

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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Resilient nations.*

AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

**KFW – POVERTY ORIENTED INFRASTRUCTURE – WEST BANK AND GAZA STRIP,
EMPLOYMENT GENERATION PROGRAMME (EGP X)
(Directly Implemented Project No. 41098, Output No. 93278)**

Report No. 2066
Issue Date: 14 August 2019

**Report on the Audit of UNDP Programme of Assistance to the Palestinian People
KFW – Poverty Oriented Infrastructure – West Bank and Gaza Strip,
Employment Generation Programme (EGP X)
Project No. 41098, Output No. 93278
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 8 May to 14 June 2019, conducted an audit of KFW – Poverty Oriented Infrastructure – West Bank and Gaza Strip, Employment Generation Programme (EGP X), Project No. 41098, Output No. 93278 (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 Tala 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 statement¹ as of 31 December 2018. The audit did not cover the Statement of Assets as no assets were held 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 report and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenses	
Amount (in \$ '000)	Opinion*
612	Unmodified

* There was a Net Financial Misstatement of \$6,390 but it did not affect the audit opinion as it was not financially material.

Key recommendations: Total = 2, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are two 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." These recommendations include actions to address the miscalculation of General Management Support (GMS) expenses and weakness in the fixed assets disposal process.

¹ 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 two recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendation 1); and (b) safeguarding of assets (Recommendation 2).

Implementation status of previous OAI audit recommendations: Report No. 1948, 15 August 2018.

Total recommendations: 3

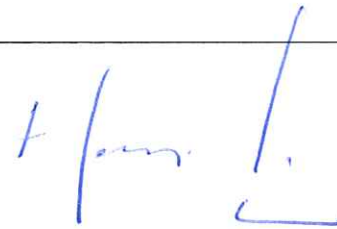
Implemented: 2

Not implemented: 1

The pending recommendation pertains to the miscalculation of GMS amounts. Its implementation is in progress.

Management comments and action plan

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



Helge S. Osttveiten
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