

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

RAPID SUPPORT FOR SMALL INFRASTRUCTURE
REHABILITATION OF WATER FACILITIES PROJECT IN AREA "C" OF WEST BANK
(Directly Implemented Project No. 78805, Output Nos. 88901 and 89687)

Report No. 1652

Issue Date: 29 September 2016

Report on the Audit of UNDP Programme of Assistance to the Palestinian People
Rapid Support for Small Infrastructure
Rehabilitation of Water Facilities Project in Area "C" of West Bank
(Project No. 78805, Output Nos. 88901 and 89687)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 12 to 14 July 2016, conducted an audit of Project No. 78805, Rapid Support for Small Infrastructure (Output No. 88901) and **Rehabilitation of Water Facilities Project in Area "C" of West Bank** (Output No. 89687) (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. 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 reports and corresponding management letters submitted by the audit firm, the results are summarized in the table below:

Project Expenditures		
Output Nos.	Amount (in \$ '000)	Opinion
88901	3,107	Unqualified
89687	607	Unqualified

OAI decided to include in the audit scope the expenditures incurred by the responsible parties totalling \$761,086 for Output No. 88901 and \$238,964 for Output No. 89687 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.

Key recommendations: Total = 2, high priority = 0

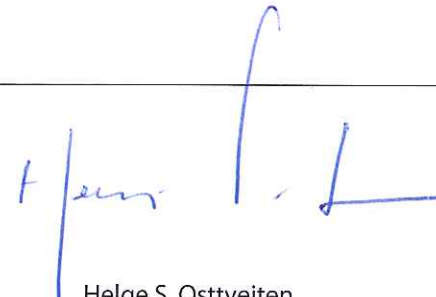
The audit did not result in any high (critical) priority recommendations. There are two medium (important) priority recommendations, which means, "Action is required to ensure that UNDP is not exposed to risks that are

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.

considered moderate. Failure to take action could contribute to negative consequences for UNDP.” These recommendations include actions to address the incorrect recording of fund commitments. The two recommendations aim to ensure the reliability and integrity of financial and operational information.

Management comments and action plan

The Special Representative accepted the two recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.

A handwritten signature in blue ink, which appears to read 'Helge S. Osttveiten', is written over a rectangular box. The signature is stylized and extends above the top line of the box.

Helge S. Osttveiten
Director
Office of Audit and Investigations

**UNITED NATIONS DEVELOPMENT PROGRAMME
(UNDP)**

AUDIT REPORT

23 September 2016

**FINANCIAL AUDIT OF THE UNDP DIRECTLY
IMPLEMENTED (DIM) PROJECT**

RAPID SUPPORT FOR SMALL INFRASTRUCTURE

UNDP Office:	Programme of Assistance to the Palestinian People
Atlas Project ID:	78805
Atlas Output ID:	88901
Auditor:	Moore Stephens LLP
Period subject to audit:	1 January to 31 December 2015

Table of Contents

EXECUTIVE SUMMARY	3
THE AUDIT ENGAGEMENT	4
STATEMENT OF EXPENDITURE	5
STATEMENT OF ASSETS AND EQUIPMENT	6
STATEMENT OF CASH POSITION	7
MANAGEMENT LETTER	8
ANNEXES	10
ANNEX 1: COMBINED DELIVERY REPORT	10
ANNEX 2: AUDIT FINDING PRIORITY RATINGS	17

EXECUTIVE SUMMARY

Moore Stephens LLP conducted the financial audit of 'Rapid Support for Small Infrastructure' (Project ID 78805 – Output ID 88901) (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:

Statement of Expenditure	Unqualified
Statement of Fixed Assets	Not applicable
Statement of Cash Position	Not applicable

As a result of our audit, we have raised one audit finding with no financial impact as summarised below:

No.	Description	Priority	Net financial impact \$
1	Commitments balance incorrectly stated	Medium	-
Total			-

This output ID 88901 'Rapid Support for Small Infrastructure' was not audited in the prior year.



Mark Henderson
Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

23 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), 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 Auditor's Report to UNDP - Rapid Support for Small Infrastructure

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 \$3,106,629.88 (the statement) of the UNDP output ID 88901 'Rapid Support for Small Infrastructure' for the period from 1 January to 31 December 2015. CDR expenditure totalling \$761,086 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 'Rapid Support for Small Infrastructure' 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 \$3,106,629.88 incurred by the project 'Rapid Support for Small Infrastructure' 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

23 September 2016

Independent Auditors' Report to UNDP - Rapid Support for Small Infrastructure

Statement of Assets and Equipment

We noted that the UNDP output ID 88901 'Rapid Support for Small Infrastructure' had no assets or equipment and accordingly a Statement of Fixed Assets was not produced.

Independent Auditor's Report to UNDP - Rapid Support for Small Infrastructure

Statement of Cash Position

We noted that the UNDP output ID 88901 'Rapid Support for Small Infrastructure' 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

The finding related to the audit of the financial statements is discussed in our management letter below:

Finding n°: 1	Title: Commitments balance incorrectly stated
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Observation:

Under the International Public Sector Accounting Standards (IPSAS) adopted for the project financial reporting, for any purchase orders (PO) created in Atlas, a matching 'commitment' balance is systematically recorded in the funds utilization statement in the project combined delivery report (CDR).

Whenever a 'receipt' is issued in the system (upon receipt of goods or services), the PO and commitment balance should be adjusted accordingly. The adjustment to the commitment can be partial if the PO total amount is split in various receipts of goods / services and payments.

As part of the year-end procedures, the Office's procurement unit should review all POs still open in the system to ensure that the POs for which transactions have been completed (i.e. expensed and recorded in the CDR) are closed so that the commitments recorded in the funds utilization statement are correct.

We noted that at 31 December 2015, the project's funds utilization statement showed commitments totalling \$736,075. However, \$446,035 of this related to transactions that had already been completed and paid for during the year 2015, and were included in the 2015 CDR. Details of the relevant transactions are shown below:

PO ID	Commitment \$	Amount expensed in 2015 \$	Transaction ID on 2015 AAA report
14391	73,260	73,260	87407
14224	81,260	14,328 19,920 <u>47,012</u> 81,260	85978 83954 82491
14300	350,670	64,290 63,144 36,185 55,130 <u>63,066</u> 281,815	89728 87632 86567 84611 83166
15332	9,700	9,700	89702
TOTAL	514,890	446,035	

The above transactions were incorrectly recorded as Commitments at 31 December 2015 because their respective POs were still open in the system. The review of the POs by the procurement unit, which should have been performed as part of the year-end procedures, was only done in February 2016.

Priority: Medium

Recommendation:

The review of all outstanding POs should be undertaken as part of the year-end procedures to ensure that the funds utilization statement at 31 December only includes commitment balances in relation to transactions that have not yet been completed and for which expenditure is expected to be incurred during the following financial year.

Management comments:

Procurement has further investigated the source of the issue raised, and found out that it is actually because user has set the receiving required mode to 'optional' or 'no receipt required' within the PO in the system. UNDP confirms agreement to audit recommendation in this connection, and willingness to setup needed actions as part of the year end procedure to ensure that a matching commitment balance is systematically recorded in the funds utilization statement in the project combined delivery report.



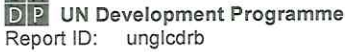
Mark Henderson
Partner

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150 Aldersgate Street
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23 September 2016

Annexes

Annex 1: Combined Delivery Report



Page 1 of 6
Run Time: 20-09-2016 07:09:23

Business Unit : PAL10
Period : Jan-Dec (2015)
Selected Project Id : 00078805
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00088901

Activity : CIVIL WORKS (Civil Works)					
Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)					
72105 - Svc Co-Construction & Engineer	0.00	541,661.18	0.00	541,661.18	
75105 - Facilities & Admin - Implement	0.00	43,332.89	0.00	43,332.89	
Total for Fund 32045	0.00	584,994.07	0.00	584,994.07	
Total for Activity CIVIL WORKS	0.00	584,994.07	0.00	584,994.07	
Activity : LAND (Land Reclamation)					
Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)					
72145 - Svc Co-Training and Educ Serv	0.00	143.19	0.00	143.19	
72305 - Agri & Forestry Products	761,086.00	1,259.10	0.00	762,345.10	
72425 - Mobile Telephone Charges	0.00	157.32	0.00	157.32	
74525 - Sundry	0.00	98.84	0.00	98.84	
75105 - Facilities & Admin - Implement	0.00	61,019.57	0.00	61,019.57	
Total for Fund 32045	761,086.00	62,678.02	0.00	823,764.02	
Total for Activity LAND	761,086.00	62,678.02	0.00	823,764.02	
Activity : LEARNING (LEARNING)					
Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)					
75105 - Facilities & Admin - Implement	0.00	8.00	0.00	8.00	
75705 - Learning costs	0.00	100.00	0.00	100.00	
Total for Fund 32045	0.00	108.00	0.00	108.00	
Total for Activity LEARNING	0.00	108.00	0.00	108.00	
Activity : OPERAT-INFRASTR(OPERATIONS-INFRASTRUCTURE)					
Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)					
61105 - Salaries - NP Staff	0.00	89,827.92	0.00	89,827.92	
61205 - Salaries - GS Staff	0.00	4,609.74	0.00	4,609.74	



Combined Delivery Report by Activity

Project Id : 00078805 Rapid Support for Small Infrs		Period :	Jan-Dec (2015)	
Output # : 00088901 Rapid Support - Infrastructure		Impl. Partner :	02388 UNDP - PAPP	
		Location :	Palestine	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

62105 - Dependency Allowance-NP Staff	0.00	5,792.02	0.00	5,792.02
62110 - Contrib Joint Staff Pension-NP	0.00	18,156.59	0.00	18,156.59
62115 - Contrib to Med,SocIns-NP Staff	0.00	7,622.61	0.00	7,622.61
62140 - Annual Leave Expense - NO	0.00	- 62.36	0.00	- 62.36
62210 - Contrib to Jt Staff Pens Fd-GS	0.00	946.87	0.00	946.87
62215 - Contrib. to Medical, social In	0.00	146.72	0.00	146.72
62220 - Language Allowance - GS Staff	0.00	123.11	0.00	123.11
62240 - Annual Leave Expense - GS	0.00	- 515.61	0.00	- 515.61
63530 - Contribution to EOS Benefits	0.00	3,541.43	0.00	3,541.43
63535 - Contribution to Security	0.00	5,402.26	0.00	5,402.26
63545 - Contribution to ICT	0.00	1,416.54	0.00	1,416.54
63550 - Contributions to MAIP	0.00	377.74	0.00	377.74
63555 - Contribution to UN JFA	0.00	2,833.09	0.00	2,833.09
63560 - Contributions to Appendix D	0.00	283.32	0.00	283.32
65115 - Contributions to ASHI Reserve	0.00	7,555.05	0.00	7,555.05
65135 - Payroll Mgt Cost Recovery ATLA	0.00	394.24	0.00	394.24
72435 - E-mail-Subscription	0.00	339.00	0.00	339.00
73410 - Maint, Oper of Transport Equip	0.00	115.77	0.00	115.77
74525 - Sundry	0.00	1,146.51	0.00	1,146.51
74599 - UNDP cost recovery chrgs-Bills	0.00	10,255.60	0.00	10,255.60
75105 - Facilities & Admin - Implement	0.00	12,824.66	0.00	12,824.66
76125 - Realized Loss	0.00	2.27	0.00	2.27
76135 - Realized Gain	0.00	- 0.48	0.00	- 0.48

Total for Fund 32045 0.00 173,134.61 0.00 173,134.61

Total for Activity OPERAT-INFRASTR 0.00 173,134.61 0.00 173,134.61

Activity : OPERAT-POVERTY (OPERATIONS-POVERTY REDUCTION)

Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)

71305 - Local Consult.-Sht Term-Tech	0.00	209.76	0.00	209.76
71405 - Service Contracts-Individuals	0.00	56.90	0.00	56.90
72311 - Fuel, petroleum and other oils	0.00	2,045.17	0.00	2,045.17
72420 - Land Telephone Charges	0.00	451.93	0.00	451.93
72425 - Mobile Telephone Charges	0.00	1,034.12	0.00	1,034.12
73216 - Construction Cost	0.00	1,048.80	0.00	1,048.80
74505 - Insurance	0.00	1,040.25	0.00	1,040.25
74525 - Sundry	0.00	6,356.42	0.00	6,356.42
75105 - Facilities & Admin - Implement	0.00	979.47	0.00	979.47
76125 - Realized Loss	0.00	16.11	0.00	16.11
76135 - Realized Gain	0.00	- 1.07	0.00	- 1.07

Total for Fund 32045 0.00 13,237.86 0.00 13,237.86

Total for Activity OPERAT-POVERTY 0.00 13,237.86 0.00 13,237.86

Activity : PERSONNEL (PERSONNEL)



Combined Delivery Report by Activity

Page 3 of 6
Run Time: 20-09-2016 07:09:23

UN Development Programme
Report ID: unglcdrv

Project Id : 00078805 Rapid Support for Small Infrs		Period :	Jan-Dec (2015)	
Output # : 00088901 Rapid Support - Infrastructure		Impl. Partner :	02388 UNDP - PAPP	
		Location :	Palestine	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)

63535 - Contribution to Security	0.00	7,112.00	0.00	7,112.00
71405 - Service Contracts-Individuals	0.00	56,124.77	0.00	56,124.77
71410 - MAIP Premium SC	0.00	199.10	0.00	199.10
71415 - Contribution to Security SC	0.00	2,240.05	0.00	2,240.05
72435 - E-mail-Subscription	0.00	600.00	0.00	600.00
74599 - UNDP cost recovery chrgs-Bills	0.00	2,324.00	0.00	2,324.00
75105 - Facilities & Admin - Implement	0.00	5,487.99	0.00	5,487.99

Total for Fund 32045	0.00	74,087.91	0.00	74,087.91
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Total for Activity PERSONNEL	0.00	74,087.91	0.00	74,087.91
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Activity : ROADS (Agricultural Roads)

Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)

72105 - Svc Co-Construction & Engineer	0.00	209.76	0.00	209.76
72210 - Machinery and Equipment	0.00	81.35	0.00	81.35
72305 - Agri & Forestry Products	0.00	104.88	0.00	104.88
73216 - Construction Cost	0.00	995,234.44	0.00	995,234.44
74525 - Sundry	0.00	104.88	0.00	104.88
75105 - Facilities & Admin - Implement	0.00	79,658.83	0.00	79,658.83

Total for Fund 32045	0.00	1,075,394.14	0.00	1,075,394.14
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Total for Activity ROADS	0.00	1,075,394.14	0.00	1,075,394.14
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Activity : WATER (Irrigation Units)

Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)

71305 - Local Consult.-Sht Term-Tech	0.00	8,000.00	0.00	8,000.00
72210 - Machinery and Equipment	0.00	185,688.48	0.00	185,688.48
73216 - Construction Cost	0.00	141,412.69	0.00	141,412.69
75105 - Facilities & Admin - Implement	0.00	26,808.10	0.00	26,808.10

Total for Fund 32045	0.00	361,909.27	0.00	361,909.27
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Total for Activity WATER	0.00	361,909.27	0.00	361,909.27
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Total for Output : 00088901	761,086.00	2,345,543.88	0.00	3,106,629.88
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Combined Delivery Report by Activity

UN Development Programme

Page 4 of 6

Run Time: 20-09-2016 07:09:23

Project Id : 00078805 Rapid Support for Small Infrs		Period :	Jan-Dec (2015)	
Output # : 00088901 Rapid Support - Infrastructure		Impl. Partner :	02388 UNDP - PAPP	
		Location :	Palestine	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Project Total :	761,086.00	2,345,543.88	0.00	3,106,629.88
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Mark Henderson
Partner
Moore Stephens LLP
23 September 2016

Signed By : Amin Albaj - Project Coordinator Date : 20.9.2016

Signed By : Nasser Fagih - Team Leader Date : 20/9/2016



Combined Delivery Report by Activity

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2015)
Selected Project Id : 00078805
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00088901

Project Id : ALL	Period : Jan-Dec (2015)
Output # : ALL	Impl. Partner :
	Location :

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
70001 -PAPP - Central	761,086.00	2,345,543.88	0.00	3,106,629.88



Combined Delivery Report by Activity

Page 6 of 6
Run Time: 20-09-2016 07:09:28

UN Development Programme
Report ID: unglcdrv

Funds Utilization

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2015)
Selected Project Id : 00078805
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00088901

Project/Award: 00078805 Rapid Support for Small Infrass
Period : As Of Dec31,2015

Output #	00088901	Impl. Partner :02388 UNDP - PAPP	UNDP AMOUNT
	Outstanding NEX advances		0.00
	Undepreciated Fixed Assets		0.00
	Inventory		0.00
	Prepayments		0.00
	Commitments		736,075.50

Annex 2: 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. |

**UNITED NATIONS DEVELOPMENT PROGRAMME
(UNDP)**

AUDIT REPORT

23 September 2016

**FINANCIAL AUDIT OF THE UNDP DIRECTLY
IMPLEMENTED (DIM) PROJECT**

**Rehabilitation of Water Facilities Project in Area “C” of
West Bank**

UNDP Office:	Programme of Assistance to the Palestinian People
Atlas Project ID:	78805
Atlas Output ID:	89687
Auditor:	Moore Stephens LLP
Period subject to audit:	1 January to 31 December 2015

Table of Contents

EXECUTIVE SUMMARY	3
THE AUDIT ENGAGEMENT	4
STATEMENT OF EXPENDITURE	5
STATEMENT OF ASSETS AND EQUIPMENT	6
STATEMENT OF CASH POSITION	7
MANAGEMENT LETTER	8
ANNEXES	10
ANNEX 1: COMBINED DELIVERY REPORT	10
ANNEX 2: AUDIT FINDING PRIORITY RATINGS	16

EXECUTIVE SUMMARY

Moore Stephens LLP conducted the financial audit of 'Rehabilitation of Water Facilities in Area "C" of West Bank' (Project ID 78805 - Output ID 89687) (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:

Statement of Expenditure	Unqualified
Statement of Fixed Assets	Not applicable
Statement of Cash Position	Not applicable

As a result of our audit, we have raised one audit finding with no financial impact as summarised below:

No.	Description	Priority	Net financial impact \$
1	Commitments balance incorrectly stated	Medium	-
Total			-

This output ID 89687 'Rehabilitation of Water Facilities in Area "C" of West Bank' was not audited in the prior year.



Mark Henderson
Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

23 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 – Rehabilitation of Water Facilities in Area "C" of 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 \$606,749.86 (the statement) of the UNDP output ID 89687 'Rehabilitation of Water Facilities in Area "C" of West Bank' for the period from 1 January to 31 December 2015. CDR expenditure totalling \$238,963.86 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 'Rehabilitation of Water Facilities in Area "C" of West Bank' 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 \$606,749.86 incurred by the project 'Rehabilitation of Water Facilities in Area "C" of 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
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23 September 2016

Independent Auditor's Report to UNDP – Rehabilitation of Water Facilities in Area "C" of West Bank

Statement of Assets and Equipment

We noted that the UNDP output ID 89687 'Rehabilitation of Water Facilities in Area "C" of West Bank' had no assets or equipment and accordingly a Statement of Fixed Assets was not produced.

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Statement of Cash Position

We noted that the UNDP output ID 89687 'Rehabilitation of Water Facilities in Area "C" of 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

The finding related to the audit of the financial statements is discussed in our management letter below:

Finding n°: 1	Title: Commitments balance incorrectly stated
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Observation:

Under the International Public Sector Accounting Standards (IPSAS) adopted for the project financial reporting, for any purchase orders (PO) created in Atlas, a matching 'commitment' balance is systematically recorded in the funds utilization statement in the project combined delivery report (CDR).

Whenever a 'receipt' is issued in the system (upon receipt of goods or services), the PO and commitment balance should be adjusted accordingly. The adjustment to the commitment can be partial if the PO total amount is split in various receipts of goods / services and payments.

As part of the year-end procedures, the Office's procurement unit should review all POs still open in the system to ensure that the POs for which transactions have been completed (i.e. expensed and recorded in the CDR) are closed so that the commitments recorded in the funds utilization statement are correct.

We noted that at 31 December 2015, the project's funds utilization statement showed commitments totalling \$194,049. However, all the related transactions had already been completed and paid for during the year 2015, and were included in the 2015 CDR. Details of the relevant transactions are shown below:

PO ID	Commitment \$	Amount expensed in 2015 \$	Transaction ID on 2015 AAA report
14360	40,351	21,960 8,509 <u>9,882</u> 40,351	83767 83767 83767
15098	9,803	9,803	88780
15547	138,267	138,267	89705
15224	2,028	2,028	88927
14223	3,600	3,600	83024
TOTAL	194,049	194,049	

The above transactions were incorrectly recorded as commitments at 31 December 2015 because their respective POs were still open in the system. The review of the POs by the procurement unit, which should have been performed as part of the year-end procedures, was only done in February 2016.

Priority: Medium

Recommendation:

The review of all outstanding POs should be undertaken as part of the year-end procedures to ensure that the funds utilization statement at 31 December only includes commitment balances in relation to transactions that have not yet been completed and for which expenditure is expected to be incurred during the following financial year.

Management comments:

Procurement has further investigated the source of the issue raised, and found out that it is actually because user has set the receiving required mode to 'optional' or 'no receipt required' within the PO in the system. UNDP confirms agreement to audit recommendation in this connection, and willingness to setup needed actions as part of the year end procedure to ensure that a matching commitment balance is systematically recorded in the funds utilization statement in the project combined delivery report.



Mark Henderson
Partner

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23 September 2016

Annexes

Annex 1: Combined Delivery Report



Combined Delivery Report by Activity

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2015)
Selected Project Id : 00078805
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00089687

Project Id : 00078805 Rapid Support for Small Infrs	Period :	Jan-Dec (2015)
Output # : 00089687 Rehabilitation of Water - Area	Impl. Partner :	02388 UNDP - PAPP
	Location :	
	Govt Exp	UNDP Exp
	UN Agencies Exp	Total Exp

Activity : AGRI WELLS (AGRI WELLS)

Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)

72210 - Machinery and Equipment	0.00	138,547.56	0.00	138,547.56
75105 - Facilities & Admin - Implement	0.00	11,083.81	0.00	11,083.81
Total for Fund 32045	0.00	149,631.37	0.00	149,631.37
Total for Activity AGRI WELLS	0.00	149,631.37	0.00	149,631.37

Activity : CB MOA (CB MoA)

Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)

71310 - Local Consult.-Short Term-Supp	0.00	12,000.00	0.00	12,000.00
72210 - Machinery and Equipment	0.00	2,824.00	0.00	2,824.00
72405 - Acquisition of Communic Equip	0.00	1,701.00	0.00	1,701.00
72425 - Mobile Telephone Charges	0.00	104.88	0.00	104.88
72815 - Inform Technology Supplies	0.00	327.01	0.00	327.01
74525 - Sundry	0.00	81.35	0.00	81.35
75105 - Facilities & Admin - Implement	0.00	1,363.06	0.00	1,363.06
76125 - Realized Loss	0.00	0.01	0.00	0.01
Total for Fund 32045	0.00	18,401.31	0.00	18,401.31
Total for Activity CB MOA	0.00	18,401.31	0.00	18,401.31

Activity : CB WATER USERS (CB WATER USERS)

Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)

71305 - Local Consult.-Sht Term-Tech	0.00	513.52	0.00	513.52
75105 - Facilities & Admin - Implement	0.00	41.08	0.00	41.08
Total for Fund 32045	0.00	554.60	0.00	554.60
Total for Activity CB WATER USERS	0.00	554.60	0.00	554.60

Activity : CISTERNS (CISTERNS)

Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)



Combined Delivery Report by Activity

Project Id : 00078805 Rapid Support for Small Infrs	Period :	Jan-Dec (2015)
Output # : 00089687 Rehabilitation of Water - Area	Impl. Partner :	02388 UNDP - PAPP
	Location :	
	Govt Exp	UNDP Exp
	UN Agencies Exp	Total Exp

72170 - Svc Co-Humanitarian Aid & Relf	0.00	143.19	0.00	143.19
72305 - Agri & Forestry Products	238,963.86	104.88	0.00	239,068.74
75105 - Facilities & Admin - Implement	0.00	19,136.95	0.00	19,136.95
Total for Fund 32045	238,963.86	19,385.02	0.00	258,348.88
Total for Activity CISTERNs	238,963.86	19,385.02	0.00	258,348.88

Activity : IRRIGATION NETS (IRRIGATION NETS)

Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)

71305 - Local Consult.-Sht Term-Tech	0.00	81.35	0.00	81.35
72210 - Machinery and Equipment	0.00	20,931.31	0.00	20,931.31
75105 - Facilities & Admin - Implement	0.00	1,681.01	0.00	1,681.01
Total for Fund 32045	0.00	22,693.67	0.00	22,693.67
Total for Activity IRRIGATION NETS	0.00	22,693.67	0.00	22,693.67

Activity : PROJECT MANAG. (PROJECT MANAGEMENT)

Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)

71310 - Local Consult.-Short Term-Supp	0.00	104.88	0.00	104.88
71405 - Service Contracts-Individuals	0.00	68,963.00	0.00	68,963.00
71410 - MAIP Premium SC	0.00	229.49	0.00	229.49
71415 - Contribution to Security SC	0.00	2,581.66	0.00	2,581.66
72311 - Fuel, petroleum and other oils	0.00	3,943.07	0.00	3,943.07
72420 - Land Telephone Charges	0.00	831.52	0.00	831.52
72425 - Mobile Telephone Charges	0.00	605.86	0.00	605.86
72435 - E-mail-Subscription	0.00	600.00	0.00	600.00
73216 - Construction Cost	0.00	52.44	0.00	52.44
74505 - Insurance	0.00	1,035.44	0.00	1,035.44
74525 - Sundry	0.00	2,652.54	0.00	2,652.54
74599 - UNDP cost recovery chrgs-Bills	0.00	1,624.00	0.00	1,624.00
75105 - Facilities & Admin - Implement	0.00	6,657.91	0.00	6,657.91
76125 - Realized Loss	0.00	24.26	0.00	24.26
76135 - Realized Gain	0.00	-2.49	0.00	-2.49
Total for Fund 32045	0.00	89,903.58	0.00	89,903.58
Total for Activity PROJECT MANAG.	0.00	89,903.58	0.00	89,903.58

Activity : RESERVOIRS (RESERVOIRS)

Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)



Combined Delivery Report by Activity

Project Id : 00078805 Rapid Support for Small Infrs	Period :	Jan-Dec (2015)		
Output # : 00089687 Rehabilitation of Water - Area	Impl. Partner :	02388 UNDP - PAPP		
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
71305 - Local Consult.-Sht Term-Tech	0.00	1,590.00	0.00	1,590.00
72210 - Machinery and Equipment	0.00	18,391.00	0.00	18,391.00
73216 - Construction Cost	0.00	42,256.45	0.00	42,256.45
75105 - Facilities & Admin - Implement	0.00	4,979.00	0.00	4,979.00
Total for Fund 32045	0.00	67,216.45	0.00	67,216.45
Total for Activity RESERVOIRS	0.00	67,216.45	0.00	67,216.45
Total for Output : 00089687	238,963.86	367,786.00	0.00	606,749.86
Project Total :	238,963.86	367,786.00	0.00	606,749.86

Mark Henderson
Partner
Moore Stephens LP
23 September 2016

Signed By : Amin Albaj - Project Coordinator Date : 20.9.2016
Signed By : Nasser Fagih - Term leader Date : 20/9/2016



UN
DP

UN Development Programme
Report ID: unglcdrb

Combined Delivery Report by Activity

Page 4 of 5
Run Time: 20-09-2016 07:09:16

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2015)
Selected Project Id : 00078805
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00089687

Project Id : ALL	Period : Jan-Dec (2015)			
Output # : ALL	Impl. Partner : Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
70001 - PAPP - Central	238,963.86	367,786.00	0.00	606,749.86



UN
DP

UN Development Programme
Report ID: unglcdrb

Combined Delivery Report by Activity

Page 5 of 5
Run Time: 20-09-2016 07:09:18

Funds Utilization

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2015)
Selected Project Id : 00078805
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00089687

Project/Award: 00078805 Rapid Support for Small Infrs

Period : As Of Dec31,2015

Output #	00089687	Impl. Partner :02388 UNDP - PAPP	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			194,048.50

Annex 2: 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.