



INTERNAL AUDIT AND INVESTIGATIONS GROUP

# UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

## FINANCIAL AUDIT REPORT

**22 SEPTEMBER 2015**

<b>PROJECT NAME:</b>	<b>Integrated Natural Resource Management in the Baikal Basin Transboundary Ecosystem</b>
<b>PROJECT NUMBER:</b>	<b>00078317</b>
<b>COUNTRY:</b>	<b>RUSSIAN FEDERATION, MONGOLIA</b>
<b>AUDITOR:</b>	<b>MOORE STEPHENS LLP</b>
<b>PERIOD SUBJECT TO AUDIT:</b>	<b>1 FEBRUARY 2011 TO 31 MARCH 2015</b>

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## Acronyms and abbreviations

IPSAS	International Public Sector Accounting Standards
OC	Operations Centre
PC	Project Centre
RO	Regional Office
TOR	Terms of Reference
UNOPS	United Nations Office for Project Services
USD	United States Dollars

## Financial audit report

### Audit opinion on the project financial statement

#### Report of the Independent Auditors to UNOPS office Mongolia

We have audited the accompanying project financial statement for the project 'Integrated Natural Resource Management in the Baikal Basin Transboundary Ecosystem' ("the project") (Atlas project ID 00078317), which is implemented and managed by the UNOPS Office in Mongolia, for the period from 1 February 2011 to 31 March 2015.

#### Management responsibility for the financial statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on the financial statement based upon the results of our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial statement that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Auditor's opinion

In our opinion, the financial statement gives a true and fair view of, in all material respects, the income and expenditure of the project 'Integrated Natural Resource Management in the Baikal Basin Transboundary Ecosystem' ("the project") (Atlas project ID 00078317), for the period from 1 February 2011 to 31 March 2015 in conformity with the terms of the agreements and in accordance with International Public Sector Accounting Standards.

#### Emphasis of matter

Without qualifying our opinion, we draw your attention to audit observation 1, as set out in Annex I, which represents a matter we came across during the conduct of our financial audit. The financial

impact of this observation is US\$ 9,268.24, which reflects 0.28% of the expenditure reported in the financial report and is not considered material in the context of our audit.

**Project financial statement**

This is attached as Annex II to this report.



Mark Henderson  
Partner

Moore Stephens LLP  
150 Aldersgate Street  
London EC1A 4AB

22 September 2015

**Responsibility statement by management**

This is attached as Annex III to this report.

## Annex I – Audit observations

#	Observation	Recommendation	Management comment and Action Plan	Responsible Manager / Due Date / Priority																				
<b>Functional Area: Programme Management</b>																								
<b>1</b>	<p><b>Title</b></p> <p>VAT incorrectly claimed in the financial report</p> <p><b>Comparison criteria</b></p> <p>As a result of the UNDP Russia hosting arrangements, the project enjoys exemption from paying VAT. Accordingly VAT should not be included on supplier invoices, nor should it be paid with project funds.</p> <p><b>Facts / observation</b></p> <p>Although the majority of the suppliers' invoices correctly excluded VAT, we noticed some instances where invoices did include VAT, as presented in the table below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">INVOICE_ID</th> <th style="text-align: center;">Amounts in RUB VAT incl.</th> <th style="text-align: center;">VAT in RUB</th> <th style="text-align: center;">Amounts in USD VAT incl.</th> <th style="text-align: center;">VAT in USD</th> </tr> </thead> <tbody> <tr> <td>EMO_BB_Inv# 5317</td> <td style="text-align: right;">460,412.00</td> <td style="text-align: right;">70,232.34</td> <td style="text-align: right;">14,809.01</td> <td style="text-align: right;">2,259.00</td> </tr> <tr> <td>EMO_BB_Inv# 0000354</td> <td style="text-align: right;">460,412.00</td> <td style="text-align: right;">70,232.34</td> <td style="text-align: right;">14,728.47</td> <td style="text-align: right;">2,246.72</td> </tr> <tr> <td>GPSO_BB_Inv# 00112</td> <td style="text-align: right;">500,000.00</td> <td style="text-align: right;">76,271.19</td> <td style="text-align: right;">11,899.10</td> <td style="text-align: right;">1,815.12</td> </tr> </tbody> </table>	INVOICE_ID	Amounts in RUB VAT incl.	VAT in RUB	Amounts in USD VAT incl.	VAT in USD	EMO_BB_Inv# 5317	460,412.00	70,232.34	14,809.01	2,259.00	EMO_BB_Inv# 0000354	460,412.00	70,232.34	14,728.47	2,246.72	GPSO_BB_Inv# 00112	500,000.00	76,271.19	11,899.10	1,815.12	<p>Project staff should ensure that the VAT status is understood both internally and by their suppliers.</p> <p>When paying invoices, the approval process should ensure that no VAT is included.</p> <p>In cases where VAT is incorrectly included on supplier invoices, these should be reissued from the supplier before payment is effected.</p> <p>Additionally the project should pursue the recovery of VAT amounts it has paid incorrectly.</p>	<p>The Project staff is aware of the VAT status. Suppliers involved in the Project implementation period are aware that they are not VAT payers and are aware of status of money coming from International organizations, such as UNOPS or UNDP.</p> <p>The Project has been working with all suppliers on definite known VAT terms, however due to human factor in some rare cases VAT was included on invoice from supplier, what surely had to be noted and supplier should</p>	<p><b>Responsible Manager:</b></p> <p>Finance Manager</p> <p><b>Due date:</b></p> <p>Immediate – ongoing</p> <p><b>Priority:</b></p> <p>Medium</p>
INVOICE_ID	Amounts in RUB VAT incl.	VAT in RUB	Amounts in USD VAT incl.	VAT in USD																				
EMO_BB_Inv# 5317	460,412.00	70,232.34	14,809.01	2,259.00																				
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GPSO_BB_Inv# 00112	500,000.00	76,271.19	11,899.10	1,815.12																				

EMO_BB_Inv# 0626	124,120.00	18,933.56	3,792.24	578.48		have reissued certain invoice. For future transactions the Project staff will pay more attention to this issue.
GPSO_BB_Inv# 1018	248,240.00	37,867.12	7,764.78	1,184.46		
GPSO_BB_Inv# 1018	248,240.00	37,867.12	7,764.78	1,184.46		
<b>TOTAL</b>				<b>9,268.24</b>		
<p>The suppliers in question had also issued invoices exclusive of VAT, and it is therefore unclear why it was included in these instances.</p> <p>As a result, UNOPS mistakenly paid VAT, amounting to US\$ 9,268.24 and reported this in its financial report.</p> <p><b>Impact</b></p> <p>The financial report includes amounts which could have been avoided had the VAT status of the project been respected.</p> <p><b>Cause</b></p> <p>Human error</p>						





INTERNAL AUDIT AND INVESTIGATIONS GROUP

## **Annex II – Project financial statement**

UNOPS Internal Audit and Investigations Group  
Financial audit report  
Integrated Natural Resource Management in the Baikal Basin Transboundary Ecosystem  
Russian Federation, Mongolia  
1 February 2011 to 31 March 2015

May 20, 2015  
Ref: Project No: 00078317  
Funding: UNDP/GEF

To whom it may Concern,

**Subject: Interim Financial Statement as at 31 Mar 2015**

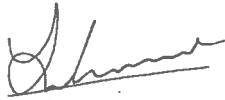
We enclose the Interim Financial Statement for project **00078317 Integrated Natural Resource Management in the Baikal Basin Transboundary Ecosystem**, which commenced in year 2011 and indicates project expenses as at 31 Mar 2015.

We draw your attention to the following:

- › Project expenditure and management fee: **US\$ 3,264,828**
- › Project advances: **US\$ 000** and open purchase order: **US\$ 82,128**
- › Total project Award: **US\$ 3,898,000**
- › Project Award balance: **US\$ 551,043**

If you have any question, please do not hesitate to contact UNOPS

Yours sincerely,



Ala'a Nemer  
Regional Finance Practice Advisor  
CSPG IPAS, UNOPS HQ

<b>Project Atlas Id:</b>	00078317	<b>Funding</b>	UNDP/GEF
			All Amounts in US\$
<b>Project Title :</b>	Integrated Natural Resource Management in the Baikal Basin Transboundary Ecosystem	<b>Date:</b>	20/05/2015

**INTERIM FINANCIAL STATEMENT AS AT 31 Mar 2015**

**Opening Balances 2003**

**1) Award**

**Project Award**

2011		3,898,000.00	
2015		0.00	3,898,000.00

<b>TOTAL FUNDS (A)</b>		<b>3,898,000.00</b>
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**2) PROJECT EXPENSES**

**PERIOD - PRIOR YEARS:**

2011	Project Expense	58,486.33	
	Net Exchange Loss	0.02	
	Management Fee	4,010.66	62,497.01
2012	Project Expense	912,541.91	
	Net Exchange Loss	861.35	
	Management Fee	58,584.18	971,987.44
2013	Project Expense	1,056,444.59	
	Net Exchange Gain	-1,540.25	
	Management Fee	71,910.05	1,126,814.39
2014	Project Expense	922,222.43	
	Net exchange gain	-5,648.70	
	Management fee	64,555.59	981,129.32

**PERIOD - CURRENT YEAR**

2015	Project Expense	114,631.47	
	Net exchange gain	-255.48	
	Management fee	8,024.21	122,400.20

<b>TOTAL PROJECT EXPENSES (B)</b>		<b>3,264,828.36</b>
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Project Advances (C)		0.00	0.00
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<b>PROJECT Award BALANCE (D) = (A) - (B) - (C)</b>		<b>633,171.64</b>
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Open Purchase Orders (E)		82,128.36	82,128.36
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<b>3) PROJECT Award BALANCE (F) = (D) - (E)</b>		<b>551,043.28</b>
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*This statement is interim and is provided for information purposes only. Figures are not final. Final figures will appear in the certified financial statement once books for the concerned period are closed.*

*The Statement is following IPSAS reporting requirements, Management Fee is calculated and recorded against Project Expenses (Disbursements + Receipt Accruals)*

*Project Advances represents amounts yet to be either recovered or settled against Project Expenses. Open POs represents amounts committed against goods/services yet to be delivered/rendered. Award balance represents Budget available for implementation activities.*

Prepared by \_\_\_\_\_

M. Shafiq RATEA  
Senior Finance Associate  
CSPG IPAS, UNOPS HQ

Certified By \_\_\_\_\_

Ala'a Nemer  
Regional Finance Practice Advisor  
CSPG IPAS, UNOPS HQ

## **Annex III – Statement of management responsibility**

UNITED NATIONS OFFICE FOR PROJECT SERVICES

Project ID: 00078317:

**Integrated Natural Resource Management in the Baikal Basin Transboundary Ecosystem Project**

**Responsibility Statement by Management**

The United Nations Office for Project Services (UNOPS) management is responsible for the preparation, integrity and fair presentation of the Financial/Income/Income-Expenditure Statement of the UNOPS Project ID. 78317 "Integrated Natural Resource Management in the Baikal Basin Transboundary Ecosystem" Project. The Statement, presented under annex I, has been prepared in accordance with the applicable UNOPS regulations and rules.

We do hereby state that, in our opinion:

**Financial Statement**

The Financial Statement as reported, presents fairly in all material respects, the expenditure of US\$ 3,264,828 incurred by the UNOPS office for the period 01 February 2011 to 31 March 2015 in accordance with the accounting policies set out in the Notes to the Statement and in conformity with approved activities and budgets of UNOPS Project ID. 78317 "Integrated Natural Resource Management in the Baikal Basin Transboundary Ecosystem" Project.

**Statement of Inventory of Non-Expendable Equipment**

The Statement of Non-Expendable Equipment presents fairly, in all material respects, the Non-Expendable Equipment balance as at 31 March 2015 amounting to US\$ 0.00 in accordance with the Non-Expendable Inventory listing certified by project management.

(Signature)

(Signature)

(Signature)



Name: Kanit Pukchareon  
Regional Financial  
Management Officer

Name: ROBERT GODWIN  
Regional Director  
RMOA

Name: Sergey Kudelya  
Project/Portfolio Manager\*

Region: IPAS/CSG, HQ

Region: ECR

Region: The Russian Federation

Place: Copenhagen

Place: COPENHAGEN

Place: Ulan-Ude

Date: 16 Sep 15

Date: 16 SEP 2015

Date: June 22, 2015