



AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

KFW POVERTY ORIENTED INFRASTRUCTURE (V) – WEST BANK AND GAZA STRIP
(Directly Implemented Project No. 46774)

Report No. 1256

Issue Date: 21 February 2014

**Report on the audit of UNDP Programme of Assistance to the Palestinian People
KfW Poverty Oriented Infrastructure (V) – West Bank and Gaza Strip (Project No. 46774)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 1 October to 3 November 2013, through Talal Abu-Ghazaleh & Co. (the audit firm), conducted an audit of KfW Poverty Oriented Infrastructure (V) – West Bank and Gaza Strip, Project No. 46774 (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 Office was conducted by OAI in 2010.

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 Statement of Expenditure (Combined Delivery Report) for the period from 1 January to 31 December 2012.

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

Audit results

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

Project Expenditure			Project Assets		
Amount (in \$ '000)	Opinion	NFI (in \$ '000)	Amount (in \$ '000)	Opinion	NFI (in \$ '000)
3,826	Qualified	474	N/A	N/A	N/A

NFI = Net Financial Impact

The audit firm qualified its opinion on project expenditures due to the following:

- An amount of \$392,549 included in the Combined Delivery Report related to other projects i.e., KfW Poverty Oriented Infrastructure Phase VII and KfW Poverty Oriented Infrastructure Phase VI.
- Expenditures were incorrectly classified in the Combined Delivery Report. For instance, infrastructure expenses totalling \$31,637 representing the final payment for the construction of additional school classrooms were classified as consultant expenses, and infrastructure expenses totalling \$67,115 representing payment for the construction of Edward Said National Conservation of Music were classified as maintenance expenses.
- The General Management Support fee was overcharged by \$81,763, leading to an overstatement of the amount reported in the Combined Delivery Report.
- Project funds were not maintained in a separate bank account as agreed upon with the donor; instead, they were maintained in a bank account shared for all funds from the donor.

Key recommendations: Total = 5, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are five medium (important) priority recommendations, which means, "Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP." These recommendations include actions to address: unrelated expenditures in the Combined Delivery Report, absence of a dedicated project bank account, incorrect classification of the expenditures to the correct budget line items, lack of compliance with the project duration period, and incorrect calculation of General Management Support fees.

Management comments and action plan

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



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Director
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