AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

HIV/AIDS RESPONSE PROGRAM AND TUBERCULOSIS RESPONSE PROGRAM
(Directly Implemented Project No. 51220, Output Nos. 63662 and 63663)

Report No. 1511
Issue Date: 6 August 2015
Report on the Audit of UNDP Programme of Assistance to the Palestinian People
HIV/AIDS Response Program and Tuberculosis Response Program
(Project No. 51220, Output Nos. 63662 and 63663)

Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 18 May to 2 June 2015, through Talal Abu – Ghazaleh & Co. (the audit firm), conducted an audit of HIV/AIDS Response Program and Tuberculosis Response Program (Project No. 51220, Output Nos. 63662 and 63663) (the Project), which is directly implemented and managed by the UNDP Programme of Assistance to the Palestinian People (the Office) as the Principal Recipient, since the Project was funded by the Global Fund to Fight AIDS, Tuberculosis and Malaria. The last audit of the Office as Principal Recipient was conducted by OAI 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 statement as of 31 December 2014 as well as Statement of Assets as of 31 December 2014. The audit did not include activities and expenses incurred or undertaken at the “responsible party” level, or expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters), or where supporting documentation was not retained at the UNDP Country Office level. 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>Output Nos.</th>
<th>Project Expenditure*</th>
<th>Opinion</th>
<th>Project Assets</th>
<th>Amount (in $'000)</th>
<th>Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>63662</td>
<td>509</td>
<td>Unqualified</td>
<td>8</td>
<td>Unqualified</td>
<td></td>
</tr>
<tr>
<td>63663</td>
<td>125</td>
<td>Unqualified</td>
<td>-</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>634</td>
<td></td>
<td>8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Expenditures recorded in the Combined Delivery Report were $1.69 million. Excluded from the audit scope were transactions that relate to expenditures of other United Nations agencies ($0.57 million) and expenditures processed and approved by other UNDP offices outside of the country ($0.25 million). Also excluded were expenditures incurred at the “responsible party” level ($0.24 million).

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

Key recommendation: Total = 1, high priority = 1

The recommendation aims to ensure the reliability and integrity of financial and operational information.
For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendation is presented below:

Inaccurate recording of expenditures (Issue 1)  
Expenditures totalling $567,798 incurred by other United Nations agencies were incorrectly recorded as UNDP expenditures in the Combined Delivery Report.

**Recommendation:** The Office should correctly record expenditures and classify them under the relevant category.

The previous audit (Report No. 1303, issued on 9 July 2014) had one recommendation, and based on OAI’s desk review, it is fully implemented.

**Management comments and action plan**

The United Nations Special Representative of the Administrator 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.

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Helge S. Osttveiten  
Director  
Office of Audit and Investigations
Auditor's Report

Financial audit of “HIV/AIDS Response Program” and “Tuberculosis Response Program” (The Projects) implemented by UNDP/PAPP - The State of Palestine (West Bank & Gaza) for the year ended 31 December 2014.

PROJECT TITLES AND IDs:

Titles: “HIV/AIDS Response Program” and “Tuberculosis Response Program”
IDs: (Atlas Project ID: 51220, Output ID’s: 63662 & 63663)

FUNDED BY

The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)

Talal Abu – Ghazaleh & Co.
Certified Public Accountants
Funded by: The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)
Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

“HIV/AIDS Response Program” and “Tuberculosis Response Program”
Implemented by
UNDP/PAPP the State of Palestine (West Bank & Gaza)
Funded by
The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)

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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 IDs: 63662 & 63663 titled “HIV/AIDS Response Program” and “Tuberculosis Response Program”, 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, 4 June 2014
1. PART I – EXECUTIVE SUMMARY

The Executive Summary recapitulates the important issues raised in the financial audit of “HIV/AIDS Response Program” and “Tuberculosis Response Program”

1.1. Background Information about the Project

1.1.1 HIV/AIDS Response Program – Output ID: 63662

In 2008, The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM) approved a comprehensive proposal, submitted by the United Nations Theme Group (UNTG) on HIV and AIDS, to scale up prevention, treatment and care services in the Occupied Palestinian Territories (oPt) for 5 years for an amount of approximately USD 10 million. The Round 7 HIV Grant continued until end of 2013. The country is now supported through the Transitional Funding Mechanism (TFM) until November 2015. The Global Fund sponsored grants are managed based on a pyramidal structure composed as follows:

1. The Principal Recipient (UNDP/PAPP), legally bound to the Global Fund and responsible for the supervision and coordination of the overall implementation of the programme; and

2. Sub-Recipients (currently WHO, UNODC, and Ministry of Health (MOH)), responsible for the direct implementation on the ground either through their own capacities and expertise or through the Sub-Sub-Recipients (the National AIDS Committee (NAC), other line ministries, UNRWA, and relevant NGOs).

The programme mainly focuses on the following:

- prevention of HIV and AIDS in the oPt;
- reduction of the vulnerability of most at risk population groups;
- strengthening the capacities and systems of the national counterparts in order to provide a stronger response; and
- increase access to treatment.

1.1.2 Tuberculosis Response Program – Output ID: 63663

In 2009, The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM) approved a comprehensive proposal to implement quality DOTS (Directly Observed Treatment, Short-Course) services in the Occupied Palestinian Territory (oPt) for 5 years for a total budget of EUR 2,041,525. The Round 8 TB Grant ended in 2014 and a no cost extension of one year was granted to the country until November 2015. The Global Fund sponsored grants are managed based on a pyramidal structure composed as follows:

1. The Principal Recipient (UNDP/PAPP), legally bound to the Global Fund and responsible for the supervision and coordination of the overall implementation of the programme;

Funded by: The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)
Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

2. Sub-Recipients (WHO, UNRWA WB, UNRWA Gaza and MoH), responsible for the direct implementation on the ground either through their own capacities and expertise or through the Sub-Sub-Recipients.

The programme focuses on strengthening the already existing TB programme at the MoH in cooperation with UNRWA. Activities include the development of TB guidelines, access to treatment and expanding the DOTS centers in the West Bank and Gaza to provide services to the most at risk populations. In addition, the TB extension period has components of Multidrug-resistant tuberculosis treatment, Atypical TB types and how to address them including a study to provide further data about this area.

1.2. 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>2014 Budget (USD)</th>
<th>2014 Actual Expenditures as per CDR (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIV/AIDS Response Program</td>
<td>63662</td>
<td>51220</td>
<td>1,237,774</td>
<td>1,236,677</td>
</tr>
<tr>
<td>Tuberculosis Response Program</td>
<td>63663</td>
<td>51220</td>
<td>477,960</td>
<td>457,436</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>63662</strong></td>
<td><strong>51220</strong></td>
<td><strong>1,715,734</strong></td>
<td><strong>1,694,113</strong></td>
</tr>
</tbody>
</table>

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 1,694,113 as reported through the Combined Delivery Reports (CDR).

A total amount of USD 1,059,346 was excluded from our audit scope since the related expenditures were either incurred by the Government or other UN sister agencies or processed and approved in locations outside the country. The details are presented in the below table:

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Output ID</th>
<th>Expenditures incurred outside the country (USD)(^1)</th>
<th>Other UN Agencies Expenditures (USD)(^2)</th>
<th>Government Expenditures (USD)(^3)</th>
<th>Total amounts out of scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIV/AIDS Response Program</td>
<td>63662</td>
<td>234,747</td>
<td>357,552</td>
<td>135,259</td>
<td>727,558</td>
</tr>
</tbody>
</table>

\(^1\) Expenses processed and approved in locations outside the country such as UNDP Regional Centres and UNDP Headquarters and where the supporting documentation is not retained at the level of the UNDP country office are not covered under our financial audit.

\(^2\) Activities and expenses incurred or undertaken at the level of “responsible parties” are not covered under our financial audit.

\(^3\) Activities and expenses incurred or undertaken at the level of “responsible parties” are not covered under our financial audit.

Funded by: The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)
Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

<table>
<thead>
<tr>
<th>Tuberculosis Response Program</th>
<th>63663</th>
<th>17,999</th>
<th>210,246</th>
<th>103,543</th>
<th>331,788</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>252,746</td>
<td>567,798</td>
<td>238,802</td>
<td>1,059,346</td>
</tr>
</tbody>
</table>

As a result, the financial audit covered project expenditures incurred locally totaling USD 634,767.

1.3. Project duration:

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Program Start Date</th>
<th>Program End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuberculosis Response Program</td>
<td>December 2009</td>
<td>November 2015</td>
</tr>
</tbody>
</table>

1.4. 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 projects 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 Projects 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 Projects 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 projects.
Funded by: The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)
Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

1.5. Scope of the 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 from 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.
Funded by: The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)
Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

1.6. Summary of the Audit performed and results:

1.6.1 Audit performed:

This summary represents the results of our financial audit of Output IDs: 63662 & 63663 titled “HIV/AIDS Response Program” and “Tuberculosis Response Program”, for the year ended 31 December 2014.

The total expenditures incurred by UNDP on the above Projects are USD 634,767. The audit tests approximately covered 78 percent of the total expenditures, as shown in the following table:

<table>
<thead>
<tr>
<th>Project Location</th>
<th>Output ID</th>
<th>No. of Samples</th>
<th>Total Expenditures incurred by UNDP (USD)</th>
<th>Total Expenditures Tested</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jerusalem</td>
<td>63662</td>
<td>10</td>
<td>509,119</td>
<td>405,503</td>
<td>80%</td>
</tr>
<tr>
<td>Jerusalem</td>
<td>63663</td>
<td>4</td>
<td>125,648</td>
<td>88,554</td>
<td>70%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>634,767</strong></td>
<td><strong>494,057</strong></td>
<td><strong>78%</strong></td>
</tr>
</tbody>
</table>
1.6.2 Results of 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, 4 June 2014
2. PART II - AUDITOR’S REPORT WITH OPINION

2.1. Auditor’s Report

REPORT OF THE INDEPENDENT AUDITORS TO UNDP DIM PROJECT “HIV/AIDS RESPONSE PROGRAM” AND “TUBERCULOSIS RESPONSE PROGRAM”

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 Projects “HIV/AIDS Response Program” and “Tuberculosis Response Program”, bearing output numbers 63662 & 63663 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 “HIV/AIDS Response Program” and “Tuberculosis Response Program”, Projects 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.

Funded by: The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)
Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

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 634,767 incurred by the Projects “HIV/AIDS Response Program” and “Tuberculosis Response Program”, 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.

**Emphasis of Matter**

We draw attention that some expenditures amounting to USD 567,798 related to other UN Agencies acting as responsible parties to the project were recorded under UNDP expenditures not as UN Agencies expenditures. Our opinion is not qualified in respect of this matter.

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

Funded by: The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)

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. 63662 for the year ended 31 December 2014

#### Combined Delivery Report By Project

| Dept: | 70001 (PAPP - Central) |
| Fund: | 64950 (PAPP Core Programme) |
| 74025 - Sundry | 0.00 | 1.999.99 | 0.00 | 1.999.99 |
| Total for Fund 04950 | 0.00 | 1.999.99 | 0.00 | 1.999.99 |

**Follow 30078 (Global Fund to Fight AIDS Tube)**

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>61305</td>
<td>Salaries - IP Staff</td>
<td>0.00</td>
</tr>
<tr>
<td>61310</td>
<td>Post Adjustment - IP Staff</td>
<td>0.00</td>
</tr>
<tr>
<td>63005</td>
<td>Dependency Allowances - IP Staff</td>
<td>0.00</td>
</tr>
<tr>
<td>63205</td>
<td>Contrib. to Staff Pensions</td>
<td>0.00</td>
</tr>
<tr>
<td>63515</td>
<td>Contrib. to medical social ins</td>
<td>0.00</td>
</tr>
<tr>
<td>65005</td>
<td>Mobility, hardship, non remuneration</td>
<td>0.00</td>
</tr>
<tr>
<td>65300</td>
<td>Allowance Leave Expense - IP Staff</td>
<td>0.00</td>
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<tr>
<td>66300</td>
<td>Contrib. to EDS Benefits</td>
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<tr>
<td>66500</td>
<td>Contribution to Security</td>
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</tr>
<tr>
<td>66540</td>
<td>Contribution to Training</td>
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</tr>
<tr>
<td>66540</td>
<td>Contribution to ICT</td>
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</tr>
<tr>
<td>66550</td>
<td>Contribution to MAP</td>
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<tr>
<td>66555</td>
<td>Contribution to UN JFA</td>
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<tr>
<td>67075</td>
<td>Contributions to Appendix D</td>
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<tr>
<td>67100</td>
<td>Appointments-Lump Sum</td>
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<tr>
<td>67115</td>
<td>Contributions to AHF Reserve</td>
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<tr>
<td>67200</td>
<td>Payroll Mgt Cost Recovery, ATLA</td>
<td>0.00</td>
</tr>
<tr>
<td>67405</td>
<td>Project Support</td>
<td>136,395.43</td>
</tr>
<tr>
<td>67410</td>
<td>MAP Premiums SC</td>
<td>592.41</td>
</tr>
<tr>
<td>67415</td>
<td>Contribution to Security SC</td>
<td>0.00</td>
</tr>
<tr>
<td>67450</td>
<td>UN Volunteers-Slipend &amp; Allow</td>
<td>1,499.00</td>
</tr>
<tr>
<td>67470</td>
<td>UN Language Allowance</td>
<td>0.00</td>
</tr>
<tr>
<td>71535</td>
<td>UNV Medical Insurance</td>
<td>0.00</td>
</tr>
<tr>
<td>71540</td>
<td>UNV Global Chang</td>
<td>0.00</td>
</tr>
<tr>
<td>71550</td>
<td>UNV Rent/Maintenance</td>
<td>0.00</td>
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<tr>
<td>71555</td>
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<td>0.00</td>
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<tr>
<td>71560</td>
<td>Travel - defiance international</td>
<td>0.00</td>
</tr>
<tr>
<td>71615</td>
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<td>0.00</td>
</tr>
<tr>
<td>71610</td>
<td>Daily Subsistence Allow - Local</td>
<td>0.00</td>
</tr>
<tr>
<td>71620</td>
<td>Shipment</td>
<td>0.00</td>
</tr>
<tr>
<td>71630</td>
<td>Travel - Other</td>
<td>0.00</td>
</tr>
<tr>
<td>71640</td>
<td>UCO Construction &amp; Engineer</td>
<td>0.00</td>
</tr>
<tr>
<td>71690</td>
<td>Soc Co-Strategies &amp; Research Serv</td>
<td>0.00</td>
</tr>
<tr>
<td>71695</td>
<td>Soc Co-Humanitarian Aid &amp; Relf</td>
<td>135,299.50</td>
</tr>
<tr>
<td>71710</td>
<td>Machinery &amp; Equipment</td>
<td>0.00</td>
</tr>
<tr>
<td>71715</td>
<td>Transportation</td>
<td>0.00</td>
</tr>
<tr>
<td>71720</td>
<td>Medical Materials</td>
<td>0.00</td>
</tr>
</tbody>
</table>
Funded by: The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)
Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

Funded by: The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>70001 - PAPP - Central</td>
<td>125,258.50</td>
<td>1,101,418.60</td>
<td>0.00</td>
<td>1,236,577.10</td>
<td></td>
</tr>
</tbody>
</table>

Funded by: The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)

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

<table>
<thead>
<tr>
<th>Fund Utilization</th>
<th>UNDP Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding NEX advances</td>
<td>0.00</td>
</tr>
<tr>
<td>Underprovision - Fixed Assets</td>
<td>8,116.00</td>
</tr>
<tr>
<td>Prepayments</td>
<td>0.00</td>
</tr>
<tr>
<td>Commitments</td>
<td>17,772.02</td>
</tr>
</tbody>
</table>
Funded by: The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)
Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

2.3. CDR Output No. 63663 for the year ended 31 December 2014

![Image of the financial audit report]

Signed By:

Date: 9/6/2015
Funded by: The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)
Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.

Funded by: The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)

Implemented by: United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP) in the State of Palestine.
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 IDs: 63662 & 63663, “HIV/AIDS Response Program” and “Tuberculosis Response Program”, as of 31 December 2014.

Management’s Responsibility
Management is responsible for the preparation of the Statement for “HIV/AIDS Response Program” and “Tuberculosis Response Program” Projects 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.
Funded by: The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)
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 8,215 incurred by the projects as at 31 December 2014 in accordance with UNDP accounting policies.

Jamal Milhem, CPA
Certified Accountant License # (100/98)
Talal Abu-Ghazaleh & Co.
Ramallah - Palestine, 4 June 2015
Funded by: The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)
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

“HIV/AIDS Response Program” and “Tuberculosis Response Program”
STATEMENT OF FIXED ASSETS
AS AT 31 DECEMBER 2014

<table>
<thead>
<tr>
<th>Category</th>
<th>Location</th>
<th>Value USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Notebook Computers XPS</td>
<td>Jerusalem</td>
<td>8,215</td>
</tr>
<tr>
<td>Total Book Value</td>
<td></td>
<td>8,215</td>
</tr>
</tbody>
</table>
Funded by: The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)
 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

<table>
<thead>
<tr>
<th>Business u Profile ID</th>
<th>Description</th>
<th>Acquisition Date</th>
<th>Service Date</th>
<th>Curr. USD</th>
<th>Net Book Value</th>
<th>Quantity</th>
<th>Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAL10</td>
<td>A Notebook computer XPS 13A</td>
<td>12/9/2013</td>
<td>6/30/2014</td>
<td>$1,775.00</td>
<td>$1,631.00</td>
<td>1</td>
<td>0063662</td>
</tr>
<tr>
<td>PAL10</td>
<td>A Notebook computer XPS 13</td>
<td>12/9/2013</td>
<td>6/30/2014</td>
<td>$1,775.00</td>
<td>$1,631.00</td>
<td>1</td>
<td>0063662</td>
</tr>
<tr>
<td>PAL10</td>
<td>Notebook computer XPS 13</td>
<td>12/9/2013</td>
<td>6/30/2014</td>
<td>$1,775.00</td>
<td>$1,631.00</td>
<td>1</td>
<td>0063662</td>
</tr>
<tr>
<td>PAL10</td>
<td>Notebook computer XPS 13</td>
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<td>$1,631.00</td>
<td>1</td>
<td>0063662</td>
</tr>
</tbody>
</table>

Signature: [Signature]
[Handwritten Signature]
4. PART III – MANAGEMENT LETTER

4 June 2015

To the Director of the Office of Audit and Investigations

United Nations Development Programme

Subject: Letter to Management on auditing the Combined Delivery Report (CDR) and Funds Utilization Statement (“the Statement”) of the UNDP Project “Atlas Output ID: 63662 & 63663”.

We have performed an audit of the Combined Delivery Report (CDR) and Funds Utilization Statement (“the Statement”) of the UNDP Projects “Atlas Output IDs: 63662 & 63663”, “HIV/AIDS Response Program” and “Tuberculosis Response Program”, for the period from 1 January to 31 December 2014 in accordance with International Standards on Auditing (ISA 700) and in compliance with the UNDP rules and regulations.

In planning and performing our audit of the project, we considered HIV/AIDS Response Program and Tuberculosis Response Program’s (the Projects) 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 Projects. 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 Funds Utilization Statement, and therefore would not necessarily be 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.

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

Executive Director
Talal Abu-Ghazaleh & Co.
Ramallah - Palestine, 4 June 2015
4.1. Audit Issues and Recommendations

4.1.1 Expenditures Classification:

Observation

Notice Background:
During our audit, we noticed that some expenditures amounting to USD 567,798 related to other UN Agencies acting as responsible parties to the projects were recorded under UNDP expenditures not as UN Agencies expenditures.

Criteria:
According to the UNDP rules and regulations these expenditures must be classified and presented as UN Agencies expenses.

Priority
High (Important)

Recommendation
The Office should classify these expenditures as UNDP expenses and ensure in the future that expenditures are adequately classified in the CDR depending on the entity which incurred them.

Management acceptance:
☑ Yes ☐ No

Management comments and action plan:
UNDP will seek clear guidance from HQ’s on how to record the UN agencies advances correctly, and it will be implemented starting July 2015.