as "Total Factor Productivity" that will be duly used throughout the report)





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EXECUTIVE SUMMARY

Rehber Consulting conducted the financial audit of "Total Factor Productivity" Project (Project ID: 00089747 and Output: 00095862) directly implemented by UNDP Turkey for the years ended 31 December 2018.

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

| Statement of Expenditure | Unmodified (Clean) |
|-----------------------------------|--------------------|
| Statement of Assets and Equipment | Unmodified (Clean) |
| Statement of Cash Position | Unmodified (Clean) |

We have not raised any findings as a result of our audit.

We reviewed prior year audit report and observed that there is no any modified opinion, which would have the possible effect on our audit opinion that has not been properly corrected or resolved.

Date of issuance: 29 March 2019 **Team Leader's Name:** Mahir Güney

Team Leader's Signature:

M. Mimr

Auditor's Address: Rehber Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş. Turan Güneş Bulvarı Galip Erdem Cad. No:43 06550 Yıldızevler - Çankaya / ANKARA Phone: +90 312 490 61 62





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Independent Auditor's Report to:

The National Project Director and The Resident Representative

I. INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF EXPENSES (UNDP CDR)

REPORT OF THE INDEPENDENT AUDITORS TO UNDP ("Total Factor Productivity")

We have audited the accompanying Statement of Expenses ("the statement") of "Total Factor Productivity" Project (Project ID: 00089747 and Output: 00095862) for the periods 1 January 2018 to 31 December 2018.

In our opinion, the attached statement of expenses present fairly, in all material respects, the expenses of \$ 1,105,606.25 for the period 1 January to 31 December 2018 incurred by the "Total Factor Productivity" Project 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. In accordance with ToR (Terms of Reference), our scope did not include expenses incurred by UNDP as part of support services or by UN Agencies including the reimbursements for support services and facilities and admin implementation services amounting to \$ 104,098.85 for year 2018.

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 is responsible for the preparation and fair representation of the statement for **"Total Factor Productivity"** Project and for such internal control 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 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 ISAs 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 ISAs, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the statement of expenses, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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 control.
- Obtained an understanding of internal control 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 control.

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 control that we have identified during our audit. This is a special purpose and confidential report.

Date of issuance: 29 March 2019 **Team Leader's Name:** Mahir Güney

Team Leader's Signature:

Senior Auditor's Name: Ahmet Özkalkan

Senior Auditor's Signature:

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Auditor's Address:

Rehber Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş. Turan Güneş Bulvarı Galip Erdem Cad. No:43 06550 Yıldızevler - Çankaya / ANKARA Phone: +90 312 490 61 62





II. INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF ASSETS AND EQUIPMENT

We have audited the accompanying statement of assets and equipment ("the statement") and title transfer agreement of "Total Factor Productivity" Project (Project ID: 00089747 and Output: 00095862) as at 31 December 2018.

In our opinion, the accompanying statement of assets and equipment with **\$ 0.00 balance** present fairly, in all material respects, the assets and equipment status of **"Total Factor Productivity"** Project as at **31 December 2018** in accordance with agreed upon accounting policies.

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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. 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 is responsible for the preparation of the statement of assets and equipment of the **"Total Factor Productivity"** project and for such internal control as management determines is necessary to enable the preparation of a statement of assets and equipment that is free from material misstatement, whether due to fraud or error.

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 ISAs 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 ISAs, we exercised professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed 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 control.
- Obtained an understanding of internal control 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 control.





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 control that we have identified during our audit.

Date of issuance: 29 March 2019 Team Leader's Name: Mahir Güney

Team Leader's Signature:

Senior Auditor's Name: Ahmet Özkalkan

Senior Auditor's Signature:

Auditor's Address:

Rehber Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş. Turan Güneş Bulvarı Galip Erdem Cad. No:43 06550 Yıldızevler - Çankaya / ANKARA Phone: +90 312 490 61 62





III. INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF CASH POSITION

We have audited the accompanying statement of cash position ("the statement") of the "Total Factor Productivity" Project (Project ID: 00075917 and Output: 00095862) as at 31 December 2018.

In our opinion, the accompanying statement of cash position present fairly, in all material respects, the cash and bank balance of the project "Total Factor Productivity" Project amounting to \$ 144,835.79 as at 31 December 2018 in accordance with agreed upon accounting policies.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the statement of cash position 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 is responsible for the preparation and fair representation of the statement for **"Total Factor Productivity"** Project and for such internal control 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 objectives are to obtain reasonable assurance about whether the statement of cash position 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 ISAs 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 ISAs, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the statement of cash position, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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 control.
- Obtained an understanding of internal control 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 control.





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 control that we have identified during our audit.

Date of issuance: 29 March 2019 Team Leader's Name: Mahir Güney

Team Leader's Signature: M.

Senior Auditor's Name: Ahmet Özkalkan

Senior Auditor's Signature:

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Auditor's Address:

Rehber Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş. Turan Güneş Bulvarı Galip Erdem Cad. No:43 06550 Yıldızevler - Çankaya / ANKARA Phone: +90 312 490 61 62





INDEPENDENT AUDITOR'S REPORT AND MANAGEMENT LETTER UNDP NIM Project ATLAS No: 00095862 "Total Factor Productivity" Project For the years ended 31 December 2018

1. BACKGROUND OF THE PROJECT

Description and Objectives of the "Total Factor Productivity" Project

The **"Total Factor Productivity"** Project aims to produce a policy framework, which is shaped by a forward-looking analysis, based on economic convergence scenarios, and which at the same time takes into account the fundamental differences between manufacturing industries in terms of Total Factor Productivity (TFP) constraints. Specific objective of the project is to improve the institutional capacities to formulate and implement sector policies and strategies that contribute to national competitiveness. The estimated results for the project are;

- 1. Factors limiting Total Factor Productivity in Turkey identified.
- 2. A macro-level policy framework that would boost total factor productivity developed and operationalized

| Project Start Year: | 01 September 2015 |
|----------------------------|-------------------------------------|
| Project End Year: | 31 December 2018 |
| Award Total: | EUR 2.975.411,30 (USD 3,269,683.00) |
| Donor: | European Union |

Main Implementing Partners:

Implementing Partner: The Ministry of Development (MoD) **Implementing Agency:** United Nations Development Programme (UNDP)

2. CURRENT STATUS OF THE PROJECT

Project was closed as at 11 November 2018.

3. CONTACT & LOCATION INFORMATION FOR THE PROJECT

| National Project Coordinator: | Mine Ergün Bakdur - Head of Economic Modelling |
|-------------------------------|---|
| Address: | Department, Ministry of Development |
| | Kalkınma Bakanlığı |
| | Ekonomik Modeller ve Stratejik Araştırmalar Genel |
| | Müdürlüğü |
| | Yücetepe Mah. Necatibey Cad. No: 110 Çankaya, |
| | Ankara |
| Telephone: | +90 312 294 60 16 |
| e-mail: | mine.ergunbakdur@kalkınma.gov.tr |
| | |
| UNDP Portfolio Manager: | Pelin Rodoplu |
| Address: | Yıldız Kule, Yukarı Dikmen Mahallesi, Turan Güneş |





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| Telephone: E-mail: | Bulvari, No: 106 06550 Çankaya, Ankara/Turkey +90 312 454 10 61 pelin.rodoplu@undp.org |
|---|--|
| UNDP Portfolio Administrator: Address: | Burak Eldem Yıldız Kule, Yukarı Dikmen Mahallesi, Turan Güneş Bulvarı, No: 106 06550 Çankaya, Ankara/Turkey |
| Telephone: E-mail: | +90 312 454 10 59 burak.eldem@undp.org |

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4. THE OBJECTIVE and SCOPE OF THE AUDIT

United Nations Development Programme ("UNDP") engaged the services of REHBER CONSULTING to audit its NGO/NIM Projects for **2018**. We are delighted to submit this management letter and audit report as we complete the audit of the **"Total Factor Productivity"** Project in accordance with the Terms of Reference agreed with the United Nations Development Programme.

The overarching objective of the audit exercise is to provide UNDP with reasonable assurance as to whether the resources are being properly managed and used. The audit did not cover an audit on the effectiveness of the output of the Implementing Partner (IP) nor the effectiveness of the project outputs of the Responsible Parties (RPs) under the IP.

Our audit was in accordance with the ISA Standards on Auditing. We performed for transactions covering **January 1 to December 31, 2018**. An audit of the project and Implementing Partner of United Nations Development Programme (UNDP) for its governance portfolio the **"Total Factor Productivity"** Project was performed from February 27 to March 30, 2018 and covered the following:

- The UNDP Statement of Expenses (CDR) for the period January 1 to December 31, 2018; (Annex-I)
- The UNDP Statement of Assets and Equipment as at December 31, 2018 (Annex-II)
- The Statement of Cash Position reported by the project as at December 31, 2018 (Annex-III)

The scope of the audit was limited to the Implementing Partner's expenses during calendar year **2018** which are defined to include (1) all disbursements listed in the quarterly financial reports submitted by the Implementing Partner and (2) the direct payments processed by UNDP at the request of the Implementing Partner. In accordance with ToR (Terms of Reference), our scope did not include expenses incurred by UNDP as part of support services or by UN Agencies including the reimbursements for support services and facilities and admin implementation services amounting to **\$ 104,098.85** for year **2018**.

UNDP provided the classifications of audit opinions, as follows:

Unmodified (Clean) Opinion

An unmodified opinion should be expressed when the auditor concludes that the financial





statements give a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

An unmodified opinion indicates implicitly that any changes in accounting policies or in the method of their application, and the effects thereof, have been properly determined and disclosed in the financial statements.

Qualified Opinion

The auditor expresses a qualified opinion when (a) The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material but not pervasive, to the financial statements; or (b) The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

Disclaimer of Opinion

The auditor disclaims an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

The auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to potential interaction of the uncertainties and their possible cumulative effect on the financial statements.

Adverse Opinion

The auditor shall express an adverse opinion when, having obtained sufficient appropriate audit evidence, s/he concludes the misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

5. THE AUDIT PROCEDURES

The audit comprised tests, cross controls and other procedures on accounting documents, accounting policies, expense-related invoices, and disbursement receipts pertaining to banking transactions, all of which are always regarded a vital part of obtaining reasonable level of assurance.

Audit strategy is directed to the gathering of relevant and reliable audit evidence in order to substantiate the expression of an opinion on the accounts. The auditor evaluates whether the information presented is logical and reasonable. Auditing procedures are observing assets to verify existence and amount (e.g. fixed assets), collecting independent confirmations from external parties, evaluating internal control, appraising management's activities, and obtaining management representations.

In addition, meeting and discussions were held with the project support associates about management and accountability issues of the project in order to inquire whether project handling was in line with the project document to the extent of testing performed based on samples selected.





a. Audit of Expenses (CDR)

We verified the mathematical accuracy of the CDR for **"Total Factor Productivity"** Project by ensuring that the expenses described in the supporting documentation (the quarterly financial reports, the list of direct payments processed by UNDP at the request of the government, the list of disbursements made by UNDP as part of support services, and the UNDP agency expenses statement) are reconciled to the expenses, by disbursing source, in the CDR. Samples were selected from CDR detail, based on the ABC method and threshold level determined for the project. Associated vouchers are traced to supporting documentation for proper booking and compliance with UNDP guidance. Further, payments of expenses were traced to bank statements for verification and checked whether disbursements were supported by adequate documentation.

Additionally, compliance with project budget, project document and Annual Work Plan (AWP) were checked for each sample by comparing the expense type against the aforementioned documents and through inquiry.

b. Audit of Assets and Equipment

All Assets and Equipment used and controlled by UNDP, regardless of their value, must be managed appropriately in compliance with the UNDP Financial Regulations and Rules. These guidelines, together with the Internal Control Framework (ICF) and the principles set for by the relevant POPPs on Property, Plant and Equipment (PP&E), establish the procedures and systems that facilitate compliance with International Public Sector Accounting Standards (IPSAS), as well as with accurate reporting. Such compliance includes periodic verification of the existence of assets; assessing assets for impairment; reconciling physical verification results to the records; as well as internal controls and checks to ensure completeness and accuracy of records and transfer of assets.

We audited the use and control of non-expendable equipment based on this framework through the List of Assets and Equipment (A&E) as at **31 December 2018** for **"Total Factor Productivity"** Project. All items, if any, listed traced back to the CDR detail to verify whether they were expensed as incurred. Subsequently, expense detail was investigated for any A&E purchases. It was checked whether the selection made from the CDR detail has been included within the A&E detail. We verified that to the extent of samples selected, whether procurement procedures were in line with the UNDP Procurement Guidance. We also checked the compatibility of transfer of title of assets with the related POPPs.

c. Audit of Cash Position

The Statement of Cash Position for the **"Total Factor Productivity"** Project was provided by UNDP for determination of cash positions as at **31 December 2018**. This report outlines the beginning, period-in transactions (receipts and disbursements) and the project's ending **net** cash balance. Samples of disbursements were selected based on the threshold level determined for the project from "Statement of Cash Position". Beginning cash balance was agreed either to previous year audit report or to prior year ending balance through the use of the ATLAS accounting system. Based on the testing performed, no exceptions have been noted. Our verification of opening and ending cash balances and selected samples regarding UNDP contributions is based solely on the reported financial data (i.e. on cash availability) derived from UNDP's corporate management system, ATLAS. However, cash balances for





the amounts held in ATLAS system could not be verified through individual bank confirmations since none of the projects audited operate through project based individual bank account.





6. MANAGEMENT LETTER

We have audited UNDP "Total Factor Productivity" Project's Statement of Expenses (CDRs) for the periods of January 1 to December 31, 2018, Statement of Assets and Equipment and Statement of Cash Position reported by the project as at 31 December 2018 and issued our report on March 29, 2019.

a. Review of the Prior Year Audit Report

We reviewed prior year audit report and observed that there is no any modified opinion, which will have the possible effect that has not been properly corrected or resolved.

b. Review of the Project Progress

Our review of the project progress was based on supporting documentation, contracts and progress reports. While reviewing the project progress, REHBER CONSULTING focused on checking whether project outputs as defined in the approved project document were achieved. Project outputs are produced through a set of activities. The plan to achieve results for a given year is articulated in the Annual Work Plan (AWP). Based on the review of the various project documents such as annual and quarterly work plans, annual financial reports, request for direct payments, Annual Project Reports and per discussions held with the project associates, limited to the extent of samples selected, nothing significant has come to REHBER CONSULTING's attention to conclude that the project was not monitored as determined in the project documents; that financial resources and accounting were not monitored to assess reliability of financial reports; that project progress reports (progress against planned activities), annual review reports, AWP, as well as quarterly plans were not prepared and submitted on time.

c. Assessment of the Project's Internal Control System

• <u>Review of the Process for Direct Payment Requests of Implementing Partner</u>

Requests for Direct Payment made by the Implementing Partner were reviewed and it was determined that they were in accordance with project document, AWP and budgets, and are in compliance with the UNDP POPP on Results and Accountability.

• <u>Review of the Process for Procurement/Contracting Activities</u>

As per the UNDP Financial Regulations and Rules, the following general principles must be taken into consideration for procurement procedures: (1) best value for money, (2) fairness, integrity, transparency, (3) effective competition, (4) the interest of UNDP. The Implementing Partner may follow its own procurement procedures provided that they conform to the above principles. The institution may alternatively apply UNDP practices. To the extent of samples selected and based on the audit procedures performed, REHBER CONSULTING was able to assess that the procurement thresholds were met; approvals of contracts and purchase orders were obtained. Competitive bidding was exercised for expenses over \$5,000. The disbursements were made in accordance with the activities and budgets of the project document and were supported by adequate documentation. Procurement activities within the scope of the project were fulfilled competitively, transparently and effectively. Our work in the area of procurement also covered the use of consulting firms and the adequacy of





procedures to obtain fully qualified and experienced personnel and assessment of their work before final payment is made. In all cases, the performance of such firms and freelance consultants were assessed by qualified personnel, including the staff of the Implementing Partner, before the final payments. Limited to the extent of testing performed; REHBER CONSULTING concluded that the procurement activities were transparent and competitive in all material respects in order to ensure that the equipment and services purchased met the requirements of UNDP.

• <u>Review of the HR Process</u>

We noted that recruitment and hiring of the project personnel and consultants (i.e. short-term experts) have been conducted competitively, effectively and transparently in accordance with review and testing of selected personnel's recruitment processes based on our sampling. The fulltime project staff has been recruited competitively and transparently, involving the Implementing Partner. The consultants (i.e. short-term experts) have been mobilized transparently by reviewing project's expert pool, which has been developed through public announcements and maintained all throughout the project. The government counterpart (i.e. the Implementing Partner) was also involved in the process of performance appraisals for the fulltime project staff. The internal control framework functioned efficiently in terms of calculation of salaries and entitlements, payroll preparation and payments, and management of personnel records.

• <u>Review of the Finance</u>

Accounting and financial operations and reporting systems of the Project were adequate. These included budget control, cash management, certification and approving authority, receipt of funds, and disbursement of funds, recording of all financial transactions in expense reports, and records maintenance and control. Expenses paid by the UNDP under the Request for Direct Payment NIM modality for the project are accurate in all material respects, supported by adequate documentation, UNDP regulations and the project documents.

• <u>Review of the Asset and Equipment Management</u>

All Assets and Equipment used and controlled by UNDP were managed appropriately in compliance with the UNDP Financial Regulations and Rules, the Internal Control Framework (ICF) and the principles set forth by the relevant POPPs on Property, Plant and Equipment (PP&E). We observed that the title of assets or equipment procured by UNDP at a total cost of \$ 64,582.23 with project funds in 2018 were transferred to Implementing Partner as per the conditions of the Agreement and in line with the relevant POPPs on transfer of assets and equipment to implementing partner. Besides, the title of an intangible asset (Acrobat Professional 2017 17.0 MLP A00 License TR (65280351) software) procured by UNDP at a total cost of \$ 720.78 in 2018 with project funds was transferred from "Total Factor Productivity" Project to UNDP Management through Asset Transfer-in/Transfer-out Form to use it for winding up period of "Total Factor Productivity" Project. (Annex-IV)

• <u>Review of the Cash Management</u>

No weaknesses have been observed in terms of cash management of the project funds. Project funds are reserved as USD in bank account of the headquarter. The project does not hold any





cash. In case of necessary disbursements, the required amount is transferred to national account of UNDP Turkey. Payments are made with the UN monthly rate.

• <u>General Administration</u>

Our work covered review of travel activities, vehicle management, and management of office premises and lease management, office communications, IT systems and records maintenance.

With review and testing of selected transactions processes based on our sampling, we concluded that;

- Travel activities have been carried out and recorded in accordance with UNDP rules and regulations.
- Formal communications have been recorded and filed,
- The project management office at UNDP holds copies of all mission critical documentation.

We appreciate the courteous and professional assistance that UNDP Turkey Office's personnel extended to us during our audits. We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of UNDP, Implementing Partner and the donor and is not intended to be and should not be used by anyone other than these specified parties.

Date of issuance: 29 March 2019 **Team Leader's Name:** Mahir Güney

Team Leader's Signature:

Auditor's Address: Rehber Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş. Turan Güneş Bulvarı Galip Erdem Cad. No:43 06550 Yıldızevler - Çankaya / ANKARA Phone: +90 312 490 61 62





ANNEX-I: THE STATEMENT OF EXPENSES

Combined Delivery Report By Project

UN DP UN Development Programme Report ID: unglcdrp

Selection Criteria :

Business Unit : TUR10 Period : Jan-Dec (2018) Selected Project Id : ALL Selected Fund Code : ALL Selected Dept. IDs : ALL Selected Outputs : 00095862

| Projec | t Id: 00089747 Support to Development of | a Po | Period : | Jan-Dec (2018) | |
|---------|---|----------|-------------------------------|--|--------------|
| Outpu | # : 00095862 Support policy framework | | Impl. Partner : Location : | 03119 Ministry of Development UNDP-TURKEY | |
| | | Govt Exp | UNDP Exp | UN Agencies Exp | Total Ex |
| Dept: | 57810 (Turkey - Finance) | | | | |
| Eund : | 30079 (EUROPEAN COMMISSION) | | | | |
| -unu . | Story (EUROPEAN COMMISSION) | | | | |
| | 71205 - Intl Consultants-Sht Term-Tech | 0.00 | 63.036.00 | 0.00 | 63.036.0 |
| | 71305 - Local ConsultSht Term-Tech | 0.00 | 349,298,02 | 0.00 | 349,298.0 |
| | 71405 - Service Contracts-Individuals | 0.00 | 94,854.31 | 0.00 | 94.854.3 |
| | 71410 - MAIP Premium SC | 0.00 | 109.85 | 0.00 | 94,654.5 |
| | 71415 - Contribution to Security SC | 0.00 | 4,668.65 | 0.00 | |
| | 71605 - Travel Tickets-International | 0.00 | 454.48 | 0.00 | 4,668.6 |
| | 71610 - Travel Tickets-Local | 0.00 | 5,221.70 | 0.00 | 454.4 |
| | 71615 - Daily Subsistence Allow-Intl | 0.00 | 1,534.53 | 0.00 | 5,221.7 |
| | 71620 - Daily Subsistence Allow-Local | 0.00 | 8.804.00 | | 1,534.5 |
| | 71635 - Travel - Other | 0.00 | 5.574.81 | 0.00 | 8,804.0 |
| | 72105 - Svc Co-Construction & Engineer | 0.00 | 5,273.65 | 0.00 | 5,574.8 |
| | 72140 - Svc Co-Information Technology | 0.00 | | 0.00 | 5,273.6 |
| | 72510 - Publications | 0.00 | 1,600.00 | 0.00 | 1,600.0 |
| | 72810 - Acquis of Computer Software | | 221.76 | 0.00 | 221.7 |
| | 74110 - Audit Fees | 0.00 | 61,653.02 | 0.00 | 61,653.0 |
| | 74210 - Printing and Publications | 0.00 | 1,570.00 | 0.00 | 1,570.0 |
| | 74220 - Translation Costs | 0.00 | 30,412.04 | 0.00 | 30,412.0 |
| | 74220 - Mansiation Costs 74225 - Other Media Costs | 0.00 | 9,079.39 | 0.00 | 9,079.3 |
| | | 0.00 | 2,382.08 | 0.00 | 2,382.0 |
| | 74525 - Sundry | 0.00 | 16.68 | 0.00 | 16.6 |
| | 74596 - Services to projects -GOE | 0.00 | 31,538.08 | 0.00 | 31,538.0 |
| | 74725 - Other L.T.S.H. | 0.00 | 14.68 | 0.00 | 14.6 |
| | 75105 - Facilities & Admin - Implement | 0.00 | 72,560.77 | 0.00 | 72,560.7 |
| | 75705 - Learning costs | 0.00 | 359,264.76 | 0.00 | 359,264.7 |
| | 76125 - Realized Loss | 0.00 | 743.95 | 0.00 | 743.9 |
| | 76135 - Realized Gain | 0.00 | - 4,280.96 | 0.00 | - 4,280.9 |
| otal fo | r Fund 30079 | 0.00 | 1,105,606.25 | 0.00 | 1,105,606.2 |
| otal fo | r Dept : 57810 | 0.00 | 1,105,606.25 | 0.00 | 1,105,606.28 |
| otal fo | r Output: 00095862 | 0.00 | 1,105,606.25 | 0.00 | 1,105,606.2 |

Project Total :

1,105,606.25

Date :

Date :

0.00

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0.00 1,105,606.25 REHBER CONSULTING STAMPED FOR IDENTIFICATION PURPOSES ONLY 113 19 Initial: MG

Signed By :

Signed By :

Page 1 of 3 Run Time: 05-02-2019 07:02:02 Combined Delivery Report By Project

UN DP UN Development Programme Report ID: unglcdrp

Selection Criteria :

| Business Unit : | TUR10 |
|-------------------------|----------------|
| Period : | Jan-Dec (2018) |
| Selected Project | |
| Selected Fund Co | ode : ALL |
| Selected Dept. ID | s: ALL |
| Selected Outputs | : 00095862 |

Page 2 of 3 Run Time: 05-02-2019 07:02:02

| Project Id: ALL Output #: ALL | | Period : Impl. Partner : Location : | Jan-Dec (2018) | |
|----------------------------------|----------|---|-----------------|--------------|
| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
| 57810 - Turkey - Finance | 0.00 | 1,105,606.25 | 0.00 | 1,105.606.25 |

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Combined Delivery Report By Project

UN DP UN Development Programme Report ID: unglcdrp

Page 3 of 3 Run Time: 05-02-2019 07:02:04

Funds Utilization

Selection Criteria :

Business Unit: TUR10 Period: Jan-Dec (2018) Selected Project Id: ALL Selected Fund Code: ALL Selected Dept. IDs: ALL Selected Outputs: 00095862

Project/Award: 00089747 Support to Development of a Po

Period : As at Dec 31, 2018

| utput # 00095862 Impl. Partner :03119 Ministry of Development | UNDP AMOUN |
|---|------------|
| Outstanding NEX advances | 0.00 |
| Undepreciated Fixed Assets | 0.00 |
| Unamortized Intangible Assets | 0.00 |
| Inventory | 0.00 |
| Prepayments | 0.00 |
| Commitments | 0.00 |

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ANNEX-II: THE STATEMENT OF ASSETS AND EQUIPMENT

| UNDP Country Office: TURKEY Project title: SUPPORT TO DEVELOPMENT OF Project No: 95862 Project No: Prind covered from inception of project: "attractive "attractive </th <th>Statement of Assets and Equipment (6clow \$ 1500</th> <th>as at 31 December 2018</th> <th>Project title: SUPPORT TO DEVELOPMENT OF POLICY FRAMEWORK ON TOTAL FACTOR PRODUCTIVITY</th> <th></th> <th>01 January 2018 to 31 December 2018</th> <th></th> <th>DN (make PROJECT No. FUND CONDITION RESPONS. PERSON/ENTITY ITEM LOCATION MANUFACTURER US\$ VALUE SERIAL NO. REMARKS</th> <th></th> <th></th> <th>Amdn. 1 ~1</th> | Statement of Assets and Equipment (6clow \$ 1500 | as at 31 December 2018 | Project title: SUPPORT TO DEVELOPMENT OF POLICY FRAMEWORK ON TOTAL FACTOR PRODUCTIVITY | | 01 January 2018 to 31 December 2018 | | DN (make PROJECT No. FUND CONDITION RESPONS. PERSON/ENTITY ITEM LOCATION MANUFACTURER US\$ VALUE SERIAL NO. REMARKS | | | Amdn. 1 ~1 |
|--|--|------------------------|--|--|-------------------------------------|--------------------|---|------------|------|------------|
| | | | ELOPMENT OF POLICY FRAMEWORK ON TOTA | | | "attractive items" | te PROJECT No. | APPLI CABL | 2018 | |

| Statement of Assets and Equipment (مدحد کا اجمی) | as at 31 December 2018 | TIRKEY | Project title: SUPPORT TO DEVELOPMENT OF POLICY FRAMEWORK ON TOTAL FACTOR PRODUCTIVITY | | | inception of project: 01 January 2018 to 31 December 2018 | "attractive items" | IISITION ITEM DESCRIPTION (make PROJECT No. FUND CONDITION RESPONS. PERSONENTITY ITEM LOCATION MANUFACTURER US\$ VALUE SERIAL NO. REMARKS | | ad br. signature e. e. e. signature and br. signature e. e. e. signature and br. signature and br. signature and frame bate: and frame bate: | D |
|--|------------------------|-----------------------------|--|-------------|------------|---|--------------------|---|-----|--|---|
| | | Office: TURKEY | PPORT TO DEVELOPME | 95862 | 95862 | Period covered from inception of project: | | ACQUISITION ITEM C DATE and m | N07 | Signed by: signature Name: Title: Date: 31. N. 20 | m |
| | | UNDP Country Office: TURKEY | Project title: SUP | Project No: | Output No: | Period covered fi | | TAG NO. | | | Ø |





ANNEX-III: THE STATEMENT OF CASH POSITION

Statement of Cash Position as at 31 December 2018

| Country Office | : TURKEY |
|----------------|--|
| Project title | : 00095862 Support policy framework |
| Award ID | : 00089747 Support to Development of a Policy Framework on TFP |
| Period covered | : 01/01/2018 - 31/12/2018 |

| - | | Amount |
|---|--|--------------|
| - | | USD |
| A | Opening Fund Balance as of 01 January 2018 | |
| | Cash in hand | - |
| | Bank / Available Cash Limit | 1,250,442.04 |
| | Sub Total | 1,250,442.04 |
| В | Advance/Deposit Received from/by UNDP during 2018 | - |
| С | Total Funds Available(A+B) for 2018 | 1,250,442.04 |
| D | Payments/Expenditure for 2018 | 1,105,606.25 |
| E | Fund Utilization not Recorded as Expense during 2018 | |
| | Outstanding NEX Advances | |
| | Undepreciated Fixed Assets | |
| | Inventory | |
| | Prepayments | |
| | Commitments | (34,872.99) |
| F | Closing Fund Balance as of 31 December 2018 (C-D-E) | 144,835.79 |
| G | Closing Balance represented by: | |
| | Cash in hand | - |
| | Bank / Available Cash Limit | 144,835.79 |
| | Total | 144,835.79 |

Signed by: Name: Organization:

Title: Date:

Signed by: Name: Sukhrob Khojimatov Organization: United Nations Development Programme Title: Deputy Country Director Date: Pozel

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Certified by: Name: Title: Name of the Audit Firm: Date:

For audit purposes

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Ekonomik Modelleme REHBER Dairesi Başkanı

CONSULTING STAMPED FOR IDENTIFICATION Date: 29/3/19 Mitial: MG





ANNEX-IV: THE TRANSFERS OF TITLES OF ASSETS

United Nations Development Programme



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TRANSFER OF TITLE OF ASSETS FROM THE UNITED NATIONS DEVELOPMENT PROGRAMME TO THE GOVERNMENT OF TURKEY

THIS AGREEMENT made this 11th day of November, 2018, by and between the United Nations Development Programme (hereinafter referred to as "UNDP"), for the transfer to and the Government of Turkey (hereinafter referred to as the "Government"), accepts full title and ownership of assets as specified in the attached supplies and equipment list, hereto as Annex I at a total cost of USD 64,582.23. Explanation regarding the transfer of business intelligence software is enclosed in Annex II.

The assets transferred represent assistance of UNDP to the Government to facilitate Inclusive and Sustainable Growth in Turkey, with Support to Development of a Policy Framework on Total Factor Productivity Project, DOGER/SDPF/TR2013/0740.10-10.02/GRA/003 (hereinafter referred to as "Project"), undertaken in Turkey. The transfer of title is limited to the use of such assets solely for the stated purposes of the Project in the manner and place as set out in the Project Document, hereto as Annex II, and subject to further limitations contained therein.

The transfer of such assets must be affected in compliance with UNDP Financial Rules and Regulations, the Procurement Manual and the Asset Management Guidelines.

IN WITNESS WHEREOF, UNDP and the Government, through their duly authorized representatives, have signed this Agreement:

ACCEPTED:

FOR THE GOVERNMENT:

Name: Mine Ergün Bakdur Title: Head of Department Date: 11.11.2018

ACCEPTED:

FOR UNDP

Name: Sukhrob Khojimatov

Title: Deputy Country Director

Date: 11.11.2018

ANNEX:1

TRANSFERRED ASSETS _95862_11.11.2018

| | | - | | |
|------------------------------|---------------------|---|---|--|
| FUNDING SOURCE | FUNDING SOURCE | | GOVERNMENT OF TURKEY | |
| CURR. | | TRY | TRY | |
| соят | созт | | 3.650,00 | |
| INVOICE NUMBER | INVOICE NUMBER | | 924445 | |
| LOCATION ACQUISITION DATE | ACQUISITION DATE | | 12.09.2017 | |
| LOCATION | | Ankara/ İstanbul | Ankara | |
| MODEL | | N/A | N/A | |
| SERIAL /TAG NUMBER | | N/A | 59WF9H2 | |
| UNIT | | 1 | 1 | |
| MANUFACTURER | | Bilişim Bilişim ve Yazılım Sistemleri San. ve Tic. A.Ş. | NGN Bilgi ve İletişim Hizmetleri Tic. A.Ş. | |
| DESCRIPTION | | Software (BI Tool License) | Mobile Work (Dell Precision Station M7720-E3- 1535Mv616G) | |
| PROFILE | | Business Intelligence tool | Mobile Work Station | |
| ASSET NO | | 1 | 2 | |

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ANNEX II: EXPLANATION ON THE TRANSFER OF BUSINESS INTELLIGENCE TOOL

Within the scope of "Support to Development of a Policy Framework on Total Factor Productivity" Project, under the Computerized Tool Component, Project Management Unit prepared a computerization strategy to ensure the sustainability of the action. The goals of computerization strategy were determined as to support the sustainability of the survey system which enabled the decision makers to give evidence-based productivity policy decisions; to provide tools for informed decision making in several layers of the Project and its stakeholders and to enable data collection from different stakeholders for instant or future use in decision making.

As the second component of the computerization strategy and based on the need analysis that were conducted with the relevant stakeholders (Development Agencies, Chamber of Industries, IHKIB, etc), it was decided to purchase a Business Intelligence Tool as a decision-making support system for relevant stakeholders.

After a competitive process in line with UNDP Procurement rules, Business Intelligence Software was purchased on 9 November 2018 as a decision-making support system for relevant stakeholders and as an extension tool for TFP analysis to evaluate the results of the productivity related data set or any dataset that will be used in decision making. BI Tool had been planned to be installed in the servers of Ministry of Development for the use of Development Agencies and Istanbul Apparels Exporters Association (IHKIB). However, because of the change in presidential system, Ministry of Development was reorganized under Presidency of Republic of Turkey, Presidency of Strategy and Budget with the Presidential Decree Numbered 13 dated 24 July 2018; and General Directorate of Regional Development and Structural Adjustment of Ministry of Development Agencies with the Statutory Decree Numbered 703 dated 9 July 2018. Following this institutional change BI Tool was installed in two servers; one in Ministry of Industry and Technology and one in IHKIB. BI Tools have been licensed for two administrators, 40 developers in total in Development Agencies under the server installed in MoIT; IHKIB and Kocaeli Chambers of Industry under the server in IHKIB.

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CO-REF No: 2018/ 0

Asset Transfer-in/Transfer-out Form (Below USD1.500)

| Project No | Fund | Business Unit (currently in ATLAS) | Description (item name/ model/manufacturer) | Serial Number (Not applicable for furniture) | Acquisition Date | Purchase Value | Remarks |
|------------|-------|---|--|--|---------------------|-------------------|--|
| 00095862 | 30079 | TUR10 | Acrobat Professional 2017 17.0 MLP AOO License TR (65280351) | 17034393 | 09.11.2018 | \$720,78 | Subject attractive asset is recorded in the UNDP Management Attractive items/assets list. It is used and controlled by UNDP staff for wind up period of the project. |

| Transfer Out Unit | Transfer in Unit |
|---|---------------------------------------|
| Transfer From: | Transfer To: |
| Support to Development of a Policy Framework on Total Factor Productivity (00095862) | UNDP Management |
| Operating Unit: TURKEY | Operating Unit: TURKEY |
| Operating Unit ID: TUR | Operating Unit ID: TUR |
| Physical Transfer Out-Date: 10.11.2018 | Physical Transfer In-Date: 10.11.2018 |

| Signa | atures |
|---|--|
| Transfer Out Unit | Transfer In Unit |
| Signed by: | Signature of Asset Focal Point: |
| Name: Kismet Deniz Çiftçi Arslan Title: Deputy Team Leader, TFP Name: Borak Eldem Title: Portfolio Administrator | Name: Esra Tuncel Açıkgöz Title: Administrative Associate |