



AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

KFW POVERTY ORIENTED INFRASTRUCTURE (VII) - WEST BANK AND GAZA STRIP
(Directly Implemented Project No. 73017)

Report No. 1270

Issue Date: 21 February 2014

**Report on the audit of UNDP Programme of Assistance to the Palestinian People
KfW Poverty Oriented Infrastructure (VII) - West Bank and Gaza Strip (Project No. 73017)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 1 October to 5 November 2013, through Talal Abu – Ghazaleh & Co. (the audit firm), conducted an audit of KfW Poverty Oriented Infrastructure (VII) - West Bank and Gaza Strip, Project No. 73017 (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 Deloitte & Touche M.E/ Saba & Co. in 2012.

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			Cash		
Amount (in \$ '000)	Opinion	NFI (in \$ '000)	Amount (in \$ '000)	Opinion	NFI (in \$ '000)	Amount (in \$ '000)	Opinion	NFI (in \$ '000)
3,345	qualified	367	N/A	N/A	N/A	N/A	N/A	N/A

NFI = Net Financial Impact

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

- An amount of \$362,761 was not reported in the Combined Delivery Report, and was instead reported in another project account, leading to understatement of the expenditures in the Combined Delivery Report.
- A difference of \$4,208 between the amounts reported in the Combined Delivery Report and the amounts reported in the transaction file due to a systematic error.

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: the absence of dedicated project bank account, incorrect classification of expenditures to the correct budget line items, unrecorded expenditures, variances in the approved budget, and output errors in the financial management system.

Implementation status of previous audit recommendations: Report No. 1055, 17 July 2012.

Total recommendations: 3

Implementation status: 100%

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.

A handwritten signature in blue ink, which appears to read 'Helge S. Ostveiten', is written over a light blue rectangular background. A long, curved blue line extends from the end of the signature, looping upwards and to the right.

Helge S. Ostveiten
Director
Office of Audit and Investigations