



AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

**URGENT SUPPORT TO THE AGRICULTURE AND ELECTRICITY SECTORS IN THE GAZA
STRIP & REHABILITATION OF GAZA ELECTRICITY DISTRIBUTION AND TRANSPORT
NETWORKS**

(Directly Implemented Project No. 63805)

Report No. 1271

Issue Date: 21 February 2014

**Report on the audit of UNDP Programme of Assistance to the Palestinian People
Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza
Electricity Distribution and Transport Networks (Project No. 63805)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 1 October to 30 November 2013, through Talal Abu-Ghazaleh & Co. (the audit firm), conducted an audit of Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks, Project No. 63805 (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)
3,207	Unqualified	N/A	N/A	N/A	N/A

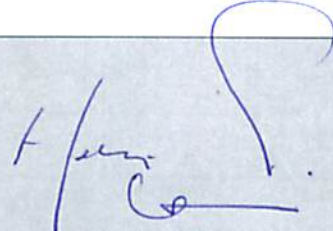
NFI = Net Financial Impact

Key recommendation

The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, 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.” This recommendation includes actions to address salaries stated in the contracts that do not comply with the actual salaries as per the Payroll General Ledger Account Detail Report.

Management comments and action plan

The Special Representative 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.



Helge S. Ostveiten
Director
Office of Audit and Investigations

Auditor's Report

Financial audit of “Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks” (The Project) implemented by “United Nations Development Programme UNDP” - Palestine (West Bank & Gaza) for the Year Ended 31 December 2012.

PROJECT TITLE AND ID

Title: “Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks”

IDs: (Atlas Award ID: 50123, Project No.: 63805)

FUNDED BY

Islamic Development Bank "IDB"

Talal Abu - Ghazaleh & Co.

Certified Public Accountants



Financial audit of the locally incurred costs in the “Combined Delivery Report (CDR)” of the Project No: 63805 titled “Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks” for the year 2012
Funded by: Islamic Development Bank "IDB"
Implemented by: United Nations Development Programme (UNDP) in Palestine.

**Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip &
Rehabilitation of Gaza Electricity Distribution and Transport Networks**

Implemented By

“United Nations Development Programme UNDP”

Palestine (West Bank & Gaza)

Funded by Islamic Development Bank "IDB"

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

Dear Mr. Helge Osttvieten,

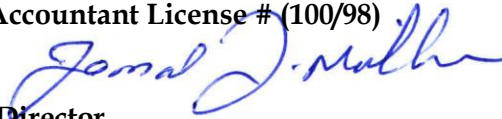
This report represents the results of our financial audit of the locally incurred costs in the "Combined Delivery Report (CDR)" of the Project No.: 63805 titled "Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks", for the Year ended 31 December 2012.

This Financial audit was mandated in accordance with the Audit contract for professional service with UNDP/OAI Ref. 2013/04 dated 20 September 2013.

Sincerely yours,

Jamal Milhem, CPA

Certified Accountant License # (100/98)



Executive Director



Talal Abu - Ghazaleh & Co.

Ramallah - Palestine, 30 November 2013



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Ramallah Office: Tel.: (+970) 229 88 220/ 1 , Fax: (+970) 229 88 219

مكتب رام الله: هاتف: ٢٢٩ ٨٨ ٢٢٠ / ١ ، فاكس: ٢٢٩ ٨٨ ٢١٩ (+٩٧٠)

Green Tower Bld., Al-Shaheed Nazeq Qurah Street P.O. Box: 1110 Ramallah, The West Bank

بناية البرج الاخضر، شارع الشهيد نزيه قورة، ص ب: ١١١٠ رام الله، الضفة الغربية

1. PART I - EXECUTIVE SUMMARY

The Executive Summary summarizes the important issues raised in the financial audit of the above mentioned award.

1.1. Background information about project

The overall objectives of the of the project is to enhance the resilience of the Gaza Strip residents through supporting agro - productivity and livelihoods based interventions, rehabilitation of destroyed agriculture facilities, in addition to enhance access to basic services through rehabilitation of damaged electricity networks and enhancing the delivery of power supply in the Gaza Strip.

The Islamic Development Bank as Manager of the GCC Program for the Reconstruction of Gaza has allocated (21.5) Million U.S. Dollar for the Reconstruction of Gaza.

Part of the allocated fund was used to finance the following two sub-projects:

- a. Urgent Support to Electricity Sectors in the Gaza Strip: The project consists of two main components. The first component is rehabilitation of Gaza West Substation in Gaza Power Plant in Middle area to increase its capacity by 40 MW. The second component is rehabilitation and upgrading of damaged electricity networks in North and Gaza Governorates.
- b. Rehabilitation of Gaza Electricity distribution and transport networks: The project is rehabilitation of Electricity Networks in Gaza Strip Governorates. It consists of 78 sub-projects all around Gaza Strip including rehabilitation as well as construction of new electricity networks in marginalized areas as well as new developed area.

Two Agreements were concluded between the Islamic Development Bank "IDB" and the United Nations Development Programme / Programme of Assistance to the Palestinian People UNDP/PAPP. Details of each Agreement are summarized below:

- a. First Agreement: "Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip" the Agreement signed on 8 April 2009 of total Budget (13) Million USD. The Project duration was supposed to be 12 Months commencing on 15 April 2009 and ending on 15 April 2010, and extended to 31 December 2012 and 31 December 2013 as per Amendment No. (1) and (2) dated on 20 April 2012 and 6 July 2013 respectively.
- b. Second Agreement: "Rehabilitation of Gaza Electricity Distribution and Transport Networks" the Agreement signed on 12 January 2011 of total Budget (8.5) Million USD. The Project duration was supposed to be 18 Months commencing from the date of signing the Agreement, and extended to 31 March 2013 and 31 December 2013 as per Amendment No. (1) and (2) dated on 27 November 2012 and 20 March 2013 respectively.

The financial audit covered the amount of USD 3,207,084 out of total expenditures incurred locally during the period from 1 January to 31 December 2012.

Financial audit of the locally incurred costs in the “Combined Delivery Report (CDR)” of the Project No: 63805 titled “Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks” for the year 2012
 Funded by: Islamic Development Bank "IDB"
 Implemented by: United Nations Development Programme (UNDP) in Palestine.

1.2. Project identification information

The following table summarizes the amount of expenditures for the year under review:

Table 1:

Project Name	Project Number	Atlas Award ID	Fund Code	2012 Budget (USD)	2012 Actual Expenditure Per CDR (USD)
Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip	63805	50123	40500	3,393,246	1,939,968
Rehabilitation of Gaza Electricity Distribution and Transport Networks	63805	50123	26960	1,268,500	1,246,834
Core Programme	63805	50123	4950	-	20,282
Total				4,661,746	3,207,084

1.3. Audit objectives

The objective of the financial audit is to express an opinion on a project’s financial statements which include:

- 1) Expressing an opinion on whether the expenses incurred by the project during the year ended 31 December 2012 and the funds utilization as at 31 December 2012 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. The Combined Delivery Report (CDR) is the mandatory and official statement upon which the audit opinion should be expressed.
- 2) Expressing an opinion on whether the statement of fixed assets presents fairly the balance of assets of the UNDP Project as at 31 December 2012. This statement must include all assets available as at 31 December 2012 and not only those purchased in the period under audit. Where a DIM project does not have any assets or equipment, it will not be necessary to express such an opinion.

Given that no fixed assets were purchased /acquired under “Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks”, therefore no statement of fixed assets was prepared.

- 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 2012. Disbursements made against a 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. The audit firm is required to express an opinion on the Statement of Cash only where 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.

Scope of Audit:

We performed our audit in accordance with the International Standards on Auditing (ISA) and in compliance with the UNDP rules and regulations. We also reviewed the internal controls and compliance with procurement guidelines issued by UNDP and submitted the necessary recommendations to management.

The scope of the audit includes various audit steps that have been performed on a sample basis, obtaining adequate and sufficient coverage based on the audit objectives and comfort required.

This audit covers the local direct and indirect costs incurred in Gaza for the total amount of USD 3,207,084 for the period from 1 January to 31 December 2012. This report does not cover amounts disbursed during other periods and does not include any amounts received or disbursed under any other agreements with UNDP.

The following are the main steps performed and followed as the basis for preparing the audit programs. They are not considered all-inclusive or restrictive in nature and do not constitute relief from exercising due professional care and judgment. The steps were modified to correspond with local conditions and specific project design, implementation procedures, and contract provisions which may vary from project to project.

- 1- Performing pre-audit steps which include reviewing project documents, UNDP's internal manual procedures and UNDP policies;
- 2- Evaluating the program implementation actions and accomplishments,
- 3- Obtaining a sufficient understanding of the internal control structure related to the agreement's different activates, internal environment, assessing the control risks, monitoring controls, control over compliance, and information and communication,
- 4- Identifying areas where fraud and illegal acts have occurred or likely to have occurred as a result of inadequate controls.
- 5- Examining the Combined Delivery Report (CDR) and related notes, this includes testing expenditures, bank account and related budgets,
- 6- Performing tests of compliance with agreement's terms and applicable laws and regulations related to UNDP programs.

Financial audit of the locally incurred costs in the “Combined Delivery Report (CDR)” of the Project No: 63805 titled “Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks” for the year 2012
Funded by: Islamic Development Bank "IDB"
Implemented by: United Nations Development Programme (UNDP) in Palestine.

The scope of the audit relates only to transactions concluded and recorded against the UNDP DIM project over a given period. The scope of the audit does 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 Centers and UNDP Headquarters and where the supporting documentation is not retained at the level of the UNDP country office.

The audit Covered:

- All activities of the project 63805 - Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks” during the period from 1 January to 31 December 2012; and
- Include a review of project reports and records located at the UNDP Programme of Assistance to the Palestinian People (PAPP) office, and, as applicable, field offices of the project/programme and other field locations.

Specifically, the audit covered the following:

- a) The expenses incurred and recorded in the Combined Delivery Reports (CDR) of the project 63805 during the period from 1 January to 31 December 2012 and the Funds Utilization statement as at 31 December 2012 as reported by the PAPP Office;
- b) If applicable, the value and existence of the fixed assets held by the project 63805 as at 31 December 2012; and
- c) If applicable, the value and existence of cash held by the project 63805 as at 31 December 2012, either as cash at hand or in the bank account (Statement of Cash is required only if there is separate bank account for the DIM project under review).

Financial audit of the locally incurred costs in the “Combined Delivery Report (CDR)” of the Project No: 63805 titled “Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks” for the year 2012
 Funded by: Islamic Development Bank "IDB"
 Implemented by: United Nations Development Programme (UNDP) in Palestine.

1.4. Summary of the work done and audit results:

1.4.1. Work Done:

This summary represents the results of our financial audit of the locally incurred costs in the “Combined Delivery Report (CDR)” of the Project No.: 63805 titled “Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks”, for the year ended 31 December 2012.

The total costs incurred by United Nation Development Programme (UNDP) in Palestine on the above mentioned Project is USD 3,207,084. The audit approximately covered 81 percent in substantive test of details. As shown in the following table:

Table 2:

Project Location	No. of Samples	Total expenditures (in USD)	Total expenditures Tested	Percentage
Gaza Strip – Fund Code 40500	4	1,939,968	1,544,992	80%
Gaza Strip – Fund Code 26960	13	1,246,834	1,063,968	85%
Core Fund # 4950	-	20,282	-	-

1.4.2. Results of Audit:

- **The Combined Delivery Report (CDR)**

The review didn't disclose any financial errors in the Project's CDR; however, we noted certain instances of weaknesses in internal control system of the Project. Details of these weaknesses are described in Part III of this report.

The “Combined Delivery Report” fairly presents, in all material respects, Project's incurred costs in accordance with the terms of the agreement and in conformity with the basis of accounting described in Note (1) to “Combined Delivery Report”.

- **The Statement of Fixed Assets**

Given that no fixed assets were purchased /acquired under “Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks”, therefore no statement of fixed assets was prepared.

- **The Statement of Cash held by the Project**

The project's funds were not maintained in a separate bank account; instead they were maintained in a bank account together with funds from other Projects. Accordingly, we could not confirm the Project's bank balance as of 31 December 2012 and interest revenue received during the project period, and we were unable to perform alternative satisfactory audit procedures.

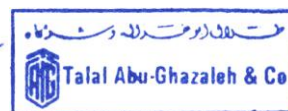
Given that no dedicated bank account is opened for the Project, therefore no statement of cash held by the Project was prepared.

Jamal Milhem, CPA

Certified Accountant License # (100/98)



Executive Director



Talal Abu - Ghazaleh & Co.

Ramallah - Palestine, 30 November 2013

2. PART II - AUDITOR'S REPORT WITH OPINION

2.1. Auditor's Report

REPORT OF THE INDEPENDENT AUDITOR TO UNDP DIM PROJECT "URGENT SUPPORT TO THE AGRICULTURE AND ELECTRICITY SECTORS IN THE GAZA STRIP & REHABILITATION OF GAZA ELECTRICITY DISTRIBUTION AND TRANSPORT NETWORKS"

To Mr. Helge Osttveiten
Director
Office of Audit and Investigation (OAI)

Report on the Project Financial Statement

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization Statement ("the Statement") of the UNDP Project "Atlas Award ID: 50123", "Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks", for the period from 1 January to 31 December 2012.

Management's Responsibility

Management is responsible for the preparation and fair presentation of the statement for "Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks", Project 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 the 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 statements are 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 statements 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.



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Ramallah Office: Tel.: (+970) 229 88 220/ 1 , Fax: (+970) 229 88 219

Green Tower Bld., Al-Shaheed Nazeh Qurah Street P.O. Box: 1110 Ramallah, The West Bank

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بناية البرج الاخضر، شارع الشهيد نزيه قوره، ص ب: ١١١٠ رام الله، الضفة الغربية

Financial audit of the locally incurred costs in the "Combined Delivery Report (CDR)" of the Project No: 63805 titled "Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks" for the year 2012
Funded by: Islamic Development Bank "IDB"
Implemented by: United Nations Development Programme (UNDP) in Palestine.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Unmodified Opinion

In our opinion, the Combined Delivery Report (CDR) gives a true and fair view of the expenditures of USD 3,207,084 incurred by the Project "Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks", for the period from 1 January to 31 December 2012.

Jamal Milhem, CPA

Certified Accountant License # (100/98)

Executive Director

Talal Abu - Ghazaleh & Co.

Ramallah - Palestine, 30 November 2013



Financial audit of the locally incurred costs in the “Combined Delivery Report (CDR)” of the Project No: 63805 titled “Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks” for the year 2012
Funded by: Islamic Development Bank "IDB"
Implemented by: United Nations Development Programme (UNDP) in Palestine.

2.2. 2012 CDR Project No. 63805



Combined Delivery Report By Project

UN Development Programme
Report ID: unglcdrp

Page 1 of 5
Run Time: 03-12-2013 10:12:01

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2012)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00063805

Project Id : 00050123 Emergency Supp. & Advanced Pla	Period :	Jan-Dec (2012)
Output # : 00063805 Urgent Support-Agr. & Elec.IDB	Impl. Partner :	02388 UNDP - PAPP
	Location :	

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Dept: 70001 (PAPP - Central)				
Fund : 04950 (PAPP Core Programme)				
63515 - Security-related Costs	0.00	0.00	0.00	0.00
71405 - Service Contracts-Individuals	0.00	20,281.66	0.00	20,281.66
Total for Fund 04950	0.00	20,281.66	0.00	20,281.66
Fund : 26960 (CPR TTF-Conflict-Country S)				
71405 - Service Contracts-Individuals	0.00	15,247.30	0.00	15,247.30
71410 - MAIP Premium SC	0.00	27.48	0.00	27.48
71415 - Contribution to Security SC	0.00	0.00	0.00	0.00
71505 - UN Volunteers-Slipend & Allow	0.00	1,466.66	0.00	1,466.66
71520 - UNV-Language Allowance	0.00	40.00	0.00	40.00
71535 - UNV-Medical Insurance	0.00	64.56	0.00	64.56
71540 - UNV-Global Charges	0.00	161.60	0.00	161.60
71550 - UNV-Resettlement Allowance	0.00	122.22	0.00	122.22
71590 - UNV HQ use only	0.00	185.50	0.00	185.50
71820 - Daily Subsistence Allow-Local	0.00	715.29	0.00	715.29
72105 - Svc Co-Construction & Engineer	0.00	583,329.69	0.00	583,329.69
72120 - Svc Co-Trade and Business Serv	0.00	-136,000.00	0.00	-136,000.00
73120 - Utilities	0.00	780,167.12	0.00	780,167.12
74505 - Insurance	0.00	84.50	0.00	84.50
74525 - Sundry	0.00	1,223.43	0.00	1,223.43
78125 - Realized Loss	0.00	4.59	0.00	4.59
78135 - Realized Gain	0.00	-5.57	0.00	-5.57
Total for Fund 26960	0.00	1,246,834.37	0.00	1,246,834.37
Fund : 40500 (TF PAPP Voluntary Contrib Actv)				
72105 - Svc Co-Construction & Engineer	0.00	492,405.27	0.00	492,405.27
73120 - Utilities	0.00	1,372,826.66	0.00	1,372,826.66
74525 - Sundry	0.00	123.87	0.00	123.87
75105 - Facilities & Admin - Implement	0.00	74,612.19	0.00	74,612.19
Total for Fund 40500	0.00	1,939,967.99	0.00	1,939,967.99
Total for Dept : 70001	0.00	3,207,084.02	0.00	3,207,084.02
Total for Output : 00063805	0.00	3,207,084.02	0.00	3,207,084.02



Combined Delivery Report By Project

UN Development Programme
Report ID: ungdcrp

Page 2 of 5
Run Time: 03-12-2013 10:12:01

Project Id : 00050123 Emergency Supp. & Advanced Pla	Period :	Jan-Dec (2012)		
Output # : 00063805 Urgent Support-Agr. & Elec.IDB	Impl. Partner :	02388 UNDP - PAPP		
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Project Total :	0.00	3,207,084.02 ✓	0.00	3,207,084.02
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[Handwritten signature]

Signed By: Salem Al-Wahaidi Date: 3/12/2013

Signed By: [Handwritten signature] Date: _____



Financial audit of the locally incurred costs in the “Combined Delivery Report (CDR)” of the Project No: 63805 titled “Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks” for the year 2012
 Funded by: Islamic Development Bank "IDB"
 Implemented by: United Nations Development Programme (UNDP) in Palestine.

PROJECT NO.: 63805 TITLED “URGENT SUPPORT TO THE AGRICULTURE AND ELECTRICITY SECTORS IN THE GAZA STRIP & REHABILITATION OF GAZA ELECTRICITY DISTRIBUTION AND TRANSPORT NETWORKS ”, FOR THE YEAR 2012

NOTE TO THE COMBINED DELIVERY REPORT (CDR)

Note (1) Basis of Accounting:

The Combined Delivery Report (CDR) was prepared on the Cash Basis of accounting. According to this basis, expenditures are recognized when paid rather than when incurred.

Note (2): General

A. Budget:

The following is the Project's Budget for the Year 2012 in USD:

Fund Code: 40500

Category/Activity	2012 Budget
<u>Package 1:</u> Lot#1: Supply of step up and step down transformers & Supply of one complete Transformer bay. Lot#2: Erection, connection, testing, commissioning of materials & equipment	3,262,617
<u>Package# 2:</u> Lot#1: Supply of steel materials Lot#2: Supply of Electrical materials Package #3 :Installing Electrical Networks and Civil Works	
Miscellaneous	124
AOS for UNDP/PAPP	130,505
Total Budget for 2012	3,393,246

Financial audit of the locally incurred costs in the “Combined Delivery Report (CDR)” of the Project No: 63805 titled “Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks” for the year 2012
 Funded by: Islamic Development Bank "IDB"
 Implemented by: United Nations Development Programme (UNDP) in Palestine.

Fund Code: 26960

Category/Activity	2012 Budget
<u>Package#1:</u> Supply of steel and electrical materials.	1,240,515
<u>Package#2:</u> Installation of electrical networks	
Miscellaneous	3,365
Project Management and Staffing	24,620
Total Budget for 2012	1,268,500

B. Project Duration:

Two Agreements were concluded between the Islamic Development Bank "IDB" and the United Nations Development Programme / Programme of Assistance to the Palestinian People UNDP/PAPP. Details of each Agreement are summarized below:

- a. First Agreement: "Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip" the Agreement signed on 8 April 2009 of total Budget (13) Million USD. The Project duration was supposed to be 12 Months commencing on 15 April 2009 and ending on 15 April 2010, and extended to 31 December 2012 and 31 December 2013 as per Amendment No. (1) and (2) dated on 20 April 2012 and 6 July 2013 respectively.
- b. Second Agreement: "Rehabilitation of Gaza Electricity Distribution and Transport Networks" the Agreement was signed on 12 January 2011 with total Budget 8.5 Million USD. The Project duration was supposed to be 18 Months commencing from the date of signing the Agreement, and extended to 31 March 2013 and 31 December 2013 as per Amendment No. (1) and (2) dated on 27 November 2012 and 20 March 2013 respectively.

3. PART III - MANAGEMENT LETTER**30 November 2013**

To: Director
Office of Audit and Investigation (OAI)
United Nation Development Programme (UNDP)

Subject: Letter to Management on auditing Combined Delivery Report (CDR) ("the Statement") of the UNDP Project "Atlas Award ID: 42831".

We have performed an audit of the Combined Delivery Report (CDR) ("the Statement") of the UNDP Project "Atlas Award ID: 50123", "Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks", for the period from 1 January to 31 December 2012 in accordance with International Standards on Auditing (ISA) and in compliance with the UNDP rules and regulations.

In planning and performing our audit of the project, we considered "Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks", (the Project) internal control structure and compliance with term and condition of the grant contract in order to determine our auditing procedures for expressing our opinion on the Combined Delivery Report (CDR) "the Statement") and not to provide assurance on the internal control structure. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statement, whether due to fraud or error.

UNDP Palestine Office Management is responsible for the design, implementation and maintenance of the internal control system over the Project. To execute this obligation, the UNDP Palestine office Managements is required to assess the expected risks and rewards of the policies and procedures for management control.

Our consideration of the internal control structure was for the limited purpose of expressing an opinion on the Combined Delivery Report (CDR), and therefore would not necessary disclosing all matters that might be reportable conditions. In addition, because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected by such control structure.

Finally, we would like to express our appreciation for the courtesy extended to us by the responsible personnel in UNDP Palestine office management.

Talal Abu-Ghazaleh & Co.**Jamal Milhem, CPA****Certified Accountant License # (100/98)****Executive Director**

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Ramallah Office: Tel.: (+970) 229 88 220/ 1 , Fax: (+970) 229 88 219

مكتب رام الله: هاتف: ٢٢٩ ٨٨ ٢٢٠ / ١ (+٩٧٠) ، فاكس: ٢٢٩ ٨٨ ٢١٩ (+٩٧٠)

Green Tower Bld., Al-Shaheed Nazeh Qurah Street P.O. Box: 1110 Ramallah, The West Bank

بناية البرج الاخضر، شارع الشهيد نزيه قوره، ص ب: ١١١٠ رام الله، الضفة الغربية

Financial audit of the locally incurred costs in the “Combined Delivery Report (CDR)” of the Project No: 63805 titled “Urgent Support to the Agriculture and Electricity Sectors in the Gaza Strip & Rehabilitation of Gaza Electricity Distribution and Transport Networks” for the year 2012
Funded by: Islamic Development Bank "IDB"
Implemented by: United Nations Development Programme (UNDP) in Palestine.

3.1. Audit Issues and Recommendations

3.1.1 Salaries stated in the contracts do not comply with the actual salaries as per the Payroll GL Account Detail Report

Observation

Criteria:

Contracts and personnel actions are very important supporting documents for verifying the accuracy of the salaries charged to the Project.

Notice Background:

During the audit, we noted that the monthly salaries stated in the contracts do not comply with the actual salaries as per the Payroll GL Account Detail Report.

Priority

Medium (Important)

Recommendation

The Office should take into consideration the fact that employees' contracts/actions have to comply with the actual salaries.

Management acceptance:

Yes No

Management comments and action plan:

*(Separate response – by HR Manager on our inquiry by email dated 23/12/2013)/*The contract lists the original remuneration whereas the GL report lists that actual remuneration due to the fact that we hold a yearly SC remuneration survey which leads to increase in salary.

Auditor’s response:

We still recommend to consider our findings and to implement our recommendation; the monthly salaries stated in the contracts must comply with the actual salaries as per the Payroll GL Account Detail Report and any differences must clearly clarified, also the management did not provide us with any document related to increase in the salaries scale or any acceptable justification reflect the increase in the salaries.