UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

THE EXECUTION AND IMPLEMENTATION OF CONSTRUCTION OF THE OFFICE BUILDING AND
FURNISHING AND SUPPLY OF OFFICE EQUIPMENT OF THE PALESTINIAN MINISTRY OF
FOREIGN AFFAIRS
(Directly Implemented Project, Output No. 63303)

Report No. 1370
Issue Date: 4 September 2014
Report on the audit of UNDP Programme of Assistance to the Palestinian People
The execution and implementation of construction of the office building and furnishing and supply of office equipment of the Palestinian Ministry of Foreign Affairs (Output No. 63303)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 21 May to 8 June 2014, through Talal Abu-Ghazaleh & Co. (the audit firm), conducted an audit of “The execution and implementation of construction of the office building and furnishing and supply of office equipment of the Palestinian Ministry of Foreign Affairs”, Output No. 63303 (the Project), which is directly implemented and managed by the UNDP Programme of Assistance to the Palestinian People (the Office). This was the first audit of the Project.

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 expenditure for the period from 1 January to 31 December 2013 and the accompanying Funds Utilization statement¹ as of 31 December 2013. The audit did not cover the Statement of Assets as no assets were purchased 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:

<table>
<thead>
<tr>
<th>Project Expenditure</th>
<th>Project Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount (in S'000)</td>
<td>Opinion</td>
</tr>
<tr>
<td></td>
<td>Amount (in S'000)</td>
</tr>
<tr>
<td>4,629</td>
<td>Unqualified</td>
</tr>
</tbody>
</table>

The audit did not result in any recommendations.

¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) depreciated 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.
Auditor's Report


PROJECT TITLE AND IDs:

Title: “The execution and implementation of Construction of the Office Building and Furnishing and Supply of office Equipment of the Palestinian Ministry of Foreign Affairs”

IDs: Atlas Project ID: 51015, Output ID: 63303

FUNDED BY
People’s Republic of China

Talal Abu – Ghazaleh& Co.
Certified Public Accountants
The execution and implementation of Construction of the Office Building and Furnishing and Supply of office Equipment of the Palestinian Ministry of Foreign Affairs

Implemented By

United Nations Development Programme, Programme of Assistance to the Palestinian People

Funded by People’s Republic of China

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To Director

Office of Audit and Investigations

United Nations Development Programme

Dear Mr. Helge Osttveiten,

This report represents the results of our financial audit of the Output ID: 63303 titled “The execution and implementation of Construction of the Office Building and Furnishing and Supply of office Equipment of the Palestinian Ministry of Foreign Affairs” (the Project), for the year ended 31 December 2013.

This Financial audit was mandated in accordance with the Audit contract for professional service with UNDP/OAI Ref.PS 2014 dated 6 May 2014.

Sincerely yours,

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

Talal Abu-Ghazaleh & Co.
License No. 251/1997
Ramallah - Palestine, 8 June 2014
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

As per the Tri-Partite Agreement signed on 4 October 2008, the Office Building of the Palestinian Ministry of Foreign Affairs was to be built with a total area not exceeding 6,090 square meters will be constructed in Ramallah. The total investment for the project shall be controlled within USD 4 Million.

As per the Supplementary Implementation Agreement signed by the three parties on 5 September 2010, the building will include a total area of 9,841.74 m² and a total investment within 11 million US dollars, inclusive of design costs, construction costs and management fees paid to UNDP PAPP and the Chinese consultation firm.

UNDP PAPP will ensure the construction scale of 9,841.74 m² and its designed functionalities. Office equipment and furniture necessary for the project shall be provided under other arrangements made by negotiations between the Chinese Side and the Palestinian Side, and not be included in this Supplementary Agreement.

The Project is funded by People’s Republic of china (PRC) based on the Tri-Partite agreement signed with UNDP PAPP and the Supplementary agreements following:

1.2. Project Budget:

| Project Tripartite Agreement | PRC | 4,000,000 |
| First Supplementary Agreement | PRC | 11,000,000 |
| Second Supplementary Agreement | PRC | 10,991,496 |

1.3. Project Identification information

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

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Output Number</th>
<th>Atlas Project ID</th>
<th>2013 Budget (USD)</th>
<th>2013 Actual Expenditure Per CDR (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The execution and implementation of Construction of the Office Building and Furnishing and Supply of office Equipment of the Palestinian Ministry of Foreign Affairs</td>
<td>63303</td>
<td>51015</td>
<td>4,629,641</td>
<td>4,628,525</td>
</tr>
</tbody>
</table>

The financial audit covered the amount of USD 4,628,525 of total expenditures incurred locally during the period from 1 January to 31 December 2013.
1.4. 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 year ended 2013 and the funds utilization as at 31 December 2013 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 2013. This statement must include all assets available as at 31 December 2013 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 the Project 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 2013. Disbursements made against a DIM Project are usually financed from the regular UNDP PAPP 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. As an audit firm we are required to express an opinion on the Statement of Cash only where dedicated banks account for the DIM project has been established. In cases where the cash transactions of the audited DIM Project are made through the UNDP PAPP bank accounts, this type of opinion is not required.
Scope of Audit:

We performed our audit in accordance with the International Standards of 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 West Bank for the total amount of USD 4,628,525 for the period from 1 January to 31 December 2013. 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 polices;
2. Evaluating the program implementation actions and accomplishments,
3. Obtaining a sufficient understanding of the internal control structure related to the agreement’s different activities, 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 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.

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:
Financial audit of the Output ID: 63303 titled “The execution and implementation of Construction of the Office Building and Furnishing and Supply of office Equipment of the Palestinian Ministry of Foreign Affairs” for the year ended 31 December 2013
Funded by: People’s Republic of China
Implemented by: UNDP Programme of Assistance to the Palestinian People

- 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 PAPP.

The audit Covered:

- All activities of the Output 63303 The execution and implementation of Construction of the Office Building and Furnishing and Supply of office Equipment of the Palestinian Ministry of Foreign Affairs” during the period from 1 January to 31 December 2013; and

- Include a review of project reports and records located at the UNDP PAPP, 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 of the Output 63303 during the period from 1 January to 31 December 2013 and the Funds Utilization statement as at 31 December 2013 as reported by UNDP PAPP;

b) If applicable, the value and existence of the fixed assets held by the Output 63303 as at 31 December 2013; and

c) If applicable, the value and existence of cash held by the Output 63303 as at 31 December 2013, 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).
1.5. Summary of the work done and audit results:

1.5.1 Work Done:

This summary represents the results of our financial audit of the Output ID: 63303 titled “The execution and implementation of Construction of the Office Building and Furnishing and Supply of office Equipment of the Palestinian Ministry of Foreign Affairs”, for the year ended 31 December 2013.

The total costs incurred by UNDP PAPP on the above mentioned Project is USD 4,628,525. The audit approximately covered 95 percent in substantive test of details, as shown in the following table:

Table 2:

<table>
<thead>
<tr>
<th>Project Location</th>
<th>No. of Samples</th>
<th>Total Expenditures (in USD)</th>
<th>Total Expenditures Tested</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Bank – Ramallah City</td>
<td>7</td>
<td>4,628,525</td>
<td>4,412,266</td>
<td>95%</td>
</tr>
</tbody>
</table>
1.5.2 Results of Audit:

- **The Combined Delivery Report**
  The review did not disclose any financial errors in the Project's CDR. Accordingly, 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 the Project, 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 2013 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)
Talal Abu-Ghazaleh & Co.
License No. 251/1997
Ramallah - Palestine, 8 June 2014
2 PART II – AUDITOR’S REPORT WITH OPINION

2.1. Auditor’s Report

REPORT OF THE INDEPENDENT AUDITORS TO UNDP ON DIM PROJECT “THE EXECUTION AND IMPLEMENTATION OF CONSTRUCTION OF THE OFFICE BUILDING AND FURNISHING AND SUPPLY OF OFFICE EQUIPMENT OF THE PALESTINIAN MINISTRY OF FOREIGN AFFAIRS”

To Mr. Helge Osttveiten
Director
Office of Audit and Investigations
United Nations Development Programme

Report on the Project Financial Statement

We have audited the accompanying Combined Delivery Report and Funds Utilization Statement (the statement) of the UNDP Project Atlas Output ID: 63303 “The execution and implementation of Construction of the Office Building and Furnishing and Supply of office Equipment of the Palestinian Ministry of Foreign Affairs”, for the period from 1 January to 31 December 2013.

Management’s Responsibility

Management is responsible for the preparation and fair presentation of the statement for the project “The execution and implementation of Construction of the Office Building and Furnishing and Supply of office Equipment of the Palestinian Ministry of Foreign Affairs” 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.

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

Unmodified Opinion

In our opinion, the Combined Delivery Report and Funds Utilization statement gives a true and fair view of the expenditures of USD 4,628,525 incurred by the Project “The execution and implementation of Construction of the Office Building and Furnishing and Supply of office Equipment of the Palestinian Ministry of Foreign Affairs” for the period from 1 January to 31 December 2013.

Jamal Milhem, CPA
Certified Accountant License # (100/98)
Talal Abu-Ghazaleh & Co.
License No. 251/1997
Ramallah - Palestine, 8 June 2014
2.2. 2013 CDR Output No. 63303
### Combined Delivery Report By Project

#### Selection Criteria:
- **Business Unit:** PAL10
- **Period:** Jan-Dec (2013)
- **Selected Project Id:** 00051015
- **Selected Fund Code:** ALL
- **Selected Dept. IDs:** ALL
- **Selected Outputs:** 00063303

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>00051015</td>
<td></td>
<td>00063303</td>
<td></td>
<td>02386 UNDP - PAPP</td>
<td>Palestine</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dept.</th>
<th>06201 (Evaluation Office)</th>
<th>Fund: 40500 (TF PAPP Voluntary Contrib Actv)</th>
</tr>
</thead>
<tbody>
<tr>
<td>72105 - Svc Co-Construction &amp; Engineer</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total for Fund 40500</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total for Dept: 06201</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dept.</th>
<th>70001 (PAPP - Central)</th>
<th>Fund: 04950 (PAPP Core Programme)</th>
</tr>
</thead>
<tbody>
<tr>
<td>71405 - Service Contracts-Individuals</td>
<td>0.00</td>
<td>197,276.13</td>
</tr>
<tr>
<td>71410 - MAJP Premium SC</td>
<td>0.00</td>
<td>464.60</td>
</tr>
<tr>
<td>71415 - Contribution to Security SC</td>
<td>0.00</td>
<td>2,040.00</td>
</tr>
<tr>
<td>72105 - Svc Co-Construction &amp; Engineer</td>
<td>0.00</td>
<td>269.13</td>
</tr>
<tr>
<td>72425 - Mobile Telephone Charges</td>
<td>0.00</td>
<td>512.70</td>
</tr>
<tr>
<td>72435 - E-mail Subscription</td>
<td>0.00</td>
<td>600.00</td>
</tr>
<tr>
<td>73125 - Common Services-Premises</td>
<td>0.00</td>
<td>4,370.41</td>
</tr>
<tr>
<td>73410 - Maint, Oper of Transport Equip</td>
<td>0.00</td>
<td>-2,270.46</td>
</tr>
<tr>
<td>74505 - Insurance</td>
<td>0.00</td>
<td>443.50</td>
</tr>
<tr>
<td>74520 - Storage</td>
<td>0.00</td>
<td>4,449.49</td>
</tr>
<tr>
<td>74525 - Sundry</td>
<td>0.00</td>
<td>3,961.28</td>
</tr>
<tr>
<td>74965 - Low value equipment</td>
<td>0.00</td>
<td>340.09</td>
</tr>
<tr>
<td>76125 - Realized Loss</td>
<td>0.00</td>
<td>5.96</td>
</tr>
<tr>
<td>76135 - Realized Gain</td>
<td>0.00</td>
<td>-2.83</td>
</tr>
<tr>
<td>Total for Fund 04950</td>
<td>0.00</td>
<td>212,460.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fund: 40500 (TF PAPP Voluntary Contrib Actv)</th>
</tr>
</thead>
<tbody>
<tr>
<td>72105 - Svc Co-Construction &amp; Engineer</td>
</tr>
<tr>
<td>74525 - Sundry</td>
</tr>
<tr>
<td>75105 - Facilities &amp; Admin - Implement</td>
</tr>
<tr>
<td>76125 - Realized Loss</td>
</tr>
<tr>
<td>Total for Fund 40500</td>
</tr>
<tr>
<td>Total for Dept: 70001</td>
</tr>
<tr>
<td>Total for Output: 00063303</td>
</tr>
</tbody>
</table>
# Combined Delivery Report By Project

**Project Id:** 00081015 PAL/ Construction & Equipping  
**Period:** Jan-Dec (2013)  
**Impl. Partner:** 02388 UNDP - PAPP  
**Location:** Palestine  

<table>
<thead>
<tr>
<th>Govt Exp</th>
<th>UNDP Exp</th>
<th>UN Agencies Exp</th>
<th>Total Exp</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.00</td>
<td>4,628,524.73</td>
<td>0.00</td>
<td>4,628,524.73</td>
</tr>
</tbody>
</table>

---

Signed By:  
Date: 11/08/2014  

Signed By:  
Date:
## Combined Delivery Report By Project

**Selection Criteria:**
- **Business Unit:** PAL10
- **Period:** Jan-Dec (2013)
- **Selected Project Id:** 00051015
- **Selected Fund Code:** ALL
- **Selected Dept. IDs:** ALL
- **Selected Outputs:** 00063303

<table>
<thead>
<tr>
<th>Project Id</th>
<th>Output #</th>
<th>Period</th>
<th>Impl. Partner</th>
<th>Location</th>
<th>Govt Exp</th>
<th>UNDP Exp</th>
<th>UN Agencies Exp</th>
<th>Total Exp</th>
</tr>
</thead>
<tbody>
<tr>
<td>06201</td>
<td>-</td>
<td>Jan-Dec (2013)</td>
<td></td>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>70001</td>
<td>-</td>
<td>Jan-Dec (2013)</td>
<td></td>
<td></td>
<td>0.00</td>
<td>4,628,524.73</td>
<td>0.00</td>
<td>4,628,524.73</td>
</tr>
</tbody>
</table>

Signature: 11/08/2014
## Funds Utilization

**Selection Criteria:**
- Business Unit: PAL10
- Period: Jan-Dec (2013)
- Selected Project Id: 00051015
- Selected Fund Code: ALL
- Selected Dept. IDs: ALL
- Selected Outputs: 00063303

**Project/Award:** 00051015  PAL/ Construction & Equipping  **Period:** As at Dec 31, 2013

<table>
<thead>
<tr>
<th>Output #</th>
<th>Impl. Partner: 02388 UNDP - PAPP</th>
<th>UNDP Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding NEX advances</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>Undepreciated Fixed Assets</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>Inventory</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>Prepayments</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>Commitments</td>
<td></td>
<td>0.00</td>
</tr>
</tbody>
</table>

[Signature]
Financial audit of the Output ID: 63303 titled “The execution and implementation of Construction of the Office Building and Furnishing and Supply of office Equipment of the Palestinian Ministry of Foreign Affairs” for the year ended 31 December 2013
Funded by: People’s Republic of China
Implemented by: UNDP Programme of Assistance to the Palestinian People

The execution and implementation of Construction of the Office Building and Furnishing and Supply of office Equipment of the Palestinian Ministry of Foreign Affairs

Note to the Combined Delivery Report (CDR)

Note (1) Basis of Accounting:

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

Note (2): General

A. Budget:
The following is the overall Project's Budget:

<table>
<thead>
<tr>
<th>Item</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity #1: Project Management Team</td>
<td>118,190</td>
</tr>
<tr>
<td>Activity #2: Construction Works</td>
<td>4,511,451</td>
</tr>
<tr>
<td>Total Project's Budget</td>
<td>4,629,641</td>
</tr>
</tbody>
</table>

B. Project Duration:
The project as per Tri-partite Agreement signed by the China, the Palestinian Authority and UNDP PAPP on 4 October 2008 should be ready for the final as-built acceptance by the Chinese and the Palestinian Party within 18 months, starting after receiving the first advance payment of the project but signed supplementary agreements changed it.
3 CERTIFICATION FOR STATEMENT OF CASH POSITION

CERTIFICATION FOR STATEMENT OF CASH POSITION

To Mr. Helge Osttveiten
Director
Office of Audit and Investigations
United Nations Development Programme

The Statement of Cash Position for the Project Atlas Output ID: 63303 “The execution and implementation of Construction of the Office Building and Furnishing and Supply of office Equipment of the Palestinian Ministry of Foreign Affairs” for the period from 1 January to 31 December 2013 is not applicable due to not establishing a separate bank account for the project’s purposes. Accordingly, the statement of cash position of the project as at 31 December 2013 was not prepared by the project management and no expression of opinion on the statement of cash position had been stated.

Jamal Milhem, CPA
Certified Accountant License # (100/98)
Talal Abu –Ghazaleh & Co.
License No. 251/1997
Ramallah - Palestine, 8 June 2014
4 PART III – MANAGEMENT LETTER

We have not identified reportable condition during our auditing of the project “The execution and implementation of Construction of the Office Building and Furnishing and Supply of office Equipment of the Palestinian Ministry of Foreign Affairs” implemented by United Nations Development Programme, Programme of Assistance to the Palestinian People for the year ended 31 December 2013.