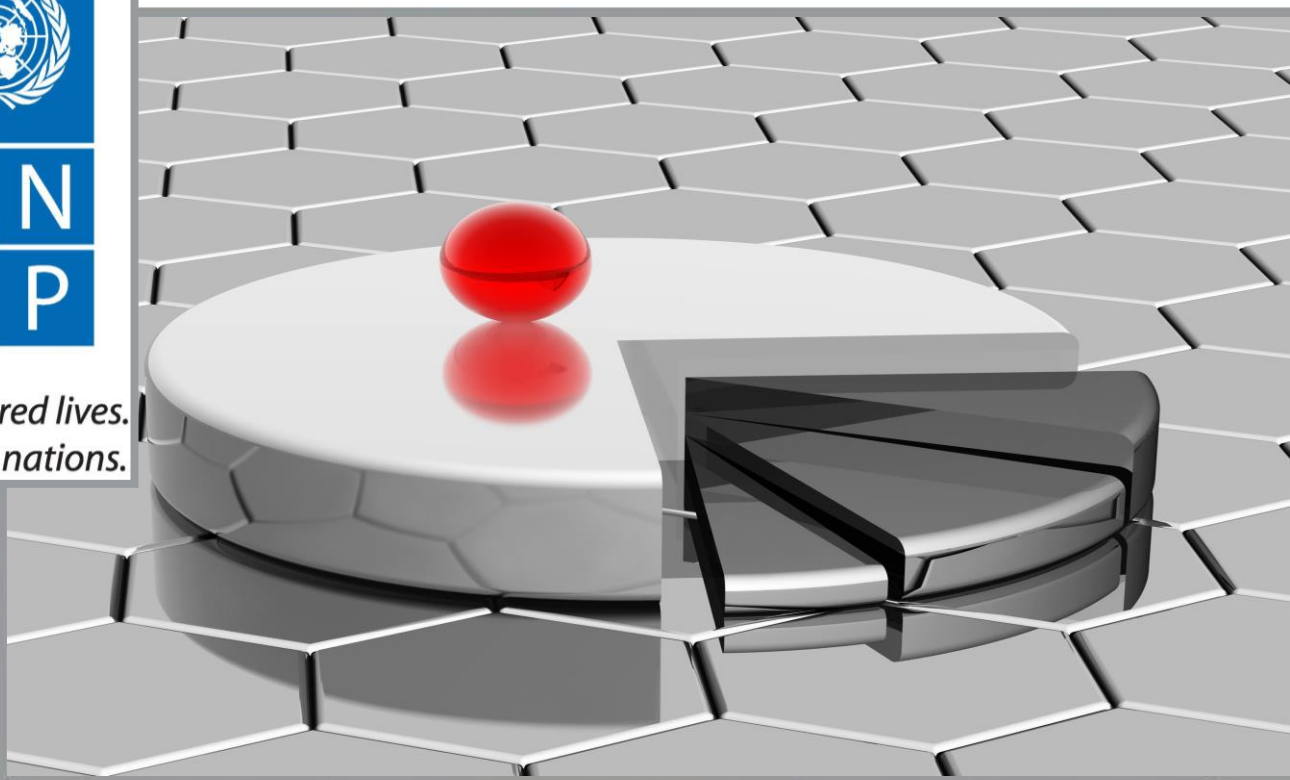


United Nations Development Programme



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Resilient nations.*



Financial Audit Report 2018

Implementing an integrated “Ridge to Reef” approach to enhance ecosystem services, to conserve globally important biodiversity and to sustain local livelihoods in the FSM
{Project Id: 00086017 (Output No.: 00093439)}

06 April 2019

Lochan & Co.
Chartered Accountants

Head Office

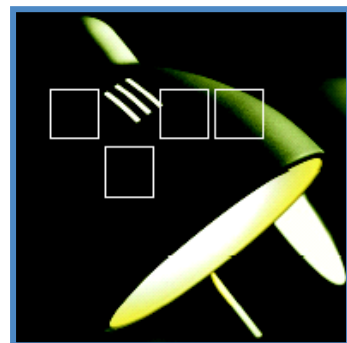
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The Financial report is for special purpose and confidential report.

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Template for audit data and observations

Table 1: Template for NGO / NIM auditors to report on the audit of the UNDP CDR

UNDP Combined Delivery Report (CDR) as at 31 December 2018						
Project No.	Output No.	Amount audited and certified (in USD)	Audit opinion (unmodified, qualified, adverse, disclaimer)	Total amount of qualification of audit opinion (if qualified, adverse or disclaimer opinion) (in USD)	Reason(s) for qualification of audit opinion and breakdown of NFM amount (in USD)	Observation(s) that had impact on qualification of audit opinion (list observation number(s) and page of management letter)
00086017	00093439	767,349.47	Qualified	261,330.57	Over reporting of expenditure in FACE form	Observation no 4 (Page 17)

* Out of total expenditure of USD 825,087.50 for the project, UNDP support service cost of USD 57,738.03 is out of scope, hence not audited. Therefore, audited and certified figure is USD 767,349.47.

Table 2: Template for NGO / NIM auditors to report on the audit of the Statement of Cash Position

Statement of Cash Position				
Project No.	Output No.	Value of Cash Position Statement as at 31 December 2018 (in USD)	Audit Opinion – Statement of Cash Position	Total amount of qualification - Statement of Cash Position (in US \$)
00086017	00093439	NA	NA	NA

Table 3: Template for NGO / NIM auditors to report on the audit of the Statement of Assets and Equipment

Statement of Assets and Equipment				
Project No.	Output No.	Value of Assets and equipment as at 31 December 2018 (cumulative from project start date) (in USD)	Audit Opinion – Statement of Asset and Equipment	Total amount of qualification on the Statement of Assets and Equipment (in USD)
00086017	00093439	182,077.54	Unmodified	NA

Name and Position of Auditor: Sharad Agarwal, Partner

Signature of Auditor: _____

Name and stamp of Audit Firm: Lochan & Co (Chartered Accountants)



Date: 06 April 2019

United Nations Development Programme



SECTION - I Executive Summary

Lochan & Co.
Chartered Accountants

SECTION – I

1.1 Executive Summary

1.1.1 Background

The purpose of the audit undertaken by Lochan & Co of the project titled **"Implementing an integrated "Ridge to Reef" approach to enhance ecosystem services, to conserve globally important biodiversity and to sustain local livelihoods in the FSM [Project Id: 00086017 (Output No.: 00093439)]"** is to:

- provide an assurance that there exist an adequate operational and internal control systems to ensure that the project is properly managed in accordance with the policies and procedures of UNDP for the achievement of its objectives with due regard for economy and efficiency;
- express an opinion on whether the CDR / financial report of the Project for the period from 01 January 2018 to 31 December 2018 presents fair view of the expenditure incurred on the project and whether the expenditure was incurred according to the approved budgets, for the approved purposes of the project and were incurred according to the UNDP policies and guidelines and were supported by properly approved vouchers and invoices;
- express an opinion on the Statement of asset and equipment of the project as on date whether the statement of asset and equipment presents fair view of the balance of the inventory of the project as at 31 December 2018 in all material respects; and
- Express an opinion on the Statement of cash position of the project as on date whether the Statement of cash position reported by the project is fairly and adequately presented as at 31 December 2018.

1.1.2 Audit Highlights

Audit Issues and Recommendations

In the audit report, the audit firm has summarized nine issues. The audit firm has prioritized its recommendations in respect of its observations, as given below

Risk Severity	Number of recommendations
High	1
Medium	4
Low	4

The audit report contains nine recommendations, of which 11.11% are of high, 44.44% are of medium and 44.45% are of low priority. (Refer to **section 5.5** for definitions of the risk severity.)

The overall summary of observations is mentioned below:

Programme Management

The audit firm found the IP's programme management to be partially satisfactory. The audit has revealed the following observations:

S. No	Subject Title	Recommendation	Priority
1.	Rate of delivery	IP should look into the reason for unsatisfactory rate of delivery and take necessary action to improve the smooth implementation of the project activities.	Medium
2.	No Mid Term Evaluation	IP should ensure that the midterm evaluation is conducted by an independent consultant to comply with the project document.	Medium
3.	Project activities not undertaken	The IP should ensure that the activities are implemented in accordance with the approved work plan in order to achieve the overall targets of the project. If targets need to be revised as a result of changing circumstances these should be formally submitted to and approved by the fund manager.	Medium

Human Resources

The audit firm found the IP's human resources to be satisfactory. No audit observation has been raised in this respect.

Finance

The audit firm found the IP's financial function to be unsatisfactory. The audit has revealed the following observations:

S. No	Subject Title	Recommendation	Priority
4.	Over reporting of expenditure in Face Form	<ul style="list-style-type: none"> IP should take corrective action to rectify the over reporting of expenditure in upcoming FACE form/ Financial Report to be submitted to UNDP. There is a need to have coordination and a proper internal control system for financial reporting to UNDP. 	High
5.	Delay in Settlement of Travel Advances	<ul style="list-style-type: none"> IP should ensure the timely settlement of travel advances so that travel expenses are reported on actual basis on timely manner. Further, IP should develop a policy on travel settlement to have an effective control over travel advances. Further, back dated entries should be done only in exception circumstance with approval of higher authority. 	Medium
6.	Supporting documents not stamped "PAID"	IP should consistently apply the practice of affixing stamp "PAID" on payment release advice as well as supporting invoice to indicate the invoices paid from UNDP fund.	Low

Cash Management

The IP does not maintain any separate project bank account; hence this section is not applicable.

Procurement

The audit firm found the IP's Procurement function to be satisfactory. No audit observation has been raised in this respect.

Asset Management

The audit firm found the IP's asset management to be partially satisfactory. The audit has revealed the following observations:

S. No	Subject Title	Recommendation	Priority
7.	Assets not tagged	For the purpose of better control and tacking unique tag number should be assigned to these assets as soon as assets has been received by the IP.	Low
8.	Custodian forms not available for assets	Proper steps should be taken to issue custodian form for such assets and reasons should be looked into for issuing one person with two laptops.	Low
9.	No documentation for physical verification of assets conducted by IP	IP should initiate a practice of documenting report for physical verification of project assets and equipment.	Low

General Administration

The audit firm found the IP's general administration to be satisfactory. No audit observation has been raised in this respect.

1.2 Scope of Audit & Scope Limitations

1.2.1 Scope of Audit

The scope of audit exercise has been as per Terms of Reference (ToR) and concentrated on the following aspects:

- To certify, express an opinion, and quantify the financial impact on each of the following:
 - Statement of Expenditure (CDR / financial reports / FACE).
 - Status of assets and equipment as at 31 December 2018;
 - Statement of Cash Position as on 31 December 2018; and
- To indicate the risks associated with their findings and provide a categorization by risk severity: High, Medium or Low.
- To classify the possible causes of audit findings.
- Assessment of the rate of delivery, project progress and implementation.
- Financial accounting, monitoring and reporting system.
- Management systems for recording, documenting and reporting on resources utilization.
- Procurement system, assets management, cash management and Information system.
- Management structure, including the adequacy of appropriate internal control and record keeping mechanisms.

1.2.2 Scope Limitations

1.2.2.1 The audit firm has restricted the work to Terms of Reference. The audit firm understands that the procedure to be performed is considered to be sufficient for UNDP purposes in connection with project namely **"Implementing an integrated "Ridge to Reef" approach to enhance ecosystem services, to conserve globally important biodiversity and to sustain local livelihoods in the FSM [Project Id: 00086017 (Output No.: 00093439)]"**.

1.2.2.2 This is financial audit report with recommendations and being submitted to UNDP Fiji Country Office after incorporating the management response and audit firm's comments on the same.

1.2.2.3 The audit firm has undertaken the financial audit as per International Standards on Auditing (ISAs).

1.2.2.4 In performing the work, the audit firm has relied entirely on:

- Financial reports and expenditure report for the year 2018 provided by the Management.
- Financial information provided by the management project unit and UNDP.
- Discussion with the management regarding the present operations of project namely **"Implementing an integrated "Ridge to Reef" approach to enhance ecosystem services, to conserve globally important biodiversity and to sustain local livelihoods in the FSM [Project Id: 00086017 (Output No.: 00093439)]"**.
- Other supporting information, schedules, reports and explanations provided by the management and general administrative guidelines of Government of FSM.

1.2.2.5 As per ToR, UNDP Support Services are outside the scope of audit. Thus, the expenditure of USD 57,738.03 is not covered within the audit scope.

1.2.2.6 The audit firm has tested the trustworthiness of the accounting system or controls or otherwise corroborated the information contained in the report.

1.2.2.7 The audit firm's audit opinion is limited to the issues and risks arising out of financial matters and monitoring of the project. The audit firm has not covered the technical issues of the project, which may have arisen out of project transactions entered into by Project Unit / UNDP.

1.2.2.8 The audit firm's review of the documents of the project and the relevant records is limited to those document and records provided to us. While performing the work, the audit firm has assumed the substance of all signatures, the authenticity of all original documents.

- 1.2.2.9 The working papers, prepared in conjunction with the work are the property of the firm, constitute confidential and proprietary information and will be retained by the audit firm in accordance with firm's policies and procedures.
- 1.2.2.10 The audit firm has undertaken the evaluation of I.T. capability of the implementing partner as per the request of UNDP country office. However, in this respect, the audit firm has relied on the information provided by project unit and physically verified the equipment's. The audit firm has not undertaken the technical evaluation.
- 1.2.2.11 The audit firm has no responsibility to update the report for events and circumstances occurring after the date of report.

1.3 Independent Auditor's report 2018 to The UNDP Resident Representative

1.3.1 Independent Auditor's Report on Statement of Expenses – UNDP Combined Delivery Report (CDR)

Report of Independent Auditors to UNDP "Implementing an integrated "Ridge to Reef" approach to enhance ecosystem services, to conserve globally important biodiversity and to sustain local livelihoods in the FSM [Project Id: 00086017 (Output No.: 00093439)]"

We have audited the accompanying Statement of Expenses ("**the Statement**") (**annexure 5.1**) of the project "Implementing an integrated "Ridge to Reef" approach to enhance ecosystem services, to conserve globally important biodiversity and to sustain local livelihoods in the FSM", for the period 1 January to 31 December 2018.

Opinion (Qualified Opinion)

In our opinion, except for the effects of the matter described in the Basis for Opinion section of the report, the attached statement of expenses presents fairly, in all material respects, the expense of **USD 767,349.47** incurred by the project "Implementing an integrated "Ridge to Reef" approach to enhance ecosystem services, to conserve globally important biodiversity and to sustain local livelihoods in the FSM" for the period 1 January to 31 December 2018 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.

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 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.

Following is the basis of qualification of opinion of Statement of Expenses:

- Over reporting of expenditure in FACE form of **USD 261,330.57**.

Management Responsibilities

Management is responsible for the preparation and fair presentation of the statement for "Implementing an integrated "Ridge to Reef" approach to enhance ecosystem services, to conserve globally important biodiversity and to sustain local livelihoods in the FSM" 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.

Auditor's responsibilities

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 exercise professional judgement and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the statement of expenses, 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.

- Obtain 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 communicate 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 identify during our audit.



Sharad Agarwal, Partner
Membership Number: 088861
Lochan & Co
Chartered Accountants
Firm Registration Number: 008019N
Date: 06 April 2019
Place: Delhi (India)

1.3.2 Independent Auditor's Opinion on Statement of Assets and Equipment

We have audited the accompanying Statement of Assets and Equipment ("the Statement") (annexure 5.2) of the project "Implementing an integrated "Ridge to Reef" approach to enhance ecosystem services, to conserve globally important biodiversity and to sustain local livelihoods in the FSM [Project Id: 00086017 (Output No.: 00093439)]" as at 31 December 2018.

Opinion

In our opinion, the accompanying statement of assets and equipment presents fairly, in all material respects, the assets and equipment status of the project "Implementing an integrated "Ridge to Reef" approach to enhance ecosystem services, to conserve globally important biodiversity and to sustain local livelihoods in the FSM" amounting to **USD 182,077.54** as at 31 December 2018 in accordance with agreed upon accounting policies.

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 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 Responsibilities

Management is responsible for the preparation of the statement of assets and equipment of the project "Implementing an integrated "Ridge to Reef" approach to enhance ecosystem services, to conserve globally important biodiversity and to sustain local livelihoods in the FSM" 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.

Auditor's responsibilities for the audit

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 exercise professional judgement and maintain professional skepticism throughout the audit. We also

- identify and assess 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.
- Obtain 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 communicate 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 identify during our audit.



Sharad Agarwal, Partner
Membership Number: 088861

Lochan & Co
Chartered Accountants

Firm Registration Number: 008019N

Date: 06 April 2019

Place: Delhi (India)

1.3.3 Independent Auditor's Report on Statement of Cash Position

The IP does not maintain any separate project bank account for the project; hence this section is not applicable.

United Nations Development Programme



SECTION - II Management Letter

Lochan & Co.
Chartered Accountants

SECTION – II

2.0 Management Letter

This management letter contains our findings / observations and summarized recommendations for improvements in the project's accounting system, procedures and internal controls. The recommendations have been suggested to strengthen the processes so as to improve the effectiveness of overall management of project.

2.1 Programme Management

The audit firm has reviewed annual and quarterly work plans, quarterly and annual financial reports, and requests for direct payments and assess in terms of their timeliness and their compliance with the project document or the AWP, and the UNDP Programme Operations Policies and Procedures (POPP) on Results Management, reviewed the quarterly progress reports prepared by the implementing partner, if any and assess in terms of compliance with UNDP guidelines and whether UNDP and the implementing partner met their responsibilities for monitoring described in the project document or AWP, reviewed the pace of project progress and comment on the causes for delays.

The audit firm found the IP's programme management to be partially satisfactory. The audit has revealed the following observation:

Project Id / Output No.	Observation number	Audit Observation	Recommendation	Audit Area / Risk Severity	Project / Country Office Management Comments								
00086017/ 00093439	1	<p><u>Rate of delivery</u></p> <ul style="list-style-type: none">Rate of delivery represents financial progress of the Project with respect to the budget / estimation.The rate of delivery at IP level during year 75.23% is as follows: <table><tr><th>Particulars</th><th>Amount (in USD)</th></tr><tr><td>Budget</td><td>1,019,942.00</td></tr><tr><td>Actual</td><td>767,349.48</td></tr><tr><td>Rate of Delivery</td><td>75.23%</td></tr></table> <ul style="list-style-type: none">The overall IP rating is given moderately unsatisfactory in the Project Implementation Review (PIR) conducted in the year 2018. <p><u>Impact / Potential Risk:</u> The project implementation is slowed.</p>	Particulars	Amount (in USD)	Budget	1,019,942.00	Actual	767,349.48	Rate of Delivery	75.23%	IP should look into the reason for unsatisfactory rate of delivery and take necessary action to improve the smooth implementation of the project activities.	Programme Management/ Medium	<p><u>IP Comments:</u> Project recognizes that its current rate of delivery poses potential risks to project. Several factors, however, are attributed to this issue. These include (1) limited vendors available in country, therefore, project relies heavily on overseas procurement -- which in most cases, are often delayed; (2) slow implementation rate at State level due to competing priorities and limited capacity-- therefore, causing overall delay in project implementing/ spending; (3) the SEA (a major activity for FY18), was scheduled for implementation beginning of the year but</p>
Particulars	Amount (in USD)												
Budget	1,019,942.00												
Actual	767,349.48												
Rate of Delivery	75.23%												

Project Id / Output No.	Observation number	Audit Observation	Recommendation	Audit Area / Risk Severity	Project / Country Office Management Comments
					<p>delayed due to recruitment of the consultant.</p> <p>Several measures and plans are in place to address this issue including (1) recruitment of Technical Officers at State level to assist partners in implementation of project activities; (2) hiring an additional Finance assistant to expedite procurement; (3) subcontracting of NGOs to assist State agencies in implementation of project activities; and (4) increased State visits to review progress and provide guidance moving forward.</p> <p>UNDP Comments:</p> <p>As per minutes of annual Regional steering committee meeting, this was raised by UNDP. As per November mission report, measure included Project Implementation Unit would have quarterly meetings with State Officers to review progress (both technically and financially), contracting implementation at state level to Non-Governmental and option of facilitating consultancies through UNDP contracts. The Strategic Environment Assessment (SEA) had commenced in mind 2018 and is a major activity over a year.</p>

Project Id / Output No.	Observation number	Audit Observation	Recommendation	Audit Area / Risk Severity	Project / Country Office Management Comments								
00086017/ 00093439	2	<p><u>No Mid Term Evaluation</u></p> <ul style="list-style-type: none">As per clause 307 of the Project document, "The project will undergo an independent Mid-Term Evaluation at the mid-point of project implementation." Per project document implementation period is June 2015 to July 2020.Mid-Term evaluation was due to be conducted by end of Year 2017. However, no evaluation has been conducted by the IP till the date of audit.Further, as per project implementation report submitted in 2018, the plan for midterm evaluation was during the third-fourth quarter of the calendar year. However, the same was not undertaken. <p><u>Impact / Potential Risk:</u> Non-compliance of monitoring and evaluation framework.</p>	IP should ensure that the mid term evaluation is conducted by an independent consultant to comply with the project document.	Project Progress/ Medium	<p><u>IP Comments:</u> MTR was scheduled for late 2018. Due to delays in recruitment of consultant by UNDP, the MTR was postponed to beginning of 2019.</p> <p><u>UNDP Comments:</u> MTR process has started with the finalization of TOR in the 4th Quarter, 2018 and advertisement in January due to the yearend deadlines in December 2018.</p> <p>As of now, the Consultant is in country conducting discussions with National and States stakeholders. He is also visiting demonstration sites</p>								
00086017/ 00093439	3	<p><u>Project activities not undertaken as per plan</u></p> <ul style="list-style-type: none">IP is solely responsible to conduct project implementation and progress.The audit noted that certain activities were not carried out in accordance with the project document. The details of activities not completed as per the annual work plan during the year 2018 are as follows: <table><tr><th>Activity No.</th><th>Description</th></tr><tr><td colspan="2">Output 1: <i>Integrated ecosystems management and rehabilitation</i></td></tr><tr><td>1.1</td><td>Recruit State Expert to Draft ILMP</td></tr><tr><td>1.2</td><td>Revive Pohnpei Resource Management Committee to identify and prioritize 3 SLM</td></tr></table>	Activity No.	Description	Output 1: <i>Integrated ecosystems management and rehabilitation</i>		1.1	Recruit State Expert to Draft ILMP	1.2	Revive Pohnpei Resource Management Committee to identify and prioritize 3 SLM	The IP should ensure that the activities are implemented in accordance with the approved work plan in order to achieve the overall targets of the project. If targets need to be revised as a result of changing circumstances these should be formally submitted	Project Progress/ Medium	<p><u>IP Comments:</u> This is to clarify that majority of the activities listed as "not even started" in this observation are currently ongoing. These are colour coded in "red" in the project's quarterly progress reports, indicating that they will not complete before the end of the FY18 – however, will continue into FY19. Only a few have not started including: (1) conduct Workshop to review existing laws and develop recommendations to improve</p>
Activity No.	Description												
Output 1: <i>Integrated ecosystems management and rehabilitation</i>													
1.1	Recruit State Expert to Draft ILMP												
1.2	Revive Pohnpei Resource Management Committee to identify and prioritize 3 SLM												

Project Id / Output No.	Observation number	Audit Observation	Recommendation	Audit Area / Risk Severity	Project / Country Office Management Comments												
		<table><tr><td></td><td>activities</td></tr><tr><td>1.3</td><td>Develop a Work Plan for Resource Economist</td></tr><tr><td>1.4</td><td><ul style="list-style-type: none">Construct and convert potential piggeries into the DLPConstruct 4 DLPs in PehlengProcure surveillance equipment's to assist PA Ranger in monitoring of SLM ActivitiesConduct Workshop to review existing laws and develop recommendations to improve laws governing land use zoningNefo Forest Project launch, coordination facilitation, mentoring and close outRehabilitation of the Nefo Forest area to enhance R2R connectivityHiring of 2 interns for the rehabilitation of Nefo ForestFacilitate a baseline forest survey and inventory for the Nefo ForestFacilitate a monitoring and evaluating training for the Nefo Forest AreaDevelopment of the Nefo tree planting campaignMangrove Forest AssessmentMoratorium on sale of mangrovesEngage communities for clean upsPromote sustainable solid waste management practicesConstruction of Compost Shed and Equipment ShedStrengthening Yap's R2R vein</td></tr><tr><td colspan="2">Outcome 2: Management Effectiveness enhanced of Pas</td></tr><tr><td>2.1</td><td><ul style="list-style-type: none">Allocate 10,000 USD to support the start-up of a PA fund billAwareness Education on PAN LawTol Areas of Biodiversity Significance (ABS) Review and Status Analysis.</td></tr><tr><td>2.2</td><td><ul style="list-style-type: none">Facilitate participatory awareness on Watershed Forest Reserve in Nett MunicipalityDevelop a Demarcation Action Plan for the Nett Watershed Forest Reserve</td></tr></table>		activities	1.3	Develop a Work Plan for Resource Economist	1.4	<ul style="list-style-type: none">Construct and convert potential piggeries into the DLPConstruct 4 DLPs in PehlengProcure surveillance equipment's to assist PA Ranger in monitoring of SLM ActivitiesConduct Workshop to review existing laws and develop recommendations to improve laws governing land use zoningNefo Forest Project launch, coordination facilitation, mentoring and close outRehabilitation of the Nefo Forest area to enhance R2R connectivityHiring of 2 interns for the rehabilitation of Nefo ForestFacilitate a baseline forest survey and inventory for the Nefo ForestFacilitate a monitoring and evaluating training for the Nefo Forest AreaDevelopment of the Nefo tree planting campaignMangrove Forest AssessmentMoratorium on sale of mangrovesEngage communities for clean upsPromote sustainable solid waste management practicesConstruction of Compost Shed and Equipment ShedStrengthening Yap's R2R vein	Outcome 2: Management Effectiveness enhanced of Pas		2.1	<ul style="list-style-type: none">Allocate 10,000 USD to support the start-up of a PA fund billAwareness Education on PAN LawTol Areas of Biodiversity Significance (ABS) Review and Status Analysis.	2.2	<ul style="list-style-type: none">Facilitate participatory awareness on Watershed Forest Reserve in Nett MunicipalityDevelop a Demarcation Action Plan for the Nett Watershed Forest Reserve	to and approved by the fund manager.		<p>laws governing land use zoning in Pohnpei; (2) Nefo activities in Chuuk (3) Mangrove Forest Assessment in Chuuk; (4) allocation of 10K for Kosrae's PA fund; (5) Tol ABS review and analysis; (6) development of a Demarcation Plan for Nett; (7) delineation activities in Nett and Kitti; (8) endorsement of 3 municipal ordinances and (9) establishment of a PAN fund for Chuuk.</p> <p>Reason for the delays in Pohnpei State activities include (1) with Pohnpei State undertaking the SEA, this became the primary focus of the State and (2) unexpected issues relating to compensation of field workers for the demarcation of watersheds in Nett and Kitti (not budgeted for in AWP), therefore, resulting in delays in demarcation. To address this, project has been engaged in discussions with an NGO for subcontracting of the activities.</p> <p>Reasons for delays in Chuuk include (1) competing priorities for implementing partners in addition to limited human resources, therefore, delaying implantation; and (2) recommendation to halt</p>
	activities																
1.3	Develop a Work Plan for Resource Economist																
1.4	<ul style="list-style-type: none">Construct and convert potential piggeries into the DLPConstruct 4 DLPs in PehlengProcure surveillance equipment's to assist PA Ranger in monitoring of SLM ActivitiesConduct Workshop to review existing laws and develop recommendations to improve laws governing land use zoningNefo Forest Project launch, coordination facilitation, mentoring and close outRehabilitation of the Nefo Forest area to enhance R2R connectivityHiring of 2 interns for the rehabilitation of Nefo ForestFacilitate a baseline forest survey and inventory for the Nefo ForestFacilitate a monitoring and evaluating training for the Nefo Forest AreaDevelopment of the Nefo tree planting campaignMangrove Forest AssessmentMoratorium on sale of mangrovesEngage communities for clean upsPromote sustainable solid waste management practicesConstruction of Compost Shed and Equipment ShedStrengthening Yap's R2R vein																
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2.2	<ul style="list-style-type: none">Facilitate participatory awareness on Watershed Forest Reserve in Nett MunicipalityDevelop a Demarcation Action Plan for the Nett Watershed Forest Reserve																

Project Id / Output No.	Observation number	Audit Observation	Recommendation	Audit Area / Risk Severity	Project / Country Office Management Comments
		<ul style="list-style-type: none"> Procure Demarcation Materials for Nett Watershed Forest Reserve Delineate Watershed boundaries in Kitti Municipality Endorsement of 3 Municipal Ordinances Establish PAN Fund through consultations, agreed on MOU by stakeholders, and engaging interns. 			mangrove assessment until FIA report (by US Forest Service) for Chuuk is available to better guide lead implementing agencies moving forward.
	2.3	<ul style="list-style-type: none"> Conduct initial assessment of Walung MPA using MPAME tool Re-evaluate management effectiveness of the UBR and Tafunsak MPA using MPAME tool Conduct workshop on project management, M&E and etc. with Local Government Coordinators and LMMA focal points Conduct Watershed baseline ecological surveys for newly demarcated boundaries Develop Fisheries Management Plan for Sokehs Municipality Conduct Communications and Report Writing Training with Community Conservation Officers in Madolenihmw 			Delays in Kosrae include an overly complicated process required to allocate the 10K for its PA fund. Although the enabling conditions have been put in place (law), there is a need for a regulation to but put in place for management and access of the fund.
	2.4	<ul style="list-style-type: none"> Support ongoing Coastal Fisheries Management Campaign in the State of Kosrae Conduct MPA management planning activities in the Awane MPA community Conduct sea cucumber and trochus stock assessment in PAs around Kosrae coastal waters Revisit and update KCET Action Plan Conduct course refresher for enforcement officers Participate in annual enforcement training course Procure badges for enforcement officers Surveillance and Enforcement guardhouse planning and construction Development of a demarcation plan for MPAs Hiring of 2 PA Rangers 			Recommendation is to hold off until the MTR for recommendations moving forward. UNDP Comments: Reasons for slippage is varied and best elaborated by the Project Implementation Unit. A major activity is the Strategic Environment Impact Assessment (SEA) which started around mid-2018. One notes that it is difficult to get services of a SEA consultant as there are not many around. It was decided to let the SEA progress and await outcomes as some of the things stated in the project document were theoretical and not relevant to FSM context. Hence, decision to rely on

Project Id / Output No.	Observation number	Audit Observation	Recommendation	Audit Area / Risk Severity	Project / Country Office Management Comments
		<ul style="list-style-type: none"> Assist Gachpar to develop an MPA management plan and review and update an existing community MPA plan Conduct community awareness and outreach on PAs with communities for potential new PA sites Conduct community consultations with 4 communities to revise their management plans <p>Impact / Potential Risk: The non-implementation of project activities, especially at the expense of the majority of the project budget, reduces the impact the funding has in the intended areas.</p>			<p>outcomes of SEA consultancy as well as the Mid Term Review.</p> <p>Further Auditor Comments The audit firm take note of the management comments and based on the same the wordings of the finding is amended accordingly.</p>

2.2 Human Resources

The audit firm has conducted the audit of human resource part of the project and reviewed the competitiveness, transparency and effectiveness of the recruitment and hiring of personnel and covered performance appraisal, attendance control, calculation of salaries and entitlements, payroll preparation and payment, and management of personnel records and found the same satisfactory.

2.3 Finance

The audit firm has reviewed the existence of and adherence to financial policies and procedures manuals by IP. The audit firm has reviewed the accounting records maintained by IP and assessed their adequacy for maintaining accurate and complete records of receipts and disbursements of cash and for supporting the financial reports. The audit covered the adequacy of the accounting and financial operations and reporting systems which include budget control, cash management, certification and approving authority, receipt of funds, commitment of expenses against approved budget and disbursement of funds, recording of all financial transactions in expenses reports, records maintenance and control, cash advances to field offices, IP's staff etc.

The audit firm found the IP finance function to be unsatisfactory. The audit has revealed the following observations:

Project Id / Output No.	Observation number	Audit Observation	Recommendation	Audit Area / Risk Severity	Project / Country Office Management Comments
00086017/ 00093439	4	Over reporting of expenditure in Face Form/Financial Report	<ul style="list-style-type: none"> IP should take corrective 	Finance/ High	<p>IP Comments: Project notes that this</p>

Project Id / Output No.	Observation number	Audit Observation	Recommendation	Audit Area / Risk Severity	Project / Country Office Management Comments																
		<ul style="list-style-type: none">The expenditure reported by IP in FACE form/ Financial Report requires to be in agreement with the books of account maintained for the project which is supported by proper documentation.The IP has submitted Face form for Quarter IV on 20 November 2018 covering period from 1 October 2018 to 20 November 2018 and claimed expenditure of USD 369,407.11 including USD 351,798.35 as estimates and encumbrances for period of 21 November 2018 to 31 December 2018.However, in remaining period of 21 November 2018 to 31 December 2018, IP incurred an expenditure for of USD 62,804.78.Therefore, there was an over reporting of expenditure for remaining amount of USD 288,993.57.No revised FACE form was submitted by IP to UNDP to report the correct expenditure for the Quarter IV.Further, we noted that in case of Quarter I and III, the expenditure reported in the FACE form was not in agreement with the expenditure as per the books of account/ transaction listing. The details are provided in table below: <div>Amount in USD<table><tr><th>Period</th><th>Expenditure reported in FACE</th><th>Expenditure as per books of account</th><th>Over/ Under Reporting</th></tr><tr><td>1 Jan 18 to 31 Mar 18</td><td>147,819</td><td>147,726</td><td>(93)</td></tr><tr><td>1 Jul 18 to 31 Oct 18</td><td>140,112</td><td>167,868</td><td>27,756</td></tr><tr><td colspan="3">Total</td><td>27,663</td></tr></table></div> <ul style="list-style-type: none">Therefore, there was an under reporting of expenditure of USD 27,663.Hence, there is an over reporting of USD 261,330.57	Period	Expenditure reported in FACE	Expenditure as per books of account	Over/ Under Reporting	1 Jan 18 to 31 Mar 18	147,819	147,726	(93)	1 Jul 18 to 31 Oct 18	140,112	167,868	27,756	Total			27,663	<p>action to rectify the over reporting of expenditure in upcoming FACE form/ Financial Report to be submitted to UNDP.</p> <ul style="list-style-type: none">There is a need to have coordination and a proper internal control system for financial reporting to UNDP.		<p>observation is due to approval from UNDP to report both actual expenditures and forecasts in the last reporting period, FY18 Q4. Therefore, the last Q4 FF did not reflect the project's actual expenditures for the said reporting period. Adjusted FF for FY18 Q4 has been made to address this observation. Project supports that this should be avoided in future reporting periods.</p> <p>UNDP Comments:</p> <p>The IP has submitted the FF on the 4th April for the adjustments of this overstated amount and will be reflected in the Q1 2019 report.</p>
Period	Expenditure reported in FACE	Expenditure as per books of account	Over/ Under Reporting																		
1 Jan 18 to 31 Mar 18	147,819	147,726	(93)																		
1 Jul 18 to 31 Oct 18	140,112	167,868	27,756																		
Total			27,663																		

Project Id / Output No.	Observation number	Audit Observation	Recommendation	Audit Area / Risk Severity	Project / Country Office Management Comments																																			
		<p>during the year 2018, which is considered as ineligible expenditure.</p> <p>Impact / Potential Risk:</p> <p>Excess recording of expenditure under the project.</p>																																						
00086017/00093439	5	<p>Delay in Settlement of Travel Advances</p> <ul style="list-style-type: none">As per Para 4.15 of Financial management regulations Any person travelling or failing to travel pursuant to a Valid TA shall, no later than ten (10) working days after the completion or cancellation of the trip for which the TA was issued, submit to the Secretary a completed Travel Voucher.”During review of the travel settlement, audit team noted substantial delays in the submission of travelling advances. The details are mentioned in the table below: <table><thead><tr><th>Name of traveler</th><th>Amount of claim (USD)</th><th>Date of completion of travel</th><th>Date of submission of travel claim</th><th>Delay in days</th></tr></thead><tbody><tr><td>Marston Luckymis</td><td>2,250</td><td>13-Aug-18</td><td>25-Sep-18</td><td>33</td></tr><tr><td>Cyntia Ehmas</td><td>2,255</td><td>06-Aug-18</td><td>25-Sep-18</td><td>40</td></tr><tr><td>Rosalinda Yatilman</td><td>3,435</td><td>13-Aug-18</td><td>16-Oct-18</td><td>54</td></tr><tr><td>Rosalinda Yatilman</td><td>2,970</td><td>16-Sep-18</td><td>16-Oct-18</td><td>20</td></tr><tr><td>Jorg Anson</td><td>2,255</td><td>13-Aug-18</td><td>25-Sep-18</td><td>33</td></tr><tr><td>Alice B. Ehmes</td><td>2,822</td><td>16-Sep-18</td><td>10-Oct-18</td><td>14</td></tr></tbody></table> <ul style="list-style-type: none">Further, it has been noted that advance has been liquidated and booked as expenditure through making back dated entries in accounting software. As explained, this has been done to follow accrual	Name of traveler	Amount of claim (USD)	Date of completion of travel	Date of submission of travel claim	Delay in days	Marston Luckymis	2,250	13-Aug-18	25-Sep-18	33	Cyntia Ehmas	2,255	06-Aug-18	25-Sep-18	40	Rosalinda Yatilman	3,435	13-Aug-18	16-Oct-18	54	Rosalinda Yatilman	2,970	16-Sep-18	16-Oct-18	20	Jorg Anson	2,255	13-Aug-18	25-Sep-18	33	Alice B. Ehmes	2,822	16-Sep-18	10-Oct-18	14	<ul style="list-style-type: none">IP should ensure the timely settlement of travel advances so that travel expenses are reported on actual basis on timely manner.Further, IP should develop a policy on travel settlement to have an effective control over travel advances.Further, back dated entries should be done only in exception circumstance with approval of higher authority.	Finance/ Medium	<p>IP Comments:</p> <p>Late settlement of travel advances is due to delays in receipt of original documents (invoices, boarding passes and trip reports) required to process vouchers– most of which are outside of the control of the project. Some travellers are located in other States so original documents are usually mailed in. Competing work priorities also affects timely submissions of trip reports – all of which are required to settle travel advances.</p> <p>UNDP Comments:</p> <p>Findings noted and in support of timely settlement of advances. Travel policy development and endorsement is something IP may need to channel through appropriate Government</p>
Name of traveler	Amount of claim (USD)	Date of completion of travel	Date of submission of travel claim	Delay in days																																				
Marston Luckymis	2,250	13-Aug-18	25-Sep-18	33																																				
Cyntia Ehmas	2,255	06-Aug-18	25-Sep-18	40																																				
Rosalinda Yatilman	3,435	13-Aug-18	16-Oct-18	54																																				
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Alice B. Ehmes	2,822	16-Sep-18	10-Oct-18	14																																				

Project Id / Output No.	Observation number	Audit Observation	Recommendation	Audit Area / Risk Severity	Project / Country Office Management Comments																				
		<p>system of accounting.</p> <ul style="list-style-type: none">The details are provided in the table below: <table><tr><th>Name of traveler</th><th>Amount of claim (USD)</th><th>Date of completion of travel</th><th>Date of travel claim submitted</th><th>Date of booking of expenditure</th></tr><tr><td>Rosalinda Yatilman</td><td>3,435</td><td>13-Aug-18</td><td>16-Oct-18</td><td>28-Sep-18</td></tr><tr><td>Rosalinda Yatilman</td><td>2,970</td><td>16-Sep-18</td><td>16-Oct-18</td><td>28-Sep-18</td></tr><tr><td>Alice B. Ehmes</td><td>2822</td><td>16-Sep-18</td><td>10-Oct-18</td><td>28-Sep-18</td></tr></table> <p><u>Impact / Potential Risk:</u> Delay in settlement of travelling advances have an implication of delayed reporting of expenditure or advances reported as expenditure in the FACE form.</p>	Name of traveler	Amount of claim (USD)	Date of completion of travel	Date of travel claim submitted	Date of booking of expenditure	Rosalinda Yatilman	3,435	13-Aug-18	16-Oct-18	28-Sep-18	Rosalinda Yatilman	2,970	16-Sep-18	16-Oct-18	28-Sep-18	Alice B. Ehmes	2822	16-Sep-18	10-Oct-18	28-Sep-18			channels for endorsement i.e. possibly beyond the control of this project.
Name of traveler	Amount of claim (USD)	Date of completion of travel	Date of travel claim submitted	Date of booking of expenditure																					
Rosalinda Yatilman	3,435	13-Aug-18	16-Oct-18	28-Sep-18																					
Rosalinda Yatilman	2,970	16-Sep-18	16-Oct-18	28-Sep-18																					
Alice B. Ehmes	2822	16-Sep-18	10-Oct-18	28-Sep-18																					
00086017/00093439	6	<p><u>Supporting documents not stamped “PAID”</u></p> <ul style="list-style-type: none">As per ToR the supporting documents are to be stamped “PAID by UNDP funds” to indicate the agency funding the transaction.We noted that the payment release advice (PRA) is not affixed with the “PAID” stamp. <p><u>Impact / Potential Risk:</u> There is a risk of payments being disbursed more than once for the same payment release advice.</p>	IP should consistently apply the practice of affixing stamp “PAID” on payment release advice as well as supporting invoice to indicate the invoices paid from UNDP fund.	Finance/ Low	<p><u>IP Comments:</u> Finding noted. Although beyond the control of the project, PIU is keen on encouraging Finance to put recommendation into practice.</p> <p><u>UNDP Comments:</u> Finding noted and encouraging implementing partner to put this into practice.</p>																				

2.4 Cash Management

The IP does not maintain any separate bank account for the project; hence this section is not applicable.

2.5 Procurement

In its audit work, the audit firm has covered the competitiveness, transparency and effectiveness of the procurement activities of the project in order to ensure that the equipment and services purchased meet the requirement of either the government or UNDP and include the following:

- As applicable, delegations of authorities, procurement thresholds, call for bids and proposals, evaluation of bids and proposals and approval / signature of contracts and purchase orders;
- Receiving and inspection procedures to determine the conformity of equipment with the agreed specifications and, when applicable, the use of independent experts to inspect the delivery of highly technical and expensive equipment;
- Evaluation of the procedures established to mitigate the risk of purchasing equipment that do not meet specifications or is later proven to be defective; and
- Management and control over the variation orders.

The audit firm has also evaluated the use of consulting firms and the adequacy of procedures to obtain fully qualified and experienced personnel.

The audit firm found the IP procurement function to be satisfactory.

2.6 Asset Management

The audit firm has covered the procedures of receipt, storage and disposal of equipment (typically technical equipment's, vehicles and office equipment's) purchased from project funds for use in the project.

The audit firm found the IP asset management function to be partially satisfactory. The audit has revealed the following observation:

Project Id / Output No.	Observation number	Audit Observation	Recommendation	Audit Area / Risk Severity	Project / Country Office Management Comments								
00086017/ 00093439	7	<p><u>Assets not tagged</u></p> <ul style="list-style-type: none">For the purpose of better control all assets should be tagged with distinct tag number assigned to the asset.During physical verification of assets, it was found that some assets has been brought in the month of January 2019, but no tag number has been assigned to assets. Details of the assets are listed below: <table><tr><th>Asset description</th><th>Date of acquisition</th><th>Location</th><th>Value (USD)</th></tr><tr><td>Epson Home Projector (5 Nos.)</td><td>10-Jan-19</td><td>Palikir (DECEN)</td><td>2,925</td></tr></table>	Asset description	Date of acquisition	Location	Value (USD)	Epson Home Projector (5 Nos.)	10-Jan-19	Palikir (DECEN)	2,925	For the purpose of better control and tracking of assets, unique tag number should be assigned to these assets as soon as assets has been received by the IP.	Asset Management/ Low	<p><u>IP Comments:</u></p> <p>The Division of Supply (FSM Department of Finance) facilitates tagging of all government assets. At the time of the audit, 5 projectors (part of an open purchase order) were untagged. The Division of Supply requires that invoices are provided by vendors before initiating tagging and payment. Certain items on the said open PO were being shipped in, therefore, due to the lack of an</p>
Asset description	Date of acquisition	Location	Value (USD)										
Epson Home Projector (5 Nos.)	10-Jan-19	Palikir (DECEN)	2,925										

Project Id / Output No.	Observation number	Audit Observation	Recommendation	Audit Area / Risk Severity	Project / Country Office Management Comments												
		<u>Impact / Potential Risk:</u> Lack of control over assets.			invoice, Supply was not able to tag the items nor make payment. As of March 18, 2019, items have been tagged and paid. <u>UNDP Comments:</u> Recommend that project facilitate asset tagging asap and update asset listing as appropriate.												
00086017/ 00093439	8	<u>Custodian forms not available for assets</u> <ul style="list-style-type: none">We noted that Technical Co-coordinator based in Department of Resources and Development has been issued with two laptops.However, the custodian forms were not issued for the same. Details are given below: <table><tr><th>Asset description</th><th>Date of acquisition</th><th>Value (USD)</th></tr><tr><td>Inspiron 15.6" Laptop</td><td>16-Jan-17</td><td>759</td></tr><tr><td>Dell XPS 13" FHD Infinity Edge Display Notebook</td><td>31-Aug-18</td><td>2,920</td></tr><tr><td>Total</td><td></td><td>3,679</td></tr></table> <u>Impact / Potential Risk:</u> Resulting in weak control over asset monitoring and handling as one person has been issued with 2 laptops.	Asset description	Date of acquisition	Value (USD)	Inspiron 15.6" Laptop	16-Jan-17	759	Dell XPS 13" FHD Infinity Edge Display Notebook	31-Aug-18	2,920	Total		3,679	Proper steps should be taken to issue custodian form for such assets and reasons should be looked into for issuing one person with two laptops.	Asset Management/ Low	<u>IP Comments:</u> Finding noted. This is an oversight from the PIU. The Inspiron 15.6" Laptop has been obtained by the PIU immediately after the audit for repair – and time has been scheduled for TC to complete a vendor form for the Dell XPS 13" currently under use. <u>UNDP Comments:</u> Observation noted and is aware that PIU is facilitating necessary steps.
Asset description	Date of acquisition	Value (USD)															
Inspiron 15.6" Laptop	16-Jan-17	759															
Dell XPS 13" FHD Infinity Edge Display Notebook	31-Aug-18	2,920															
Total		3,679															
00086017/ 00093439	9	<u>No documentation for physical verification of assets</u> <ul style="list-style-type: none">As informed by the Project Manager, physical verification of assets and equipment has been conducted on periodical basis.We noted that the IP doesn't prepare any documented report for physical verification conducted for the project assets.	IP should initiate a practice of documenting report for physical verification of project assets and equipment.	Asset Management/ Low	<u>IP Comments:</u> Recommendation noted. Project will initiate physical verification of project assets quarterly. <u>UNDP Comments:</u> Recommendation noted and supporting quarterly practice of physical verification of assets.												

Project Id / Output No.	Observation number	Audit Observation	Recommendation	Audit Area / Risk Severity	Project / Country Office Management Comments
		<u>Impact / Potential Risk:</u> In absence of regular physical verification exercise, the inventory records may not be up-dated on timely basis and there is an increased risk of misappropriation of assets.			

2.7 General Administration

The audit firm has checked the upkeep and maintenance of accounting and other records, process of travel activities, offices premises and lease management, office communications and IT systems and found the same to be satisfactory.

United Nations Development Programme



SECTION - III Follow up Action Plan

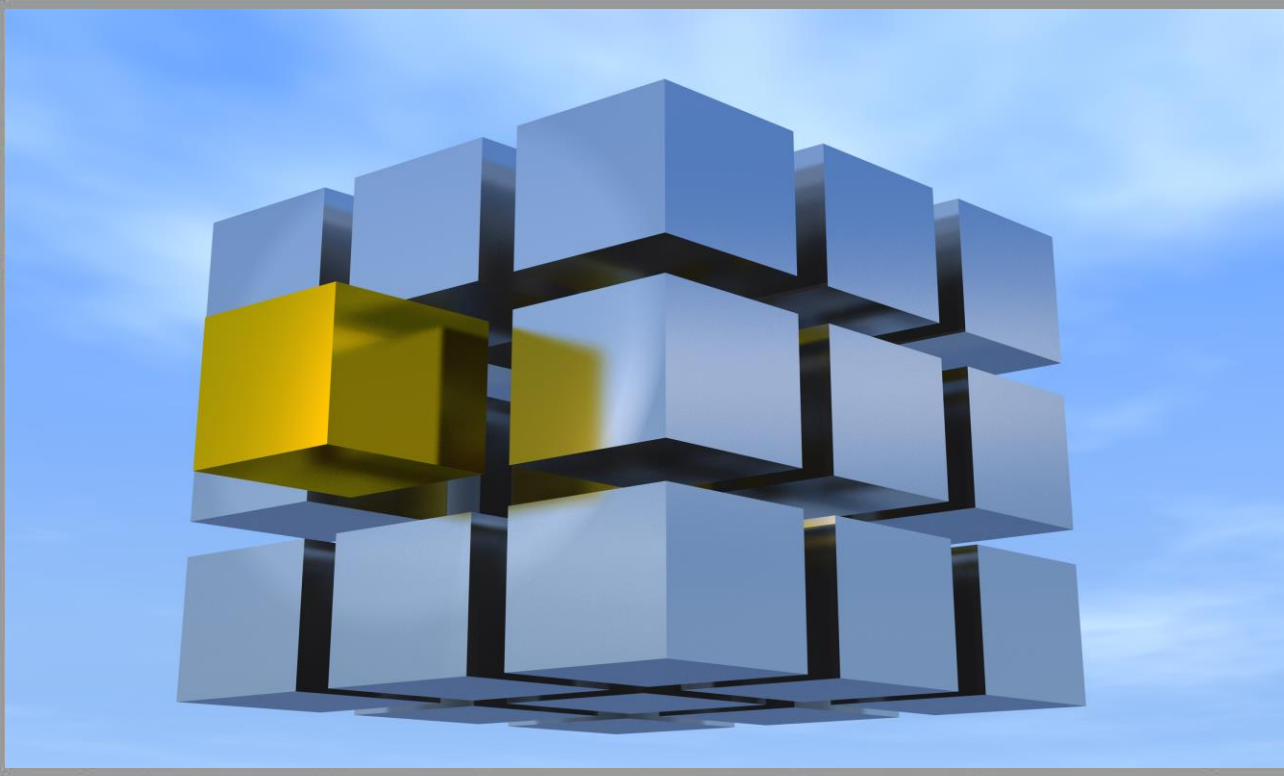
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SECTION – III

3.0 Follow up Action Plan

The audit firm has reviewed the observations given in audit report of the previous year and the certification of prior year follow up action plan and status of implementation of prior year audit recommendations in respect to the IP is given in **Section 5.3**.

United Nations Development Programme



SECTION - IV Project Background and Audit Methodology

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SECTION – IV

4.0 Project Background and Audit Methodology

4.1 Introduction

In terms of the scope of work identified in Terms of Reference (ToR) attached to **United Nations Development Programme (UNDP)** contract with **Lochan & Co** ("the audit firm"), the audit firm has carried out an audit of the transactions pertaining to the Project titled **"Implementing an integrated "Ridge to Reef" approach to enhance ecosystem services, to conserve globally important biodiversity and to sustain local livelihoods in the FSM [Project Id: 00086017 (Output No.: 00093439)]"**, financed by UNDP for the period from 01 January 2018 to 31 December 2018. "Department of Environment Climate Change and Emergency Management" is implementing the Project.

4.2 Brief Background of the Project

4.2.1 A brief background of the project (as extracted from the **Project Document**) is provided in the subsequent paragraphs:

The main objective of the project is to Strengthen local, State and National Capacities and actions to implement an integrated ecosystem management through "R2R" approach on the High Islands of the four states of FSM.

"R2R" is a cross-cutting approach to water, land and coastal management. Designed to engineer a paradigm shift towards management of natural resources with an ecosystem-based management of "ridge to reef".

Inherent in this R2R approach are principles of multi-sectoral coordination in the planning and evidence-based management that strikes a balance between coastal livelihoods and biodiversity conservation, risk reduction, climate variability and climate change.

4.2.2 Project Information

a)	Project Id	00086017
b)	Output No.	00093439
c)	Project Title	Implementing an integrated "Ridge to Reef" approach to enhance ecosystem services, to conserve globally important biodiversity and to sustain local livelihoods in the FSM
d)	Actual Start Date	01 June 2015
e)	Estimated End Date	31 July 2020
f)	Funding Agency	GEF
g)	Executing Agency	Department of Environment Climate Change and Emergency Management
h)	Annual budget for the year 2018	USD 1,019,942.00
i)	Actual Expenditure (as per Statement of Expenses) for the year 2018	USD 825,087.50

4.3 Audit Methodology Adopted

4.3.1 Lochan & Co has adopted the following methodology to undertake the project audit:

- Understand the purpose for which the funds are intended, the context of project, objectives as well as in terms of the specific budget for the project.
- Understand the organization structure and map the critical linkage in the flow of financial information and also analyze qualitative aspects of financial statement of IP.
- Understand the project operations through following documents, information / manuals and reports:
 - Project Agreement between IP;
 - Approved annual work plan and budget;
 - IP procurement (bidding) regulations;
 - Project's Operational Manual;
 - Project's financial and physical progress reports;
 - Description of the accounting systems;
 - Certification statements;
 - Policies and procedures adopted in procurement; and
 - Procedures followed in the receipt, storage and distribution of goods and materials.
- Ensure the adequacy and timeliness of financial, management and operational information.
- Perform test checks on accounts and documents.
- Review of internal control system to establish its existence effectiveness and adequacy.
- Ensure that financial reports are prepared and submitted in accordance with procedures outlined by UNDP and existence of proper internal control system in preparation of financial reports.
- **Procedures were evaluated for:**
 - safeguarding of assets and its proper utilization;
 - adequate distribution of responsibilities with delegation of power;
 - adequacy and timeliness in recording of transactions;
 - Verifying the eligibility of reimbursement of advances.
- **The audit was conducted after obtaining sufficient supporting evidence:**
 - Verifying the adherence of procurement methods and procedures adopted by implementing partner;
 - Identify the types of potential material misstatements that could occur in financial statements prepared for specific use and risk involved;
 - Ascertain whether project document signed by all parties before implementation starts; project management plan and budget(s) in place;
 - Ensuring the project implementation is within the parameters of project need;
 - Check the copy of Project Document, implementing partner grant agreement, work plan and original budget;
 - Review minutes of tripartite meetings;
 - Review the minutes of Executive Committee and review correspondence between UNDP, implementing partner and responsible parties;
 - Review project budget;
 - Check periodic financial reports submitted by implementing partner to UNDP;
 - Review various financial reports / FACE to determine whether they are submitted within time or not;
 - Review the vouchers to determine if they were adequately supported and approved;
 - Review advances given for sub contracts and other activities;
 - Review records to determine that all transactions are legitimately recorded;
 - Review the procurement system of non-expendable properties;
 - Physical verification of fixed assets at office to determine whether assets purchased are included in inventory list or not, all assets are in good condition within offices premises;
 - Any other documentation that may be necessary for the effective audit.

- Express an opinion on implementing partner's compliance with the terms of the Project Agreement and applicable laws and regulations.
- Express an opinion on the Project Financial Statement that they are prepared in accordance with consistently applied accounting standards and give a true and fair view of the financial position.
- Express an opinion on whether the supplementary financial information for the project is fairly presented in all material respects.

4.3.2 The audit firm has carried out the financial audit in conformity with the provisions of the programme support document, generally accepted common auditing standards, principle and procedures prescribed for United Nations with respect to funds obtained from or through UNDP. The audit, accordingly, includes such tests of accounting records, internal controls, and other procedures as are considered essential for the due performance of this audit.

5.3.2 Discussions on management and accountability are held with the UNDP programme and finance personnel, the government coordinating authority, IP and the concerned line ministries, wherever possible.

6.3.2 The audit firm has visited the office of implementing partner in Fiji for the records of the project kept and maintained for the purpose of conducting the financial audit.

4.3 Structure of the Report

This report has been structured as follows:

Section I	:	1.1	Executive Summary
		1.2	Scope of Audit & Scope Limitations
		1.3	Independent Auditor's Report
Section II	:	2.0	Management Letter
Section III	:	3.0	Follow up Action Plan
Section IV	:	4.1	Introduction
		4.2	Brief Background of the Project
		4.3	Audit Methodology Adopted
		4.4	Structure of the Report
Section V	:	5.1	Signed Statement of Expenses (Combined Delivery Report)
		5.2	Signed Statement of Assets and Equipment
		5.3	Follow up Action Plan
		5.4	Organization Chart
		5.5	Definition of Risk Severities and Functional Area ratings
		5.6	Abbreviations and Acronyms

United Nations Development Programme



SECTION - V Annexures

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5.1 Signed Statement of Expenses (Combined Delivery Report)

Page 1 of 4
Run Time: 21-02-2019 23:02:05

Business Unit : FJ10
Period : Jan-Dec (2018)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00093439

Activity : ACIVITY2 (Management Effectiveness of PA)

Fund : 62000 (GEF Voluntary Contribution)

64397 - Services to projects -CO staff	0.00	33.49	0.00	33.49
71205 - Intl Consultants-Sht Term-Tech	0.00	15,530.00	0.00	15,530.00
71405 - Service Contracts-Individuals	96,629.74	0.00	0.00	96,629.74
71605 - Travel Tickets-International	18,552.71	0.00	0.00	18,552.71
71610 - Travel Tickets-Local	953.21	0.00	0.00	953.21
71615 - Daily Subsistence Allow-Intl	3,380.00	0.00	0.00	3,380.00
71620 - Daily Subsistence Allow-Local	2,025.00	0.00	0.00	2,025.00
71635 - Travel - Other	29,959.35	0.00	0.00	29,959.35
72110 - Svc Co-Agricultural Management	9,100.00	0.00	0.00	9,100.00
72215 - Transportation Equipment	27,711.00	0.00	0.00	27,711.00
72399 - Other Materials and Goods	36,905.31	0.00	0.00	36,905.31
72505 - Stationery & other Office Supp	28,134.28	0.00	0.00	28,134.28
72510 - Publications	14,075.58	0.00	0.00	14,075.58
73125 - Common Services-Premises	600.00	0.00	0.00	600.00
74215 - Promotional Materials and Dist	7,550.00	0.00	0.00	7,550.00
74225 - Other Media Costs	6,136.39	0.00	0.00	6,136.39
74596 - Services to projects -GOE	0.00	14.36	0.00	14.36
75705 - Learning costs	0.00	239.02	0.00	239.02
75709 - Learning - training of counter	27,599.26	0.00	0.00	27,599.26
76135 - Realized Gain	0.00	-4.75	0.00	-4.75

Total for Fund 62000	307,311.83	15,812.12	0.00	323,123.95
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Total for Activity ACIVITY2	307,311.83	15,812.12	0.00	323,123.95
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Activity : **ACTIVITY1** (Ecosystem rehab and management)

Fund : 62000 (GEF Voluntary Contribution)

63335 - Home Leave Trvl & Allow-IP Stf	0.00	0.00	0.00	0.00
64397 - Services to projects -CO staff	0.00	46.82	0.00	46.82
71205 - Intl Consultants-Sht Term-Tech	0.00	31,063.00	0.00	31,063.00
71405 - Service Contracts-Individuals	83,220.66	0.00	0.00	83,220.66
71605 - Travel Tickets-International	16,552.71	0.00	0.00	16,552.71
71610 - Travel Tickets-Local	953.21	0.00	0.00	953.21
71615 - Daily Subsistence Allow-Intl	3,380.00	0.00	0.00	3,380.00
71620 - Daily Subsistence Allow-Local	2,025.00	0.00	0.00	2,025.00
71635 - Travel - Other	23,688.56	0.00	0.00	23,688.56
72115 - Svc Co-Natural Resources & Env	36,400.00	0.00	0.00	36,400.00
72210 - Machinery and Equipment	14,999.99	0.00	0.00	14,999.99
72215 - Transportation Equipment	27,261.00	0.00	0.00	27,261.00
72399 - Other Materials and Goods	123,185.37	0.00	0.00	123,185.37



UN Development Programme
Report ID: unglodrb

Combined Delivery Report by Activity

Page 2 of 4
Run Time: 21-02-2019 23:02:05

Project Id : 00086017 FSM Ridge to Reef Project	Period : Jan-Dec (2018)
Output # : 00093439 FSM Ridge to Reef	Impl. Partner : 01246 FSM Office Environ&Emergy Mg
	Location : Fiji

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
72505 - Stationery & other Office Supp	32,696.20	0.00	0.00	32,696.20
72510 - Publications	18,637.50	0.00	0.00	18,637.50
73107 - Rent - Meeting Rooms	1,620.00	0.00	0.00	1,620.00
74210 - Printing and Publications	8,950.00	0.00	0.00	8,950.00
74225 - Other Media Costs	6,136.39	0.00	0.00	6,136.39
74596 - Services to projects -GOE	0.00	20.07	0.00	20.07
75705 - Learning costs	423.00	0.00	0.00	423.00
75709 - Learning - training of counter	22,932.77	0.00	0.00	22,932.77
Total for Fund 62000	423,062.36	31,129.89	0.00	454,192.25
Total for Activity ACTIVITY1	423,062.36	31,129.89	0.00	454,192.25
Activity : ACTIVITY3 (Project Management Unit)				
Fund : 62000 (GEF Voluntary Contribution)				
64397 - Services to projects -CO staff	0.00	684.98	0.00	684.98
71405 - Service Contracts-Individuals	33,977.70	0.00	0.00	33,977.70
72405 - Acquisition of Communic Equip	2,821.43	0.00	0.00	2,821.43
72425 - Mobile Telephone Charges	51.15	0.00	0.00	51.15
74110 - Audit Fees	0.00	7,411.39	0.00	7,411.39
74210 - Printing and Publications	0.00	2,406.07	0.00	2,406.07
74215 - Promotional Materials and Dist	0.00	0.00	0.00	0.00
74510 - Bank Charges	125.00	0.00	0.00	125.00
74596 - Services to projects -GOE	0.00	293.58	0.00	293.58
76135 - Realized Gain	0.00	0.00	0.00	0.00
Total for Fund 62000	36,975.28	10,796.02	0.00	47,771.30
Total for Activity ACTIVITY3	36,975.28	10,796.02	0.00	47,771.30
Total for Output : 00093439	767,349.47	57,738.03	0.00	825,087.50
Project Total :	767,349.47	57,738.03	0.00	825,087.50

Signed By :

Andrew R. Yatilman / Secretary

Date :

03/15/19

Signed By :

Date :

05/04/2019.

VINEET BHATIA RESIDENT REPRESENTATIVE #1

Shirad Agarwal, Partner

For Lochan & Co
Chartered Accountants

Partner


06/04/2019



UN Development Programme
Report ID: unglcdrb

Combined Delivery Report by Activity

Page 3 of 4
Run Time: 21-02-2019 23:02:05

Selection Criteria :

Business Unit : FJI10
Period : Jan-Dec (2018)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00093439

Project Id : ALL	Period : Jan-Dec (2018)			
Output # : ALL	Impl. Partner : Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
41701 - Micronesia - Cty Pgmm	767,349.47	57,738.03	0.00	825,087.50

* Projects notes that the total amount of CDR does not reflect actual expenditures for period ending December 31, 2018. A revised FF will be prepared capturing the actual expenses of period Oct. - Dec. 31, 2018.

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UN Development Programme
Report ID: unglcdrb

Combined Delivery Report by Activity

Page 4 of 4
Run Time: 21-02-2019 23:02:07

Funds Utilization

Selection Criteria :

Business Unit : FJI10
Period : Jan-Dec (2018)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00093439

Project/Award: 00086017 FSM Ridge to Reef Project

Period : As Of Dec31,2018

Output #	00093439	Impl. Partner :01246 FSM Office Environ&Energy Mg	UNDP AMOUNT
Outstanding NEX advances			- 0.01
Undepreciated Fixed Assets			0.00
Unamortized Intangible Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			111,724.00

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5.2 Signed Statement of Assets and Equipment

Statement of Assets and Equipment
For asset value of a maximum of 1500\$ per item
as of 31st December 2018

Country Office:	UNDP Pacific Office Fiji
Project title:	Implementing an integrated "Ridge to Reef" approach to enhance ecosystem services, to conserve globally important biodiversity and to sustain the local livelihoods of the people of the FSM
Award ID:	86017
Project ID:	00093439
Period covered:	31-Dec-18

Tag No.	Acquisition Date	Item Description/Make/Model	Project No.	Responsible Person	Item Location	Value (USD)	Serial No.
FSM-MP-15497	31-Oct-16	Dell - Inspiron 13.3" Laptop	R2R	Debra Laan	Yap (EPA)	999.99	1RB3D82
FSM-MP-15498	31-Oct-16	Dell - Inspiron 13.3" Laptop	R2R	Jorg Anson	Pohnpei (EPA)	999.99	7QB3D82
FSM-MP-15499	31-Oct-16	Dell - Inspiron 15.6" Laptop	R2R	PIU	Palikir (DECEM)	799.99	94F9GC2
FSM-MP-15500	31-Oct-16	Dell - Inspiron 15.6" Laptop	R2R	Kriskitina Kanemoto	Chuuk (DMR)	799.99	5C50GC2
FSM-MP-15501	31-Oct-16	Brother All-In-One Printer MFC-L2740DW	R2R	Marston Luckymis	Kosrae (KIRMA)	399.99	U63889H6N788404
FSM-MP-15502	31-Oct-16	Brother All-In-One Printer MFC-L2740DW	R2R	Kriskitina Kanemoto	Chuuk (DMR)	399.99	U63889H6N807533
FSM-MP-15503	31-Oct-16	Brother All-In-One Printer MFC-L2740DW	R2R	Debra Laan	Yap (EPA)	399.99	U63889H6N807521
FSM-MP-15504	31-Oct-16	Fujifilm Finepix XP90 16 MP	R2R	Marston Luckymis	Kosrae (KIRMA)	289.99	6SC13865
FSM-MP-15505	31-Oct-16	Fujifilm Finepix XP90 16 MP	R2R	Kriskitina Kanemoto	Chuuk (DMR)	289.99	6SA17457
FSM-MP-15506	31-Oct-16	Fujifilm Finepix XP90 16 MP	R2R	Debra Laan	Yap (EPA)	289.99	6SA17380
FSM-MP-15512	31-Oct-16	Brother All-In-One Printer MFC-L2740DW	R2R	Jorg Anson	Pohnpei (EPA)	399.99	U63889H6N788407
NEA00050	31-Oct-16	Fujifilm Finepix XP90 16 MP	R2R	Jorg Anson	Pohnpei (EPA)	289.99	6UA3521
NEA00208	16-Jan-17	Inspiron 15.6" Laptop	R2R	Marston Luckymis	Kosrae (KIRMA)	759.00	B4Y4QC2
NEA00207	16-Jan-17	Inspiron 15.6" Laptop	R2R	PIU	Palikir (DECEM)	759.00	BCDQQC2
NEA00175	16-Jan-17	Wireless Printer	R2R	PIU	Palikir (DECEM)	495.00	U63889J6N119740
NEA00174	16-Jan-17	Laser Printer	R2R	Rosalinda Yatiman	Palikir (DECEM)	195.00	U63878J6N967601
CEA00013	1-Feb-17	Executive Chair	R2R	Kriskitina Kanemoto	Chuuk (DMR)	195.00	N/A
CEA00014	1-Feb-17	Office Desk	R2R	Kriskitina Kanemoto	Chuuk (DMR)	275.00	N/A
CEA00015	1-Feb-17	3D Filing Cabinet	R2R	Kriskitina Kanemoto	Chuuk (DMR)	275.00	N/A
YEA00013	13-Feb-17	3D Drawers	R2R	Debra Laan	Yap (EPA)	288.00	N/A
YEA00011	13-Feb-17	Double PED Metal Desk	R2R	Debra Laan	Yap (EPA)	428.40	N/A
YEA 00012	13-Feb-17	Office Chair BLK	R2R	Debra Laan	Yap (EPA)	220.50	N/A
NEA00369	15-Mar-17	Executive Chair	R2R	Jorg Anson	Pohnpei (EPA)	399.99	N/A
NEA00370	15-Mar-17	2 Vertical Drawer Blk	R2R	Jorg Anson	Pohnpei (EPA)	279.00	N/A
NEA00368	15-Mar-17	Desk Shelf	R2R	Jorg Anson	Pohnpei (EPA)	249.99	N/A

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NEA00334	23-Mar-17	9K BTU Non-Inverter Air Conditioner	R2R	Alice Ehmes	Palikir (Foreign Affairs Building)	695.00	N/A
NEA01831	25-Jun-18	Brother MFC-J480DW	R2R	Vanessa Fread	Palikir (R&D)	144.95	U64037F7H&40454
YEA-00065	10-Jul-18	Drive Seagate BU	R2R	Xavier Jibemai	Yap (MRMD)	145.95	NA8R70LH
NEA01426	27-Aug-18	Diving Watch, ScubaPro	R2R	Jorg Anson	Pohnpei (CSP)	210.00	1802120042009
NEA01427	27-Aug-18	Diving Watch, ScubaPro	R2R	Jorg Anson	Pohnpei (CSP)	210.00	1802120051009
NEA01428	27-Aug-18	Diving Watch, ScubaPro	R2R	Jorg Anson	Pohnpei (CSP)	210.00	1802120039009
NEA01429	27-Aug-18	Diving Watch, ScubaPro	R2R	Jorg Anson	Pohnpei (CSP)	210.00	1802120042009
NEA10835	10-Dec-18	Refrigerator 14.3 CFT White	R2R	Jorg Anson	Pohnpei (EPA)	749.99	VS83582827
NEA01728	11-Dec-18	Projector	R2R	Orden Ohry	Pohnpei (DFW)	529.99	5223215469
NEA01730	11-Dec-18	2018 HP 14" Flagship Display Laptop, Intel Celeron 32GB	R2R	Orden Ohry	Pohnpei (DFW)	379.99	644785646986
NEA01731	11-Dec-18	Celexon 80" Ultra Light Tripod Projector Screen	R2R	Orden Ohry	Pohnpei (DFW)	264.99	3522552142
NEA01729	11-Dec-18	WD Elements 2TB USB 3.0 Portable Hard Drive	R2R	Orden Ohry	Pohnpei (DFW)	209.99	718037807591
NFA00414	11-Dec-18	DJI Mavic Pro Quadcopter with Remote Controller	R2R	Jorg Anson	Pohnpei (EPA)	1,483.99	918527355
NEA01788	13-Dec-18	Logitech Group Video Conferencing System	R2R	Debra Laan	Yap (EPA)	984.39	1842LZ0PTNA8
NEA01787	13-Dec-18	Logitech Group Video Conferencing System	R2R	PIU	Palikir (DECEM)	984.39	1843LZ08Q2J8
NEA01789	13-Dec-18	Logitech Group Video Conferencing System	R2R	PIU	Palikir (DECEM)	984.39	1846LZ0DT148
NEA01790	13-Dec-18	Logitech Group Video Conferencing System	R2R	PIU	Palikir (DECEM)	984.39	1843LZ08Q0U8
NEA01791	13-Dec-18	Logitech Group Video Conferencing System	R2R	PIU	Palikir (DECEM)	984.39	1843LZ08Q118
NEA01732	17-Dec-18	JBL Flip 3 Portable Bluetooth Speakers	R2R	Kriskitina Kanemoto	Chuuk (DMR)	125.00	ND0039-LG1655495
NEA01733	17-Dec-18	JBL Flip 3 Portable Bluetooth Speakers	R2R	Jorg Anson	Pohnpei (EPA)	125.00	ND0039-LG1673609
NEA01734	17-Dec-18	JBL Flip 3 Portable Bluetooth Speakers	R2R	Debra Laan	Yap (EPA)	125.00	ND0039-LG1655444
NEA01735	17-Dec-18	JBL Flip 3 Portable Bluetooth Speakers	R2R	Rosalinda Yatilman	Palikir (DECEM)	125.00	ND0039-LG1673442
NEA01736	17-Dec-18	JBL Flip 3 Portable Bluetooth Speakers	R2R	Marston Luckymis	Kosrae (KIRMA)	125.00	ND0039-LG1655633
	10-Jan-19	Epson Home Projector	R2R	PIU	Palikir (DECEM)	585.00	
	10-Jan-19	Epson Home Projector	R2R	PIU	Palikir (DECEM)	585.00	
	10-Jan-19	Epson Home Projector	R2R	PIU	Palikir (DECEM)	585.00	
	10-Jan-19	Epson Home Projector	R2R	PIU	Palikir (DECEM)	585.00	
	10-Oct-19	Epson Home Projector	R2R	PIU	Palikir (DECEM)	585.00	
						25,095.55	

(i) UNDP Resident Representative/DRR:	
Name and Title VINEET BHATT	Signature and date <i>[Signature]</i> 05/04/2019
(ii) Implementing Partner (Department of Environment, Climate Change & Emergency Management):	
Name and Title Andrew R. Yatilman/Secretary	Signature and date <i>[Signature]</i> 03/15/19
(iii) Auditors (Lochan & Co):	
Name, Title and Agency Sharad Agarwal, Partner	Signature and date For Lochan & Co <i>[Signature]</i> Chartered Accountants Partner 06/04/2019



Statement of Assets and Equipment
For asset value of a minimum of 1500\$ per Item
as of 31st December 2018

Country Office:	UNDP Pacific Office Fiji
Project title:	Implementing an Integrated "Ridge to Reef" approach to enhance ecosystem services, to conserve globally important biodiversity and to sustain the local livelihoods of the people of the FSM
Award ID:	86017
Project ID:	00093439
Period covered:	31-Dec-18

Tag No.	Acquisition Date	Item Description/Make/Model	Project No.	Responsible Person	Item Location	Value (USD)	Serial No.
FSM014190	5-Sep-16	MacBook Pro 13"	R2R	Alice Ehmes	Palikir (DECEM)	1,685.00	CO2S28PAFUHS
FSM014191	5-Sep-16	MacBook Pro 13"	R2R	Rosalinda Yatilman	Palikir (DECEM)	1,685.00	CO2S27MNFVHS
KFA0004		Fiber Glass 21 Footer Boat	R2R	Marston Luckymis	Kosrae (KIRMA)	6,499.00	N/A
KFA0003		40 HP Outboard Motor Engine	R2R	Marston Luckymis	Kosrae (KIRMA)	3,825.00	N/A
KFA0001		Galvanized Boat Trailer	R2R	Marston Luckymis	Kosrae (KIRMA)	2,499.00	N/A
NFA00145	2-Aug-17	60 HP Outboard Motor Engine	R2R	Jorg Anson	Pohnpei (DFW)	10,658.00	1078512
NFA00146	2-Aug-17	60 HP Outboard Motor Engine	R2R	Jorg Anson	Pohnpei (DFW)	10,658.00	1078511
KFA00021	14-Feb-18	Wood Chipper	R2R	Marston Luckymis	Kosrae (KIRMA)	14,999.00	N/A
Hand Over	18-Sep-17	2017 Tacoma Pickup Truck	R2R	Marston Luckymis	Kosrae (KIRMA)	26,768.00	5TFRX5GN5HX095871
Hand Over	18-Sep-17	2017 Tacoma Pickup Truck	R2R	Jorg Anson	Pohnpei (EPA)	25,166.00	5TFRX5GN4HX095361
Hand Over	30-Jan-18	2017 Tacoma Pickup Truck	R2R	Krisitina Kanemoto	Chuuk (DMR)	25,166.00	5TFRX5GN4HX101630
Hand Over	30-Jan-18	2018 Toyota RAV4	R2R	Debra Laan	Yap (EPA)	25,454.00	JTMZFREVXJJ1 61983
NFA00430	31-Aug-18	Dell XPS 13" FHD Infinity Edge Display Notebook	R2R	Vanessa Fread	Palikir (R&D)	2,119.99	884116204271
						156,981.99	

(i) UNDP Resident Representative/DRR:

VINEET BHATIA RESIDENT REPRESENTATIVE a.i.
Name and Title

Signature and date

05/04/2019

(ii) Implementing Partner (Department of Environment, Climate Change & Emergency Management):

Andrew R. Yatilman / Secretary
Name and Title

Name and Title

Signature and date

03/15/19

(iii) Auditors (Lochan & Co):

Sharad Agarwal, Partner
Name, Title and Agency

Signature and date

For Lochan & Co
Chartered Accountants

Partner

06/04/2019



Statement of Assets and Equipment
For asset value of a minimum of 1500\$ per item
as of 31st December 2018

Country Office:	UNDP Pacific Office Fiji
Project title:	Implementing an integrated "Ridge to Reef" approach to enhance ecosystem services, to conserve globally important biodiversity and to sustain the local livelihoods of the people of the FSM
Award ID:	86017
Project ID:	00093439
Period covered:	31-Dec-18

Tag No.	Acquisition Date	Item Description/Make/Model	Project No.	Responsible Person	Item Location	Value (USD)	Serial No.
FSM014190	5-Sep-16	MacBook Pro 13"	R2R	Alice Ehmes	Palikir (DECEM)	1,685.00	CO2S28PAFUHS
FSM014191	5-Sep-16	MacBook Pro 13"	R2R	Rosalinda Yatliman	Palikir (DECEM)	1,685.00	CO2S27MNFVHS
KFA0004		Fiber Glass 21 Footer Boat	R2R	Marston Luckymis	Kosrae (KIRMA)	6,499.00	N/A
KFA0003		40 HP Outboard Motor Engine	R2R	Marston Luckymis	Kosrae (KIRMA)	3,625.00	N/A
KFA0001		Galvanized Boat Trailer	R2R	Marston Luckymis	Kosrae (KIRMA)	2,499.00	N/A
NFA00145	2-Aug-17	60 HP Outboard Motor Engine	R2R	Jorg Anson	Pohnpei (DFW)	10,658.00	1078512
NFA00146	2-Aug-17	60 HP Outboard Motor Engine	R2R	Jorg Anson	Pohnpei (DFW)	10,658.00	1078511
KFA00021	14-Feb-18	Wood Chipper	R2R	Marston Luckymis	Kosrae (KIRMA)	14,999.00	N/A
Hand Over	18-Sep-17	2017 Tacoma Pickup Truck	R2R	Marston Luckymis	Kosrae (KIRMA)	26,768.00	5TFRX5GN5HX095671
Hand Over	18-Sep-17	2017 Tacoma Pickup Truck	R2R	Jorg Anson	Pohnpei (EPA)	25,166.00	5TFRX5GN4HX095361
Hand Over	30-Jan-18	2017 Tacoma Pickup Truck	R2R	Krisitina Kanemoto	Chuuk (DMR)	25,166.00	5TFRX5GN4HX101630
Hand Over	30-Jan-18	2018 Toyota RAV4	R2R	Debra Laan	Yap (EPA)	25,454.00	JTMZFREVXJJ1 61983
NFA00430	31-Aug-18	Dell XPS 13" FHD Infinity Edge Display Notebook	R2R	Vanessa Fread	Palikir (R&D)	2,119.99	884116204271
						166,981.99	

(i) UNDP Resident Representative/DRR:

VINEET BHATIA RESIDENT REPRESENTATIVE a.i.

Name and Title: _____ Signature and date: _____ 05/04/2019

(ii) Implementing Partner (Department of Environment, Climate Change & Emergency Management):

Andrew R. Yatliman / Secretary

Name and Title: _____ Signature and date: _____ 03/15/19

(iii) Auditors (Lochan & Co):

Sheread Agarwal, Partner

Name, Title and Agency: _____ Signature and date: _____ 06/04/2019

For Lochan & Co
Chartered Accountants
Partner



5.3 Follow up Action Plan

Follow up Action Plan

The audit report for the period 1 January to 31 December 2017 raised two audit findings, all of which are considered to have been closed. The details of these findings are presented in the table below:.

Project Id:		00086017	Output No.:		00093439	Opinion Type:		Unqualified				
Obs No	Observation	Recommendation	Audit Area	Risk Severity	Proj/CO Mngt Comments	Action (s) Planned	Target Impl. Date	Action Unit	Person Res. for Action	Updated Status	Actual Impl. Date	Description of Status Update
1	Unsupported payments The project recorded certain expenses that did not have sufficient payment supporting evidence. Due to the lack of supporting documentation we deem the above as ineligible project expenditure. However, the amounts are not sufficient to warrant a modification in our audit opinion on the project's statement of expenditure.	We recommend that the IP ensure that actual expenses reported are supported by sufficient supporting documents proving that the expense is actually incurred.	Procurement	Low	Audit observation and recommendation acknowledged.	Complete and proper supporting vouchers should be maintained.	Immediately	Procurement	Project Director	Implemented	-	No such instances has been observed in current financial year
2	Missing timesheets Instances were noted where timesheet summaries could not be verified to project staff individual timesheets/ timecards. However, we were able to substantiate the above payroll-related expenses to other supporting documents.	We recommend that the IP ensure all timesheets are completed, authorized, approved submitted, followed up in a timely manner and properly retained for future reference.	Payroll	Low	Audit observation and recommendation acknowledged.	Time sheets/time cards are to be scanned and saved by the project implementation unit as a backup.	Immediately	Payroll	Project Director	Implemented	-	No such instances has been observed in current financial year

(i) UNDP Resident Representative/DRR:





8

VINEET BHATIA *RESIDENT REPRESENTATIVE A.I.* *05/04/2019.*
Name and Title Signature and date

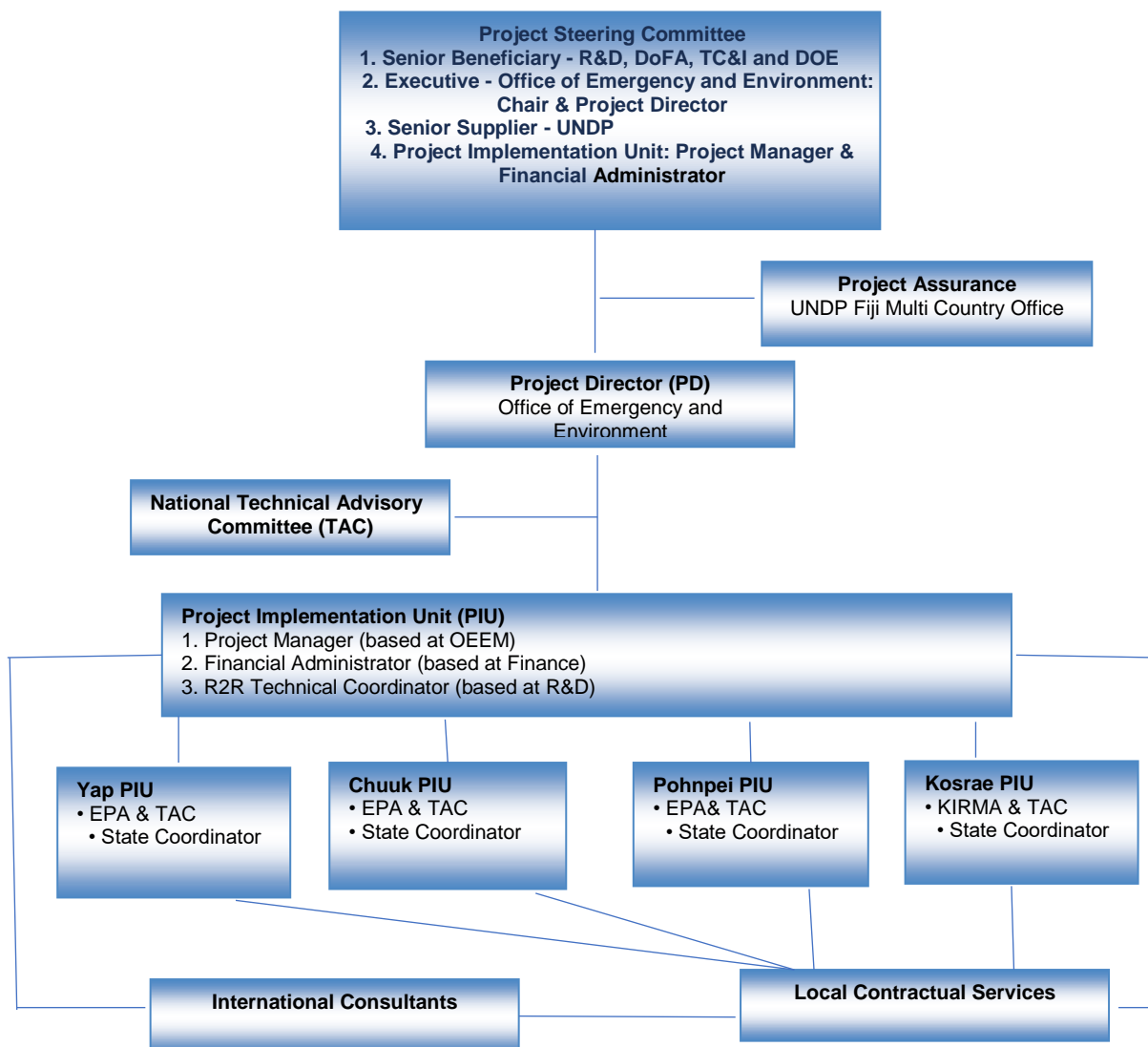
(ii) Implementing Partner (Department of Environment, Climate Change & Emergency Management):
Andrew R. Yatiman/Secretary *03/15/19*
Name and Title Signature and date

(iii) Auditors (Lochan & Co):
Sharad Agarwal, Partner *06/04/2019*
Name, Title and Agency Signature and date

For Lochan & Co
Chartered Accountants
Sharad Agarwal
Partner



5.4 Organization Chart



5.5 Definition of Risk Severities and Functional Area ratings

Categorization of audit findings by risk severity

Rating	Definition
High	Prompt action is required to ensure that UNDP is not exposed to high risks, i.e. failure to take action could result in major negative consequences and issues.
Medium	Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.
Low	Action is desirable and should result in enhanced control or better value for money.

Categorization of internal control ratings

Rating	Definition
Satisfactory	Internal controls and risk management practices were adequately established and functioning well. No high-risk areas were identified. Overall, the IP/Sub IPs objectives are likely to be achieved.
Partially Satisfactory	Internal controls and risk management practices were generally established and functioning but needed improvement. One or more high and medium risk areas were identified that may impact on the achievement of the IP/Sub IPs objectives
Unsatisfactory	Internal controls and risk management practices were either not established or not functioning well. The majority of issues identified were high risk. Hence, the overall IP/Sub IPs objectives are not likely to be achieved.

5.6 Abbreviations and Acronyms

AWP	:	Annual Work Plan
CDR	:	Combined Delivery Report
FACE	:	Funding Authorization and Certificate of Expenditures
FSM	:	Federated States of Micronesia
GAAPs	:	Generally Accepted Accounting Principles
I.T.	:	Information Technology
IESBA	:	International Ethics Standards Board of Accountants
IP	:	Implementing Partner
ISAs	:	International Standards on Auditing
MOU	:	Memorandum of Understanding
M & E	:	Monitoring and Evaluation
NFM	:	Net Financial Misstatement
NGO	:	Non-Government Organization
PIR	:	Project Implementation review
POPP	:	Programme Operations Policies and Procedures
PRA	:	Payment Release Advice
R2R	:	Ridge to Reef
SoA	:	Statement of Assets
SoE	:	Statement of Expenses
UNDP	:	United Nations Development Programme
USD	:	United States Dollars



Lochan & Co.
Chartered Accountants