



**AUDIT**

**OF**

**UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE**

**COMMUNITY RESILIENCE AND DEVELOPMENT PROGRAMME FOR AREA C AND EAST  
JERUSALEM**  
**(Directly Implemented Project No. 69435, Output No. 84013)**

**Report No. 2070**  
**Issue Date: 15 July 2019**

**Report on the Audit of UNDP Programme of Assistance to the Palestinian People  
Community Resilience and Development Programme for Area C and East Jerusalem  
(Project No. 69435, Output No. 84013)  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 16 to 25 April 2019, conducted an audit of Community Resilience and Development Programme for Area C and East Jerusalem (Project No. 69435, Output No. 84013) (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 through Talal Abu-Ghazaleh & Co. in 2018 and covered project expenses from 1 January to 31 December 2017.

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 expenses for the period from 1 January to 31 December 2018 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2018 as well as Statement of Fixed Assets as of 31 December 2018. The audit did not include activities and expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). In addition, the audit did not cover the Statement of Cash 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 letter submitted by the audit firm, the results are summarized in the table below:

Project Expenses*		Project Assets	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
2,030	Unmodified**	41	Unmodified

\* Expenses recorded in the Combined Delivery Report were \$2,044,940. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country (\$14,540).

\*\* There was a Net Financial Misstatement of \$43,112.75, the result of an adjustment of prior year expenses, i.e. expenses that should have been recorded in 2017. The recording error was reported in last year's audit and it gave rise to an audit recommendation, and thus it did not affect the audit opinion.

**Key recommendation:** Total = 1, high priority = 0

The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendations, which means, "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP." This recommendation includes actions to address an overstatement in the 2018 Combined Delivery Report.

<sup>1</sup> The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) undepreciated 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.

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

**Implementation status of previous OAI audit recommendations:** Report No. 1944, 2 August 2018.

Total recommendations: 1

Implemented: 1

#### **Management comments and action plan**

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



Antoine Khoury  
Officer-in-Charge  
Office of Audit and Investigations

**United Nations Development Programme  
(UNDP)**

**Financial Audit of Directly Implemented Project Managed by  
UNDP Programme of Assistance to the Palestinian People (PAPP)**

**“Community Resilience and Development Programme For Area C and East  
Jerusalem”**

**(Project ID 69435 - Output ID 84013)**

**For the period from 1 January to 31 December 2018**

**9 July 2019**

**Talal Abu – Ghazaleh & Co.**

**Certified Public Accountants**



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## 1. PART I – EXECUTIVE SUMMARY

### 1.1. Executive Summary:

This report represents the results of the financial audit conducted by Talal Abu – Ghazaleh & Co. of the Project ID 69435 – Output ID 84013 “Community Resilience and Development Programme For Area C and East Jerusalem” (the project), directly implemented by UNDP Programme of Assistance to the Palestinian People (PAPP) for the period from 1 January to 31 December 2018.

The audit was undertaken on behalf of UNDP, Office of Audit and Investigations (OAI) and mandated in accordance with the Contract for Professional Services signed between UNDP and Talal Abu –Ghazaleh & Co. on 29 March 2018.

#### - **Audit Opinions:**

The following is the summary of the audit opinions provided:

Report on	Type of opinion	Note
<b>Financial Position</b>	Unmodified	
<b>Statement of Fixed Assets</b>	Unmodified	
<b>Statement of Cash</b>	Not applicable	There was no separate bank account for the project under audit. Therefore, no audit opinion is provided on the statement of cash.

#### - **Audit Finding:**

As a result of our audit, the following finding was included in the management letter:

Summary of Audit Finding	Priority	Net Financial Impact
Adjusting entry with an amount of USD 43,112.75 was recorded in 2018's CDR, although it belongs to 2017's CDR since 2017's CDR were already closed.	Medium (Important)	Overstated the expenses in current CDR by an amount of USD 43,112.75.

### Follow-up of Previous Year Audit Recommendations:

The output ID 84013 "Community Resilience and Development Programme For Area C and East Jerusalem" was audited in the prior year for FY2017. The previous audit report no. 1944 resulted on one recommendation. The recommendation raised and its implementation status was as follows:

Recommendation Title	Implementation
Miscalculation of General Management Support (GMS): The GMS amount that was recorded in the 2017's CDR was calculated using the percentage of 7% instead of 8%.	Implemented.

Sincerely yours,

**Jamal Milhem, CPA**  
Certified Accountant License # (100/98)

**Talal Abu -Ghazaleh & Co.**  
License No. 251/1997  
Ramallah - Palestine, 9 July 2019



## **1.2. Audit Objectives**

A. The objective of the financial audit is to express an opinion on the project’s financial position which include:

- 1) Expressing an opinion on whether the financial expenses incurred by the project for the period from 1 January to 31 December 2018 and the funds utilization statement, the accounts receivable and the accounts payable as at 31 December 2018 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 are the mandatory and official statements upon which the audit opinion should be expressed. Other forms of statement of expenses that may be prepared by a project office are not accepted.
- 2) Expressing an opinion on whether the statement of fixed assets, at net book value, presents fairly the balance of depreciated assets of the UNDP Project as at 31 December 2018. This statement should include all assets available as at 31 December 2018 and not only those purchased in the year under audit. Where a DIM project does not have any assets or equipment it will not be necessary to express such an opinion, and
- 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 2018. Disbursements made against directly implemented project, DIM project are usually financed from the regular country office bank accounts. Exceptionally, a dedicated bank account may be opened and used solely for the cash transactions of a DIM project, e.g. if the project is in a remote location. It is required to express an opinion on the Statement of Cash only where a dedicated bank account for the DIM project has been established. In cases where the cash transactions of the audited DIM project are made through the country office bank accounts, this type of opinion is not required.

B. Providing the progress made in implementing the recommendations raised in a previous year audit report (if any).

The financial audit was conducted in accordance with the International Standards on Auditing (ISA), the 700 series.

## **1.3. Scope of Audit:**

The scope of the audit relates only to transactions concluded and recorded against the UNDP DIM project for the period from 1 January to 31 December 2018. 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 office.



## 2. PART II – FINANCIAL AUDIT REPORTS

### 2.1. Auditor's Report on Financial Position.

**Independent Auditor's Report on the Project Financial Position  
of UNDP DIM Project ID 69435 – Output ID 84013  
“Community Resilience and Development Programme For Area C and East  
Jerusalem”**

**To the Director of the Office of Audit and Investigations (OAI)  
United Nations Development Programme (UNDP)**

We have audited the financial position of the UNDP project ID 69435 - output ID 84013 “Community Resilience and Development Programme For Area C and East Jerusalem”, for the period from 1 January to 31 December 2018, which include: (a) the accompanying Combined Delivery Report (CDR); (b) the Funds Utilization Statement (the statement); and (c) the project-related accounts receivable and accounts payable.

The CDR expenditure totaling USD 2,044,940.48 is comprised of expenditure directly incurred by the UNDP PAPP for an amount of USD 2,030,400.46 and expenditure incurred by entities other than the Office for an amount of USD 14,540.02. Our audit only covered the expenditure directly incurred by the UNDP PAPP of USD 2,030,400.46.

### **Unmodified Opinion**

In our opinion, the attached Combined Delivery Report (CDR) and Funds Utilization Statement present fairly, in all material respects, the expenses of USD 2,030,400.46 directly incurred by the UNDP PAPP and charged to the project ID 69435 - output ID 84013 “Community Resilience and Development Programme For Area C and East Jerusalem”, for the period from 1 January to 31 December 2018 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.

### **Basis for Opinion.**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the CDR and Funds Utilization section of our report. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management Responsibilities

Management is responsible for the preparation of the CDR and the Funds Utilization statement of the project, and for such internal control as management determines is necessary to enable the preparation of a CDR and Funds Utilization statement that is free from material misstatement, whether due to fraud or error.

### Auditor’s Responsibilities

Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the CDR and Funds Utilization statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization’s internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Emphasis of Matter:

We draw attention to Note No.1 to the accompanying CDR and Funds Utilization statement which describes the uncertainty related to the USD 43,112.75. Our opinion is not qualified in respect of this matter.

**Jamal Milhem, CPA**  
Certified Accountant License # (100/98)

**Talal Abu –Ghazaleh & Co.**  
License No. 251/1997  
Ramallah - Palestine, 14 June 2019



## 2.2. Combined Delivery Report (CDR) and Funds Utilization Statement:

### "Community Resilience and Development Programme For Area C and East Jerusalem"

(Project ID 69435 - Output ID: 84013)

for the period from 1 January to 31 December 2018



UN  
DP UN Development Programme  
Report ID: unglcdrp

#### Combined Delivery Report By Project

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Run Time: 22-02-2019 09:02:38

#### Selection Criteria :

Business Unit : PAL10  
Period : Jan-Dec (2018)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00084013

Project Id : 00069435 Community Resilience & Dev. P		Period :	Jan-Dec (2018)	
Output # : 00084013 Community Resilience Program		Impl. Partner :	02388 UNDP - PAPP	
		Location :	Palestine	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Dept: 70001 (PAPP - Central)

Fund : 30000 (PROGRAMME COST SHARING)

61105 - Salaries - NP Staff	0.00	33,416.82	0.00	33,416.82
61205 - Salaries - GS Staff	0.00	3,351.46	0.00	3,351.46
61305 - Salaries - IP Staff	0.00	7,798.55	0.00	7,798.55
61310 - Post Adjustment - IP Staff	0.00	4,112.97	0.00	4,112.97
62105 - Dependency Allowance-NP Staff	0.00	1,151.75	0.00	1,151.75
62110 - Contrib Joint Staff Pension-NP	0.00	6,804.03	0.00	6,804.03
62115 - Contrib to Med.SocIns-NP Staff	0.00	2,347.89	0.00	2,347.89
62140 - Annual Leave Expense - NO	0.00	- 268.84	0.00	- 268.84
62205 - Dependency Allow - GS Staff	0.00	19.51	0.00	19.51
62210 - Contrib to Jt Staff Pens Fd-GS	0.00	692.15	0.00	692.15
62215 - Contrib. to Medical, social In	0.00	249.41	0.00	249.41
62220 - Language Allowance - GS Staff	0.00	88.62	0.00	88.62
62240 - Annual Leave Expense - GS	0.00	174.07	0.00	174.07
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	2,632.05	0.00	2,632.05
62315 - Contrib. to medical, social in	0.00	24.45	0.00	24.45
62320 - Mobility, Hardship, Non-remova	0.00	580.85	0.00	580.85
62330 - Rental Supplements - IP Staff	0.00	379.32	0.00	379.32
62340 - Annual Leave Expense - IP	0.00	- 2,198.67	0.00	- 2,198.67
63330 - Ed Grl Incl Trvl&Allow-IP Stf	0.00	974.00	0.00	974.00
63335 - Home Leave Trvl & Allow-IP Stf	0.00	77.10	0.00	77.10
63350 - Reimb of Income Tax-IP Staff	0.00	597.95	0.00	597.95
63530 - Contribution to EOS Benefits	0.00	1,825.51	0.00	1,825.51
63535 - Contribution to Security	0.00	2,068.91	0.00	2,068.91
63540 - Contribution to Training	0.00	194.74	0.00	194.74
63545 - Contribution to ICT	0.00	730.22	0.00	730.22
63550 - Contributions to MAIP	0.00	48.66	0.00	48.66
63555 - Contribution to UN JFA	0.00	1,582.08	0.00	1,582.08
63560 - Contributions to Appendix D	0.00	121.67	0.00	121.67
64110 - Separations - NP Staff	0.00	668.36	0.00	668.36
64210 - Separations - GS Staff	0.00	67.03	0.00	67.03
64310 - Separations - IP Staff	0.00	166.75	0.00	166.75
64397 - Services to projects -CO staff	0.00	11,383.04	0.00	11,383.04
65115 - Contributions to ASHI Reserve	0.00	4,721.96	0.00	4,721.96
65135 - Payroll Mgt Cost Recovery ATLA	0.00	192.04	0.00	192.04
71305 - Local Consult.-Sht Term-Tech	0.00	147,806.36	0.00	147,806.36
71360 - Local Consult-Security	0.00	2,307.30	0.00	2,307.30
71405 - Service Contracts-Individuals	0.00	159,940.37	0.00	159,940.37
71410 - MAIP Premium SC	0.00	139.92	0.00	139.92
71415 - Contribution to Security SC	0.00	5,946.87	0.00	5,946.87
72120 - Svc Co-Trade and Business Serv	0.00	116.00	0.00	116.00
72210 - Machinery and Equipment	0.00	134.56	0.00	134.56
72311 - Fuel, petroleum and other oils	0.00	2,664.32	0.00	2,664.32
72425 - Mobile Telephone Charges	0.00	1,527.06	0.00	1,527.06
72435 - E-mail-Subscription	0.00	600.00	0.00	600.00

Project Manager : Tarek Al-Arabi  
Finance Officer : Ayham Nasser

23/4/2019  
23/4/2019

Talal Abu-Ghazaleh & Co.

Financial audit of Project ID 69435 - Output ID 84013 "Community Resilience and Development Programme For Area C and East Jerusalem" for the period from 1 January to 31 December 2018.



UN Development Programme  
Report ID: unglcdp

Combined Delivery Report By Project

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Project Id : 00069435 Community Resilience & Dev. P		Period :	Jan-Dec (2018)	
Output # : 00084013 Community Resilience Program		Impl. Partner :	02388 UNDP - PAPP	
		Location :	Palestine	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
72440 - Connectivity Charges	0.00	232.00	0.00	232.00
72505 - Stationery & other Office Supp	0.00	19.01	0.00	19.01
72510 - Publications	0.00	254.45	0.00	254.45
72605 - Grants to Instit & other Benef	0.00	1,350,000.00	0.00	1,350,000.00
72710 - Hospitality-Vouchered Expenses	0.00	6.74	0.00	6.74
72805 - Acquis of Computer Hardware	0.00	2,674.86	0.00	2,674.86
72815 - Inform Technology Supplies	0.00	248.85	0.00	248.85
73101 - Leased/rented land	0.00	3,648.52	0.00	3,648.52
73104 - Leased Building	0.00	5,668.00	0.00	5,668.00
73115 - Moving Expenses	0.00	529.10	0.00	529.10
73120 - Utilities	0.00	9,191.24	0.00	9,191.24
73410 - Maint, Oper of Transport Equip	0.00	1,917.95	0.00	1,917.95
74110 - Audit Fees	0.00	10,069.00	0.00	10,069.00
74205 - Audio Visual Productions	0.00	628.62	0.00	628.62
74210 - Printing and Publications	0.00	314.18	0.00	314.18
74225 - Other Media Costs	0.00	1,225.37	0.00	1,225.37
74325 - Contrib.To CO Common Security	0.00	7,280.00	0.00	7,280.00
74510 - Bank Charges	0.00	25.00	0.00	25.00
74525 - Sundry	0.00	-40.54	0.00	-40.54
74596 - Services to projects -GOE	0.00	23,478.31	0.00	23,478.31
74599 - UNDP cost recovery chrgs-Bills	0.00	19,945.33	0.00	19,945.33
74710 - Land Transport	0.00	643.02	0.00	643.02
75105 - Facilities & Admin - Implement	0.00	191,185.70	0.00	191,185.70
75705 - Learning costs	0.00	200.00	0.00	200.00
76125 - Realized Loss	0.00	0.83	0.00	0.83
76135 - Realized Gain	0.00	-151.90	0.00	-151.90
77630 - Dep Exp Owned - ITC	0.00	186.90	0.00	186.90
77660 - Dep Exp Owned -Vehicle	0.00	4,607.01	0.00	4,607.01
Total for Fund 30000	0.00	2,041,946.72	0.00	2,041,946.72
Total for Dept : 70001	0.00	2,041,946.72	0.00	2,041,946.72
Dept: 70010 (PAPP - Finance)				
Fund : 30000 (PROGRAMME COST SHARING)				
64397 - Services to projects -CO staff	0.00	540.00	0.00	540.00
74596 - Services to projects -GOE	0.00	231.00	0.00	231.00
75105 - Facilities & Admin - Implement	0.00	61.68	0.00	61.68
Total for Fund 30000	0.00	832.68	0.00	832.68
Total for Dept : 70010	0.00	832.68	0.00	832.68
Dept: 70011 (PAPP - Human Resources)				
Fund : 30000 (PROGRAMME COST SHARING)				
64397 - Services to projects -CO staff	0.00	861.00	0.00	861.00
74596 - Services to projects -GOE	0.00	369.00	0.00	369.00
75105 - Facilities & Admin - Implement	0.00	98.40	0.00	98.40

Project Manager: Jamal Al-Aref 23/4/2019  
Finance officer: Ayham Nasser 23/4/2019







UNDP UN Development Programme  
Report ID: unglcdrp

**Combined Delivery Report By Project**

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Project Id : 00069435 Community Resilience & Dev. P	Period :	Jan-Dec (2018)		
Output # : 00084013 Community Resilience Program	Impl. Partner :	02388 UNDP - PAPP		
	Location :	Palestine		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Total for Fund 30000	0.00	1,328.40	0.00	1,328.40
Total for Dept : 70011	0.00	1,328.40	0.00	1,328.40
Dept: 70013 (PAPP - Procmtnt & Travel)				
Fund : 30000 (PROGRAMME COST SHARING)				
64397 - Services to projects -CO staff	0.00	540.00	0.00	540.00
74596 - Services to projects -GOE	0.00	231.00	0.00	231.00
75105 - Facilities & Admin - Implement	0.00	61.68	0.00	61.68
Total for Fund 30000	0.00	832.68	0.00	832.68
Total for Dept : 70013	0.00	832.68	0.00	832.68
Total for Output : 00084013	0.00	2,044,940.48	0.00	2,044,940.48
Project Total :	0.00	2,044,940.48	0.00	2,044,940.48

Signed By :

Project Manager JAMAL ALAREF

Date :

23/4/19

Signed By :

Finance officer : Agham Nassar

Date :

23/4/2019





UN Development Programme  
Report ID: unglcdrp

Combined Delivery Report By Project

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Selection Criteria :

Business Unit : PAL10  
Period : Jan-Dec (2018)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00084013

Project Id : ALL	Period : Jan-Dec (2018)			
Output # : ALL	Impl. Partner : Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
70001 - PAPP - Central	0.00	2,041,946.72	0.00	2,041,946.72
70010 - PAPP - Finance	0.00	832.68	0.00	832.68
70011 - PAPP - Human Resources	0.00	1,328.40	0.00	1,328.40
70013 - PAPP - Procmt & Travel	0.00	832.68	0.00	832.68

Project Manager : Jamal Al-Aref 23/4/2019  
Finance officer : Ayham Khassat 23/4/2019





UN Development Programme  
Report ID: unglcdrp

Combined Delivery Report By Project

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**Funds Utilization**

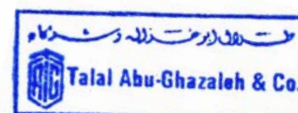
Selection Criteria :

Business Unit : PAL10  
Period : Jan-Dec (2018)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00084013

Project/Award: 00069435 Community Resilience & Dev. P

Period : As at Dec 31, 2018

Output #	Impl. Partner :02388 UNDP - PAPP	UNDP AMOUNT
Outstanding NEX advances		0.00
Undepreciated Fixed Assets		41,040.42
Unamortized Intangible Assets		0.00
Inventory		0.00
Prepayments		0.00
Commitments		14,455.00



Project Manager: Jamal Al-Aref  
Finance officer: Ayham Nassef



### 2.3 Auditor's Report on the Statement of Fixed Assets:

**Independent Auditor's Report on the Statement of Fixed Assets  
of UNDP DIM Project ID 69435 – Output ID 84013  
“Community Resilience and Development Programme For Area C and East  
Jerusalem”**

**To the Director of the Office of Audit and Investigations (OAI)  
United Nations Development Programme (UNDP).**

We have audited the accompanying statement of fixed assets of the UNDP project ID 69435 - output ID 84013 “Community Resilience and Development Programme For Area C and East Jerusalem” as at 31 December 2018.

#### **Unmodified Opinion**

In our opinion, the accompanying statement of fixed assets presents fairly, in all material respects, the assets status of the UNDP project ID 69435 - output ID 84013 - “Community Resilience and Development Programme For Area C and East Jerusalem”, amounting to USD 41,040.42 as at 31 December 2018 in accordance with UNDP accounting policies.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the statement of fixed assets. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Management Responsibilities**

Management is responsible for the preparation of the Statement of fixed assets of the project and for such internal control as management determines is necessary to enable the preparation of the statement of fixed assets that is free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibilities for the audit**

Our objectives are to obtain reasonable assurance about whether the statement of fixed assets is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of fixed assets, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization’s internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Jamal Milhem, CPA**  
**Certified Accountant License # (100/98)**

**Talal Abu –Ghazaleh & Co.**  
**License No. 25/1997**  
**Ramallah – Palestine, 14 June 2019**



#### 2.4. Statement of Fixed Assets:

**"Community Resilience and Development Programme For Area C and East Jerusalem"**  
**(Project ID 69435 - output ID 84013)**  
**as at 31 December 2018**

Statement of Assets					
As of 31 December 2018					
Project No. 69435 - Community Resilience & Dev. P					
Output 84013 - Community Resilience Program					
Category	Year	Location	Original Amount	Depreciated Amount	Net Book Value
			USD	USD	USD
Vehicle	2014	Jerusalem	26,355.25	10,249.26	16,105.99
Laptop	2014	Jerusalem	1,869.00	841.05	1,027.95
Vehicle	2016	Jerusalem	28,928.85	5,022.37	23,906.48
Total Value			57,153.10	16,112.68	41,040.42

Program Manager:  
Finance Officer:

Jamal El Aref  
Ayham Nasser



### 3. PART III: MANAGEMENT LETTER

#### 3.1 Current year audit findings and recommendations

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

##### Introduction

Under International Standards on Auditing, auditors are encouraged to report various matters concerning an entity's internal control structure noted during their audit and are required to report certain of those matters. Matters that are required to be reported are "significant deficiencies in the design or operation of the internal control structure that, in the auditor's judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements."

As part of our audit of the Project's financial position of the Project ID 69435 - output ID 84013 "Community Resilience and Development Programme For Area C and East Jerusalem" for the period from 1 January to 31 December 2018, we considered UNDP's internal control structure and compliance with its accounting policies in determining the scope of our audit procedures for the purpose of rendering an opinion on the financial statements. Our purpose was not to provide assurance on the internal control structure.

We emphasize that the responsibility for a sound system of internal controls rests with management and work performed by external audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of irregularity should there be any, although our audit procedures have been designed so that any material irregularity has a reasonable probability of discovery.

The matters raised in this part are those which came to our attention during the audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be needed. Recommendations for improvements should be assessed by management for their full commercial impact before they are implemented. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

##### Acknowledgment

We wish to express our appreciation for the courtesy and cooperation extended to our representatives during the course of their work.

Jamal Milhem, CPA  
Certified Accountant License # (100/98)

Talal Abu-Ghazaleh & Co.  
License No. 251/1997  
Ramallah – Palestine, 14 June 2019

*Jamal Milhem*  
2019  
طال أبو غزالة وشركاه  
Talal Abu-Ghazaleh & Co.

**Finding 1:**

**Title:**

Overstatement of 2018 CDR

**Criteria:**

According to the general conditions of amendment No. 4 of the donor agreement signed on 14 August 2017, a percentage of 8% should be charged as a General Management Support (GMS).

**Observation:**

During FY2018, the office made an adjustment for 2017 GMS calculation and recorded the difference of USD 43,112.75 in 2018 CDR, as 2017 CDR was already closed. This led to overstatement of the expenses in the current CDR by the amount of USD 43,112.75

This happened due to the miscalculation of the GMS in FY2017, as it was calculated with the percentage of 7% instead of 8%, and the delay in charging the correct GMS percentage in the previous year in addition the system is not allowing the recording of the adjusting entries in the previous accounting period (i.e. FY2017) after the system closure.

Not recording the adjusting entries of the GMS calculation in the 2017's CDR led to overstatement of the expenses in the current CDR.

**Priority:**

Medium (Important)

**Recommendation:**

The Office should comply with terms of donor agreement in calculating the GMS and record the expenses in the correct accounting period.

**Management's Response:**

As per the audit observation, the miscalculation of the GMS had taken place in 2017, while the correction was done in 2018. Thus, the correction was manually adjusted in 2018 through the Atlas system, since 2017 books were already closed which led to overcharge on the GMS percentage for the year of 2018. This action was necessary to be finalized to collect the correct of 2017's GMS charge and to respond to 2017's audit recommendation.

**Priorities of Audit Recommendations**

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

### **3.2 Follow-up of Previous Year Audit Recommendations:**

The output ID 84013 “Community Resilience and Development Programme For Area C and East Jerusalem” was audited in the prior year for FY2017. The previous audit report no. 1944 resulted on one recommendation. The recommendation raised and its implementation status was as follows:

<b>Recommendation Title</b>	<b>Implementation</b>
Miscalculation of General Management Support (GMS): The GMS amount that was recorded in the 2017’s CDR was calculated using the percentage of 7% instead of 8%.	Implemented.