



AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

SMALL SCALE WORKS AND EMPLOYMENT V, VI, VII
(Directly Implemented Project No. 41098, Output Nos. 46774, 60764, 73017)

Report No. 1646
Issue Date: 14 October 2016

**Report on the Audit of UNDP Programme of Assistance to the Palestinian People
Small Scale Works and Employment V, VI, VII
(Project No. 41098, Output Nos. 46774, 60764, 73017)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 28 July to 3 August 2016, conducted an audit of KFW Poverty Oriented Infrastructure (Project No. 41098, Output Nos. 46774, 60764, 73017—Small Scale Works and Employment V, VI, VII) (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 OAI in 2015 and covered project expenditure from 1 January to 31 December 2014.

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 2015 and the accompanying Funds Utilization statement¹ as of 31 December 2015. 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 Expenditure				
Output Nos.	Amount (in \$ '000)	Opinion	NFI* (in \$ '000)	Effect on CDR
46774	107	Adverse	(469)	Understatement
60764	3,246	Qualified	972	Overstatement
73017	389	Unqualified	N/A	N/A

*NFI = Net Financial Impact

The audit firm issued an adverse opinion on project expenditure regarding Output No. 46774 due to expenditure amounting to \$468,516 that was omitted from the Combined Delivery Report.

The audit firm issued a qualified opinion on project expenditure regarding Output No. 60764 due to expenditure amounting to \$971,915 incorrectly posted in the Combined Delivery Report.

Key recommendations: Total = 2, high priority = 2

The two recommendations aim to ensure the reliability and integrity of financial and operational information (Recommendation 1 related to Output Nos. 46774 and 60764).

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.

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. All high (critical) priority recommendations are presented below:

Expenditure relating to output omitted from Combined Delivery Report (Issue 1, Output No. 46774)	Expenditure relating to this output amounting to \$468,516 was recorded in the Combined Delivery Report of Output No. 60764, understating the expenditure reported for Output No. 46774. <u>Recommendation:</u> The Office should record expenditures under the correct outputs.
Expenditure incorrectly recorded to output (Issue 1, Output No. 60764)	Expenditure amounting to \$971,767 was incorrectly recorded in the Combined Delivery Report of Output No. 60764, overstating the expenditure for this output. <u>Recommendation:</u> The Office should record expenditures under the correct outputs.

Implementation status of previous OAI audit recommendations

The previous audit (Report No. 1502, 11 August 2015) had seven recommendations. One recommendation related to a project output not audited this year that was assessed by an OAI desk review as implemented. The remaining six recommendations were assessed by the audit firm as in progress.

The pending recommendations pertain to (a) unrelated expenditures and refunds in the current Combined Delivery Report (Output No. 46774), (b) absence of imputation of General Management Support fees (Output No. 46774), (c) refunds in the current Combined Delivery Report (Output Nos. 60764 and 73017), and (d) non-imputation of General Management Support fees (Output Nos. 60764 and 73017).

Management comments and action plan

The Special Representative 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. Ostveiten
Director
Office of Audit and Investigations

**UNITED NATIONS DEVELOPMENT PROGRAMME
(UNDP)**

AUDIT REPORT

14 October 2016

**FINANCIAL AUDIT OF THE UNDP DIRECTLY
IMPLEMENTED (DIM) PROJECT**

Small Scale Works and Employment V

UNDP Office:	Programme of Assistance to the Palestinian People
Atlas Project ID:	41098
Atlas Output ID:	46774
Auditor:	Moore Stephens LLP
Period subject to audit:	1 January to 31 December 2015

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EXECUTIVE SUMMARY

Moore Stephens LLP conducted the financial audit of ‘Small scale works and employment V’ (Project ID 41098 – Output ID 46774) (the project), directly implemented by UNDP Programme of Assistance to the Palestinian People (PAPP, ‘the Office’) for the year ended 31 December 2015. The audit was undertaken on behalf of UNDP, Office of Audit and Investigations (OAI).

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

Statement of Expenditure	Adverse
Statement of Fixed Assets	Not applicable
Statement of Cash Position	Not applicable

As a result of our audit, we have raised one audit finding, with a net financial impact of 468,516.56 as summarised below:

No.	Description	Priority	Net financial impact \$
1	Expenditure relating to the output omitted from the CDR	High	468,516.46
Total			468,516.46

The output ID 46774 ‘Small Scale Works and Employment V’ was audited in the prior year. The recommendations raised were as follows:

No.	Title	Summary of observation	Summary of recommendation	Recommendation implemented?
1	Unrelated Expenditures and refunds in the current CDR.	Expenditure incurred between 1 January and 31 December 2014 amounting to \$662,000 (€ 494,507) relating to KfW Phase VI and KfW Phase VII projects (Output 60764 and 73017 respectively) was incorrectly posted. Conversely, reversals relating to expenditure incorrectly posted in 2013 amounting to \$796,772 (€ 606,953) were made in the year, understating expenditure in the period 1 January to 31 December 2014.	The office should record expenditure in the correct projects and in the correct periods.	Partially. We identified two transactions from 2014 that had not been reallocated to output 60764 amounting to \$122,450 (€ 90,128). We also identified two transactions from 2014 that had not been reallocated to output 73017 amounting to \$87,673 (€ 63,388). The details of these transactions are outlined in the table below.

No.	Title	Summary of observation	Summary of recommendation	Recommendation implemented?
2	Absence of imputation of General Management Support fees.	General Management support fees amounting to \$15,252 were not charged to the project.	The Office should collect the General Management Support fees as stipulated in the donor agreement.	Partially. General Management Support fees for 2014 were charged to the 2015 CDR. General Management Support fees for 2015 were charged, however, this was done in 2016. Therefore this finding is considered partially implemented, because although GMS has been charged, it has not been allocated to the correct year.

Detail of expenditure identified in the FY2014 audit report that was not corrected in 2015

Date	Output	Output of reallocation	Amount (€)	Amount (\$)
10/02/2014	46774	60764	43,013	58,363
25/04/2014	46774	60764	47,115	64,087
29/05/2014	46774	73017	22,921	31,702
29/05/2014	46774	73017	40,467	55,971
Total			153,516	210,843



Mark Henderson
Partner

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14 October 2016

THE AUDIT ENGAGEMENT

Audit Objectives and Scope

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

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January and 31 December 2015 and the funds utilization as at 31 December 2015 are fairly presented in accordance with 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.
- Expressing an opinion on whether the statement of fixed assets presents fairly the balance of assets of the UNDP project as at 31 December 2015. This statement must include all assets available as at 31 December 2015 and not only those purchased in a given period. Where a DIM project does not have any assets or equipment, it will not be necessary to express such an opinion.
- 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 2015. In cases where the audited DIM project does not have a dedicated bank account for the project and the cash transactions are made through the country office bank accounts, this type of opinion is not required.

The Financial Audit was conducted in accordance with the International Standards of Auditing (ISA), the 700 series.

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

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

Independent Auditors' Report to UNDP - Small Scale Works and Employment V

Statement of Expenditure

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

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization statement totalling \$107,173.16 ("the statement") of the UNDP output ID 46774 'Small Scale Works and Employment V' for the period from 1 January to 31 December 2015.

Management's Responsibility for the Statement of Expenditure

Management is responsible for the preparation of the statement for the Small Scale Works and Employment V 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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the statement 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 audit opinion.

Basis for Adverse Opinion

We have made a financial finding totalling \$ 468,516.46 as set out in the Management Letter section of our report, which represents amounts omitted from the Combined Delivery Report (CDR) and Funds Utilization statement presented to us for audit. This finding represents 437.2 % of the total expenditure amount reported and is therefore considered material and pervasive in the context of our audit.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph the attached Combined Delivery Report (CDR) and Funds Utilization statement does not present fairly, in all material aspects, the actual expenditure incurred for the output 46774 Small Scale Works and Employment V for the period 1 January to 31 December 2015 in accordance with UNDP accounting policies.



Mark Henderson
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14 October 2016

Independent Auditors' Report to UNDP - Small scale works and employment VI

Statement of Assets and Equipment

We noted that the UNDP output ID 46774 'Small Scale Works and Employment V' had no assets or equipment and accordingly a Statement of Fixed Assets was not produced.

Independent Auditors' Report to UNDP - Small scale works and employment VI

Statement of Cash Position

We noted that the UNDP output ID 46774 'Small Scale Works and Employment V' did not have a dedicated bank account for DIM project activities subject to audit and accordingly a Statement of Cash Position was not produced.

MANAGEMENT LETTER

The finding related to the audit of the financial statements is discussed in our management letter below:

Finding n°: 1	Title: Expenditure relating to the output omitted from the CDR
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Observation:

The Country Office signed various project agreements with KfW to fund the Programme Employment Generation in the West Bank and Gaza Strip. Each phase of the Programme has its own Project Agreement and is therefore a distinguishable output. Three of the outputs were audited by Moore Stephens; outputs 46774, 60764 and 73017.

We noted that expenditure relating to this output amounting to \$ 468,516.46 was recorded in the CDR of output 60764 understating the expenditure reported for the output 46774. Please refer to the table below for further details:

Date	Output	Voucher number	Amount (€)	Amount (\$)	Correct output
22/12/2015	60764	00089390	-	3,147.76	KfW Phase V (46774)
22/12/2015	60764	00089390	77,340.64	81,841.95	KfW Phase V (46774)
14/12/2015	60764	00089531	97,393.50	103,061.90	KfW Phase V (46774)
14/12/2015	60764	00089533	129,039.29	136,549.51	KfW Phase V (46774)
14/12/2015	60764	00089535	136,000.00	143,915.34	KfW Phase V (46774)
Total			439,773.43	468,516.46	

Priority: High

Recommendation:

We recommend that the Office should record expenditure in the correct output.

Management comments:

UNDP will take the necessary measures to reconcile and re-allocate all funds against the appropriate output numbers. As was explained to the audit team, important delays were encountered with the receipt of the funds from the donor. In order not to jeopardize implementation of the project on the ground, the office received formal approval from the donor to use funding already in its custody from the same donor. Indeed, the partnership with this specific donor is a longstanding one, and other projects of similar nature were already under implementation by UNDP as part of this cooperation and with the same source of funding.



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14 October 2016

Annexes

Annex 1: Combined Delivery Report



Page 1 of 4
Run Time: 05-10-2016 13:10:00

Business Unit : PAL10
Period : Jan-Dec (2015)
Selected Project Id : 00041098
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00046774

Activity : **ACTIVITY 1** (Gaza Strip - Construction)

Fund : 40500 (TF PAPP Voluntary Contrib Actv)

72105 - Svc Co-Construction & Engineer	0.00	100,446.67	0.00	100,446.67
75105 - Facilities & Admin - Implement	0.00	2,874.87	0.00	2,874.87
76135 - Realized Gain	0.00	-4,009.53	0.00	-4,009.53

Total for Fund 40500

Total for Activity ACTIVITY 1Activity : **ACTIVITY 2** (West Bank - Construction)

Fund : 40500 (TF PAPP Voluntary Contrib Actv)

72105 - Svc Co-Construction & Engineer	0.00	- 27,180.49	0.00	- 27,180.49
75105 - Facilities & Admin - Implement	0.00	- 7,002.50	0.00	- 7,002.50

Total for Fund 40500

Total for Activity ACTIVITY 2Activity : **ACTIVITY 3** (WWTP - Jenin)

Fund : 40500 (TF PAPP Voluntary Contrib Actv)

75105 - Facilities & Admin - Implement	0.00	19,380.24	0.00	19,380.24
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Total for Fund 40500

Total for Activity ACTIVITY 3

Activity : **ACTIVITY 7** (Project Staff & Miscellaneous)

Fund : 40500 (TF PAPP Voluntary Contrib Actv)

71405 - Service Contracts-Individuals	0.00	12,000.00	0.00	12,000.00
74110 - Audit Fees	0.00	10,663.90	0.00	10,663.90

Total for Fund 40500

15/12/2011



Combined Delivery Report by Activity

UNDP UN Development Programme
Report ID: unglcdrb

Page 2 of 4
Run Time: 05-10-2016 13:10:00

Project Id : 00041098 PAL/ KFW -V	Period :	Jan-Dec (2015)
Output # : 00046774 Small Scale Works&Employment 5	Impl. Partner :	02388 UNDP - PAPP
	Location :	Palestine

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Total for Activity ACTIVITY 7	0.00	22,663.90	0.00	22,663.90
Total for Output : 00046774	0.00	107,173.16	0.00	107,173.16
Project Total :	0.00	107,173.16	0.00	107,173.16

Mark Henderson
Partner
Moore Stephens LLP

14 October 2016

MOORE STEPHENS

Signed By :

Nader Attia Deputy Team Lead

Date :

5/10/2016

Signed By :

Abderrahman El Yassa
Governance Team Leader

Date :

5/10/2016



Combined Delivery Report by Activity

UNDP UN Development Programme
Report ID: unglcdrb

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Run Time: 05-10-2016 13:10:02

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2015)
Selected Project Id : 00041098
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00046774

Project Id : ALL		Period : Jan-Dec (2015)		
Output # : ALL		Impl. Partner :		
		Location :		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
70001 - PAPP - Central	0.00	107,173.16	0.00	107,173.16



Funds Utilization

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2015)
Selected Project Id : 00041098
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00046774

No Data found for the Selection Criteria

Handwritten signature and date
5/10/2016

Annex 2: Audit finding priority ratings

The following categories of priorities are used:

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

**UNITED NATIONS DEVELOPMENT PROGRAMME
(UNDP)**

AUDIT REPORT

14 October 2016

**FINANCIAL AUDIT OF THE UNDP DIRECTLY
IMPLEMENTED (DIM) PROJECT**

Small Scale Works and Employment VI

UNDP Office:	Programme of Assistance to the Palestinian People
Atlas Project ID:	41098
Atlas Output ID:	60764
Auditor:	Moore Stephens LLP
Period subject to audit:	1 January to 31 December 2015

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EXECUTIVE SUMMARY

Moore Stephens LLP conducted the financial audit of ‘Small Scale Works and Employment VI’ (Project ID 41098 - Output ID 60764) (the project), directly implemented by UNDP Programme of Assistance to the Palestinian People (PAPP, ‘the Office’) for the year ended 31 December 2015. The audit was undertaken on behalf of UNDP, Office of Audit and Investigations (OAI).

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

Statement of Expenditure	Qualified
Statement of Fixed Assets	Not applicable
Statement of Cash Position	Not applicable

As a result of our audit, we have raised one audit finding, with a financial impact of \$971,915.09 as summarised below:

No.	Description	Priority	Net financial impact \$
1	Expenditure incorrectly posted to the output	High	971,915.09
Total			971,915.09

This output ID 60764 ‘Small Scale Works and Employment VI’ was audited in the prior year. The recommendations raised were as follows:

No.	Title	Summary of observation	Summary of recommendation	Recommendation implemented?
1	Refunds in the current CDR.	Expenditure incurred in 2013 amounting to \$470,033 (€ 356,262) had been initially recorded in the CDR of output ID 46774 during the period 1 January to 31 December 2013. The reallocation of these transactions from output ID 46774 to output ID 60764 to correct the prior year error were made during 2014, misstating the expenditure for this period.	The Office should record expenditure in the correct projects and in the correct periods.	No. In the period under audit, we identified some reallocations of expenditure incurred between 1 January and 31 December 2014 amounting to \$276,733 (€ 206,985). Therefore, the same issue arose again this year. In addition, we identified expenditure incurred between 1 January and 31 December 2015 incorrectly posted to output ID 60764 amounting to \$971,915. Therefore, the same issue will arise next year too. Please refer to the management finding 1 for further detail.

No.	Title	Summary of observation	Summary of recommendation	Recommendation implemented?
2	Non-imputation of General Management Support (GMS) fees.	General Management support fees amounting to \$173,510 were not charged to the project in 2014.	The Office should collect the General Management Support fees as stipulated in the donor agreement.	Partially. General Management Support fees for 2014 were charged to the 2015 CDR. General Management Support fees for 2015 were charged, however, this was done in 2016. Therefore this finding is considered partially implemented, because although GMS has been charged, it has not been allocated to the correct year.



Mark Henderson
Partner

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14 October 2016

THE AUDIT ENGAGEMENT

Audit Objectives and Scope

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

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January and 31 December 2015 and the funds utilization as at 31 December 2015 are fairly presented in accordance with 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.
- Expressing an opinion on whether the statement of fixed assets presents fairly the balance of assets of the UNDP project as at 31 December 2015. This statement must include all assets available as at 31 December 2015 and not only those purchased in a given period. Where a DIM project does not have any assets or equipment, it will not be necessary to express such an opinion.
- 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 2015. In cases where the audited DIM project does not have a dedicated bank account for the project and the cash transactions are made through the country office bank accounts, this type of opinion is not required.

The Financial Audit was conducted in accordance with the International Standards of Auditing (ISA), the 700 series

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

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

Independent Auditors' Report to UNDP - Small Scale Works and Employment VI

Statement of Expenditure

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

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization statement totalling \$3,246,111.39 ("the statement") of the UNDP output ID 60764 'Small Scale Works and Employment VI' for the period from 1 January to 31 December 2015.

Management's Responsibility for the Statement of Expenditure

Management is responsible for the preparation of the statement for the Small Scale Works and Employment VI 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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the statement 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 audit opinion.

Basis for Qualified Opinion

We have made financial findings totalling \$ 971,915.09 as set out in the Management Letter section of our report, which represent amounts included in the Combined Delivery Report (CDR) and Funds Utilization statement presented to us for audit which, in our opinion, were either (i) not in conformity with the approved budget; (ii) not for the approved purposes of the project; (iii) not in compliance with the relevant regulations and rules, policies and procedures of UNDP; or (iv) not supported by properly approved vouchers and other supporting documents. These findings represent 29.9 % of the total expenditure amount reported and are therefore considered material in the context of our audit.

Qualified Opinion

In our opinion, the attached Combined Delivery Report (CDR) and Funds Utilization statement, except for the matter described in the Basis for Qualified Opinion paragraph, presents fairly in all material respects the expenditure of \$ 3,246,111.39 incurred by the UNDP project Small Scale Works and Employment VI for the period 1 January to 31 December 2015 in accordance with UNDP accounting policies.



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Partner

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14 October 2016

Independent Auditors' Report to UNDP - Small scale works and employment VI

Statement of Assets and Equipment

We noted that the UNDP output ID 60764 'Small Scale Works and Employment VI' had no assets or equipment and accordingly a Statement of Fixed Assets was not produced.

Independent Auditors' Report to UNDP - Small scale works and employment VI

Statement of Cash Position

We noted that the UNDP output ID 60764 'Small Scale Works and Employment VI' did not have a dedicated bank account for DIM project activities subject to audit and accordingly a Statement of Cash Position was not produced.

MANAGEMENT LETTER

The finding related to the audit of the financial statements is discussed in our management letter below:

Finding n°: 1	Title: Expenditure incorrectly posted to the output
----------------------	--

Observation:

The Country Office signed various project agreements with KfW to fund the Programme Employment Generation in the West Bank and Gaza Strip. Each phase of the Programme has its own Project Agreement and is therefore a distinguishable output. Three of the outputs were audited by Moore Stephens; outputs 46774, 60764 and 73017.

We noted that expenditure amounting to \$ 971,767.33 was incorrectly recorded in the CDR of output 60764 overstating the expenditure for this output. All the expenditure related to outputs funded by KfW. Please refer to the table below for further details:

Date	Output	Voucher number	Amount (€)	Amount (\$)	Correct output
28/11/2015	60764	00089082	-	74,424.80	KfW Phase VIII
22/12/2015	60764	00089390	-	3,147.76	KfW Phase V (46774)
22/12/2015	60764	00089390	77,340.64	81,841.95	KfW Phase V (46774)
14/12/2015	60764	00089531	97,393.50	103,061.90	KfW Phase V (46774)
14/12/2015	60764	00089533	129,039.29	136,549.51	KfW Phase V (46774)
14/12/2015	60764	00089535	136,000.00	143,915.34	KfW Phase V (46774)
14/12/2015	60764	00089077	-	80,682.51	KfW Phase IX
14/12/2015	60764	00089081	-	51,500.39	KfW Phase IX
18/12/2015	60764	00089199	-	48,907.06	KfW Phase IX
18/12/2015	60764	00089199	-	32,604.71	KfW Phase IX
14/12/2015	60764	00089200	-	69,084.33	KfW Phase IX
14/12/2015	60764	00089313	-	40,839.11	KfW Phase IX
14/12/2015	60764	00089393	-	63,146.80	KfW Phase IX
14/12/2015	60764	00089605	-	42,208.92	KfW Phase IX
Total			439,773.43	971,915.09	

Priority: High

Recommendation:

We recommend that the Office should record expenditure in the correct output.

Management comments:

UNDP will take the necessary measures to reconcile and re-allocate all funds against the appropriate output numbers. As was explained to the audit team, important delays were encountered with the receipt of the funds from the donor. In order not to jeopardize implementation of the project on the ground, the office received formal approval from the donor to use funding already in its custody from the same donor. Indeed, the partnership with this specific donor is a longstanding one, and other projects of similar nature were already under implementation by UNDP as part of this cooperation and with the same source of funding.



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14 October 2016

Annexes

Annex 1: Combined Delivery Report



Combined Delivery Report by Activity

UN Development Programme
Report ID: unglcdrb

Page 1 of 4
Run Time: 05-10-2016 13:10:39

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2015)
Selected Project Id : 00041098
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00060764

Project Id : 00041098 PAL/ KFW -V		Period :	Jan-Dec (2015)	
Output # : 00060764 Small Scale Works&Employment 6		Impl. Partner :	02388 UNDP - PAPP	
		Location :		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Activity : ACTIVITY1 (Project Implementation Unit)

Fund : 40500 (TF PAPP Voluntary Contrib Actv)

71405 - Service Contracts-Individuals	0.00	115,260.04	0.00	115,260.04
71410 - MAIP Premium SC	0.00	361.45	0.00	361.45
71415 - Contribution to Security SC	0.00	5,872.74	0.00	5,872.74
71505 - UN Volunteers-Stipend & Allow	0.00	7,972.61	0.00	7,972.61
71520 - UNV-Language Allowance	0.00	425.00	0.00	425.00
71535 - UNV-Medical Insurance	0.00	349.73	0.00	349.73
71540 - UNV-Global Charges	0.00	317.96	0.00	317.96
71541 - UNVs-Contribution to security	0.00	518.22	0.00	518.22
71550 - UNV-Resettlement Allowance	0.00	664.38	0.00	664.38
71590 - UNV Development Effectiveness	0.00	1,020.00	0.00	1,020.00
74525 - Sundry	0.00	41,460.00	0.00	41,460.00
Total for Fund 40500	0.00	174,222.13	0.00	174,222.13
Total for Activity ACTIVITY1	0.00	174,222.13	0.00	174,222.13

Activity : ACTIVITY2 (West Bank Construction Costs)

Fund : 40500 (TF PAPP Voluntary Contrib Actv)

72105 - Svc Co-Construction & Engineer	0.00	103,061.90	0.00	103,061.90
75105 - Facilities & Admin - Implement	0.00	6,474.82	0.00	6,474.82
Total for Fund 40500	0.00	109,536.72	0.00	109,536.72
Total for Activity ACTIVITY2	0.00	109,536.72	0.00	109,536.72

Activity : ACTIVITY3 (Gaza Strip Construction Costs)

Fund : 40500 (TF PAPP Voluntary Contrib Actv)

71620 - Daily Subsistence Allow-Local	0.00	262.20	0.00	262.20
72105 - Svc Co-Construction & Engineer	0.00	2,758,173.91	0.00	2,758,173.91
75105 - Facilities & Admin - Implement	0.00	167,036.00	0.00	167,036.00
76125 - Realized Loss	0.00	4,628.14	0.00	4,628.14
76135 - Realized Gain	0.00	- 7,967.35	0.00	- 7,967.35
Total for Fund 40500	0.00	2,922,132.90	0.00	2,922,132.90

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Combined Delivery Report by Activity

UN Development Programme
Report ID: unglcdrb

Page 2 of 4
Run Time: 05-10-2016 13:10:39

Project id : 00041098 PAL/ KFW -V	Period : Jan-Dec (2015)
Output # : 00060764 Small Scale Works&Employment 6	Impl. Partner : 02388 UNDP - PAPP
	Location :

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Total for Activity ACTIVITY3	0.00	2,922,132.90	0.00	2,922,132.90
Activity : ACTIVITY4 (Miscellaneous)				
Fund : 40500 (TF PAPP Voluntary Contrib Actv)				
63405 - Learning Costs	0.00	849.86	0.00	849.86
71615 - Daily Subsistence Allow-Intl	0.00	56.98	0.00	56.98
71620 - Daily Subsistence Allow-Local	0.00	264.88	0.00	264.88
72105 - Svc Co-Construction & Engineer	0.00	725.11	0.00	725.11
72425 - Mobile Telephone Charges	0.00	2,422.91	0.00	2,422.91
73105 - Rent	0.00	25,393.60	0.00	25,393.60
74110 - Audit Fees	0.00	3,800.26	0.00	3,800.26
74525 - Sundry	0.00	6,436.19	0.00	6,436.19
76125 - Realized Loss	0.00	1.04	0.00	1.04
76135 - Realized Gain	0.00	- 21.13	0.00	- 21.13
Total for Fund 40500	0.00	39,929.70	0.00	39,929.70
Total for Activity ACTIVITY4	0.00	39,929.70	0.00	39,929.70
Activity : ACTIVITY5 (Contingencies)				
Fund : 40500 (TF PAPP Voluntary Contrib Actv)				
71615 - Daily Subsistence Allow-Intl	0.00	56.98	0.00	56.98
71620 - Daily Subsistence Allow-Local	0.00	232.44	0.00	232.44
76125 - Realized Loss	0.00	0.52	0.00	0.52
Total for Fund 40500	0.00	289.94	0.00	289.94
Total for Activity ACTIVITY5	0.00	289.94	0.00	289.94
Total for Output : 00060764	0.00	3,246,111.39	0.00	3,246,111.39

Project Total :	0.00	3,246,111.39	0.00	3,246,111.39
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Signed By :  - Nomen Atta Deputy Team Lead Date : 5/10/2016

Signed By :  Abderrahman EL Yessa Date : 5/10/2016

Governance Team Leader



Mark Henderson
Partner
Moore Stephens LLP

14 October 2016

MOORE STEPHENS



Combined Delivery Report by Activity

UN
DP UN Development Programme
Report ID: unglcdrb

Page 3 of 4
Run Time: 05-10-2016 13:10:41

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2015)
Selected Project Id : 00041098
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00060764

Project Id : ALL	Period :	Jan-Dec (2015)		
Output # : ALL	Impl. Partner :			
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
70001 - PAPP - Central	0.00	3,246,111.39	0.00	3,246,111.39

5/10/2016



Combined Delivery Report by Activity

UN
DP UN Development Programme
Report ID: unglcdrb

Page 4 of 4
Run Time: 05-10-2016 13:10:41

Funds Utilization

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2015)
Selected Project Id : 00041098
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00060764

Project/Award: 00041098 PAL/ KFW -V

Period : As Of Dec31,2015

Output #	00060764	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

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5/10/2016

Annex 2: Audit finding priority ratings

The following categories of priorities are used:

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

**UNITED NATIONS DEVELOPMENT PROGRAMME
(UNDP)**

AUDIT REPORT

6 October 2016

**FINANCIAL AUDIT OF THE UNDP DIRECTLY
IMPLEMENTED (DIM) PROJECT**

Small Scale Works and Employment VII

UNDP Office:	Programme of Assistance to the Palestinian People
Atlas Project ID:	41098
Atlas Output ID:	73017
Auditor:	Moore Stephens LLP
Period subject to audit:	1 January to 31 December 2015

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ANNEX 2: AUDIT FINDING PRIORITY RATINGS	15

EXECUTIVE SUMMARY

Moore Stephens LLP conducted the financial audit of ‘Small Scale Works and Employment VII’ (Project ID 41098 - Output ID 73017) (the project), directly implemented by UNDP Programme of Assistance to the Palestinian People (PAPP, ‘the Office’) for the year ended 31 December 2015. The audit was undertaken on behalf of UNDP, Office of Audit and Investigations (OAI).

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

Statement of Expenditure	Unqualified
Statement of Fixed Assets	Not applicable
Statement of Cash Position	Not applicable

As a result of our audit, we have raised no audit findings.

The output ID 73017 ‘Small Scale Works and Employment VII’ was audited in the prior year. The recommendations raised were as follows:

No.	Title	Summary of observation	Summary of recommendation	Recommendation implemented?
1	Refunds in the current CDR.	Expenditure incurred in 2013 amounting to \$326,739 (€ 250,691) had been initially recorded in the CDR of output ID 46774 during the period 1 January to 31 December 2013. The reallocation of these transactions from output ID 46774 to output ID 73017 to correct the prior year error were made during 2014, misstating the expenditure for this period.	The office should record expenditure in the correct projects and in the correct periods.	Partially. In the period under audit, reallocations of expenditure incurred during the period 1 January to 31 December 2014 were identified as processed in ATLAS outlined in the table below. However, no such reclassifications are expected in 2016 relating to 2015 expenditure.
2	Non-imputation of General Management Support (GMS) fees.	General Management support fees amounting to \$30,260 were not charged to the project.	The Office should collect the General Management Support fees as stipulated in the donor agreement.	Partially. General Management Support fees for 2014 were charged to the 2015 CDR. General Management Support fees for 2015 were charged, however, this was done in 2016. Therefore this finding is considered partially implemented, because although GMS has been charged, it has not been allocated to the correct year.

Details of 2014 expenditure reallocated to the project in 2015

Date	Output	Output of reallocation	Amount (€)	Amount (\$)
29/05/2014	73017	46774	22,921	31,702
29/05/2014	73017	46774	40,467	55,971
Total			63,388	87,673



Mark Henderson
Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

6 October 2016

THE AUDIT ENGAGEMENT

Audit Objectives and Scope

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

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January and 31 December 2015 and the funds utilization as at 31 December 2015 are fairly presented in accordance with 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.
- Expressing an opinion on whether the statement of fixed assets presents fairly the balance of assets of the UNDP project as at 31 December 2015. This statement must include all assets available as at 31 December 2015 and not only those purchased in a given period. Where a DIM project does not have any assets or equipment, it will not be necessary to express such an opinion.
- 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 2015. In cases where the audited DIM project does not have a dedicated bank account for the project and the cash transactions are made through the country office bank accounts, this type of opinion is not required.

The Financial Audit was conducted in accordance with the International Standards of Auditing (ISA), the 700 series

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

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

Independent Auditors' Report to UNDP - Small Scale Works and Employment VII

Statement of Expenditure

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

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization statement totalling \$388,655.90 ("the statement") of the UNDP output ID 73017 'Small Scale Works and Employment VII' for the period from 1 January to 31 December 2015.

Management's Responsibility for the Statement of Expenditure

Management is responsible for the preparation of the statement for the Small Scale Works and Employment VII 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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the statement 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 audit opinion.

Unqualified Opinion

In our opinion, the attached Combined Delivery Report (CDR) and Funds Utilization statement presents fairly, in all material respects, the expenses of \$388,655.90 incurred by the project 'Small Scale Works and Employment VII' for the period 1 January to 31 December 2015 in accordance with UNDP accounting policies and were (i) in conformity with the approved budget; (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.



Mark Henderson
Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

6 October 2016

Independent Auditors' Report to UNDP - Small scale works and employment VII

Statement of Assets and Equipment

We noted that the UNDP output ID 73017 'Small Scale Works and Employment VII' had no assets or equipment and accordingly a Statement of Fixed Assets was not produced.

Independent Auditors' Report to UNDP - Small scale works and employment VII

Statement of Cash Position

We noted that the UNDP output ID 73017 'Small Scale Works and Employment VII' did not have a dedicated bank account for DIM project activities subject to audit and accordingly a Statement of Cash Position was not produced.

MANAGEMENT LETTER

As a result of our audit, we have raised no audit findings.



Mark Henderson
Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

6 October 2016

Annexes

Annex 1: Combined Delivery Report



Combined Delivery Report by Activity

UN Development Programme
Report ID: unglcdrb

Page 1 of 4
Run Time: 05-10-2016 13:10:22

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2015)
Selected Project Id : 00041098
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00073017

Project Id : 00041098 PAL/ KFW -V	Period :	Jan-Dec (2015)		
Output # : 00073017 Small Scale Works&Employment 7	Impl. Partner :	02388 UNDP - PAPP		
	Location :	Palestine		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Activity : ACTIVITY 1 (Project Implementation Unit)

Fund : 40500 (TF PAPP Voluntary Contrib Actv)

71405 - Service Contracts-Individuals	0.00	7,500.00	0.00	7,500.00
Total for Fund 40500	0.00	7,500.00	0.00	7,500.00
Total for Activity ACTIVITY 1	0.00	7,500.00	0.00	7,500.00

Activity : ACTIVITY 2 (West Bank Construction Works)

Fund : 40500 (TF PAPP Voluntary Contrib Actv)

72105 - Svc Co-Construction & Engineer	0.00	73,363.73	0.00	73,363.73
75105 - Facilities & Admin - Implement	0.00	37,378.41	0.00	37,378.41
Total for Fund 40500	0.00	110,742.14	0.00	110,742.14
Total for Activity ACTIVITY 2	0.00	110,742.14	0.00	110,742.14

Activity : ACTIVITY 3 (Gaza Strip Construction Works)

Fund : 40500 (TF PAPP Voluntary Contrib Actv)

72105 - Svc Co-Construction & Engineer	0.00	218,919.33	0.00	218,919.33
75105 - Facilities & Admin - Implement	0.00	12,070.25	0.00	12,070.25
76135 - Realized Gain	0.00	- 64.39	0.00	- 64.39
Total for Fund 40500	0.00	230,925.19	0.00	230,925.19
Total for Activity ACTIVITY 3	0.00	230,925.19	0.00	230,925.19

Activity : ACTIVITY 4 (Contingencies)

Fund : 40500 (TF PAPP Voluntary Contrib Actv)

74525 - Sundry	0.00	578.23	0.00	578.23
76125 - Realized Loss	0.00	0.00	0.00	0.00
Total for Fund 40500	0.00	578.23	0.00	578.23

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5/10/2016



Combined Delivery Report by Activity

UN Development Programme
Report ID: unglcdrb

Page 2 of 4
Run Time: 05-10-2016 13:10:22

Project Id : 00041098 PAL/ KFW -V	Period :	Jan-Dec (2015)		
Output # : 00073017 Small Scale Works&Employment 7	Impl. Partner :	02388 UNDP - PAPP		
	Location :	Palestine		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exo

Total for Activity ACTIVITY 4	0.00	578.23	0.00	578.23
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Activity : ACTIVITY 5 (Miscellaneous)

Fund : 40500 (TF PAPP Voluntary Contrib Actv)

71405 - Service Contracts-Individuals	0.00	2,811.68	0.00	2,811.68
72105 - Svc Co-Construction & Engineer	0.00	1,503.96	0.00	1,503.96
73101 - Leased/rented land	0.00	2,246.35	0.00	2,246.35
73105 - Rent	0.00	12,575.67	0.00	12,575.67
73410 - Maint, Oper of Transport Equip	0.00	1,213.72	0.00	1,213.72
74110 - Audit Fees	0.00	3,547.67	0.00	3,547.67
74505 - Insurance	0.00	3,863.29	0.00	3,863.29
74525 - Sundry	0.00	10,034.61	0.00	10,034.61
75705 - Learning costs	0.00	1,100.00	0.00	1,100.00
76125 - Realized Loss	0.00	17.84	0.00	17.84
76135 - Realized Gain	0.00	- 4.45	0.00	- 4.45

Total for Fund 40500	0.00	38,910.34	0.00	38,910.34
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Total for Activity ACTIVITY 5	0.00	38,910.34	0.00	38,910.34
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Total for Output : 00073017	0.00	388,655.90	0.00	388,655.90
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Project Total :	0.00	388,655.90	0.00	388,655.90
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Mark Henderson
Partner
Moore Stephens LLP

06 October 2016

MOORE STEPHENS

Signed By :

Nansen Atte Deputy Team Leader Date : 5/10/2016

Signed By :

Abderrahman El Yag, Gov. Team Leader Date : 5/10/2016



Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2015)
Selected Project Id : 00041098
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00073017

Project Id : ALL	Period : Jan-Dec (2015)			
Output # : ALL	Impl. Partner :			
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
70001 - PAPP - Central	0.00	388,655.90	0.00	388,655.90

N. S. K. 05/10/2016



Funds Utilization

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2015)
Selected Project Id : 00041098
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00073017

Project/Award: 00041098 PAL/ KFW -V

Period : As Of Dec31,2015

Output #	00073017	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

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Annex 2: Audit finding priority ratings

The following categories of priorities are used:

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