



AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

FOREIGN AFFAIRS BUILDING

(Directly Implemented Project No. 51015, Output No. 63303)

Report No. 1509

Issue Date: 22 July 2015

**Report on the Audit of UNDP Programme of Assistance to the Palestinian People
Foreign Affairs Building (Project No. 51015, Output No. 63303)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 18 to 29 May 2015, through Talal Abu – Ghazaleh & Co. (the audit firm), conducted an audit of Foreign Affairs Building (Project No. 51015, Output No. 63303 (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 Talal Abu – Ghazaleh & Co. in 2014 and covered project expenditure from 1 January to 31 December 2013.

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 2014 and the accompanying Funds Utilization statement¹ as of 31 December 2014 as well as Statement of Assets as of 31 December 2014. 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 Expenditure		Project Assets	
Amount (in \$ '000)	Opinion	Amount (in \$'000)	Opinion
3,157	Unqualified	1	Unqualified

The audit firm issued an unqualified opinion on the Funds Utilization statement.

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.



Implementation status of previous OAI audit recommendations: Report No. 1370, 4 September 2014.

Total recommendations: 0
Implementation rate: N/A

A rectangular box containing a handwritten signature in blue ink, which appears to be 'H. Osttveiten'. Below the signature, there is a printed name and title: 'Helge S. Osttveiten', 'Director', and 'Office of Audit and Investigations'. A blue arrow points from the signature area down to the printed name.

Auditor's Report

Financial audit of “Foreign Affairs Building” (The Project) implemented by UNDP/PAPP - The State of Palestine (West Bank & Gaza) for the year ended 31 December 2014.

PROJECT TITLE AND IDs:

Title: “Foreign Affairs Building”

IDs: (Atlas Project ID: 51015, Output No: 63303)

FUNDED BY

People’s Republic of China "PRC"

Talal Abu - Ghazaleh & Co.

Certified Public Accountants



Financial audit of Output ID: 63303 titled "Foreign Affairs Building" for the year ended 31 December 2014.

Funded by: People's Republic of China "PRC"

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

**Foreign Affairs Building
Implemented by
UNDP/PAPP the State of Palestine (West Bank & Gaza)
Funded by
People's Republic of China "PRC"**

TABLE OF CONTENTS

1. PART I - EXECUTIVE SUMMARY	2
1.1. Background Information about Project	2
1.2. Project identification information	2
1.3. Project budget:.....	2
1.4. Project duration:.....	3
1.5. Audit objectives.....	3
1.6. Scope of Audit:.....	3
1.7. Summary of the Audit performed and results:	5
1.7.1 Audit Performed:	5
1.7.2 Results of the audit:	6
2. PART II - AUDITOR'S REPORT WITH OPINION	7
2.1. Auditor's Report	7
2.2. CDR Output No. 63303 for the year ended 31 December 2014:.....	9
3. CERTIFICATION OF THE STATEMENT OF FIXED ASSETS - 2014.....	13
3.1 Statement of Fixed Assets - 2014.....	15
3.2 List of Assets and Equipment:	16
4. PART III - MANAGEMENT LETTER.....	17

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

This report represents the results of our financial audit of Output ID: 63303 titled
"Foreign Affairs Building", for the Year ended 31 December 2014.

This financial audit was mandated in accordance with the audit contract for
professional service signed with UNDP/OAI (Ref.PS 2015-03 dated 11 May
2015).

Sincerely yours,

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

Talal Abu-Ghazaleh & Co.

License No. 251/1997

Ramallah - Palestine, 3 June 2015



1. PART I - EXECUTIVE SUMMARY

The Executive Summary recapitulates the important issues raised in the financial audit of "Foreign Affairs Building".

1.1. Background Information about Project

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

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

UNDP/PAPP was designated to ensure the construction scale of 9,841.74 m² and its designed functionalities. Office equipment and furniture necessary for the project were to be provided under other arrangements between Chinese partners and Palestinian authorities.

The Project is funded by People's Republic of China "PRC".

1.2. Project identification information

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

Project Name	Output Number	Atlas Project ID	2014 Budget (USD)	2014 Actual Expenditures Per CDR (USD)
Foreign Affairs Building	63303	51015	3,204,932	3,157,392

The audit covered the Project activities during the period from 1 January to 31 December 2014. During the period under review, the Office recorded project expenditures totaling USD 3,157,392 as reported through the Combined Delivery Report (CDR).

1.3. Project budget:

The following is the overall Project's Budget per activity:

Item	USD
Project Management Team	521,098
Construction Works	2,683,834
Total Project's budget	3,204,932

1.4. Project duration:

The project duration was from 4 October 2008 to 30 October 2014.

1.5. Audit objectives

The objective of the financial audit was to express an opinion on the project's financial statements which include:

- 1) Expressing an opinion on whether the expenses incurred by the project during year ended 31 December 2014 and the funds utilization as at 31 December 2014 were 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) and the accompanying Funds Utilization statement were the mandatory and official statement upon which the audit opinion was to 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 2014. This statement should include all assets available as at 31 December 2014 and not only those purchased in the period under audit.
- 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 2014, only if a dedicated bank account was established specifically for the project.

1.6. Scope of Audit:

We performed our financial audit in accordance with the International Standards on Auditing (ISA 700) and in compliance with the UNDP rules and regulations.

The scope of the audit related to transactions concluded and recorded against the UNDP DIM project for the period 1 January 2014 to 31 December 2014. The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of "responsible parties"; and
- Expenses processed and approved in locations outside the country such as UNDP Regional Centres and UNDP Headquarters and where the supporting documentation were not retained at the level of the UNDP country office

Specifically, the audit covered the following:

- a) The expenses incurred and recorded in the Combined Delivery Reports (CDR) of the project during the period from 1 January 2014 to 31 December 2014;
- b) The value and existence of the fixed assets held by the project as at 31 December 2014; and
- c) The value and existence of Cash held by the project as at 31 December 2014 (in the case there was a separate bank account for the DIM project under review).

Accounting principles:

The Combined Delivery Report (CDR) was prepared on the accrual basis accounting system, therefore expenditures were recognized when incurred rather than when paid.

All assets included in the Statement of Fixed Assets were accounted for according to their historical costs, and in compliance with UNDP's Assets Management Guidelines.

Since 2012, UNDP started applying IPSAS and as a result, fixed assets depreciation expenses are included in the CDR.

1.7. Summary of the Audit performed and results:

1.7.1 Audit Performed:

This summary represents the results of our financial audit of Output ID: 63303 titled "Foreign Affairs Building", for the year ended 31 December 2014.

The total expenditures incurred by UNDP on the above Project are USD 3,157,392. The audit tests approximately covered 93 percent of the total expenditures, as shown in the following table:

Project Location	No. of Samples	Total Expenditures as per CDR (USD)	Total Expenditures Tested	Percentage
West Bank - Ramallah City	8	3,157,392	2,928,291	93%

1.7.2 Results of the audit:

- **The Combined Delivery Report (CDR) and Funds Utilization Statement**

The review did not disclose any financial errors in the Project's CDR and Funds Utilization statement.

- **The Statement of Fixed Assets**

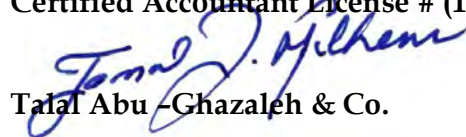
The results of our review did not disclose any material misstatement that could affect the presentation of the statement of fixed assets as at 31 December 2014.

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

In accordance with the Terms of Reference for the audit, we did not issue an opinion on the Statement of Cash Position as there was no separate bank account for the project under review.

Jamal Milhem, CPA

Certified Accountant License # (100/98)



Talal Abu-Ghazaleh & Co.

License No. 251/1997

Ramallah - Palestine, 3 June 2015



2. PART II - AUDITOR'S REPORT WITH OPINION

2.1. Auditor's Report

REPORT OF THE INDEPENDENT AUDITORS TO UNDP DIM PROJECT "FOREIGN AFFAIRS BUILDING"

To the Director of the Office of Audit and Investigations
United Nations Development Programme

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 "Foreign Affairs Building", bearing output number 63303 for the period from 1 January to 31 December 2014.

Management's Responsibility

Management is responsible for the preparation and fair presentation of the statement for "Foreign Affairs Building", 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 (ISA 700). 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 attached Combined Delivery Report (CDR) and Funds Utilization statement gives a true and fair view of the expenditures of USD 3,157,392 incurred by the Project "Foreign Affairs Building", for the period from 1 January to 31 December 2014 in accordance with UNDP accounting policies and 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.

Jamal Milhem, CPA

Certified Accountant License # (100/98)

Talal Abu-Ghazaleh & Co.

License No. 251/1997

Ramallah - Palestine, 3 June 2015




Financial audit of Output ID: 63303 titled "Foreign Affairs Building" for the year ended 31 December 2014.

Funded by: People's Republic of China "PRC"

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

2.2. CDR Output No. 63303 for the year ended 31 December 2014:

Combined Delivery Report By Project				
 UN Development Programme Report ID: unglcdrp		Page 1 of 4 Run Time: 25-02-2015 08:02:44		
Selection Criteria :				
Business Unit : PAL10				
Period : Jan-Dec (2014)				
Selected Project Id : ALL				
Selected Fund Code : ALL				
Selected Dept. IDs : ALL				
Selected Outputs : 00063303				
Project Id : 00051015 PAL/ Construction & Equippping		Period : Jan-Dec (2014)		
Output # : 00063303 Foreign Affairs Building		Impl. Partner : 02388 UNDP - PAPP		
		Location : Palestine		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Dept: 70001 (PAPP - Central)				
Fund : 04950 (PAPP Core Programme)				
61105 - Salaries - NP Staff	0.00	29,683.40	0.00	29,683.40
61305 - Salaries - IP Staff	0.00	10,287.93	0.00	10,287.93
62105 - Dependency Allowance-NP Staff	0.00	1,373.98	0.00	1,373.98
62110 - Contrib Joint Staff Pension-NP	0.00	6,024.88	0.00	6,024.88
62115 - Contrib to Med,SocIns-NP Staff	0.00	2,365.83	0.00	2,365.83
62140 - Annual Leave Expense - NO	0.00	609.79	0.00	609.79
63530 - Contribution to EOS Benefits	0.00	1,113.15	0.00	1,113.15
63535 - Contribution to Security	0.00	1,335.75	0.00	1,335.75
63545 - Contribution to ICT	0.00	445.26	0.00	445.26
63550 - Contributions to MAIP	0.00	148.43	0.00	148.43
63555 - Contribution to UN JFA	0.00	682.71	0.00	682.71
63560 - Contributions to Appendix D	0.00	89.04	0.00	89.04
65115 - Contributions to ASHI Reserve	0.00	2,374.66	0.00	2,374.66
65135 - Payroll Mgt Cost Recovery ATLA	0.00	108.09	0.00	108.09
71405 - Service Contracts-Individuals	0.00	130,854.84	0.00	130,854.84
71410 - MAIP Premium SC	0.00	557.66	0.00	557.66
71415 - Contribution to Security SC	0.00	10,524.48	0.00	10,524.48
72105 - Svc Co-Construction & Engineer	0.00	290,873.87	0.00	290,873.87
72435 - E-mail-Subscription	0.00	900.00	0.00	900.00
72815 - Inform Technology Supplies	0.00	295.16	0.00	295.16
73410 - Maint, Oper of Transport Equip	0.00	-1,844.49	0.00	-1,844.49
74110 - Audit Fees	0.00	17,257.00	0.00	17,257.00
74505 - Insurance	0.00	593.32	0.00	593.32
74525 - Sundry	0.00	12,441.69	0.00	12,441.69
75705 - Learning costs	0.00	300.00	0.00	300.00
76135 - Realized Gain	0.00	-37.50	0.00	-37.50
77630 - Dep Exp Owned - ITC	0.00	48.08	0.00	48.08
Total for Fund 04950	0.00	519,607.01	0.00	519,607.01
Fund : 40500 (TF PAPP Voluntary Contrib Actv)				
72105 - Svc Co-Construction & Engineer	0.00	2,465,090.35	0.00	2,465,090.35
74505 - Insurance	0.00	81.35	0.00	81.35
74525 -Sundry	0.00	47.73	0.00	47.73
75105 - Facilities & Admin - Implement	0.00	172,565.36	0.00	172,565.36
Total for Fund 40500	0.00	2,637,784.79	0.00	2,637,784.79
Total for Dept : 70001	0.00	3,157,391.80	0.00	3,157,391.80
Total for Output : 00063303	0.00	3,157,391.80	0.00	3,157,391.80



Financial audit of Output ID: 63303 titled "Foreign Affairs Building" for the year ended 31 December 2014.

Funded by: People's Republic of China "PRC"

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 2 of 4
Run Time: 25-02-2015 08:02:44

Project Id : 00051015 PAL/ Construction & Equipping	Period :	Jan-Dec (2014)		
Output # : 00063303 Foreign Affairs Building	Impl. Partner :	02388 UNDP - PAPP		
	Location :	Palestine		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Project Total :	0.00	3,157,391.80	0.00	3,157,391.80
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Signed By :  Date : 03/06/2015
Signed By :  Date : _____



Financial audit of Output ID: 63303 titled "Foreign Affairs Building" for the year ended 31 December 2014.

Funded by: People's Republic of China "PRC"

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.



UN Development Programme
Report ID: unglcdip

Combined Delivery Report By Project

Page 3 of 4
Run Time: 25-02-2015 08:02:45

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2014)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00063303

	Period : Jan-Dec (2014)			Total Exp
	Govt Exp	UNDP Exp	UN Agencies Exp	
70001 - PAPP - Central	0.00	3,157,391.80	0.00	3,157,391.80

Financial audit of Output ID: 63303 titled "Foreign Affairs Building" for the year ended 31 December 2014.

Funded by: People's Republic of China "PRC"

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

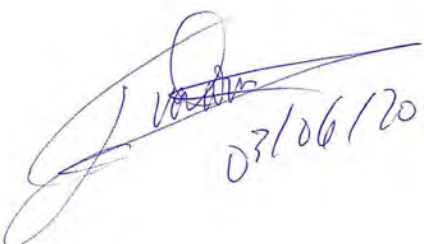
Funds Utilization

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2014)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00063303

Project/Award: 00051015 PAL/ Construction & Equipping Period : As at Dec 31, 2014

Output #	00063303	Impl. Partner :02388 UNDP - PAPP	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			1,490.60
Inventory			0.00
Prepayments			0.00
Commitments			1,426,408.29


03/06/2015

3. CERTIFICATION OF THE STATEMENT OF FIXED ASSETS - 2014

To the Director of the Office of Audit and Investigations
United Nations Development Programme

Report on the Statement of Fixed Assets

We have audited the accompanying Statement of Fixed Assets (the statement) of the UNDP Output ID: 63303, "Foreign Affairs Building", as of 31 December 2014.

Management's Responsibility

Management is responsible for the preparation of the Statement for "Foreign Affairs Building" Project and for such internal control as management determines is necessary to enable the preparation of the 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 (ISA 700). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is 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 schedule 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 opinion.

Financial audit of Output ID: 63303 titled "Foreign Affairs Building" for the year ended 31 December 2014.

Funded by: People's Republic of China "PRC"

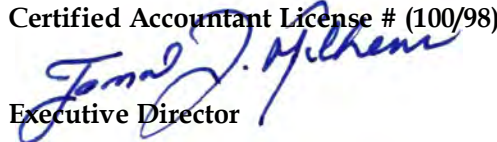
Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

Unmodified Opinion

In our opinion, the attached Statement of assets presents fairly in all material respects the balance of fixed assets of USD 1,491 incurred by the project as at 31 December 2014 in accordance with UNDP accounting policies.

Jamal Milhem, CPA

Certified Accountant License # (100/98)



Executive Director

Talal Abu- Ghazaleh & Co.

Ramallah - Palestine, 3 June 2015



Financial audit of Output ID: 63303 titled "Foreign Affairs Building" for the year ended 31 December 2014.

Funded by: People's Republic of China "PRC"

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

3.1 Statement of Fixed Assets - 2014

Foreign Affairs Building
STATEMENT OF FIXED ASSETS
AS AT 31 DECEMBER 2014

Category	Location	Value USD
Laptop	Jerusalem	1,539
Depreciation	Jerusalem	(48)
Net Book Value		1,491

Financial audit of Output ID: 63303 titled "Foreign Affairs Building" for the year ended 31 December 2014.

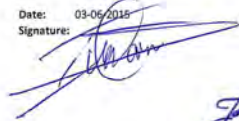
Funded by: People's Republic of China "PRC"

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

3.2 List of Assets and Equipment:

Project 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)							
Output	Payee Name (Vendor Name)	Description of the payment	USD Amount	Transaction Type	Voucher	PO No	Accounting Date
63303	COMPUTER MEDIA CENTER	A) Notebook computers	\$1,538.68	Expenses + Full Asset Cost	80186	13561	27-Oct-14
		Total Cost	\$1,538.68				
		Accumulated Depreciation	\$48.08				
		Net Book Value	\$1,490.60				

Date: 03-05-2015
Signature:



Journal J. M. Ghonei



Financial audit of Output ID: 63303 titled "Foreign Affairs Building" for the year ended 31 December 2014.

Funded by: People's Republic of China "PRC"

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

4. PART III - MANAGEMENT LETTER

We have not identified reportable issues during our audit of the Output ID: 63303 "Foreign Affairs Building" (The Project) implemented by UNDP/PAPP - The State of Palestine (West Bank & Gaza) for the Year Ended 31 December 2014.