

**UNITED NATIONS OFFICE FOR PROJECT SERVICES
(UNOPS)****FINANCIAL AUDIT REPORT****27 July 2018**

PROJECT NAME:	SUPPORT FOR THE INTERNATIONAL FIGHT AGAINST THE AIDS EPIDEMIC – TRIANGULAR PROJECT OF FINANCIAL COOPERATION BRAZIL-GERMANY-URUGUAY (KFW)
PROJECT NUMBER:	11398-001
COUNTRY:	URUGUAY
AUDITOR:	MOORE STEPHENS LLP
PERIOD SUBJECT TO AUDIT:	1 JANUARY TO 31 DECEMBER 2017

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Acronyms and abbreviations

IAIG	Internal Audit and Investigations Group
IESBA	International Ethics Standards Board for Accountants
ISA	International Standards on Auditing
UNOPS	United Nations Office for Project Services
US\$	United States Dollars
UYU	Uruguay Peso

Financial audit report

Audit opinion on the project financial statement

Unmodified opinion

We have audited the accompanying project financial statement for the project “Support for the International Fight against the AIDS Epidemic – Triangular Project of Financial Cooperation Brazil-Germany-Uruguay (KfW)” (“the project”) (oneUNOPS project ID 11398-001), which is implemented and managed by the UNOPS Office in Uruguay, for the period from 1 January to 31 December 2017.

In our opinion, the financial statement gives a true and fair view of, in all material respects, the income and expenditure of the project “Support for the International Fight against the AIDS Epidemic – Triangular Project of Financial Cooperation Brazil-Germany-Uruguay (KfW)” (“the project”) (oneUNOPS project ID 11398-001), for the period from 1 January to 31 December 2017 in conformity with the terms of the agreements and in accordance with International Public Sector Accounting Standards.

Basis for opinion

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 responsibility for the audit of the project financial statement’ section of this report.

We are independent of UNOPS in accordance with the IESBA Code of Ethics for Professional Accountants. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 for the audit of the project financial statement

The objectives of our audit are set out in the terms of reference for the audits of UNOPS projects, as issued by the Internal Audit and Investigations Group (IAIG) of UNOPS, and include obtaining reasonable assurance about whether the project financial statement 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 decisions of users taken on the basis of the project financial statement.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also identify and assess the risks of material misstatement of the project financial statement, 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.

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

Project financial statement

This is attached as Annex I to this report.



Mark Henderson

Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

27 July 2018

Responsibility statement by management

This is attached as Annex II to this report.

Annex I – Project financial statement

Dear Sir/Madam,

Subject: **Annual Financial Statement**

We enclose the Annual Financial Statement for project 11398-001 - Support for the International Fight against the AIDS Epidemic – Triangular Project of Financial Cooperation Brazil-Germany-Uruguay (KFW), which commenced in year 2016 and indicates the incurred expenditure as at 31/12/2017.

We draw your attention to the following:

- a. Incurred expenditure and management fee: US\$ **3,907,386**
- b. Project advances: US\$ **0** and open purchase order: US\$ **71,786**
- c. Total funds received: US\$ **4,267,872** which includes interest earned: US\$ **34,944**
- d. Project Capitalised Asset: US\$ **0**
- e. Fund Surplus: US\$ **288,700**

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

Yours sincerely,



Flor Lucía Kinglow
Financial Management Officer
SSC IPAS FINANCE Panama



ANNUAL FINANCIAL STATEMENT

Project: : 11398-001 - Support for the International Fight against the AIDS Epidemic – Triangular Project of Financial Cooperation Brazil-Germany-Uruguay (KfW)

Partner(s): 1126 - Government of Germany,
1426 - Uruguay,
1540 - Other Donors,
1669 - Kreditanstalt für Wiederaufbau (KfW)

As on: 31-Dec-2017

Income:

Contributions		2016	1,816,080	
		2017	2,416,848	
				<u>4,232,928</u>
Interest		2016	10,133	
		2017	24,811	
				<u>34,944</u>
Total Income	A			4,267,872

Less: Project Expenses

Period-Years

2016				
	Project(s) Expense		1,143,039	
	Net Exchange Gain/Loss		1,700	
				<u>1,144,739</u>

2017				
	Project(s) Expense		2,759,711	
	Net Exchange Gain/Loss		2,936	
				<u>2,762,647</u>

Total Expenditure	B			3,907,386
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Less: Project Advances	C			0
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Less: Project Capitalised Assets	D			0
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Project Cash Balance	A-B-C-D			360,486
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Less: Commitments**	E			71,786
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Project Fund Balance	A-B-C-D-E			288,700
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Notes:

* All amounts are in USD. Transactions in non-USD have been converted to USD at the UN operational rate of exchange as on the date of the transaction.

** The statement is prepared in accordance to IPSAS reporting requirement, the reported figure under commitment is for information and it discloses only the expected utilisation of project funds as of the reporting period, these commitments are not charged as an expense until the goods are delivered or services rendered.

* Project advances include operational advances, prepayments, petty cash, and any VAT payments to suppliers that have yet to be recovered.

Certified by:

Comment:

Flor Lucia Kinglow
Financial Management Officer
SSC IPAS FINANCE Panama
Date:

Annex II – Responsibility Statement by Management

UNITED NATIONS OFFICE FOR PROJECT SERVICES

Project ID: 11398-001

Support for the International Fight against the AIDS Epidemic – Triangular Project of Financial Cooperation Brazil-Germany-Uruguay

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. 11398-001 Support for the International Fight against the AIDS Epidemic – Triangular Project of Financial Cooperation Brazil-Germany-Uruguay. 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\$ 2,762,647 incurred by the UNOPS office for the period 01 January 2017 to 31 December 2017 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. 11398-001 Support for the International Fight against the AIDS Epidemic – Triangular Project of Financial Cooperation Brazil-Germany-Uruguay.

(Signature)



Flor Lucía Kinglow
Financial
Management Officer

SSC IPAS FINANCE

Panama City, Panama

Date: 06/14/2018

(Signature)



Fabrizio Feliciani
Regional Director

LCR

Panama City, Panama

Date: 18 June, 2018

(Signature)



Rafael Cabrera
Country Manager

LCR

Montevideo, Uruguay

Date: 15 June 2018

Annex III – Project summary sheet

Name of Project / Programme: Support for the International Fight against the AIDS Epidemic – Triangular Project of Financial Cooperation

KfW Ref. No.: 2005 66 034

Special Account(s), Sub-Account(s), Cash Account(s) examined (Name of Bank(s), Account No(s). and additionally Account holder(s) in case project partners are involved): **None**

Reporting Period: 1 January to 31 December 2017

Within the scope of our reasonable assurance engagement under the above mentioned Project, performed in accordance with International Standards on Assurance Engagements as published by the International Auditing and Assurance Standards Board of the International Federation of Accountants, with special reference to ISAE 3000 revised we express our conclusion on the following points:

Points examined	Results			
	YES	NO	PARTLY**	OTHER**
a) The payments out of the Disposition Fund(s) have been made in accordance with the conditions of the relevant Grant Agreement and the corresponding Separate Agreement. Where ineligible expenditures are identified, these should be noted separately.	X			
b) The Disposition Fund(s) has (have) been maintained in accordance with the provisions of the Grant Agreement and Separate Agreement (including the Supplementary Conditions of KfW for payments under the Disposition Fund procedure). This also comprises interest earned from balances.	X			
c) Expenditures are supported by relevant and reliable evidence. All supporting documents and records with respect to the statements of expenditure submitted as the basis for withdrawal applications have been made available.	X			
d) The audited statements of expenditures can be relied upon to support the related withdrawal applications. Clear linkage should exist between the statements of expenditures, the withdrawal applications presented to KfW and accounting records.	X			
e) Goods and services financed have been procured in accordance with the relevant Grant Agreement and Separate Agreement.	X			

Points examined	Results			
	YES	NO	PARTLY**	OTHER**
f) No specific deficiencies and areas of weakness have been identified in the internal systems and controls of the Project Executing Agency. Where deficiencies are identified, these should be noted separately.				We present under annex IV a list of the observations that were identified during our financial audit tests. However, further testing of internal controls was not part of the audit scope.
g) No other important findings and observations have been disclosed during the engagement.			We present under annex IV a list of observations identified during the audit. There is no financial impact.	

** Result "PARTLY" and/or "OTHER" require an explanation.

Numerical Evaluation	Comment	Amount in US\$
Account Overview		
Total account balance at the beginning of the reporting period (including accounts at project-partners if any)		613,599
Receipts from KfW-funds during reporting period.		2,416,848
Receipts from other donors – if any - , credit interest or other receipts during reporting period.		24,811
Advances paid to contractors or project-partners if any (not worked off) during reporting period		-
Effective expenditure, also from account-holding project partners if any (including worked-off advances) during reporting period.		2,762,647
Total account balance at the end of the reporting period (including accounts at project partners if any)		288,700
General Overview*		
Receipts from KfW-funds from the beginning in a cumulated form.		4,232,928
Total expenditure (also from project partners if any) including worked-off advances under the Disposition Fund(s) from the beginning in a cumulated form and reconciliation with the statements of expenditures presented to KfW under the withdrawal applications.		3,907,386

**The difference between the balance of US\$ 325,542, deriving from the receipts from KfW of US\$ 4,232,928 and the total expenditure of US\$ 3,907,386, and the total account balance reported above of US\$ 288,700 amounts to US\$ 36,842. This is explained by an additional US\$ 34,944 of bank interest received, less an amount of US\$ 71,786 of additional committed expenditure.*

Other important matter(s) – if any -: None

Annex IV – Summary of observations

No.	Finding category	Title	Observation	Financial impact (US\$)
1	Financial	Error corrected in the wrong period	<p>This is a correction of the duplicate transaction error identified the prior year audit. The duplication resulted in 2016 expenditure being overstated, however, UNOPS corrected the 2017 figures instead of 2016. This correction was done prior to the project audit. As a result, 2017 figures are understated by \$12,705.</p> <p>The error is a considered an isolated incident, immaterial and of low priority. The error has an accounting impact since the delivery is recognized in the wrong financial period but does not result in any financial loss. It was discussed with UNOPS at the closing meeting.</p>	-
2	Internal control	Weakness in evaluation of contractor's background	<p>As part of our audit work on vendors' backgrounds, we performed an online search for information on the suppliers who provided goods or services to UNOPS for the project. During this exercise, we came across an article in the newspaper 'El Observador' which claimed that one of the contractors used by UNOPS on this project, [REDACTED], submitted a bid for a major contract with a forged signature. The article reports that the signature of the individual responsible for the submission of the bid is falsified and that this individual left the country two months prior to the date of signing of the bid. However, this was not identified or considered in the evaluation process performed by UNOPS. The UNOPS Procurement Manual requires a review of the background of the contractors to be performed as part of the offer's evaluation process. Whilst this review was performed, it omitted important information about the contractor's history.</p> <p>This observation was discussed with UNOPS at the closing meeting.</p>	-
Total				-
% of total expenses in the financial statements				0%