

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP LEBANON**

**PALESTINIAN GATHERINGS HOST COMMUNITIES 2**  
**(Directly Implemented Project No. 93058, Output No. 97505)**

**Report No. 1797**

**Issue Date: 9 August 2017**

**Report on the Audit of UNDP Lebanon  
Palestinian Gatherings Host Communities 2  
(Project No. 93058, Output No.97505)  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 3 to 18 May 2017, conducted an audit of Palestinian Gatherings Host Communities 2, Project No. 93058 Output No. 97505 (the Project), which is directly implemented and managed by the UNDP Country Office in Lebanon (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 2016 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2016, as well as Statement of Fixed Assets as of 31 December 2016. The audit did not include activities and expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). In addition, the audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

### Audit results

Based on the audit report and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenditure*		Project Assets**	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
4,106	Unqualified	48	Unqualified

\*Expenditures recorded in the Combined Delivery Report were \$4,110,189. Excluded from the audit scope were transactions that relate to expenditures processed and approved by other UNDP offices outside of the country (\$3,826). \*\* The total fixed asset values were recorded at \$76,408 (acquisition) and \$47,893 (net book value).

The audit did not result in any recommendations.

<sup>1</sup> 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.

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**Management comments and action plan**

Comments and/or additional information provided have been incorporated into the report, where appropriate.

A handwritten signature in blue ink is enclosed in a rectangular box. The signature is stylized and appears to read 'Helge S. Ostveiten'. Below the signature, the text 'Helge S. Ostveiten', 'Director', and 'Office of Audit and Investigations' is printed. A blue arrow points from the top of the box to the text below, and another blue arrow points from the right side of the box to the signature.

**UNITED NATIONS DEVELOPMENT PROGRAMME  
(UNDP)**

**AUDIT REPORT**

**31 July 2017**

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

**Palestinian Gatherings Host Communities 2**

<b>UNDP Country Office:</b>	<b>Lebanon</b>
<b>Atlas Project ID:</b>	<b>93058</b>
<b>Atlas Output ID:</b>	<b>97505</b>
<b>Auditor:</b>	<b>Moore Stephens LLP</b>
<b>Period subject to audit:</b>	<b>1 January to 31 December 2016</b>

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## EXECUTIVE SUMMARY

Moore Stephens LLP conducted the financial audit of 'Palestinian Gatherings Host Communities 2' (Project ID 93058 and Output ID 97505) ('the project'), directly implemented by UNDP Lebanon ('the office') for the year ended 31 December 2016. 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:

<b>Statement of Expenditure</b>	Unmodified
<b>Statement of Assets and Equipment</b>	Unmodified
<b>Statement of Cash Position</b>	Not applicable

We did not raise any findings as a result of our audit.

The project was not audited in the prior year.



Mark Henderson  
Partner

Moore Stephens LLP  
150 Aldersgate Street  
London EC1A 4AB

31 July 2017

**MOORE STEPHENS**

## 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 2016 and the funds utilization as at 31 December 2016 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 2016. This statement must include all assets available as at 31 December 2016 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 2016. In cases where the cash transactions of the audited DIM project are made through the country office bank accounts, this type of opinion is not required.

The Financial Audit will be 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 2016. 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.

## AUDIT OPINIONS

### Independent Auditor's Report to UNDP - Palestinian Gatherings Host Communities 2

#### Statement of Expenditure (The CDR and the Funds Utilization Statement)

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

##### **Unmodified Opinion**

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization statement totalling \$ 4,110,189.05 ("the statement") of the UNDP project 93058 and output ID 97505 'Palestinian Gatherings Host Communities' for the period from 1 January to 31 December 2016.

The CDR expenditure totalling \$ 4,110,189.05 is comprised of expenditure directly incurred by the UNDP Country Office in Lebanon for an amount of \$ 4,106,362.68 and expenditure incurred by entities other than the UNDP Country Office in Lebanon for an amount of \$ 3,826.37. Our audit only covered the expenditure directly incurred by the UNDP Country Office in Lebanon of \$ 4,106,362.68.

In our opinion, the attached Combined Delivery Report (CDR) and Funds Utilization statement presents fairly, in all material respects, the expenses of \$ 4,106,362.68 directly incurred by the UNDP Country Office in Lebanon and charged to the project 93058 and output 97505 'Palestinian Gatherings Host Communities 2' for the period 1 January to 31 December 2016 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.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the CDR and the Funds Utilization statement section of this report.

We are independent of UNDP in accordance with the IESBA Code of Ethics for Professional Accountants. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Management responsibilities**

UNDP project management is responsible for the preparation of the CDR and the Funds Utilization statement and other financial records for the project's activities and for such internal control as management determines is necessary to enable the preparation of the Statement to be free from material misstatement, whether due to fraud or error.

##### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that



is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

We communicate with UNDP project management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Mark Henderson  
Partner

Moore Stephens LLP  
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London EC1A 4AB

31 July 2017



## Independent Auditor's Report to UNDP - Palestinian Gatherings Host Communities 2

### Statement of Fixed Assets

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

##### **Unmodified Opinion**

We have audited the accompanying statement of fixed assets ('the statement') of the UNDP project 93058 and output ID 97505 'Palestinian Gatherings Host Communities 2' as at 31 December 2016.

In our opinion, the attached statement of fixed assets presents fairly, in all material respects, the assets status of the UNDP project 'Palestinian Gatherings Host Communities 2' amounting to \$ 76,408.00 as at 31 December 2016 in accordance with UNDP accounting policies set out in the note to the statement.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the statement of fixed assets' section of this report.

We are independent of UNDP in accordance with the IESBA Code of Ethics for Professional Accountants. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Management responsibilities**

Management is responsible for the preparation of the statement of fixed assets of the project and for such internal control as management determines is necessary to enable the preparation of the statement of fixed assets that is free from material misstatement, whether due to fraud or error.

##### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the Statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.

We communicate with UNDP project management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Mark Henderson  
Partner

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150 Aldersgate Street  
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31 July 2017

MOORE STEPHENS

## Independent Auditor's Report to UNDP - Palestinian Gatherings Host Communities 2

### Statement of Cash Position

We noted that the UNDP output 'Palestinian Gatherings Host Communities 2' 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

We did not raise any findings as a result of our audit.



Mark Henderson  
Partner

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31 July 2017

**MOORE STEPHENS**

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## **Annexes**

**Annex 1: Combined Delivery Report**



Combined Delivery Report By Project

UN Development Programme
Report ID: unglcdrp

Page 1 of 4
Run Time: 09-02-2017 12:02:22

Selection Criteria :

Business Unit : LBN10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : B0456
Selected Outputs : 00097505

Table with 4 columns: Project Id, Output #, Period, Impl. Partner, Location. Row 1: 00093058 Gatherings 2, Jan-Dec (2016), 99999 UNDP, Lebanon. Row 2: 00097505 Palest.Gatherings Host Comm.2, UN Agencies Exp, Total Exp.

Dept: 45603 (Lebanon - Crisis Prev & Rcvry)

Fund : 30000 (PROGRAMME COST SHARING)

Main expense table with 5 columns: Description, Govt Exp, UNDP Exp, UN Agencies Exp, Total Exp. Lists various project costs such as Direct Project Cost-Staff, Local Consult, Service Contracts, etc.

UN  
DIP

UN Development Programme

Report ID: unglcdrp

## Combined Delivery Report By Project

Page 2 of 4  
Run Time: 09-02-2017 12:02:22

Project Id : 00093058 Gatherings 2	Period :	Jan-Dec (2016)		
Output # : 00097505 Palest.Gatherings Host Comm.2	Impl. Partner :	99999 UNDP		
	Location :	Lebanon		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

75710 - Participation of counterparts	0.00	121.00	0.00	121.00
76110 - Foreign Exch Translation Loss	0.00	1.45	0.00	1.45
76125 - Realized Loss	0.00	0.97	0.00	0.97
76135 - Realized Gain	0.00	- 2.11	0.00	- 2.11
77170 - Overtime & Night Diff-NP-TA	0.00	0.00	0.00	0.00
77640 - Dep Exp Owned - F&F	0.00	85.40	0.00	85.40
77660 - Dep Exp Owned -Vehicle	0.00	3,740.97	0.00	3,740.97
<b>Total for Fund 30000</b>	<b>0.00</b>	<b>3,075,428.33</b>	<b>0.00</b>	<b>3,075,428.33</b>
<b>Fund : 32045 (JPN-Partnership Devt. Pgm. PCF)</b>				
64398 - Direct Project Cost-Staff	0.00	10,647.00	0.00	10,647.00
1305 - Local Consult.-Sht Term-Tech	0.00	16,950.00	0.00	16,950.00
1360 - Local Consult-Security	0.00	413.44	0.00	413.44
72105 - Svc Co-Construction & Engineer	0.00	469,613.83	0.00	469,613.83
72115 - Svc Co-Natural Resources & Env	0.00	55.14	0.00	55.14
72170 - Svc Co-Humanitarian Aid & Relf	0.00	3,000.00	0.00	3,000.00
72220 - Furniture	0.00	2,997.00	0.00	2,997.00
72350 - Medical Kits	0.00	134,322.56	0.00	134,322.56
72399 - Other Materials and Goods	0.00	470.83	0.00	470.83
72405 - Acquisition of Communic Equip	0.00	98.39	0.00	98.39
72425 - Mobile Telephone Charges	0.00	431.50	0.00	431.50
72505 - Stationery & other Office Supp	0.00	1,263.61	0.00	1,263.61
72605 - Grants to Instit & other Benef	0.00	272,714.50	0.00	272,714.50
72805 - Acquis of Computer Hardware	0.00	200.00	0.00	200.00
72810 - Acquis of Computer Software	0.00	99.93	0.00	99.93
72815 - Inform Technology Supplies	0.00	355.00	0.00	355.00
73125 - Common Services-Premises	0.00	2,006.73	0.00	2,006.73
73310 - Maint & Licencing of Software	0.00	354.75	0.00	354.75
73410 - Maint, Oper of Transport Equip	0.00	2,025.10	0.00	2,025.10
74105 - Management and Reporting Svcs	0.00	0.00	0.00	0.00
74210 - Printing and Publications	0.00	1,402.09	0.00	1,402.09
74220 - Translation Costs	0.00	59.96	0.00	59.96
74230 - Audio & Visual Equipment	0.00	1,665.00	0.00	1,665.00
74598 - Direct Project Costs - GOE	0.00	34,563.00	0.00	34,563.00
75105 - Facilities & Admin - Implement	0.00	76,648.99	0.00	76,648.99
75705 - Learning costs	0.00	74.95	0.00	74.95
75709 - Learning - training of counter	0.00	2,328.45	0.00	2,328.45
76135 - Realized Gain	0.00	- 1.03	0.00	- 1.03
<b>Total for Fund 32045</b>	<b>0.00</b>	<b>1,034,760.72</b>	<b>0.00</b>	<b>1,034,760.72</b>
<b>Total for Dept : 45603</b>	<b>0.00</b>	<b>4,110,189.05</b>	<b>0.00</b>	<b>4,110,189.05</b>
<b>Total for Output : 00097505</b>	<b>0.00</b>	<b>4,110,189.05</b>	<b>0.00</b>	<b>4,110,189.05</b>

<b>Project Total :</b>	<b>0.00</b>	<b>4,110,189.05</b>	<b>0.00</b>	<b>4,110,189.05</b>
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Signed By : Nancy Hilal Agency project Manager Date : 28/2/2017Signed By : Fadi Abilmora Programme Manager Date : 1/3/2017Mark Henderson  
PartnerMoore Stephens LLP  
150 Aldersgate Street  
London EC1A 4AB

31 July 2017







Selection Criteria :

Business Unit : LBN10  
Period : Jan-Dec (2016)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : B0456  
Selected Outputs : 00097505

Project Id : ALL	Period : Jan-Dec (2016)
Output # : ALL	Impl. Partner :
	Location :
	Govt Exp      UNDP Exp      UN Agencies Exp      Total Exp

45603 - Lebanon - Crisis Prev & Rcvry	0.00	4,110,189.05	0.00	4,110,189.05
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**Funds Utilization**

Selection Criteria :

Business Unit : LBN10  
 Period : Jan-Dec (2016)  
 Selected Project Id : ALL  
 Selected Fund Code : ALL  
 Selected Dept. IDs : B0456  
 Selected Outputs : 00097505

Project/Award: 00093058 Gatherings 2

Period : As at Dec 31, 2016

Output #	Impl. Partner :99999 UNDP	UNDP AMOUNT
Outstanding NEX advances		0.00
Undepreciated Fixed Assets		47,892.77
Inventory		0.00
Prepayments		0.00
Commitments		0.00

**Annex 2: Statement of Fixed Assets**

Operating Unit	Department	Imp Agency	Asset ID	Serial Number	Model	Acquisition Date	In Service Date	Cost USD	Net Book Value	Quantity	Department	Imp Agency	Donor	Project	Final Code
LBN	00000001496	MTRV4	00000001497	MTRV4	00000001497	3/17/2008	3/17/2008	22,000.00	5,205.36	1	145603	001981	10281	00097595	00000
LBN	00000001497	MTRV4	00000001497	MTRV4	00000001497	3/17/2008	3/17/2008	19,300.00	8,359.71	1	145603	001981	10281	00097595	00000
LBN	00000001440	FURN1	00000001440	FURN1	00000001440	7/8/2015	7/8/2015	1,208.00	1,537.20	1	145603	001981	10281	00097595	00000
LBN	00000001584	MTRV4	00000001584	MTRV4	00000001584	8/8/2016	8/8/2016	33,400.00	32,240.28	1	145603	001981	11403	00097595	00000
<b>Total</b>										<b>76,408.00</b>	<b>47,892.77</b>				

Name: Fadi Abilmona  
 Title: Programme Manager



The total value of assets of \$ 76,408.00 as shown in the statement of fixed assets is the value at cost of purchase of these assets. The total value of assets of \$ 47,892.77 is the net book value of these assets. The difference of \$ 28,515.23 is the accumulated depreciation charge on these assets. In the CDR Fund Utilization statement, the balance 'undepreciated fixed assets' amounts to \$ 47,892.77, which is the net book value of these assets.

Mark Henderson  
 Partner

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31 July 2017  
 MOORE STEPHENS

### Annex 3: Audit finding priority ratings

The following categories of priorities are used:

<b>High (Critical)</b>	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.
<b>Medium (Important)</b>	Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.
<b>Low</b>	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. <b>Therefore, low priority recommendations are not included in the audit report.</b>