

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UN WOMEN ETHIOPIA

AWP – 2012 ETHIOPIA COUNTRY OFFICE
(Directly Implemented Project No. 82185)

Report No. 1704

Issue Date: 2 September 2016

**Report on the Audit of UN Women Ethiopia
AWP 2012 – Ethiopia Country Office
(Project No. 82185)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 14 to 27 June 2016, conducted an audit of “AWP – 2012 Ethiopia Country Office” (Project No. 82185) (the Project), which is directly implemented and managed by the UN Women Country Office in Ethiopia (the Office). This was the first audit of the Project.

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project’s operations. The audit covered the Project’s Trial Balance Report, which includes expenditure for the period from 1 January to 31 December 2015 and the Statement of Assets as of 31 December 2015. The audit did not include expenditures processed and approved outside of the country (such as by the UN Women Regional Centres and UN Women Headquarters).

The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit results

Based on the audit report and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenditure*		Project Assets	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
553	Unqualified	88	Unqualified

* Expenditures recorded in the Project Trial Balance were \$865,790. Excluded from the audit scope were transactions that relate to expenditures processed and approved by other UN Women offices outside of the country (\$313,051).

Key recommendation: Total = 1, high priority = 0

The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, which means, “Action is required to ensure that UN Women is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UN Women.” This recommendation includes actions to address concerns relating to Value Added Tax (VAT) incorrectly charged to the Project.

The recommendation aims to ensure the reliability and integrity of financial and operational information.

Management comments and action plan

The Country Representative of the Office accepted the recommendation and has already taken corrective actions. Comments and/or additional information provided have been incorporated into the report, where appropriate.



Helge S. Ostveiten
Director
Office of Audit and Investigations

**UNITED NATIONS DEVELOPMENT PROGRAMME
(UNDP)**

FINAL AUDIT REPORT

Report of the Independent Auditor on the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) Directly Implemented (DIM) Project 00082185:
"AWP – 2012 Ethiopia Country Office"

Project name:	"AWP – 2012 Ethiopia Country Office"
Award ID:	000082185
Country Office:	Ethiopia
Auditor:	Moore Stephens LLP
Period subject to audit:	1 January to 31 December 2015

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1. EXECUTIVE SUMMARY

Moore Stephens LLP conducted the financial audit of the "AWP – 2012 Ethiopia Country Office", ID: 000082185 (the project), directly implemented by UN Women Ethiopia for the year ended 31 December 2015. The audit was undertaken on behalf of UNDP's Office of Audit and Investigations (OAI).

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

Project Trial Balance - Statement of Expenditure Unqualified
Statement of Fixed Assets Unqualified

As a result of our audit, we have raised one audit finding, with a net financial impact of US\$ 1,368, as summarised below:

Table 1.1 – Summary of audit results

No.	Description	Priority	Net financial impact USD
1	Value Added Tax (VAT) incorrectly charged to project	Medium	1,368
Total			1,368



Mark Henderson
Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB
30 August 2016

2. THE AUDIT ENGAGEMENT

Audit Objectives and Scope

The objective of the financial audit was to express an opinion on the Directly Implemented (DIM) project's financial statements which include:

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January and 31 December 2015 and the funds utilization as at 31 December 2015 are fairly presented in accordance with UN Women accounting policies and that the expenses incurred were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UN Women; and (iv) supported by properly approved vouchers and other supporting documents. The Project Trial Balance (PTB) certified by the UN Women Chief of Accounts is the mandatory and official Statement upon which the audit opinion is expressed. Other forms of Statement of expenses that may be prepared by a project office are not acceptable.
- Expressing an opinion on whether the statement of fixed assets presents fairly the balance of assets of the UN Women project as at 31 December 2015. This statement must include all assets available as at 31 December 2015 and not only those purchased in a given period. The Statement of Fixed Assets as at 31 December 2015, certified by the UN Women Chief of Accounts, is the mandatory and official Statement upon which the audit opinion is expressed. Other forms of Statement of Fixed Assets that may be prepared by a project office are not acceptable. Where a DIM project does not have any assets or equipment, an opinion is not expressed.

The scope of the audit relates only to transactions concluded and recorded against the UN Women DIM project between 1 January and 31 December 2015. The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of "responsible parties", unless the inclusion of these expenses is specifically required in the request for proposal; and
- Expenses processed and approved in locations outside the country such as UN Women Regional Offices and UN Women Headquarters and for which the supporting documentation is not retained at the level of the UN Women country office.

3. AUDIT OPINIONS

INDEPENDENT AUDITORS' REPORT

Certification for Project Trial Balance - Statement of Expenditures

REPORT OF THE INDEPENDENT AUDITORS TO THE OFFICE OF AUDIT AND INVESTIGATIONS (OAI), UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) FOR UN WOMEN DIRECTLY IMPLEMENTED (DIM), PROJECT:

"AWP – 2012 ETHIOPIA COUNTRY OFFICE" IN ETHIOPIA (ID: 000082185)

We have audited the accompanying Project Trial Balance – Statement of Expenditures (PTB), "the Statement", of the UN Women Directly Implemented (DIM) project 000082185, "AWP – 2012 Ethiopia Country Office" for the period 1 January to 31 December 2015. The PTB expenditures totaling \$ 865,790 are comprised of audited expenditures of \$ 552,739 under the Directly Implemented Modality (DIM) and expenditures processed and approved outside the UN Women Country Office in Ethiopia of \$ 313,051, which were excluded from the scope of our audit.

Management is responsible for the preparation of the Statement for the project "AWP – 2012 Ethiopia Country Office" and for such internal controls as management determines are 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 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 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 selected 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 controls relevant to management's preparation of the Statements 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 controls. 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 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.

Unqualified Opinion

In our opinion, the attached Project Trial Balance – Statement of Expenditures of the UN Women project presents fairly, in all material respects, the expenditure of US\$ 552,739 incurred by the project "AWP – 2012 Ethiopia Country Office" under the Directly Implemented Modality for the period from 1 January to 31 December 2015 in accordance with UN Women 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 regulations and rules, policies and procedures of UN Women; and (iv) supported by properly approved vouchers and other supporting documents.

INDEPENDENT AUDITORS' REPORT

Certification for Statement of Assets

We have audited the accompanying Statement of Assets ("the statement") of the UN Women project number 82185, "AWP – 2012 Ethiopia Country Office" as at 31 December 2015.

Management is responsible for the preparation of the Statement for the project "AWP – 2012 Ethiopia Country Office" and for such internal controls as management determines are 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 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected 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 controls relevant to the project's preparation of the schedule 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 controls. 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 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.

Unqualified Opinion

In our opinion, the attached Statement of Assets presents fairly, in all material respects, the balance of inventory of the UN Women project "Leadership and Participation" amounting to \$US 87,839.26 as at 31 December 2015 in accordance with UN Women accounting policies.



Mark Henderson
Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

Date: 30 August 2016

4. MANAGEMENT LETTER

The findings related to the audit of the financial statements are discussed in our management letter below:

Financial findings

Financial finding 1	
Title:	Value Added Tax (VAT) incorrectly charged to project
Priority:	Medium
Amount US\$:	1,368

Description

We note that expenses charged to the project's trial balance must relate to actual costs incurred for authorised activities and be adequately evidenced with original documentation.

We noted, however, that certain costs had been reported in the trial balance inclusive of VAT. VAT should be reclaimed from the Ethiopian Revenue Authority and therefore, as a reclaimable balance, should not be charged to the project.

The transactions identified for which VAT has been incorrectly charged to the project are presented in the table, below:

Transaction reference	Description	Total VAT reported as expenditure
		USD
ETH30-00000992-1-1-ACCR-DST	Feb-April 2015-tele bill	701
ETH30-00001345-1-1-ACCR-DST	EVEDO Nov 2015-feb 2016	244
ETH30-00000843-1-1-ACCR-DST	Jan 2015 telephone bill	197
ETH30-00000734-1-1-ACCR-DST	November 2014 office telephone	226
Total		1,368

Recommendation

We recommend that any amounts relating to VAT which can be reclaimed from the Revenue Authority should not be claimed within the project's financial reports.

Management comments and action plan

Further to the directive No. 24/2008, VAT refund of official use of diplomatic Immunities and Privileged Organizations can be claimed. A request for reimbursement was submitted to the Federal Inland Revenue of the Government of Ethiopia on 16 July 2014 through UNDP who at the time was managing VAT claims on behalf of UN Women. Subsequently, effective 2016, UN Women obtained government Authorization to process its own VAT reimbursement claims to reduce time bound related rejections moving forward as this shortened approval processes and time limits as was the case when claims were made through UNDP.

EVEDO & Telephone Bills Nov 2015-feb 2016

Payments relating to telephone bills payable to Ethiotel have to date been captured as a single entry based on the full amount received from Ethiotel. Moving forward we will follow up ensure total Ethiotel

bills are split between direct expenses and VAT amounts. This would enable subsequent claims of VAT amounts for reimbursement.

Moving forward, on a semi-annual basis, a VAT schedule analysis will be prepared and submitted more regularly to the Federal Inland Revenue of the Government of Ethiopia for reimbursements. This will ensure that settlements are claimed within the relevant period and are not time barred. Further, all vouchers for telephone bills will now be split into the billed amount (expensed to account 72425) and VAT amounts (charged to 14056 – VAT receivable Account) respectively. The VAT portion can then later be claimed from the government.

ANNEX I – PROJECT TRIAL BALANCE – STATEMENT OF EXPENDITURES

ANNEX II – STATEMENT OF ASSETS



United Nations Entity for Gender Equality
and the Empowerment of Women

Asset Schedule by Project as at the 31 December 2015

Business Unit	Operating Unit	Asset ID	Profile ID	Description	TAG Number	Serial Number	Model	Location	Acquisition Date	In Service Date	Cost USD	Net Book Value	Quantity	Department	Impl Agency	Donor	Project	Fund code		
ETH30	ETH	0000000000012	UNW_LCT3	A Cameras	0000000000012	8805150		ETH_004	4/10/2013	4/10/2013	1,797.19	876.13	1	93115	002001	00032	00082185	W0001		
ETH30	ETH	0000000000017	UNW_LCT4	A Computer printers	0000000000017	VNDVPS600N		ETH_004	9/30/2013	9/30/2013	1,837.00	1,042.11	1	93115	002001	00032	00082185	W0001		
ETH30	ETH	0000000000018	UNW_LCT4	A Computer printers	0000000000018	VNDVPS60013		ETH_004	9/30/2013	9/30/2013	1,837.00	1,042.11	1	93115	002001	00032	00082185	W0001		
ETH30	ETH	0000000000035	UNW_OFC2	A Generators	0000000000035	687279		ETH_026	5/11/2014	5/11/2014	16,569.18	11,322.27	1	93115	002001	00032	00082185	W0001		
ETH30	ETH	0000000000037	UNW_LCT1	A Notebook computers	0000000000037	55M4XZ1		ETH_019	8/1/2014	8/1/2014	2,385.89	1,644.11	1	93115	002001	00032	00082185	W0001		
ETH30	ETH	0000000000038	UNW_LCT1	A Notebook computers	0000000000038	HFM4XZ1		ETH_019	8/1/2014	8/1/2014	2,385.89	1,644.11	1	93115	002001	00032	00082185	W0001		
ETH30	ETH	0000000000039	UNW_LIMP2	A Leasehold Improvement LP	0000000000039			ETH30	7/10/2014	7/10/2014	72,194.43	62,787.28	1	93115	002001	00032	00082185	W0001		
ETH30	ETH	0000000000040	UNW_LCT1	A Notebook computers	0000000000040	8M/P4XZ1		ETH_012	8/1/2014	8/1/2014	2,385.89	1,644.11	1	93115	002001	00032	00082185	W0001		
ETH30	ETH	0000000000041	UNW_LCT1	A Notebook computers	0000000000041	8FM4XZ1		ETH_002	8/1/2014	8/1/2014	2,385.89	1,644.11	1	93115	002001	00032	00082185	W0001		
ETH30	ETH	0000000000059	UNW_LCT1	A Notebook computers	0000000000059	8288132		ETH30	8/1/2015	8/11/2015	1,794.00	1,589.50	1	93115	002001	00032	00082185	W0001		
ETH30	ETH	0000000000100	UNW_LCT1	A Notebook computers	0000000000100	HT38T32		ETH30	8/11/2015	8/11/2015	1,794.00	1,589.50	1	93115	002001	00032	00082185	W0001		
ETH30	ETH	0000000000101	UNW_LCT1	IPAD Wi-Fi Cellular	0000000000101	DLXQ12NKS5VR		ETH30	12/31/2015	8/31/2015	1,106.12	1,013.92	1	93115	002001	00032	00082185	W0001		
													57,839.26							

I hereby certify that the Asset Schedule is extracted from UN Womens books and records which has been audited by the United Nations Board of Audit for the year ended 31 December 2015.

Donna Grimwade
Chief of Accounts

25-May-16
Date

Frankline Okumu
Asset Focal Point

25-May-16
Date

Mark Henderson
Partner

Moore Stephens LLP
Date 30/8/2016

ANNEX III – PRIORITIES OF AUDIT RECOMMENDATIONS

The audit observations are categorized according to the priority of the audit recommendations and the possible causes of the issues. The categorized audit observation provides a basis by which the UN Women country office management is to address the issues.

The following categories of priorities are used:

High (critical)	Action is considered imperative to ensure that UN Women is not exposed to high risks. Failure to take action could result in major consequences and issues.
Medium (important)	Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.
Low	Action is considered desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the Auditors directly with the Office management, during the exit meeting and through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in the audit report.

