AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

EXPORT DEVELOPMENT IN THE WEST BANK
(Directly Implemented Project No. 61765, Output No. 78517)

Report No. 1649
Issue Date: 29 September 2016
United Nations Development Programme
Office of Audit and Investigations

Report on the Audit of UNDP Programme of Assistance to the Palestinian People
Export Development in the West Bank (Project No. 61765, Output No. 78517)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Moore Stephen LLP (the audit firm), from 18 to 20 July 2016, conducted an audit of Export Development in the West Bank (Project No. 61765, Output No. 78517) (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 2015 and the accompanying Funds Utilization statement¹ as of 31 December 2015 as well as Statement of Assets as of 31 December 2015. 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 $’000)</td>
<td>Opinion</td>
</tr>
<tr>
<td>1,156</td>
<td>Unqualified</td>
</tr>
<tr>
<td>22</td>
<td>Unqualified</td>
</tr>
</tbody>
</table>

OAI decided to include in the audit scope the expenditures incurred by the responsible party (totalling $922,275) because they were processed and approved at the level of the Office. The audit firm reported that all supporting documents were available in the Office and were reviewed by them.

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.
UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) AUDIT REPORT

28 September 2016

FINANCIAL AUDIT OF THE UNDP DIRECTLY IMPLEMENTED (DIM) PROJECT

Export Development in the West Bank

UNDP Office: Programme of Assistance to the Palestinian People
Atlas Project ID: 61765
Atlas Output ID: 78517
Auditor: Moore Stephens LLP
Period subject to audit: 1 January to 31 December 2015
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EXECUTIVE SUMMARY

Moore Stephens LLP conducted the financial audit of ‘Export Development in the West Bank’ (Project ID 61765 - Output ID 78517 (the project), directly implemented by UNDP Programme of Assistance to the Palestinian People (PAPP, ‘the Office’) for the year ended 31 December 2015. The audit was undertaken on behalf of UNDP, Office of Audit and Investigations (OAI).

We have issued audit opinions as summarised in the table below and as detailed in the next section:

<table>
<thead>
<tr>
<th>Statement of Expenditure</th>
<th>Unqualified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of Fixed Assets</td>
<td>Unqualified</td>
</tr>
<tr>
<td>Statement of Cash Position</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

As a result of our audit, we have raised no audit findings.

This output ID 78517 "Export Development in the West Bank" was not audited in the prior year.

Mark Henderson
Partner
Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB
28 September 2016
THE AUDIT ENGAGEMENT

Audit Objectives and Scope

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

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January and 31 December 2015 and the funds utilization as at 31 December 2015 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.

- Expressing an opinion on whether the statement of fixed assets presents fairly the balance of assets of the UNDP project as at 31 December 2015. This statement must include all assets available as at 31 December 2015 and not only those purchased in a given period. Where a DIM project does not have any assets or equipment, it will not be necessary to express such an opinion.

- 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 2015. In cases where the audited DIM project does not have a dedicated bank account for the project and the cash transactions are made through the country office bank accounts, this type of opinion is not required.

The Financial Audit was conducted in accordance with the International Standards of Auditing (ISA), the 700 series

The scope of the audit relates only to transactions concluded and recorded against the UNDP DIM project between 1 January and 31 December 2015. The scope of the audit did 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 Centres and UNDP Headquarters and where the supporting documentation is not retained at the level of the UNDP country office.
Independent Auditors’ Report to UNDP – Export Development in the West Bank

Statement of Expenditure

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

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization statement totalling $1,156,276.92 (the statement) of the UNDP output ID 78517 ‘Export Development in the West Bank’ for the period from 1 January to 31 December 2015. CDR expenditure totalling $922,275.36 was processed and approved by an implementing partner rather than the Office, therefore our audit testing was limited to testing controls and validating payments at the level of the Office.

Management’s Responsibility for the Statement of Expenditure

Management is responsible for the preparation of the statement for the Export Development in the West Bank 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 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 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 statement 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 audit opinion.

Unqualified Opinion

In our opinion, the attached Combined Delivery Report (CDR) and Funds Utilization statement presents fairly, in all material respects, the expenses of $1,156,276.92 incurred by the project ‘Export Development in the West Bank’ for the period 1 January to 31 December 2015 in accordance with UNDP accounting policies and were (i) in conformity with the approved budget; (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.

Mark Henderson
Partner
Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB
28 September 2016
Independent Auditors’ Report to UNDP – Export Development in the West Bank

Statement of Assets and Equipment

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

We have audited the accompanying Statement of Fixed Assets (‘the statement’) of the UNDP output ID 78517 ‘Export Development in the West Bank’ as at 31 December 2015.

Management’s Responsibility for the Statement of Assets and Equipment

Management is responsible for the preparation of the statement for Export Development in the West Bank 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 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 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 audit opinion.

Unqualified Opinion

In our opinion, the attached Statement of Assets presents fairly, in all material respects, the balance of inventory of the UNDP project ‘Export Development in the West Bank’ amounting to $22,283.60 as at 31 December 2015 in accordance with UNDP accounting policies.

Mark Henderson
Partner
Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB
28 September 2016
Independent Auditor’s Report to UNDP – *Export Development in the West Bank*

**Statement of Cash Position**

We noted that the UNDP output ID 78517 ‘Export Development in the West Bank’ did not have a dedicated bank account for DIM project activities subject to audit and accordingly a Statement of Cash Position was not produced.
MANAGEMENT LETTER

As a result of our audit, we have raised no audit findings.

Mark Henderson
Partner
Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB
28 September 2016
Annexes

Annex 1: Combined Delivery Report
**Combined Delivery Report By Project**

**UN Development Programme**

Report ID: ungl143p

**Selection Criteria:**

**Business Unit:** PAL10  
**Period:** Jan-Dec (2015)  
**Selected Award Id:** 00001765  
**Selected Fund Code:** ALL  
**Selected Dept. IDs:** ALL  
**Selected Projects:** 00078517

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<tr>
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<th>00001765 EXPORT DEV WB - CIDA</th>
<th>Period</th>
<th>Jan-Dec (2015)</th>
<th>Project #: 00078517 Export Development 1</th>
<th>Impl. Partner</th>
<th>02388 UNDP - PAPP</th>
<th>Location</th>
<th>United Nations Development Pro</th>
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<tr>
<th></th>
<th>Govt Disb</th>
<th>UNDP Disb</th>
<th>UN Agencies</th>
<th>Encumbrance</th>
<th>Total Exp</th>
</tr>
</thead>
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**Dept:** 70001 (PAPP - Central)

**Fund:** 40500 (TF PAPP Voluntary Contrib Actv)

<table>
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<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
<th>Govt Disb</th>
<th>UNDP Disb</th>
<th>UN Agencies</th>
<th>Encumbrance</th>
<th>Total Exp</th>
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<td>75,644.19</td>
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<td>76135</td>
<td>Realized Gain</td>
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<td>0.00</td>
<td>-3.84</td>
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<td>77650</td>
<td>Dep Exp Owned -Vehicle</td>
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**Total for Fund 40500**  
922,275.36  
234,001.56  
0.00  
0.00  
1,156,276.92

**Total for Dept:** 70001  
922,275.36  
234,001.56  
0.00  
0.00  
1,156,276.92

**Total for Project:** 00078517  
922,275.36  
234,001.56  
0.00  
0.00  
1,156,276.92

**Award Total:**  
922,275.36  
234,001.56  
0.00  
0.00  
1,156,276.92

Mark Henderson  
Partner  
Moore Stephens LLP  
28 September 2016

Signed By:  
[Signature]

Date: 25/9/2016

[Signature]
**Combined Delivery Report By Project**

Report ID: ungl143p

**Selection Criteria:**
- **Business Unit:** PAL10
- **Period:** Jan-Dec (2015)
- **Selected Award Id:** 00061765
- **Selected Fund Code:** ALL
- **Selected Dept. IDs:** ALL
- **Selected Projects:** 00078517

<table>
<thead>
<tr>
<th>Award Id</th>
<th>Project #</th>
<th>Period</th>
<th>Impl. Partner</th>
<th>Location</th>
<th>Govt. Disb</th>
<th>UNDP Disb</th>
<th>UN Agencies</th>
<th>Encumbrance</th>
<th>Total Exp</th>
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<tr>
<td>00061765</td>
<td>EXPORT DEV WB - CIDA</td>
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<td>None</td>
<td>United Nations Development Pro</td>
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<td>0.00</td>
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<td>1,156,276.92</td>
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</tbody>
</table>

*Signature:*

Yours Sincerely,

[Signature]

Trade Programme Manager

25/01/2016

Nasser
Annex 2: Statement of Assets and Equipment
Annex 3: Audit finding priority ratings

The following categories of priorities are used:

**High (Critical)**  
Action is considered imperative to ensure that UNDP is not exposed to high risks. Failure to take action could result in major consequences and issues.

**Medium (Important)**  
Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.

**Low**  
Action is considered desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the Auditors directly with the Office management, during the exit meeting and through a separate memo subsequent to the fieldwork. **Therefore, low priority recommendations are not included in the audit report.**