

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

EMERGENCY SUPPLY & ADVANCED PLAN FOR EARLY RECOVERY-GAZA
(Directly Implemented Project No. 50123, Output Nos. 71646 and 92145)

Report No. 1507
Issue Date: 11 August 2015

**Report on the Audit of UNDP Programme of Assistance to the Palestinian People
Emergency Supply & Advanced Plan for Early Recovery-Gaza
(Project No. 50123, Output Nos. 71646 and 92145)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 18 May to 2 June 2015, through Talal Abu – Ghazaleh & Co. (the audit firm), conducted an audit of Emergency Supply & Advanced Plan for Early Recovery-Gaza (Project No. 50123, Output Nos. 71646 and 92145) (the Project), which is directly implemented and managed by the UNDP Programme of Assistance to the Palestinian People (the Office). The last audit of the Project was conducted by Talal Abu – Ghazaleh & Co. in 2014 and covered project expenditure from 1 January to 31 December 2013.

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 Combined Delivery Report, which includes expenditure for the period from 1 January to 31 December 2014 and the accompanying Funds Utilization statement¹ as of 31 December 2014. The audit did not cover the Statement of Assets as no assets were purchased by the Project. In addition, the audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

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 reports and corresponding management letters submitted by the audit firm, the results are summarized in the table below:

Project Expenditures				
Output No.	Output Title	Amount (in \$ '000)	Opinion	NFI* (in \$ '000)
71646	Rubble and Waste Management	3,135	Unqualified	N/A
92145	Cash Assistance Displaced Non-Refugee Palestinians in Gaza in the State of Palestine	2,282	Qualified	163

*NFI = Net Financial Impact

The audit firm issued a qualified opinion on the Combined Delivery Report of Output No. 92145 because the General Management Support fees amounting to \$0.2 million were not charged to the Project in 2014.

Key recommendations: Total = 2, high priority = 2

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendations are presented below:

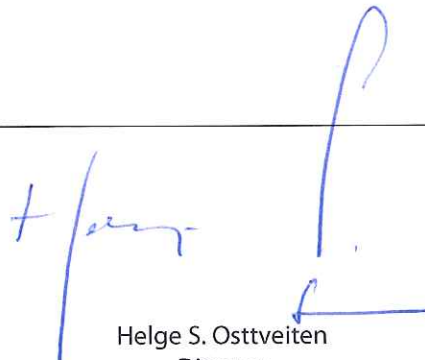
¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) depreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

General Management Support fees not charged to the Project (Issue 1 for Output No. 92145)	<p>General management support fees amounting to \$0.2 million were not charged to the Project in 2014.</p> <p><u>Recommendation:</u> The Office should collect the General Management Support fees as stipulated in the donor agreement.</p>
Incorrect recording of expenditures (Issue 2 for Output No. 92145)	<p>UNDP expenditures totalling \$2 million were incorrectly recorded as government expenditures in the Combined Delivery Report. The audit firm issued an emphasis of matter regarding this issue but the audit opinion is not qualified in respect of this matter.</p> <p><u>Recommendation:</u> The Office should correctly record expenditures and classify them under the relevant category.</p>

The previous audit (Report No. 1371, issued on 4 September 2014) did not have a recommendation.

Management comments and action plan

The UN Special Representative of the Administrator accepted both recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.



Helge S. Osttveiten
Director
Office of Audit and Investigations

Auditor's Report

Financial audit of “Rubble and Waste Management” (The Project) implemented by UNDP/PAPP - The State of Palestine (West Bank & Gaza) for the year ended 31 December 2014.

PROJECT TITLE AND IDs:

Title: “Rubble and Waste Management”

IDs: (Atlas Project ID: 50123, Project ID: 71646)

FUNDED BY

Japan Government, Central Emergency Response Fund (CERF)

Talal Abu - Ghazaleh & Co.

Certified Public Accountants



Financial audit of Output ID: 71646 titled "Rubble and Waste Management" for the year ended 31 December 2014.

Funded by: Japan Government, Central Emergency Response Fund (CERF)

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

**Rubble and Waste Management
Implemented by
UNDP/PAPP the State of Palestine (West Bank & Gaza)
Funded by
Japan Government, Central Emergency Response Fund "CERF"**

TABLE OF CONTENTS

1. PART I – EXECUTIVE SUMMARY	2
1.1. Background information about the Project.....	2
1.2. Project identification information.....	2
1.3. Project budget:.....	2
1.4. Project duration:.....	3
1.5. Audit objectives.....	3
1.6. Scope of the Audit:.....	4
1.7. Summary of the Audit performed and results:	5
1.7.1 Audit performed:	5
1.7.2 Results of the Audit:	6
2. PART II – AUDITOR’S REPORT WITH OPINION	7
2.1. Auditor’s Report	7
2.2. CDR Output No. 71646 for the year ended 31 December 2014	9
3. PART III – MANAGEMENT LETTER.....	13

To: The Director of the Office of Audit and Investigations (OAI)
United Nations Development Programme

This report represents the results of our financial audit of Output ID: 71646 titled
"Rubble and Waste Management", for the Year ended 31 December 2014.

This financial audit was mandated in accordance with the audit contract for
professional service signed with UNDP/OAI (Ref.PS 2015-03 dated 11 May
2015).

Sincerely yours,

Jamal Milhem, CPA

Certified Accountant License # (100/98)

Talal Abu - Ghazaleh & Co.

License No. 251/1997

Ramallah - Palestine, 31 May 2015



1. PART I – EXECUTIVE SUMMARY

The Executive Summary recapitulated the important issues raised in the financial audit of the project "Rubble and Waste Management".

1.1. Background information about the Project

The project "Rubble and Waste Management" was financed in 2014 through two (2) Grant Agreements as follows:

1. *Representative Office of Japan to the Palestinian Authority (Government of Japan) "Improvement of Solid Waste Management"*

The Project aims at reducing threats to public health through improving solid waste collection and disposal in Gaza Strip.

The solid waste improvement component was funded from the remaining balance from UNMAS, MAG and Rubble Crushing and Reuse Project according to UNDP request dated on 17 September 2009 and the approval received from the Representative Office of Japan to the Palestinian Authority on 12 March 2010.

2. *Central Emergency Response Fund (CERF) "Immediate Support to Solid Waste Removal and Management accumulated during the Conflict"*

The Project aims at reducing threats to public health through Immediate Support to Solid Waste Removal and Management accumulated during the Conflict.

The Project was emerged as a response to the request sent for funding from the Rapid Window of the Central Emergency Response Fund (CERF).

1.2. Project identification information

The following table summarizes the amount of expenditures for the year under review.

Project Name	Output number	Atlas Project ID	2014 budget (USD)	2014 Actual expenditure as per CDR (USD)
Rubble and Waste Management	71646	50123	3,289,053	3,134,858

The audit covered the Project activities during the period from 1 January to 31 December 2014. During the period under review, the Office recorded project expenditures totaling USD 3,134,858 as reported through the Combined Delivery Report (CDR).

1.3. Project budget:

According to the Project's agreement, the Government of Japan contribution was set to be USD 18,262,654 of which solid waste component budget is USD 15,295,703.

1.4. Project duration:

The Project duration is from 14 June 2010 to 30 September 2015.

1.5. Audit objectives

The objective of the financial audit was to express an opinion on the project's financial statements which include:

- 1) Expressing an opinion on whether the expenses incurred by the project during year ended 2014 and the funds utilization as at 31 December 2014 were fairly presented in accordance with UNDP 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 UNDP; and (iv) supported by properly approved vouchers and other supporting documents. The Combined Delivery Report (CDR) and the accompanying Funds Utilization statement were the mandatory and official statement upon which the audit opinion was to be expressed.
- 2) Expressing an opinion on whether the statement of fixed assets presents fairly the balance of assets of the UNDP Project as at 31 December 2014. This statement should include all assets available as at 31 December 2014 and not only those purchased in the period under audit.
- 3) Expressing an opinion on whether the statement of cash held by the Project presents fairly the cash and bank balance of UNDP Project as at 31 December 2014, only if a dedicated bank account was established specifically for the project.

1.6. Scope of the Audit:

We performed our audit in accordance with the International Standards on Auditing (ISA 700) and in compliance with the UNDP rules and regulations.

The scope of the audit related to transactions concluded and recorded against the UNDP DIM project for the period 1 January 2014 to 31 December 2014. The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of "responsible parties"; and
- Expenses processed and approved in locations outside the country such as UNDP Regional Centres and UNDP Headquarters and where the supporting documentation were not retained at the level of the UNDP country office

Specifically, the audit covered the following:

- a) The expenses incurred and recorded in the Combined Delivery Reports (CDR) of the project during the period from 1 January 2014 to 31 December 2014;
- b) The value and existence of the fixed assets held by the project as at 31 December 2014; and
- c) The value and existence of Cash held by the project as at 31 December 2014 (in the case there was a separate bank account for the DIM project under review).

Accounting principles:

The Combined Delivery Report (CDR) was prepared on the accrual basis accounting system, therefore expenditures were recognized when incurred rather than when paid.

All assets included in the Statement of Fixed Assets were accounted for according to their historical costs, and in compliance with UNDP's Asset Management Guidelines.

Since 2012, UNDP started applying IPSAS and as a result, fixed assets depreciation expenses are included in the CDR.

Financial audit of Output ID: 71646 titled "Rubble and Waste Management" for the year ended 31 December 2014.

Funded by: Japan Government, Central Emergency Response Fund (CERF)

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

1.7. Summary of the Audit performed and results:

1.7.1 Audit performed:

This summary represents the results of our financial audit of Output ID: 71646 titled "Rubble and Waste Management", for the year ended 31 December 2014.

The total expenditures incurred by UNDP on the above Project are USD 3,134,858. The audit tests approximately covered 80 percent of the total expenditures, as shown in the following table:

Project location	No. of samples	Total expenditures (USD)	Total expenditures tested (USD)	Percentage
Gaza Strip	28	3,134,858	2,495,112	80%

1.7.2 Results of the Audit:

- **The Combined Delivery Report (CDR) and Funds Utilization Statement**

The review did not disclose any material financial errors in the Project's CDR.

- **The Statement of Fixed Assets**

The Project did not purchase or acquire fixed assets, therefore no statement of fixed assets was prepared.

- **The Statement of Cash held by the Project**

In accordance with the Terms of Reference for the audit, we did not issue an opinion on the Statement of Cash Position as there was no separate bank account for the project under review.

Jamal Milhem, CPA

Certified Accountant License # (100/98)


Talal Abu-Ghazaleh & Co.

License No. 251/1997

Ramallah - Palestine, 31 May 2015



2. PART II – AUDITOR’S REPORT WITH OPINION

2.1. Auditor’s Report

REPORT OF THE INDEPENDENT AUDITORS TO UNDP DIM PROJECT “RUBBLE AND WASTE MANAGEMENT”

To the Director of the Office of Audit and Investigations
United Nations Development Programme

Report on the Project Financial Statement

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization Statement (the Statement) of the UNDP Project “Rubble and Waste Management”, bearing output number 71646 for the period from 1 January to 31 December 2014.

Management’s Responsibility

Management is responsible for the preparation and fair presentation of the statement for “Rubble and Waste Management”, Project and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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 (ISA 700). 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 control relevant to the project’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 control. 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 unmodified audit opinion.

Unmodified Opinion

In our opinion, the Combined Delivery Report (CRD) and Funds Utilization statement gives a true and fair view of the expenditures of USD 3,134,858 incurred by the Project "Rubble and Waste Management", for the period from 1 January 2014 to 31 December 2014 in accordance with UNDP 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 UNDP; and (iv) supported by properly approved vouchers and other supporting documents.

Jamal Milhem, CPA

Certified Accountant License # (100/98)


Talal Abu-Ghazaleh & Co.

License No. 251/1997



Ramallah - Palestine, 31 May 2015

Financial audit of Output ID: 71646 titled "Rubble and Waste Management" for the year ended 31 December 2014.

Funded by: Japan Government, Central Emergency Response Fund (CERF)

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

2.2. CDR Output No. 71646 for the year ended 31 December 2014

1

UN Development Programme
Report ID: unglodrp

Page 1 of 4
Run Time: 18-05-2015 13:05:00

Selection Criteria:

Business Unit: PAL10
Period: Jan-Dec (2014)
Selected Project ID: ALL
Selected Fund Code: ALL
Selected Dept. IDs: ALL
Selected Outputs: 00071646

Project ID: 00050123 Emergency Supp. & Advanced Pla
Output #: 00071646 Rubble and Waste Management

Period: Jan-Dec (2014)
Impl. Partner: 02388 UNDP - PAPP
Location:

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Dept: 70001 (PAPP - Central)				
Fund: 26960 (CPR TTF-Conflict-Country S)				
74525 - Sundry	0.00	-11,539.71	0.00	-11,539.71
75115 - Facilities & Admin - OH & Ind	0.00	-15,275.14	0.00	-15,275.14
Total for Fund 26960	0.00	-26,814.85	0.00	-26,814.85
Fund: 30000 (PROGRAMME COST SHARING)				
71405 - Service Contracts-Individuals	0.00	13,103.00	0.00	13,103.00
71410 - MAIP Premium SC	0.00	42.51	0.00	42.51
71415 - Contribution to Security SC	0.00	552.67	0.00	552.67
71615 - Daily Subsistence Allow-Intl	0.00	1,295.61	0.00	1,295.61
72105 - Svc Co-Construction & Engineer	0.00	457,898.94	0.00	457,898.94
74525 - Sundry	0.00	3,353.39	0.00	3,353.39
75105 - Facilities & Admin - Implement	0.00	49,469.00	0.00	49,469.00
76135 - Realized Gain	0.00	-20.16	0.00	-20.16
Total for Fund 30000	0.00	525,694.96	0.00	525,694.96
Fund: 40500 (TF PAPP Voluntary Contrib Actv)				
33001 - Change(s) in accounting policy	0.00	1,031.83	0.00	1,031.83
71405 - Service Contracts-Individuals	0.00	79,564.68	0.00	79,564.68
71410 - MAIP Premium SC	0.00	321.54	0.00	321.54
71415 - Contribution to Security SC	0.00	5,520.72	0.00	5,520.72
71605 - Travel Tickets-International	0.00	1,099.99	0.00	1,099.99
71615 - Daily Subsistence Allow-Intl	0.00	1,803.56	0.00	1,803.56
71620 - Daily Subsistence Allow-Local	0.00	2,881.00	0.00	2,881.00
71635 - Travel - Other	0.00	336.00	0.00	336.00
72105 - Svc Co-Construction & Engineer	0.00	2,322,514.51	0.00	2,322,514.51
72435 - E-mail-Subscription	0.00	300.00	0.00	300.00
73410 - Maint. Oper of Transport Equip	0.00	-4.75	0.00	-4.75
74110 - Audit Fees	0.00	18,711.00	0.00	18,711.00
74505 - Insurance	0.00	928.86	0.00	928.86
74525 - Sundry	0.00	27,994.49	0.00	27,994.49
76105 - Facilities & Admin - Implement	0.00	172,410.86	0.00	172,410.86
75705 - Learning costs	0.00	100.00	0.00	100.00
76125 - Realized Loss	0.00	5.58	0.00	5.58
76135 - Realized Gain	0.00	-42.40	0.00	-42.40
Total for Fund 40500	0.00	2,635,977.47	0.00	2,635,977.47
Total for Dept: 70001	0.00	3,134,857.58	0.00	3,134,857.58

including OCHA
GMS
JFM

¹ General Management Support fees (GMS) were also allocated on expenditures funded by OCHA.

Financial audit of Output ID: 71646 titled "Rubble and Waste Management" for the year ended 31 December 2014.

Funded by: Japan Government, Central Emergency Response Fund (CERF)

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.



UN Development Programme
Report ID: unglodrp

Combined Delivery Report By Project

Page 2 of 4
Run Time: 18-05-2015 13:05:00

Project Id : 00050123 Emergency Supp. & Advanced Pla	Period :	Jan-Dec (2014)		
Output # : 00071646 Rubble and Waste Management	Impl. Partner :	02388 UNDP - PAPP		
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Total for Output : 00071646	0.00	3,134,857.58	0.00	3,134,857.58
Project Total :	0.00	3,134,857.58	0.00	3,134,857.58

Signed By :

Amran EL Kharoulgy

Date :

11/6/2015

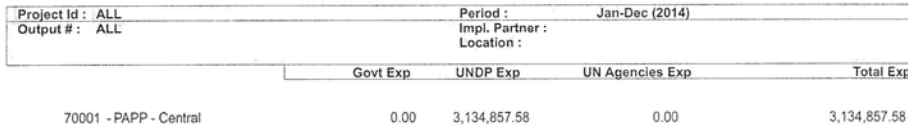
Signed By :

Talal J. Ghazaleh

Date :



Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.



Financial audit of Output ID: 71646 titled "Rubble and Waste Management" for the year ended 31 December 2014.

Funded by: Japan Government, Central Emergency Response Fund (CERF)

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 4 of 4
Run Time: 18-05-2015 13:05:02

Funds Utilization

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2014)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00071646

Project/Award: 00050123 Emergency Supp. & Advanced Pla
Period : As at Dec 31, 2014

Output #	00071646	Impl. Partner :02388 UNDP - PAPP	UNDP AMOUNT
	Outstanding NEX advances		0.00
	Undepreciated Fixed Assets		0.00
	Inventory		0.00
	Prepayments		0.00
	Commitments		0.00

Financial audit of Output ID: 71646 titled "Rubble and Waste Management" for the year ended 31 December 2014.

Funded by: Japan Government, Central Emergency Response Fund (CERF)

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

3. PART III - MANAGEMENT LETTER

We have not identified reportable issues during our audit of the Output ID: 71646 "Rubble and Waste Management" (The Project) implemented by UNDP/PAPP - The State of Palestine (West Bank & Gaza) for the Year Ended 31 December 2014.

Auditor's Report

Financial audit of “Cash Assistance Displaced Non-Refugee Palestinians in Gaza in the State of Palestine” (The Project) implemented by UNDP/PAPP - The State of Palestine (West Bank & Gaza) for the year ended 31 December 2014.

PROJECT TITLE AND IDs:

Title: “Cash Assistance Displaced Non-Refugee Palestinians in Gaza in the State of Palestine”

IDs: (Atlas Project ID: 50123, Output No: 92145)

FUNDED BY

Swedish International Development Cooperation Agency “SIDA”

Talal Abu - Ghazaleh & Co.

Certified Public Accountants



Financial audit of Output ID: 92145 titled "Cash Assistance Displaced Non-Refugee Palestinians in Gaza in the State of Palestine" for the year ended 31 December 2014.

Funded by: Swedish International Development Cooperation Agency "SIDA"

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

**Cash Assistance Displaced Non-Refugee Palestinians in Gaza in the State of
Palestine
Implemented by
UNDP/PAPP the State of Palestine (West Bank & Gaza)
Funded by
Swedish International Development Cooperation Agency "SIDA"**

TABLE OF CONTENTS

1. PART I – EXECUTIVE SUMMARY	2
1.1. Background information about the Project.....	2
1.2. Project Identification Information.....	2
1.3. Project budget:.....	3
1.4. Project duration:.....	3
1.5. Audit objectives.....	3
1.6. Scope of Audit:.....	4
1.7. Summary of the Audit performed and results:	5
1.7.1 Audit performed:	5
1.7.2 Results of the Audit:	6
2. PART II – AUDITOR’S REPORT WITH OPINION	7
2.1. Auditor’s Report	7
2.2. CDR Output No. 92145 for the year ended 31 December 2014	9
3. PART III – MANAGEMENT LETTER.....	11
3.1 Audit Issues and Recommendations	12
3.1.1 Non-imputation of General Management Support (GMS).....	12
3.1.2 Inadequate classification of expenditures:	13

To: The Director of the Office of Audit and Investigations (OAI)
United Nations Development Programme

This report represents the results of our financial audit of Output ID: 92145 titled
"Cash Assistance Displaced Non-Refugee Palestinians in Gaza in the State of
Palestine", for the Year ended 31 December 2014.

This financial audit was mandated in accordance with the audit contract for
professional service signed with UNDP/OAI (Ref.PS 2015-03 dated 11 May
2015).

Sincerely yours,

Jamal Milhem, CPA

Certified Accountant License # (100/98)

Talal Abu-Ghazaleh & Co.

License No. 251/1997

Ramallah - Palestine, 26 May 2015



1. PART I - EXECUTIVE SUMMARY

The Executive Summary recapitulates the important issues raised in the financial audit of the "Cash Assistance Displaced Non-Refugee Palestinians in Gaza in the State of Palestine".

1.1. Background information about the Project

The programme is designed to support national efforts for early recovery of the Palestinian non-refugee population to enable their access to interim housing until reconstruction is completed.

UNDP in partnership with UNRWA, WFP and the National Consensus Government's Ministry of Public Works and Housing, and supported by the Shelter Cluster, launched a joint shelter assessment of damaged homes in the Gaza Strip. The objective was to assess damages as part of efforts to mobilize support for recovery and reconstruction. In parallel, they agreed on a common transitional shelter assistance support package, aimed at supporting internally displaced persons in accessing a transitional shelter alternative.

Assessment of all damaged houses is being undertaken simultaneously in all of the Gaza Strip, without requiring beneficiaries to apply for them, as it occurred in previous wars. Beneficiaries will be also provided with opportunity to appeal the results. Families whose homes were assessed as uninhabitable will be provided with:

- Rental Subsidy and Host Family Support Package: those with 1-5 family members receive USD 200 per month; families of 6-10 people receive USD 225 per month; and those with more than 10 family members receive USD 250 per month.
- Reintegration Package: this one-time support of USD 500 is dedicated to all the estimated 20,000 families with uninhabitable homes.

The Project is funded by the Swedish International Development Cooperation Agency "SIDA", based on the agreement signed with UNDP/PAPP dated on 26 November 2014.

1.2. Project Identification Information

The following table summarizes the amount of expenditures for the year under review.

Project Name	Output number	Atlas Project ID	2014 budget (USD)	2014 Actual expenditures as per CDR (USD)
Cash Assistance Displaced Non-Refugee Palestinians in Gaza in the State of Palestine	92145	50123	2,694,040	2,282,130

The audit covered the Project activities during the period from 1 January to 31 December 2014. During the period under review, the Office recorded project expenditures totaling USD 2,282,130 as reported through the Combined Delivery Report (CDR).

1.3. Project budget:

The following is the Project's 2014 budget in USD:

Category/Activity	2014 budget
Contractual Services – UNDP	250,000
Contractual Services – SIDA	2,263,000
Facilities and Administration	181,040
Total budget for 2014	2,694,040

1.4. Project duration:

Based on the agreements signed with UNDP/PAPP, the Project duration is from 26 November 2014 to 31 December 2015.

1.5. Audit objectives

The objective of the financial audit was to express an opinion on the project's financial statements which include:

- 1) Expressing an opinion on whether the expenses incurred by the project during year ended 2014 and the funds utilization as at 31 December 2014 were fairly presented in accordance with UNDP 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 UNDP; and (iv) supported by properly approved vouchers and other supporting documents. The Combined Delivery Report (CDR) and the accompanying Funds Utilization statement were the mandatory and official statement upon which the audit opinion was to be expressed.
- 2) Expressing an opinion on whether the statement of fixed assets presents fairly the balance of assets of the UNDP Project as at 31 December 2014. This statement should include all assets available as at 31 December 2014 and not only those purchased in the period under audit.
- 3) Expressing an opinion on whether the statement of cash held by the Project presents fairly the cash and bank balance of UNDP Project as at 31 December 2014, only if a dedicated bank account was established specifically for the project.

1.6. Scope of Audit:

We performed our financial audit in accordance with the International Standards on Auditing (ISA 700) and in compliance with the UNDP rules and regulations.

The scope of the audit related to transactions concluded and recorded against the UNDP DIM project for the period 1 January 2014 to 31 December 2014. The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of "responsible parties"; and
- Expenses processed and approved in locations outside the country such as UNDP Regional Centres and UNDP Headquarters and where the supporting documentation were not retained at the level of the UNDP country office

Specifically, the audit covered the following:

- a) The expenses incurred and recorded in the Combined Delivery Reports (CDR) of the project during the period from 1 January 2014 to 31 December 2014;
- b) The value and existence of the fixed assets held by the project as at 31 December 2014; and
- c) The value and existence of cash held by the project as at 31 December 2014 (in the case there was a separate bank account for the DIM project under review).

Accounting principles:

The Combined Delivery Report (CDR) was prepared on the accrual basis accounting system, therefore expenditures were recognized when incurred rather than when paid.

All assets included in the Statement of Fixed Assets were accounted for according to their historical costs, and in compliance with UNDP's Asset Management Guidelines.

Since 2012, UNDP started applying IPSAS and as a result, fixed assets depreciation expenses are included in the CDR.

Financial audit of Output ID: 92145 titled "Cash Assistance Displaced Non-Refugee Palestinians in Gaza in the State of Palestine" for the year ended 31 December 2014.

Funded by: Swedish International Development Cooperation Agency "SIDA"

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

1.7. Summary of the Audit performed and results:

1.7.1 Audit performed:

This summary represents the results of our financial audit of Output ID: 92145 titled "Cash Assistance Displaced Non-Refugee Palestinians in Gaza in the State of Palestine", for the year ended 31 December 2014.

The total expenditures incurred by UNDP on the above Project are USD 2,282,130. The audit tests approximately covered 100 percent of the total expenditures, as shown in the following table:

Project Location	No. of Samples	Total Expenditures reported in the CDR (in USD)	Total Expenditures Tested	Percentage
Gaza Strip	2	2,282,130 ¹	2,282,130	100%

¹ The total expenditures under this project are understated by net amount of USD 162,570; therefore the actual CDR amount should be USD 2,444,700. Details of the difference is presented in Part III of this report.

1.7.2 Results of the Audit:

- **The Combined Delivery Report (CDR) and Funds Utilization Statement**

The results of our tests disclosed a Net Financial Impact of USD 162,570 which represents General Management Support (GMS) amounts not recorded in the CDR. Details are presented in Part III of this report.

Project Location	No. of Samples	Total expenditures (in USD)	Net Financial Impact (in USD)	Percentage
Gaza Strip	2	2,282,130	162,570	7 %

- **The Statement of Fixed Assets**

The Project did not purchase or acquire fixed assets, therefore no statement of fixed assets was prepared.

- **The Statement of Cash held by the Project**

In accordance with the Terms of Reference for the audit, we did not issue an opinion on the Statement of Cash Position as there was no separate bank account for the project under review.

Jamal Milhem, CPA

Certified Accountant License # (100/98)


Talal Abu -Ghazaleh & Co.

License No. 251/1997

Ramallah - Palestine, 26 May 2015



2. PART II – AUDITOR’S REPORT WITH OPINION

2.1. Auditor’s Report

REPORT OF THE INDEPENDENT AUDITORS TO UNDP DIM PROJECT “CASH ASSISTANCE TO DISPLACED NON-REFUGEE PALESTINIANS IN GAZA IN THE STATE OF PALESTINE”

To the Director of the Office of Audit and Investigations
United Nations Development Programme

Report on the Project Financial Statement

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization Statement (the Statement) of the UNDP Project “Cash Assistance Displaced Non-Refugee Palestinians in Gaza in the State of Palestine”, bearing output number 92145 for the period from 1 January to 31 December 2014.

Management’s Responsibility

Management is responsible for the preparation and fair presentation of the statement for “Cash Assistance Displaced Non-Refugee Palestinians in Gaza in the State of Palestine”, Project and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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 (ISA 700). 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 control relevant to the project’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 control. 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 modified audit opinion.

Basis for a Modified Opinion:

The current Combined Delivery Report (CDR) is understated by an amount of USD 162,570 due to the non-imputation of General Management Support fees (GMS) to the project; (For more details refer to the management letter Part III of this report).

Modified Opinion


In our opinion, the attached Combined Delivery Report (CDR) and Funds Utilization statement except for the reason indicated in "Basis for a modified opinion" paragraph mentioned above, presents fairly in all material respects the expenditure of USD 2,282,130 incurred by the Project "Cash Assistance Displaced Non-Refugee Palestinians in Gaza in the State of Palestine", for the period from 1 January to 31 December 2014 in accordance with UNDP 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 UNDP; and (iv) supported by properly approved vouchers and other supporting documents.

Emphasis of Matter:

We draw attention that UNDP expenditures amounting to USD 2,032,130 were recorded as Government expenditures. Our opinion is not qualified in respect of this matter.

Jamal Milhem, CPA

Certified Accountant License # (100/98)


Tala Abu-Ghazaleh & Co.
License No. 251/1997




Ramallah - Palestine, 26 May 2015

Financial audit of Output ID: 92145 titled "Cash Assistance Displaced Non-Refugee Palestinians in Gaza in the State of Palestine" for the year ended 31 December 2014.

Funded by: Swedish International Development Cooperation Agency "SIDA"

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

2.2. CDR Output No. 92145 for the year ended 31 December 2014

 **UN Development Programme**
Report ID: unglcdrp

Combined Delivery Report By Project

Page 1 of 3
Run Time: 16-04-2015 17:04:44

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2014)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00092145

Project Id : 00050123 Emergency Supp. & Advanced Pla	Period : Jan-Dec (2014)
Output # : 00092145 Emergency Cash Assistance Sida	Impl. Partner : 02388 UNDP - PAPP
Location :	

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Dept: 70001 (PAPP - Central)				
Fund : 04950 (PAPP Core Programme)				
72120 - Svc Co-Trade and Business Serv	0.00	250,000.00	0.00	250,000.00
Total for Fund 04950	0.00	250,000.00	0.00	250,000.00
Fund : 30000 (PROGRAMME COST SHARING)				
72170 - Svc Co-Humanitarian Aid & Relf	2,032,130.00	0.00	0.00	2,032,130.00
Total for Fund 30000	2,032,130.00	0.00	0.00	2,032,130.00
Total for Dept : 70001	2,032,130.00	250,000.00	0.00	2,282,130.00
Total for Output : 00092145	2,032,130.00	250,000.00	0.00	2,282,130.00
Project Total :	2,032,130.00	250,000.00	0.00	2,282,130.00

Signed By :  Date : 16-4-2015


Signed By :  Date : 16-4-2015



Financial audit of Output ID: 92145 titled "Cash Assistance Displaced Non-Refugee Palestinians in Gaza in the State of Palestine" for the year ended 31 December 2014.

Funded by: Swedish International Development Cooperation Agency "SIDA"

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

 UN Development Programme Report ID: unglcdrb		Combined Delivery Report by Activity	Page 3 of 3 Run Time: 25-05-2015 09:05:43
Funds Utilization			
Selection Criteria :			
Business Unit : PAL10			
Period : Jan-Dec (2014)			
Selected Project Id : ALL			
Selected Fund Code : ALL			
Selected Dept. IDs : ALL			
Selected Outputs : 00092145			
Project/Award: 00050123		Emergency Supp. & Advanced Pla	Period : As Of Dec31,2014
Output #	00092145	Impl. Partner :02388 UNDP - PAPP	UNDP AMOUNT
Outstanding NEX advances			230,870.00
Undepreciated Fixed Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			250,000.00

3. PART III - MANAGEMENT LETTER

26 May 2015

To the Director of the Office of Audit and Investigations

United Nations Development Programme

Subject: Letter to Management on auditing Combined Delivery Report (CDR) and Funds Utilization Statement ("the Statement") of the UNDP Project "Atlas Output ID: 92145".

We have performed an audit of the Combined Delivery Report (CDR) and Funds Utilization Statement ("the Statement") of the UNDP Project "Atlas Output ID: 92145", "Cash Assistance Displaced Non-Refugee Palestinians in Gaza in the State of Palestine", for the period from 1 January to 31 December 2014 in accordance with International Standards on Auditing (ISA 700) and in compliance with the UNDP rules and regulations.

In planning and performing our audit of the project, we considered the Project's internal control structure and compliance with term and condition of the grant contract in order to determine our auditing procedures for expressing our opinion on the Combined Delivery Report (CDR) ("the Statement") and not to provide assurance on the internal control structure.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statement, whether due to fraud or error.

UNDP Palestine Office Management is responsible for the design, implementation and maintenance of the internal control system over the Projects. To execute this obligation, the UNDP Palestine office Managements is required to assess the expected risks and rewards of the policies and procedures for management control.

Our consideration of the internal control structure was for the limited purpose of expressing an opinion on the Combined Delivery Report (CDR) and Funds Utilization Statement, and therefore would not necessarily be disclosing all matters that might be reportable conditions. In addition, because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected by such control structure.

Jamal Milhem, CPA

Certified Accountant License # (100/98)

Jamal D. Milhem
Executive Director

Talal Abu- Ghazaleh & Co.

Ramallah - Palestine, 26 May 2015



3.1 Audit Issues and Recommendations

3.1.1 Non-imputation of General Management Support (GMS)

Criteria:

According to the Third-Party Cost-Sharing Agreement signed between SIDA and UNDP, General Management Support fees (GMS) representing 8% of the total direct expenses incurred by UNDP in the implementation of the project were to be recovered by the Office. The amounts to be recovered during 2014 amounted to USD 162,570.

Notice background:

We noticed that the Office did not charge the GMS in the CDR for the year ended 31 December 2014.

Priority:

High (Important).

Recommendation:

The Office should collect the 2014 General Management Support fees (GMS) in full adherence with the terms stipulated in the donor agreement.

Management acceptance:

☒ Yes ☐ No

Management comments and action plan:

Unlike previous years and as per our Headquarters request, there was a change in how the GMS were to be recorded in the UNDP Atlas system. The office has however setup in 2014 a new system for proper setup and monitoring of GMS in the system for accurate collection. As a result of this monitoring system, uncollected GMS was spotted early in year 2015 and charged to the project immediately.

3.1.2 Inadequate classification of expenditures:

Observation

Notice Background:

During our audit, we noticed that UNDP expenses amounting to USD 2,032,130 were recorded under Government expenses not as UNDP expenses.

Criteria:

According to the UNDP rules and regulations these expenditures must be classified as UNDP expenses.

Priority

High (Important)

Recommendation

The Office should classify these expenditures as UNDP expenses and ensure in the future that expenditures are adequately classified in the CDR depending on the entity which incurred them.

Management acceptance:

☒ Yes ☐ No

Management comments and action plan:

UNDP will seek clear guidance from HQ's on how to record the UN agencies advances correctly, and it will be implemented starting July 2015.