



**AUDIT**

**OF**

**UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE**

**CONSTRUCTION OF KHAN YOUNIS WASTE WATER TREATMENT PLANT**  
**(Directly Implemented Project No. 41529, Output No. 47395)**

**Report No. 1941**

**Issue Date: 22 June 2018**

**Report on the Audit of UNDP Programme of Assistance to the Palestinian People  
Construction of Khan Younis Waste Water Treatment Plant  
(Project No. 41529, Output No. 47395)  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 18 to 23 April 2018, conducted an audit of Construction of Khan Younis Waste Water Treatment Plant (Project No. 41529, Output No. 47395) (the Project), which is directly implemented and managed by the UNDP Programme of Assistance to the Palestinian People (the Office). The last audit of the Project was conducted by OAI through Deloitte in 2017 and covered project expenses from 1 January to 31 December 2016.

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 expenses for the period from 1 January to 31 December 2017 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2017 as well as Statement of Assets as of 31 December 2017. 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**

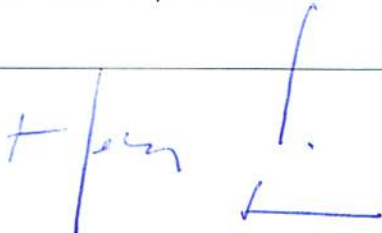
Based on the audit report submitted by the audit firm, the results are summarized in the table below:

Project Expenses		Project Assets	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
5,699	Unqualified	34	Unqualified

The audit did not result in any recommendations.

**Implementation status of previous OAI audit recommendations:** Report No. 1802, 7 September 2017.

Total recommendations: 1  
Implemented: 1



Helge S. Ostveiten  
Director  
Office of Audit and Investigations

<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) undepreciated 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**

**Financial Audit of Directly Implemented Project Managed by  
UNDP- Programme of Assistance to the Palestinian People (PAPP)**

**“Construction of Khan Younis Waste Water Treatment Plant”  
(Project ID: 41529 - Output ID: 47395)  
For the Year Ended 31 December 2017**

**21 June 2018**

**Talal Abu – Ghazaleh & Co.**  
**"Certified Public Accountants"**



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## 1. PART I – EXECUTIVE SUMMARY

### 1.1. Executive Summary:

This report represents the results of the financial audit conducted by Talal Abu – Ghazaleh & Co. of the project ID 41529 – Output ID 47395 “Construction of Khan Younis Waste Water Treatment Plant” (the project), directly implemented by UNDP Programme of Assistance to the Palestinian People (PAPP) for the period from 1 January to 31 December 2017.

The audit was undertaken on behalf of UNDP, Office of Audit and Investigations (OAI) and mandated in accordance with the Contract for Professional Services signed between UNDP and Talal Abu – Ghazaleh & Co. on 29 March 2018.

#### **Audit opinions:**

The following is the summary of the audit opinions provided:

Report on	Type of opinion	Note
Financial Position	Unmodified	
Statement of Fixed Assets	Unmodified	
Statement of Cash Position	Not applicable	There was no separate bank account for the project under audit therefore, no audit opinion to be provided on the Statement of Cash Position.

#### – **Audit findings:**

No findings have been identified as a result of our audit.

**Follow-up on Previous year audit recommendations:**

The output ID 47395 “Construction of Khan Younis Waste Water Treatment Plant”, was audited in the prior year. The previous year’s audit report No. 1802 issued on 7 September 2017 for the project ID 41529 – output ID 47395 “Construction of Khan Younis Waste Water Treatment Plant” for the period from 1 January to 31 December 2016 resulted on one recommendation. The recommendation raised and its implementation status is as follows:

<b>Recommendation title</b>	<b>Implementation status</b>
The office should fully implement and follow proper accounting treatments for recording of prepayments as required by POPP	Implemented. The recommendation was considered and followed up during the year 2018 and advances for contractors recorded as prepayments in accordance with the POPP (Program and Operations Policies and Procedures). During the year 2017, no advances to implementing partners or prepayments to contractors were recorded as expenses.

Sincerely yours,

**Jamal Milhem, CPA**  
Certified Accountant License # (100798)

*Jamal J. Milhem*  
Talal Abu-Ghazaleh & Co.  
License No. 251/1997  
Ramallah - Palestine, 21 June 2018



## **1.2. Audit Objectives**

A. The objective of the financial audit is to express an opinion on the project’s financial position which include:

- 1) Expressing an opinion on whether the expenses incurred by the Project from 1 January to 31 December 2017 and the funds utilization, the accounts receivable and the accounts payable as at 31 December 2017 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 are the mandatory and official statements upon which the audit opinion will be expressed. Other forms of statement of expenses that may be prepared by a project office are not accepted.
  - 2) Expressing an opinion on whether the statement of fixed assets, at net book value, presents fairly the balance of depreciated assets of the UNDP Project as at 31 December 2017. This statement should include all assets available as at 31 December 2017 and not only those purchased in the period under audit. Where a DIM project does not have any assets or equipment it will not be necessary to express such an opinion; and
  - 3) Expressing an opinion on whether the statement of cash held by the Project presents fairly the cash and bank balance of UNDP Project as at 31 December 2017. Disbursements made against directly implemented project, DIM projects are usually financed from the regular country office bank accounts. Exceptionally, a dedicated bank account may be opened and used solely for the cash transactions of a DIM project, e.g. if the project is in a remote location. It is required to express an opinion on the Statement of Cash only where a dedicated bank accounts for the DIM project has been established. 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.
- B. Providing the progress made in implementing the recommendations raised in a previous year audit report (if any).

The financial audit was conducted in accordance with the International Standards on Auditing (ISA), the 700 series.

### **1.3. Scope of Audit:**

The scope of the audit relates only to transactions concluded and recorded against the UNDP DIM project for the period from 1 January to 31 December 2017.

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 Centers and UNDP Headquarters and where the supporting documentation is not retained at the level of the UNDP office.



## 2. PART II – FINANCIAL AUDIT REPORTS

### 2.1. Auditor's Report on Financial Position

**Independent Auditor's Report on the Project Financial Position  
of UNDP DIM Project ID 41529 – Output ID 47395  
“Construction of Khan Younis Waste Water Treatment Plant”**

**To the Director of the Office of Audit and Investigations (OAI)  
United Nations Development Programme (UNDP)**

We have audited the financial position of the UNDP project ID 41529 – output ID 47395 “Construction of Khan Younis Waste Water Treatment Plant”, for the period from 1 January to 31 December 2017, which include: (a) the accompanying Combined Delivery Report (CDR); (b) the Funds Utilization Statement (the statement); and (c) the project- related accounts receivable and accounts payable.

#### **Unmodified Opinion**

In our opinion, the accompanying Combined Delivery Report (CDR) and Funds Utilization Statement present fairly, in all material respects the expenses of USD 5,699,316.73 directly incurred by UNDP PAPP and charged to the project ID 41529 – output 47395 for the period from 1 January to 31 December 2017 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.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the CDR and Funds Utilization section of our report. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Management’s Responsibilities

Management is responsible for the preparation and fair presentation of the of the CDR and the Funds Utilization statement of the project and for such internal control as management determines is necessary to enable the preparation of a CDR and Funds Utilization statement that is free from material misstatement, whether due to fraud or error.

## Auditor’s Responsibilities for the Audit

Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are 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 these documents.

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

- Identify and assess the risks of material misstatement of the CDR and Funds Utilization 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 expressing an opinion on the effectiveness of the organization’s internal control.

We communicate with those charged with governance 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.

**Jamal Milhem, CPA**

Certified Accountant License # (100/98)

Talal Abu-Ghazaleh & Co.

License No. 251/1997

Ramallah – Palestine, 21 June 2018



## 2.2. Combined Delivery Report (CDR) and Fund Utilization Statement

### “Construction of Khan Younis Waste Water Treatment Plant” (Project ID: 41529 - Output ID: 47395) For the Year Ended 31 December 2017



UN Development Programme  
Report ID: ungdcrp

#### Combined Delivery Report By Project




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Run Time: 26-02-2018 20:02:45

#### Selection Criteria :

Business Unit : PAL10  
Period : Jan-Dec (2017)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00047395

Project Id : 00041529 PAL/Construction of Treatment	Period :	Jan-Dec (2017)
Output # : 00047395 Construction of TreatmentPlant	Impl. Partner :	02388 UNDP - PAPP
	Location :	Palestine

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
<b>Dept: 70001 (PAPP - Central)</b>				
<b>Fund : 04950 (PAPP Core Programme)</b>				
64397 - Services to projects -CO staff	0.00	226.30	0.00	226.30
71405 - Service Contracts-Individuals	0.00	23,798.92	0.00	23,798.92
71410 - MAIP Premium SC	0.00	53.37	0.00	53.37
71415 - Contribution to Security SC	0.00	1,334.12	0.00	1,334.12
72430 - Postage and Pouch	0.00	356.43	0.00	356.43
72805 - Acquis of Computer Hardware	0.00	1,071.00	0.00	1,071.00
72815 - Inform Technology Supplies	0.00	100.00	0.00	100.00
74596 - Services to projects -GOE	0.00	79.00	0.00	79.00
74598 - Direct Project Costs - GOE	0.00	17.70	0.00	17.70
77660 - Dep Exp Owned -Vehicle	0.00	3,442.50	0.00	3,442.50
<b>Total for Fund 04950</b>	<b>0.00</b>	<b>30,479.34</b>	<b>0.00</b>	<b>30,479.34</b>
<b>Fund : 30000 (PROGRAMME COST SHARING)</b>				
64397 - Services to projects -CO staff	0.00	0.00	0.00	0.00
71205 - Intl Consultants-Sht Term-Tech	0.00	326,699.53	0.00	326,699.53
74596 - Services to projects -GOE	0.00	0.00	0.00	0.00
75105 - Facilities & Admin - Implement	0.00	22,868.97	0.00	22,868.97
<b>Total for Fund 30000</b>	<b>0.00</b>	<b>349,568.50</b>	<b>0.00</b>	<b>349,568.50</b>
<b>Fund : 40500 (TF PAPP Voluntary Contrib Actv)</b>				
64397 - Services to projects -CO staff	0.00	-41.30	0.00	-41.30
64398 - Direct Project Cost-Staff	0.00	41.30	0.00	41.30
71205 - Intl Consultants-Sht Term-Tech	0.00	356,446.28	0.00	356,446.28
72105 - Svc Co-Construction & Engineer	0.00	3,742,388.43	0.00	3,742,388.43
72115 - Svc Co-Natural Resources & Env	0.00	826,414.29	0.00	826,414.29
72170 - Svc Co-Humanitarian Aid & Relif	0.00	0.00	0.00	0.00
74596 - Services to projects -GOE	0.00	0.00	0.00	0.00
74598 - Direct Project Costs - GOE	0.00	0.00	0.00	0.00
75105 - Facilities & Admin - Implement	0.00	394,019.89	0.00	394,019.89
<b>Total for Fund 40500</b>	<b>0.00</b>	<b>5,319,268.89</b>	<b>0.00</b>	<b>5,319,268.89</b>
<b>Total for Dept : 70001</b>	<b>0.00</b>	<b>5,699,316.73</b>	<b>0.00</b>	<b>5,699,316.73</b>
<b>Total for Output : 00047395</b>	<b>0.00</b>	<b>5,699,316.73</b>	<b>0.00</b>	<b>5,699,316.73</b>

Ramzy Khader  Project Manager 26-2-2018  
 Iman Al Hussein:  Prog Specialist 26/2/2018  
 Ashraf A. shamala  Programme Manager 26/2/2018





UN Development Programme  
Report ID: unglcdrp

Combined Delivery Report By Project

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Run Time: 26-02-2018 20:02:45

Project Id : 00041529 PAL/Construction of Treatment	Period :	Jan-Dec (2017)		
Output # : 00047395 Construction of TreatmentPlant	Impl. Partner :	02388 UNDP - PAPP		
	Location :	Palestine		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Project Total :	0.00	5,699,316.73	0.00	5,699,316.73



Ramzy Khoular  project Manager

26-2-2018

Signed By: Ashraf A. Shamala  Date: 26/2/2018

Signed By: Emad Al Hussein  Date: \_\_\_\_\_





UN Development Programme  
Report ID: unglcdrp

Combined Delivery Report By Project

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Run Time: 26-02-2018 20:02:47

Selection Criteria :

Business Unit : PAL10  
Period : Jan-Dec (2017)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00047395

Project Id : ALL	Period : Jan-Dec (2017)			
Output # : ALL	Impl. Partner : Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

70001 - PAPP - Central	0.00	5,699,316.73	0.00	5,699,316.73
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Ramzy Kna'ar  project Manager 26-2-2018  
 Ima Al Hussein   
 Ashraf A. Shomali  programme Manager 26/2/2018





UN Development Programme  
Report ID: unglcdrp

Combined Delivery Report By Project

Page 4 of 4  
Run Time: 26-02-2018 20:02:49

**Funds Utilization**

**Selection Criteria :**

Business Unit : PAL10  
Period : Jan-Dec (2017)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00047395

Project/Award: 00041529 PAL/Construction of Treatment      Period : As at Dec 31, 2017

Output #	00047395	Impl. Partner :02388 UNDP - PAPP	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			33,851.25
Unamortized Intangible Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			0.00

Ramzy Khader  Project Manager 26-2-2018  
 Iman Al Hussein  #  
 Ashraf A. Shomaha  Programme Manager 26/2/2018





### 2.3. Auditor's Report on the Statement of Fixed Assets

**Independent Auditor's Report on the Statement of Fixed Assets  
of UNDP DIM Project ID 41529 – Output ID 47395  
“Construction of Khan Younis Waste Water Treatment Plant”**

**To the Director of the Office of Audit and Investigations (OAI)  
United Nations Development Programme (UNDP)**

We have audited the accompanying statement of fixed assets of the UNDP project ID 41529 - output ID 47395 - “Construction of Khan Younis Waste Water Treatment Plant”, as at 31 December 2017.

#### **Unmodified Opinion**

In our opinion, the accompanying statement of fixed assets presents fairly in all material respects the assets status of the UNDP Project ID 41529 - output ID 47395 “Construction of Khan Younis Waste Water Treatment Plant” amounting to USD 33,851.25 as at 31 December 2017 in accordance with UNDP accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the statement of fixed assets. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Management's 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 for the audit**

Our objectives are to obtain reasonable assurance about whether the statement of fixed assets 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 these documents.

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

- Identify and assess the risks of material misstatement of the statement of fixed assets, 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 expressing an opinion on the effectiveness of the organization’s internal control.

We communicate with those charged with governance 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.

**Jamal Milhem, CPA**

Certified Accountant License # (100/98)

Talal Abu-Ghazaleh & Co.

License No. 251/1997

**Ramallah – Palestine, 21 June 2018**






**2.4. Statement of Fixed Assets**


**"Construction of Khan Younis Waste Water Treatment Plant"  
(Project ID: 41529 - Output ID: 47395)  
As at 31 December 2017**

STATEMENT OF ASSETS AS AT 31 DECEMBER 2017 - Project # PAL10 - 47395				
Category	Location	Original Amount USD (A)	Depreciated Amount USD (B)	NET Book Value Amount USD (C=A-B)
TOUAREG VW VEHICLE	Gaza	41,310.00	7458.75	33851.25
<b>Total Value</b>		<b>41,310.00</b>	<b>7458.75</b>	<b>33851.25</b>

Prepared By: Ramzy Khader

 31-12-2017

Programme Manager: Ashraf Abu Shamala

 31/12/2017

Program Specialist: Iman Hussein

 31/12/2017

