

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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Resilient nations.*

AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

KFW - POVERTY ORIENTED INFRASTRUCTURE - PHASES V, VI, VII, VIII, IX, X
(Directly Implemented Project No. 41098, Output Nos. 46774, 60764, 73017, 80762,
86843, 93278)

Report No. 1948

Issue Date: 15 August 2018

**Report on the Audit of UNDP Programme of Assistance to the Palestinian People
KFW – Poverty Oriented Infrastructure - Phases V, VI, VII, VIII, IX, X
(Project No. 41098, Output Nos. 46774, 60764, 73017, 80762, 86843, 93278)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 30 April to 21 May 2018, conducted an audit of KFW – Poverty Oriented Infrastructure - Phases V, VI, VII, VIII, IX, X (Project No. 41098, Output Nos. 46774, 60764, 73017, 80762, 86843, 93278) (the Project), which is directly implemented and managed by the UNDP Programme of Assistance to the Palestinian People (the Office). The last audit of Output No. 86843 was conducted by OAI, through Talal Abu-Ghazaleh & Co. in 2015, and covered project expenses from 1 January to 31 December 2014. The last audit of Output Nos. 46774, 60764 and 73017 was conducted by OAI, through Moore Stephens LLP in 2016, and covered project expenses from 1 January to 31 December 2015. This was the first audit of Output Nos. 93278 and 80762.

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 (CDR), which includes expenses for the period from 1 January 2016 to 31 December 2017 and the accompanying Funds Utilization statement¹ as of 31 December 2016 and 31 December 2017 as well as Statement of Assets as of 31 December 2016 and 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 reports and corresponding management letters submitted by the audit firm, the results are summarized in the tables below:

Table 1

| Financial Year 2016 | | | | | | |
|---------------------|---------------------|-----------|--------------------|----------------|---------------------|------------|
| Output ID | Project Expenses* | | | | Project Assets | |
| | Amount (in \$ '000) | Opinion | NFM** (in \$ '000) | Effect on CDR | Amount (in \$ '000) | Opinion |
| 46774 | 169 | Adverse | 169 | Overstatement | N/A | N/A |
| 60764 | 231 | Adverse | 229 | Overstatement | N/A | N/A |
| 73017 | 20 | Adverse | 20 | Overstatement | N/A | N/A |
| 80762 | 66 | Adverse | 59 | Overstatement | N/A | N/A |
| 86843 | (19) | Adverse | (19) | Understatement | N/A | N/A |
| 93278 | 1,794 | Qualified | (31) | Understatement | 4 | Unmodified |
| Total | 2,261 | | 427 | | 4 | |

*Expenses recorded in the CDR were \$2.3 million for 2016.

**NFM = Net Financial Misstatement

¹ 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.

Table 2

| Financial Year 2017 | | | | | | |
|---------------------|---------------------|-----------|--------------------|----------------|---------------------|------------|
| Output ID | Project Expenses* | | | | Project Assets | |
| | Amount (in \$ '000) | Opinion | NFM** (in \$ '000) | Effect on CDR | Amount (in \$ '000) | Opinion |
| 46774 | 503 | Adverse | 503 | Overstatement | N/A | N/A |
| 60764 | (88) | Adverse | (98) | Understatement | N/A | N/A |
| 73017 | (124) | Adverse | (131) | Understatement | N/A | N/A |
| 80762 | 0.5 | Adverse | 0.5 | Overstatement | N/A | N/A |
| 86843 | 182 | Adverse | 182 | Overstatement | N/A | N/A |
| 93278 | 3,173 | Qualified | (391) | Understatement | 4 | Unmodified |
| Total | 3,646.5 | | 65.5 | | 4 | |

*Expenses recorded in the CDR were \$3.6 million for 2017.

**NFM= Net Financial Misstatement

Instead of following the corporate budget override policy, the Office was following an improper practice of borrowing Project funds from one output to another output, and of returning them at alter stage, often in a different accounting period, thus creating overstatement of expenses in the receiving output and understatement of expenses in the lending output. OAI had already identified this issue in the past and had raised recommendations to address this practice (Report Nos. 1502 and 1646) but they have not been implemented.. OAI will monitor the resolution of the audit issues through the new recommendations included in the current report. One of the key impact of this practice is that expenses reported as spent to deliver a given output are misleading and by extension, the value of inputs attributed to the achievement of a given result is also misleading. It should be noted that the outputs are funded by the same donor.

The abovementioned practice led the audit firm to issue adverse opinions on project expenses of Output Nos. 46774, 60764, 73017, 80762 and 86843, and to qualify its opinion on project expenses of Output No. 93278, due to material NFMs in the CDRs of 2016 and 2017.

Key recommendations: Total = 13, high priority = 11

The 13 recommendations aim to ensure the reliability and integrity of financial and operational information, and compliance with legislative mandates, regulations and rules, policies and procedures.

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendations are summarized and presented below:

Incorrect recording of expenses in the CDR
Issue 1
(Output Nos. 46774, 60764, 73017, 80762, 86843, 93278)

The 2016 and 2017 CDR expenses were overstated by \$427,000 and by \$65,500, respectively, due to the use of Project funds from output for expenses of another output (refer to total NFM presented under Tables 1 and 2).

Recommendation: The Office should (a) trace any funding or refunding to other projects in order to assess the impact on the Project's CDR; (b) in case of inter-project transactions, ensure necessary reversals are made to the correct projects' accounts and correct accounting periods; and (c) obtain the donor's approval for transfers of project funds to other projects or phases.

Miscalculation of GMS
Issue 2

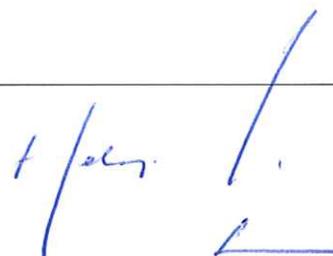
(Output nos. 46774, 60764,
73017, 80762, 86843)

As a result of using Project funds from one output for expenses of another output, the GMS expenses did not correctly present the agreed upon rate of 7 and 8 percent according to the grant agreement. The base amount for calculating GMS included unrelated expenses and refunds, and thus resulted in either overstated or understated amounts in 2016 and 2017 (included in the respective NFM amounts presented under Tables 1 and 2).

Recommendation: The Office should recalculate the GMS in compliance with the terms of the grant agreement and reconcile the GMS in the same period.

Management comments and action plan

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



Helge S. Ostveiten
Director
Office of Audit and Investigations

United Nations Development Programme

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

**“Small Scale Works and Employment 5 – Phase EGP V”
(Project ID 41098 - Output ID 46774)**

**For the period from 1 January to 31 December 2016
and
for the period from 1 January to 31 December 2017**

26 July 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 41098 - output ID 46774 “Small Scale Works Employment 5 – Phase EGP V” (the project), directly implemented by UNDP Programme of Assistance to the Palestinian People (PAPP) for the period from 1 January to 31 December 2016 and 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 2017 | Adverse | -The current period expenses are materially overstated due to funding / refunding some amounts from or to other phases. -The GMS's amount recorded in the CDR was not correctly calculated according to the terms of agreement. |
| Financial Position 2016 | Adverse | -The current period expenses are materially overstated due to reversals from other phases. -The GMS's amount recorded in the CDR was not correctly calculated according to the terms of agreement. |
| Statement of Fixed Assets 2017 | Not applicable | -There are no fixed assets or equipment, therefore, no audit opinion to be provided on the statement of fixed assets. |
| Statement of Fixed Assets 2016 | Not applicable | -There are no fixed assets or equipment, therefore, no audit opinion to be provided on the statement of fixed assets. |
| Statement of Cash Position 2017 | 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. |
| Statement of Cash Position 2016 | 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:

As a result of our audit, the following findings were included in the management letter:

| Summary of Audit Finding | Priority | Net Financial Impact |
|--|--------------------|--|
| <p>The current Combined Delivery Report (CDR) is overstated due to funding/refunding some amounts from or to other phases.</p> <p>(applicable for the year 2016 and 2017).</p> <p>The amounts presented in the CDR mainly represent the result of funding of outputs and reversals transactions,</p> | High (Critical) | <p>The net overstatement on 2017 CDR is USD 466,558.</p> <p>The net overstatement on 2016 CDR is USD 162,898.</p> |
| <p>The GMS expenses is not presented correctly according to the project agreement.</p> <p>(applicable for the year 2016 and 2017).</p> | High (Critical) | <p>Overstated the expenses in 2017's CDR by an amount of USD 36,046</p> <p>Overstated the expenses in 2016's CDR by an amount of USD 5,828</p> |

Follow-up on Previous year audit recommendations:

The output ID 46774 “Small Scale Works and Employment 5 – Phase EGP V” was audited in 2016 for FY2015, audit report no.1646 issued on 14 October 2016 for the output ID 46774 “Small Scale Works and Employment 5 – Phase EGP V” for the period from 1 January to 31 December 2015 included the following recommendation:

The recommendation raised was as follows:

| Recommendation title | Implementation status |
|--|---|
| <p>The expenditure relating to output ID 46774 amounting to USD 468,516.46 was recorded in the CDR of output ID 60764 understanding the expenditure reported for the output ID 46774.</p> <p>We recommend that the office should record expenditure in the correct output.</p> | <p>Not implemented.</p> <p>Recommendation is still valid, and the same recommendation was raised in the current audit report.</p> |

Sincerely yours,

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

Talal Abu – Ghazaleh & Co.
 License No. 251/1997
 Ramallah – Palestine, 26 July 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 for the period from 1 January to 31 December 2016 and for the period from 1 January to 31 December 2017 and the funds utilization, the accounts receivable and the accounts payable as at 31 December 2016 and 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 should 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 2016 and as at 31 December 2017. This statement should include all assets available as at 31 December 2016 and as at 31 December 2017 and not only those purchased in the year 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 2016 and as at 31 December 2017. Disbursements made against directly implemented project, DIM project 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 account 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 2016 and 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 Centres 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 for the year 2017

**Independent Auditor's Report on the Project Financial Position
of UNDP DIM Project ID 41098 – Output ID 46774
“Small Scale Works Employment 5 – Phase EGP V”**

**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 41098 output ID 46774 “Small Scale Works Employment 5 – Phase EGP V”, 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.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying CDR and Funds Utilization statement do not present fairly the expenses of USD 502,604.37 directly incurred by the UNDP PAPP and charged to the project for the period from 1 January to 31 December 2017.

Basis for Adverse 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.

- The total current Combined Delivery Report (CDR) is materially overstated by an amount of USD 466,558 due to funding and refunding of some amounts from or to other phases presented in account No. 72105 and account No.71405 in the CDR in addition to the miscalculation of the GMS.

Management 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

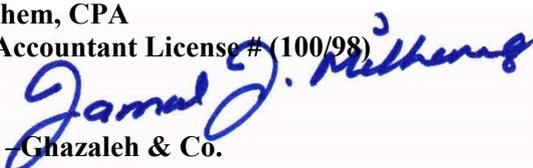
Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 the purpose of 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, 26 July 2018



Combined Delivery Report (CDR) and Funds Utilization Statement for the year 2017:

**“Small Scale Works Employment 5 – Phase EGP V”
(Project ID 41098 - Output ID: 46774)
for the period from 1 January to 31 December 2017**



UN Development Programme
Report ID: unglcdrp

Page 1 of 3
Run Time: 14-04-2018 10:04:15

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2017)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00046774

| | |
|--|-----------------------------------|
| Project Id : 00041098 PAL/ KFW -V | Period : Jan-Dec (2017) |
| Output # : 00046774 Small Scale Works&Employment 5 | Impl. Partner : 02388 UNDP - PAPP |
| | Location : Palestine |

| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
|--|-------------|-------------------|-----------------|-------------------|
| Dept: 70001 (PAPP - Central) | | | | |
| Fund : 40500 (TF PAPP Voluntary Contrib Actv) | | | | |
| 71405 - Service Contracts-Individuals | 0.00 | 137,503.85 | 0.00 | 137,503.85 |
| 72105 - Svc Co-Construction & Engineer | 0.00 | 329,054.73 | 0.00 | 329,054.73 |
| 75105 - Facilities & Admin - Implement | 0.00 | 36,045.79 | 0.00 | 36,045.79 |
| Total for Fund 40500 | 0.00 | 502,604.37 | 0.00 | 502,604.37 |
| Total for Dept : 70001 | 0.00 | 502,604.37 | 0.00 | 502,604.37 |
| Total for Output : 00046774 | 0.00 | 502,604.37 | 0.00 | 502,604.37 |
| Project Total : | 0.00 | 502,604.37 | 0.00 | 502,604.37 |

Signed By: Deputy Team Leader - Gov. Nader Atta

Date:

23 May 2018

Signed By: KFW Project Manager - Lina Kort Seraphin

Date:

23 May 2018





UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 2 of 3
Run Time: 14-04-2018 10:04:15

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2017)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00046774

| 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 | 502,604.37 | 0.00 | 502,604.37 |

Deputy Team Leader - Gov. Nader Atta

KFW Project Manager - Lina Kort Seraphin *[Signature]*



23 May 2018

23 May 2018



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

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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 : 00046774

No Data found for the Selection Criteria

Deputy Team Leader- Gov. Nader AHA
KFW Project Manager- Lina Kort Seraphin




23 May 2018

23 May 2018

2.3. Auditor's Report on Financial Position for the year 2016

Independent Auditor's Report on the Project Financial position of UNDP DIM Project ID 41098 – Output ID 46774 “Small Scale Works Employment 5 – Phase EGP V”

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 41098 output ID 46774 “Small Scale Works Employment 5 – Phase EGP V”, for the period from 1 January to 31 December 2016, 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.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying CDR and Funds Utilization statement do not present fairly the expenses of USD 168,844.12 and directly incurred by the UNDP PAPP and charged to the project for the period from 1 January to 31 December 2016.

Basis for Adverse 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.

- The total current Combined Delivery Report (CDR) is materially overstated by an amount of USD 162,898.39 due to reversals presented in account No. 72105 in the CDR in addition to the miscalculation of the GMS.

Management 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

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 the purpose of 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)

Jamal J. Milhem
Talal Abu-Ghazaleh & Co.
License No. 251/1997
Ramallah - Palestine, 26 July 2018





UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

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Run Time: 14-04-2018 10:04:02

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00046774

| | |
|------------------|-------------------------------|
| Project Id : ALL | Period : Jan-Dec (2016) |
| Output # : ALL | Impl. Partner : Location : |

| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
|------------------------|----------|------------|-----------------|------------|
| 70001 - PAPP - Central | 0.00 | 168,844.12 | 0.00 | 168,844.12 |

Deputy Team Leader - Gov. - Nader Atta

KfW Project Manager - Line Kort Seraphin 



23 May 2018

23 May 2018



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DP UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

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Run Time: 14-04-2018 10:04:05

Funds Utilization

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00046774

No Data found for the Selection Criteria

Deputy Team Leader - Gov. Nader AHA

KfW project Manager - Line Kort Seraphin 



23 May 2018

23 May 2018

3. PART III: MANAGEMENT LETTER

3.1 Current years audit findings and recommendations

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

Introduction

Under International Standards on Auditing, auditors are encouraged to report various matters concerning an entity's internal control structure noted during their audit, and are required to report certain of those matters. Matters that are required to be reported are "significant deficiencies in the design or operation of the internal control structure that, in the auditor's judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements."

As part of our audit of the Project's financial position of the Project ID 41098, output ID 46774 "Small Scale Works Employment 5 – Phase EGP V" for the period from 1 January to 31 December 2016 and for the period from 1 January to 31 December 2017, we considered UNDP's internal control structure and compliance with its accounting policies in determining the scope of our audit procedures for the purpose of rendering an opinion on the financial statements. Our purpose was not to provide assurance on the internal control structure.

We emphasize that the responsibility for a sound system of internal controls rests with management and work performed by external audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of irregularity should there be any, although our audit procedures have been designed so that any material irregularity has a reasonable probability of discovery.

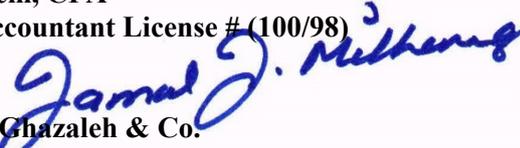
The matters raised in this part are those which came to our attention during the audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be needed. Recommendations for improvements should be assessed by management for their full commercial impact before they are implemented. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Acknowledgment

We wish to express our appreciation for the courtesy and cooperation extended to our representatives during the course of their work.

Jamal Milhem, CPA

Certified Accountant License # (100/98)



Talal Abu – Ghazaleh & Co.

License No. 251/1997

Ramallah – Palestine, 26 July 2018

Finding 1: (applicable for the year 2017)

Title:

Un-related expenses and refunds in the current CDR.

Criteria:

UNDP Programme and Operations Policies and Procedures (POPP) stating that Combined Delivery Report (CDR) should display expenses directly incurred by UNDP on behalf of the project. In addition to that, according to the general conditions of the agreement signed between the UNDP PAPP and KfW, UNDP PAPP will receive General Management Support (GMS) for implementing the project activities in different percentages based on the activates.

Observation

During the audit, we noticed that, in the previous years, EGP phase V had utilized the funds of EGP phase VI for construction activities by USD 468,516 and had utilized the funds of EGP phase VI and EGP phase X for salaries expenses by USD 137,504 while they were revised when refunded during 2017. In addition,, EGP phase VI and EGP phase IX had utilized the available funds of EGP phase V while the reversals were not made in the same accounting period for the outputs of these phases to present the correct expenses, instead, reversals were made during 2017 by USD (139,462).

This led to overstating the output ID 46774 expenses in 2017 by USD 466,558 and overstating the GMS expense by USD 36,046.

- Details of reversals transactions

| Description | USD Amount (in Totals) | Effect |
|--|---------------------------|-------------------------------------|
| Construction Expenses have been used in the previous years from EGP phase VI funds and revised when refunded in 2017 | 468,516 | Overstated the expenses in the CDR |
| Salary Expenses have been used in the previous years from EGP phase VI and EGP phase X funds and revised when refunded in 2017 | 137,504 | Overstated the expenses in the CDR |
| EGP phase VI and EGP phase IX made use of availability of EGP phase VI fund and the reversals were not made in the same accounting period for the outputs of these phases, instead, reversals were made in 2017. | (139,462) | Understated the expenses in the CDR |
| Net Reversals | 466,558 | |
| GMS Reversals | 36,046 | Overstated the expenses in the CDR |
| Total Overstatement in CDR | 502,604 | |

This was caused by:

- a- Shortage in the available funds in EGP phase VI, EGP phase IX and EGP phase X when payments were due.
- b- Transfers to cover the shortages in EGP phase V, EGP phase VI, EGP phase IX and EGP phase X were recorded as expenses in the output from which transfers are made and reversals transactions are made when the amounts are refunded.

This has affected the fair statement of expenses in the current year CDR. Moreover, aforementioned reversals also led to not presenting the correct total construction measures for each accounting period used on which calculations of GMS are made.

Priority

High (critical).

Recommendation

The Office should:

- a. Trace any funding or refunding to other projects in order to assess the impact on the project’s CDR.
- b. In case of inter-project transactions, ensure necessary reversals are made to the correct projects' accounts and correct accounting periods.
- c. Recalculate the GMS in compliance with terms of the grant agreement.

Management’s Response:

All reversals have been undertaken where all charges are made accordingly against the correct project phase. UNDP through its internal monitoring mechanism is able to trace all funding and/or refunding of other projects. When closing phases 5 through 9, the donor was aware that UNDP was closing all pending reversals and payments based upon the final contribution deposits that were made by the donor. All reversals were made, including those related to salaries which the donor was aware of and shared with the audit team. In the future, UNDP will be in a position to override in ATLAS and avoid the need to do cumbersome reversals.

Auditor’s response:

Our recommendation is still valid

Finding 2: (applicable for the year 2016)

Title:

Un-related reversals in the current CDR.

Criteria:

UNDP Programme and Operations Policies and Procedures (POPP) stating that Combined Delivery Report (CDR) should display expenses directly incurred by UNDP on behalf of the project. In addition to that, according to the general conditions of the agreement signed between the UNDP/PAPP and KfW, UNDP/PAPP will receive General Management Support (GMS) for implementing the project activities in different percentages based on the activates.

Observation

During the audit, we noticed that, in the previous years, EGP phase V had utilized the fund of EGP phase IX for construction activities by USD 162,898 while they were revised when refunded during 2017.

This led to overstating the output ID 46774 expenses in 2016 by USD 162,898 and overstating the GMS expense by USD 5,828.

This was caused by:

- a- Shortage in the available funds in EGP phase V when payments were due.
- b- Transfers to cover the shortages in EGP phase V were recorded as expenses in the output from which transfers are made and reversals transactions are made when the amounts are refunded.

This has affected the fair statement of expenses in the current year CDR. Moreover, aforementioned reversals also led to not presenting the correct total construction measures for each accounting period used on which calculations of GMS are made.

Priority

High (critical).

Recommendation

The Office should:

- a. Trace any funding or refunding to other projects in order to assess the impact on the project’s CDR.
- b. In case of inter-project transactions, ensure necessary reversals are made to the correct projects' accounts and correct accounting periods.
- c. Recalculate the GMS in compliance with terms of grant agreement.

Management’s Response:

The difference is based upon the reconciliation of all phases including GMS, your comment is noted, and UNDP will ensure avoiding any similar situation in the future. Due to the accounting system we utilize, GMS is calculated against the entire project. Only during the following year when the CDR for the project is presented in final format, we can do a correction pertaining to the GMS.

Auditor’s response:

Our recommendation is still valid

Priorities of Audit Recommendations

| | |
|--------------------|--|
| High (Critical) | Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. |
| Medium (Important) | Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP. |
| Low | Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report. |

United Nations Development Programme

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

**“Small Scale Works and Employment 6 - Phase EGP VI”
(Project ID 41098 - Output ID 60764)**

**For the period from 1 January to 31 December 2016
and
for the period from 1 January to 31 December 2017**

26 July 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 41098 - output ID 60764 “Small Scale Works and Employment 6 - Phase EGP VI” (the project), directly implemented by UNDP Programme of Assistance to the Palestinian People (PAPP) for the period from 1 January to 31 December 2016 and 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 – 2017 | Adverse | -The current period expenses are materially understated due to funding / refunding some amounts from or to other phases. -The GMS’s amount recorded in the CDR was not correctly calculated according to the terms of agreement. |
| Financial Position – 2016 | Adverse | -The GMS’s amount recorded in the CDR was not correctly calculated according to the terms of agreement. |
| Statement of Fixed Assets 2017 | Not applicable | -There are no fixed assets or equipment, therefore, no audit opinion to be provided on the statement of fixed assets. |
| Statement of Fixed Assets 2016 | Not applicable | -There are no fixed assets or equipment, therefore, no audit opinion to be provided on the statement of fixed assets. |
| Statement of Cash Position 2017 | 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. |
| Statement of Cash Position 2016 | 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 Finding:

As a result of our audit, the following findings were included in the management letter:

| Summary of Audit Finding | Priority | Net Financial Impact |
|--|--------------------|--|
| The current 2017 Combined Delivery Report (CDR) is understated due to funding / refunding some amounts to or from other phases (applicable for the year 2017). The amounts presented in the CDR mainly represent the result of funding of other outputs and reversals transactions, | High (Critical) | The net understatement on 2017 CDR is USD 87,397 |
| The GMS expenses did not present correctly 8% of the construction measures according to the project agreement (applicable for the year 2016 and 2017). | High (Critical) | Understated the expenses in 2017 CDR by an amount of USD (10,965) Overstated the expenses in 2016 CDR by an amount of USD 228,823 |

Follow-up on Previous year audit recommendations:

The output ID 60764 “Small Scale Works and Employment 6 – Phase EGP VI” was audited in 2016 for FY2015. Audit report no.1646 issued on 14 October 2016 for the output ID 60764 “Small Scale Works and Employment 6 – Phase EGP VI” for the period from 1 January to 31 December 2015 included the following recommendation:

The recommendation raised was as follows:

| Recommendation title | Implementation status |
|--|---|
| The expenditure amounting USD 971,915 was incorrectly recorded in the CDR of output 60764 overstating the expenditure for this output. | Not implemented. Recommendation is still valid, and the same recommendation was given in the current audit report. |

Sincerely yours,

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

Talal Abu –Ghazaleh & Co.
License No. 251/1997
Ramallah - Palestine, 26 July 2018

Jamal J. Milhem



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 for the period from 1 January to 31 December 2016 and for the period from 1 January to 31 December 2017 and the funds utilization, the accounts receivable and the accounts payable as at 31 December 2016 and 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 should 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 2016 and as at 31 December 2017. This statement should include all assets available as at 31 December 2016 and as at 31 December 2017 and not only those purchased in the year 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 2016 and as at 31 December 2017. Disbursements made against directly implemented project, DIM project 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 account 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 2016 and 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 Centres 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 for the year 2017

**Independent Auditor's Report on the Project Financial position
of UNDP DIM Project ID 41098 – Output ID 60764
“Small Scale Works and Employment 6 - Phase EGP VI”**

**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 41098 - output ID 60764 “Small Scale Works and Employment 6 - Phase EGP VI”, 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.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying CDR and Funds Utilization statement of Cr. Balance (87,845.18) do not present fairly the expenses directly incurred by the UNDP PAPP and charged to the project for the period from 1 January to 31 December 2017.

Basis for Adverse 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.

- The total of current Combined Delivery Report (CDR) is understated by USD (87,397) due to funding and refunding of some amounts from or to other phases presented in account No. 72105 and account No.71405 in the CDR in addition to the miscalculation of the GMS.

Management 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

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 the purpose of 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, 26 July 2018



2.2. Combined Delivery Report (CDR) and Funds Utilization Statement for the year 2017:

“Small Scale Works and Employment 6 - Phase EGP VI” (Project ID 41098 - Output ID: 60764) for the period from 1 January to 31 December 2017



UNDP UN Development Programme
Report ID: unglcdrp

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2017)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00060764

Combined Delivery Report By Project

Page 1 of 3
Run Time: 14-04-2018 10:04:42

| Project Id : 00041098 PAL/ KFW -V Output # : 00060764 Small Scale Works&Employment 6 | Period : Impl. Partner : Location : | Jan-Dec (2017) 02388 UNDP - PAPP | | |
|---|---|-------------------------------------|-----------------|--------------------|
| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
| Dept: 70001 (PAPP - Central) | | | | |
| Fund : 40500 (TF PAPP Voluntary Contrib Actv) | | | | |
| 71405 - Service Contracts-Individuals | 0.00 | 763,943.73 | 0.00 | 763,943.73 |
| 72105 - Svc Co-Construction & Engineer | 0.00 | - 851,340.51 | 0.00 | - 851,340.51 |
| 74110 - Audit Fees | 0.00 | 10,517.00 | 0.00 | 10,517.00 |
| 75105 - Facilities & Admin - Implement | 0.00 | - 10,965.40 | 0.00 | - 10,965.40 |
| Total for Fund 40500 | 0.00 | - 87,845.18 | 0.00 | - 87,845.18 |
| Total for Dept : 70001 | 0.00 | - 87,845.18 | 0.00 | - 87,845.18 |
| Total for Output : 00060764 | 0.00 | - 87,845.18 | 0.00 | - 87,845.18 |
| Project Total : | 0.00 | - 87,845.18 | 0.00 | - 87,845.18 |

Signed By: Deputy Team Leader - Gov. Nader AHa Date: _____

Signed By: KFW Project Manager - Lina Kart Seraphin Date: _____



23 May 2018

23 May 2018





UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 2 of 3
Run Time: 14-04-2018 10:04:43

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2017)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00060764

| 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 | - 87,845.18 | 0.00 | - 87,845.18 |



Deputy Team Leader - Gov. Nader AHa
KfW Project Manager - Lina Kort Seraphin

[Handwritten signature]

23 May 2018

23 May 2018



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 3 of 3
Run Time: 14-04-2018 10:04:43

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 : 00060764

Project/Award: 00041098 PAL/ KFW -V Period : As at Dec 31, 2017

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

Deputy Team Leader - Gov. Nader A Ha
KFW Project Manager - Line Kont Seraphin



23 May 2018

23 May 2018

2.3. Auditor's Report on Financial Position for the year 2016

Independent Auditor's Report on the Project Financial position of UNDP DIM Project ID 41098 – Output ID 60764 “Small Scale Works and Employment 6 - Phase EGP VI”

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 41098 output ID 60764 “Small Scale Works and Employment 6 - Phase EGP VI”, for the period from 1 January to 31 December 2016, 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.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying CDR and Funds Utilization statement do not present fairly the expenses of USD 230,869.02 for 2016 and directly incurred by the UNDP PAPP and charged to the project for the period from 1 January to 31 December 2016.

Basis for Adverse 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.

- The current GMS included in the CDR were not correctly calculated according to signed agreement (i.e. 8% of construction measures) which led to materially overstatement of the GMS in the current CDR by an amount of USD 228,823.

Management 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

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 the purpose of 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 # (100798)

Talal Abu-Ghazaleh & Co.
License No. 251/1997
Ramallah - Palestine, 26 July 2018



2.4. Combined Delivery Report (CDR) and Funds Utilization Statement for the year 2016:

**“Small Scale Works and Employment 6 - Phase EGP VI”
(Project ID 41098 - Output ID: 60764)
for the period from 1 January to 31 December 2016**
Combined Delivery Report By Project



UNDP UN Development Programme
Report ID: unglcdrp

Page 1 of 3
Run Time: 14-04-2018 10:04:04

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00060764

| | |
|---|--|
| Project Id : 00041098 PAL/ KFW -V | Period : Jan-Dec (2016) |
| Output # : 00060764 Small Scale Works&Employment 6 | Impl. Partner : 02388 UNDP - PAPP |
| | Location : |

| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
|--|-------------|-------------------|-----------------|-------------------|
| Dept: 70001 (PAPP - Central) | | | | |
| Fund : 40500 (TF PAPP Voluntary Contrib Actv) | | | | |
| 64398 - Direct Project Cost-Staff | 0.00 | 123.90 | 0.00 | 123.90 |
| 71620 - Daily Subsistence Allow-Local | 0.00 | 186.05 | 0.00 | 186.05 |
| 72105 - Svc Co-Construction & Engineer | 0.00 | 650.00 | 0.00 | 650.00 |
| 72425 - Mobile Telephone Charges | 0.00 | 99.17 | 0.00 | 99.17 |
| 73120 - Utilities | 0.00 | 126.79 | 0.00 | 126.79 |
| 74525 - Sundry | 0.00 | 808.56 | 0.00 | 808.56 |
| 74598 - Direct Project Costs - GOE | 0.00 | 53.10 | 0.00 | 53.10 |
| 75105 - Facilities & Admin - Implement | 0.00 | 228,823.35 | 0.00 | 228,823.35 |
| 76125 - Realized Loss | 0.00 | 1.22 | 0.00 | 1.22 |
| 76135 - Realized Gain | 0.00 | -3.12 | 0.00 | -3.12 |
| Total for Fund 40500 | 0.00 | 230,869.02 | 0.00 | 230,869.02 |
| Total for Dept : 70001 | 0.00 | 230,869.02 | 0.00 | 230,869.02 |
| Total for Output : 00060764 | 0.00 | 230,869.02 | 0.00 | 230,869.02 |
| Project Total : | 0.00 | 230,869.02 | 0.00 | 230,869.02 |

Signed By: Deputy team leader - Gov: Nadel Atta Date:

Signed By: Kfw Project Manager : Ina Kerit Seraphin Date:



23 May 2018

23 May 2018



Combined Delivery Report By Project

UNDP UN Development Programme
Report ID: unglcdrp

Page 2 of 3
Run Time: 14-04-2018 10:04:05

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00060764

| Project Id : ALL | Period : Jan-Dec (2016) | | | |
|------------------------|-------------------------|------------|-----------------|------------|
| Output # : ALL | Impl. Partner : | | | |
| | Location : | | | |
| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
| 70001 - PAPP - Central | 0.00 | 230,869.02 | 0.00 | 230,869.02 |

Deputy team leader - Gov : Nader Atta
Kfw Project Manager : Ina Konit Seraphin

23 May 2018
23 May 2018



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 3 of 3
Run Time: 14-04-2018 10:04:06

Funds Utilization

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00060764

Project/Award: 00041098 PAL/ KFW -V

Period : As at Dec 31, 2016

| Output # | 00060764 | Impl. Partner :02388 UNDP - PAPP | UNDP AMOUNT |
|-------------------------------|----------|----------------------------------|-------------|
| Outstanding NEX advances | | | 0.00 |
| Undepreciated Fixed Assets | | | 0.00 |
| Unamortized Intangible Assets | | | 0.00 |
| Inventory | | | 0.00 |
| Prepayments | | | 0.00 |
| Commitments | | | 0.00 |



Deputy team leader - Gov : Nader Atta
kfw Project Manager : Ina Kort Seraphin



23 May 2018
23 May 2018

3. PART III: MANAGEMENT LETTER

3.1 Current years audit findings and recommendations

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

Introduction

Under International Standards on Auditing, auditors are encouraged to report various matters concerning an entity's internal control structure noted during their audit, and are required to report certain of those matters. Matters that are required to be reported are "significant deficiencies in the design or operation of the internal control structure that, in the auditor's judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements."

As part of our audit of the Project's financial position of the Project ID 41098 - output ID 60764 "Small Scale Works and Employment 6 - Phase EGP VI" for the period from 1 January to 31 December 2016 and for the period from 1 January to 31 December 2017, we considered UNDP's internal control structure and compliance with its accounting policies in determining the scope of our audit procedures for the purpose of rendering an opinion on the financial statements. Our purpose was not to provide assurance on the internal control structure.

We emphasize that the responsibility for a sound system of internal controls rests with management and work performed by external audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of irregularity should there be any, although our audit procedures have been designed so that any material irregularity has a reasonable probability of discovery.

The matters raised in this part are those which came to our attention during the audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be needed. Recommendations for improvements should be assessed by management for their full commercial impact before they are implemented. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Acknowledgment

We wish to express our appreciation for the courtesy and cooperation extended to our representatives during the course of their work.

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



Talal Abu-Ghazaleh & Co.
License No. 251/1997
Ramallah - Palestine, 26 July 2018

Finding 1: (applicable for the year 2017)

Title:

Un-related expenses and refunds in the current CDR.

Criteria:

UNDP Programme and Operations Policies and Procedures (POPP) stating that the Combined Delivery Report (CDR) should display expenses directly incurred by UNDP on behalf of the project. In addition, the general conditions of the agreement signed between the UNDP/PAPP and KfW (annex 2) stating that the General Management Support (GMS) should be 8% of construction measures.

Observation

During the audit, we noticed that, in the previous years, EGP phase VI had utilized the funds in EGP phase V and EGP phase X for construction activities by USD 120,575 and utilized the fund in EGP phase VIII, EGP phase IX and EGP phase X for salaries expenses by USD 763,943 while they were revised when refunded during 2017. In addition, EGP phase V, EGP phase VIII and EGP phase IX utilized the available funds in EGP phase VI fund while the reversals were not made in the same accounting period for the outputs of these phases to present the correct expenses, instead, reversals were made during 2017 by USD (971,915). Accordingly, there were General Management Support (GMS) reversals (understatement) by USD (10,965) leading to non-compliance with the GMS calculation as per the signed agreement.

The Net Financial Impact of the above is understating of the CDR by USD (98,362)

- Details of reversals transactions

| Description | USD | Effect |
|--|-----------------|-------------------------------------|
| Construction Expenses have been used in the previous years from EGP phase V and EGP phase X funds and revised when refunded in 2017 | 120,575 | Overstated the expenses in the CDR |
| Salary Expenses have been used in the previous years from EGP phase VIII, EGP phase IX and EGP phase X funds and revised when refunded in 2017 | 763,943 | Overstated the expenses in the CDR |
| EGP phase V, EGP phase VIII and EGP phase IX made use of availability of EGP phase VI funds and the reversals were not made in the same accounting period for the outputs of these phases, instead, reversals were made in 2017.(Reversals) | (971,915) | Understated the expenses in the CDR |
| Net Reversals | (87,397) | |
| GMS Reversals | (10,965) | Understated the expenses in the CDR |
| Total Understatement in CDR | (98,362) | |

This was caused by:

- a- Shortage in the available funds in EGP phase V, phase VI, phase VIII and phase IX when payments were due.
- b- Transfers to cover the shortages in EGP phase V, phase VI, phase VIII, phase IX and phase X were recorded as expenses in the output from which transfers are made and reversals transactions are made when the amounts are refunded.

This has affected the fair statement of expenses in the current year CDR and considered a noncompliance with funding agreements. Moreover, aforementioned reversals also led to not presenting the correct total construction measures for each accounting period used on which calculations of GMS are made.

Priority

High (critical).

Recommendation

The Office should:

- a. Trace any funding or refunding to other projects in order to assess the impact on the project’s CDR.
- b. In case of inter-project transactions, ensure necessary reversals are made to the correct projects' accounts and correct accounting periods.
- c. Recalculate the GMS in compliance with terms of grant agreement.

Management’s Response:

All reversals have been undertaken where all charges are made accordingly against the correct project phase. UNDP through its internal monitoring mechanism is able to trace all funding and/or refunding of other projects. When closing phases 5 through 9, the donor was aware that UNDP was closing all pending reversals and payments based upon the final contribution deposits that were made by the donor. All reversals were made, including those related to salaries which the donor was aware of and shared with the audit team. In the future, UNDP will be in a position to override in ATLAS and avoid the need to do cumbersome reversals.

Auditor’s response:

Our recommendation is still valid

Finding 2: (applicable for the year 2016)

Title:

Miscalculation of General Management Support (GMS).

Criteria:

The general conditions of the agreement signed between the UNDP PAPP and KfW (annex 2) stating that the GMS should be 8% of construction measures.

Observation

During our audit, we noticed that The GMS expenses did not present correctly 8% of the construction measures according to the donor agreement.

Since the amount of construction in 2016 CDR is Zero, the amount of the GMS in the current CDR should be equal to Zero. However, the amount of the GMS that appears in the Current CDR is USD 228,823.

The reason for this miscalculation is that the General Management Support (Account No. 75105) in the CDR includes a transaction that does not belong to 2016, leading to not providing the correct calculations of GMS.

Noncompliance with the agreement conditions and not making reconciliation of GMS in the same period led to overstatement of expenses in the current CDR by USD 228,823.

Priority

High (Critical)

Recommendation

The Office should recalculate the GMS in compliance with terms of the grant agreement, and make the GMS reconciliation in the same period.

Management’s Response:

The difference is based upon the reconciliation of all phases including GMS, your comment is noted, and UNDP will ensure avoiding any similar situation in the future. Due to the accounting system we utilize, GMS is calculated against the entire project. Only during the following year when the CDR for the project is presented in final format, we can do a correction pertaining to the GMS.

Auditor’s response:

Our recommendation is still valid

Priorities of Audit Recommendations

| | |
|--------------------|--|
| High (Critical) | Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. |
| Medium (Important) | Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP. |
| Low | Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report. |

United Nations Development Programme

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

**“Small Scale Works and Employment 7 - Phase EGP VII”
(Project ID 41098 - Output ID: 73017)**

**For the period from 1 January to 31 December 2016
and
for the period from 1 January to 31 December 2017**

26 July 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 41098 - output ID 73017 “Small Scale Works and Employment 7 - Phase EGP VII” (the project), directly implemented by UNDP Programme of Assistance to the Palestinian People (PAPP) for the period from 1 January to 31 December 2016 and 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 2017 | Adverse | The current period expenses are materially understated due to refunding some amounts from other phases. The GMS’s amount recorded in the CDR was not correctly calculated according to the terms of agreement |
| Financial Position 2016 | Adverse | The GMS’s amount recorded in the CDR was not correctly calculated according to the terms of agreement |
| Statement of Fixed Assets 2017 | Not applicable | There are no fixed assets or equipment, therefore, no audit opinion to be provided on the statement of fixed assets. |
| Statement of Fixed Assets 2016 | Not applicable | There are no fixed assets or equipment, therefore, no audit opinion to be provided on the statement of fixed assets. |
| Statement of Cash Position 2017 | 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. |
| Statement of Cash Position 2016 | 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:

As a result of our audit, the following findings were included in the management letter:

| Summary of Audit Finding | Priority | Net Financial Impact |
|--|--------------------|--|
| The current Combined Delivery Report (CDR) is understated due to refunding some amounts from other phases (applicable for the year 2017). | High (Critical) | The net understatement on 2017 CDR is USD (124,336). |
| The GMS expenses did not present correctly 7% of the construction measures according to the project agreement (applicable for the year 2016 and 2017). | High (Critical) | Understated the GMS expenses in 2017 CDR by USD (6,620). Overstated the GMS expenses in 2016 CDR by USD 20,460. |

Follow-up on Previous year audit recommendations:

The output ID 73017 “Small Scale Works and Employment 5 – Phase EGP V” was audited in 2016 for FY2015. The previous audit report no.1646 issued on 14 October 2016 for the output ID 73017 “Small Scale Works and Employment 5 – Phase EGP V” for the period from 1 January to 31 December 2015 did not result in any recommendations.

Sincerely yours,

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

Talal Abu –Ghazaleh & Co.
License No. 251/1997
Ramallah - Palestine, 26 July 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 for the period from 1 January to 31 December 2016 and for the period from 1 January to 31 December 2017 and the funds utilization, the accounts receivable and the accounts payable as at 31 December 2017 and as at 31 December 2016 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 should 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 2016 and as at 31 December 2017. This statement should include all assets available as at 31 December 2016 and as at 31 December 2017 and not only those purchased in the year 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 2016 and as at 31 December 2017. Disbursements made against directly implemented project, DIM project 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 account 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 2016 and 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 Centres 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 for the year 2017:

**Independent Auditor's Report on the Project Financial position
of UNDP DIM Project ID 41098 – Output ID 73017
“Small Scale Works and Employment 7 - Phase EGP VII”**

**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 41098 output ID 73017 “Small Scale Works and Employment 7 - Phase EGP VII”, 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.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying CDR and Funds Utilization statement do not present fairly the expenses of USD (124,335.97) directly incurred by the UNDP PAPP and charged to the project for the period for the period from 1 January to 31 December 2017.

Basis for Adverse 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.

- The total of Current Combined Delivery Report (CDR) is materially understated by USD (124,336) due to refunding amounts from other phases.
- The current GMS expenses included in the CDR were not correctly calculated according to signed agreement (i.e. 7% of construction measures), which led to understate the GMS expenses in the current CDR by USD (6,620).

Management 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

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 the purpose of 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, 26 July 2018



2.2. Combined Delivery Report (CDR) and Funds Utilization Statement for the year 2017:

“Small Scale Works and Employment 7 - Phase EGP VII” (Project ID 41098 - Output ID: 86843) for the period from 1 January to 31 December 2017

Combined Delivery Report By Project



UNDP UN Development Programme
Report ID: unglcdrp

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2017)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00073017

Page 1 of 3
Run Time: 14-04-2018 10:04:55

| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
|---|-------------|--|-----------------|---------------------|
| Project Id : 00041098 PAL/ KFW -V | | | | |
| Output # : 00073017 Small Scale Works&Employment 7 | | | | |
| | | Period : Jan-Dec (2017) | | |
| | | Impl. Partner : 02388 UNDP - PAPP | | |
| | | Location : Palestine | | |
| Dept: 70001 (PAPP - Central) | | | | |
| Fund : 40500 (TF PAPP Voluntary Contrib Actv) | | | | |
| 71405 - Service Contracts-Individuals | 0.00 | - 124,336.00 | 0.00 | - 124,336.00 |
| 71410 - MAIP Premium SC | 0.00 | 862.76 | 0.00 | 862.76 |
| 71415 - Contribution to Security SC | 0.00 | 5,758.15 | 0.00 | 5,758.15 |
| 74105 - Management and Reporting Svcs | 0.00 | 0.00 | 0.00 | 0.00 |
| 75105 - Facilities & Admin - Implement | 0.00 | - 6,620.88 | 0.00 | - 6,620.88 |
| Total for Fund 40500 | 0.00 | - 124,335.97 | 0.00 | - 124,335.97 |
| Total for Dept : 70001 | 0.00 | - 124,335.97 | 0.00 | - 124,335.97 |
| Total for Output : 00073017 | 0.00 | - 124,335.97 | 0.00 | - 124,335.97 |
| Project Total : | 0.00 | - 124,335.97 | 0.00 | - 124,335.97 |

Signed By: Deputy Team leader - Gov : Nader Atta Date: _____

Signed By: Kfw Project Manager : Ina Kort Seraphin Date: _____







UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 2 of 3
Run Time: 14-04-2018 10:04:55

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2017)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00073017

| 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 | - 124,335.97 | 0.00 | - 124,335.97 |



Deputy Team leader - Gov : Madel Atta
Kfw Project Manager : Ina kont Scraphin *[Signature]*

23 May 2018
28 May 2018



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Report ID: t

Combined Delivery Report By Project

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UN Development Programme
Report ID: unglodrp

Page 3 of 3
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Funds Utilization

Business Uni
Period :

Selection Criteria :

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Selected Fun
Selected Dep
Selected Out

Business Unit : PAL10
Period : Jan-Dec (2017)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00073017

Project/Awa

Project/Award: 00041098 PAL/ KFW -V

Period : As at Dec 31, 2017

Output #

Output # 00073017 Impl. Partner :02388 UNDP - PAPP

UNDP AMOUNT

| | | |
|-----------|-------------------------------|------|
| Outstand | Outstanding NEX advances | 0.00 |
| Undepre | Undepreciated Fixed Assets | 0.00 |
| Unamorti | Unamortized Intangible Assets | 0.00 |
| Inventory | Inventory | 0.00 |
| Prepaym | Prepayments | 0.00 |
| Commitr | Commitments | 0.00 |



Deputy Head - Gov : Nadel Atta
kfw Project Manager : Ina kort Soraphin

Ina kort Soraphin 23 May 2018



Deputy

kfw Project Manager : Ina kort Soraphin

Ina kort Soraphin 23 May 2018

2.3. Auditor's Report on Financial Position for the year 2016:

Independent Auditor's Report on the Project Financial position of UNDP DIM Project ID 41098 – Output ID 73017 “Small Scale Works and Employment 7 - Phase EGP VII”

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 41098 output ID 73017 “Small Scale Works and Employment 7 - Phase EGP VII”, for the period from 1 January to 31 December 2016, 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.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying CDR and Funds Utilization statement do not present fairly the expenses of USD 20,459.81 directly incurred by the UNDP PAPP and charged to the project for the period for the period from 1 January to 31 December 2016.

Basis for Adverse 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.

- The current GMS expenses included in the CDR were not correctly calculated according to signed agreement (i.e. 7% of construction measures) which led to overstate the GMS expenses in the current CDR by USD 20,459.81.

Management 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

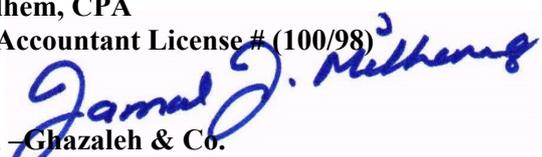
Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 the purpose of 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, 26 July 2018



2.4. Combined Delivery Report (CDR) and Funds Utilization Statement for the year 2016:

**“Small Scale Works and Employment 7 - Phase EGP VII”
(Project ID 41098 - Output ID: 93278)
for the period from 1 January to 31 December 2016**

Combined Delivery Report By Project



**UN
DIP** UN Development Programme
Report ID: unglcdrp

Page 1 of 3
Run Time: 14-04-2018 10:04:41

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00073017

| Project Id : 00041098 PAL/ KFW -V | Period : | Jan-Dec (2016) | | |
|--|-----------------|-------------------|-----------------|------------------|
| Output # : 00073017 Small Scale Works&Employment 7 | Impl. Partner : | 02388 UNDP - PAPP | | |
| | Location : | Palestine | | |
| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
| Dept: 70001 (PAPP - Central) | | | | |
| Fund : 40500 (TF PAPP Voluntary Contrib Actv) | | | | |
| 75105 - Facilities & Admin - Implement | 0.00 | 20,459.81 | 0.00 | 20,459.81 |
| Total for Fund 40500 | 0.00 | 20,459.81 | 0.00 | 20,459.81 |
| Total for Dept : 70001 | 0.00 | 20,459.81 | 0.00 | 20,459.81 |
| Total for Output : 00073017 | 0.00 | 20,459.81 | 0.00 | 20,459.81 |
| Project Total : | 0.00 | 20,459.81 | 0.00 | 20,459.81 |

Signed by:

Deputy Team leader - Gov. ; Nadel A Ha

Date:

23 May 2018

Signed by:

Kfw Project Manager ; Ina Kort Seraphin

Date:

23 May 2018





UN Development Programme
Report ID: unglcdrp

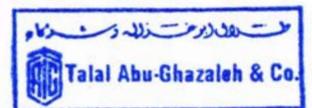
Combined Delivery Report By Project

Page 2 of 3
Run Time: 14-04-2018 10:04:41

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00073017

| Project Id : ALL | Period : Jan-Dec (2016) | | | |
|------------------------|----------------------------|-----------|-----------------|-----------|
| Output # : ALL | Impl. Partner : Location : | | | |
| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
| 70001 - PAPP - Central | 0.00 | 20,459.81 | 0.00 | 20,459.81 |



Deputy Team Leader - Gov : Madol ATta

KfW Project Manager : Ina Kort Selaphin

23 May 2018

23 May 2018



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 3 of 3
Run Time: 14-04-2018 10:04:43

Funds Utilization

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00073017

Project/Award: 00041098 PAL/ KFW -V

Period : As at Dec 31, 2016

| Output # | Impl. Partner | UNDP AMOUNT |
|-------------------------------|--------------------|-------------|
| 00073017 | :02388 UNDP - PAPP | |
| Outstanding NEX advances | | 0.00 |
| Undepreciated Fixed Assets | | 0.00 |
| Unamortized Intangible Assets | | 0.00 |
| Inventory | | 0.00 |
| Prepayments | | 0.00 |
| Commitments | | 0.00 |



Deputy team leader - Gov : Nader Atta

kfw Project Manager : Lina Kort Seraphin

23 May 2018

23 May 2018

3. PART III: MANAGEMENT LETTER

3.1 Current years audit findings and recommendations

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

Introduction

Under International Standards on Auditing, auditors are encouraged to report various matters concerning an entity's internal control structure noted during their audit, and are required to report certain of those matters. Matters that are required to be reported are "significant deficiencies in the design or operation of the internal control structure that, in the auditor's judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements."

As part of our audit of the Project's financial position of the Project ID 41098, output ID 73017 "Small Scale Works and Employment 7 - Phase EGP VII" for the period from 1 January to 31 December 2016 and for the period from 1 January to 31 December 2017, we considered UNDP's internal control structure and compliance with its accounting policies in determining the scope of our audit procedures for the purpose of rendering an opinion on the financial statements. Our purpose was not to provide assurance on the internal control structure.

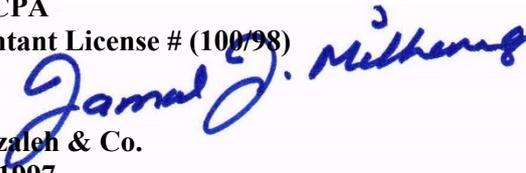
We emphasize that the responsibility for a sound system of internal controls rests with management and work performed by external audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of irregularity should there be any, although our audit procedures have been designed so that any material irregularity has a reasonable probability of discovery.

The matters raised in this part are those which came to our attention during the audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be needed. Recommendations for improvements should be assessed by management for their full commercial impact before they are implemented. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Acknowledgment

We wish to express our appreciation for the courtesy and cooperation extended to our representatives during the course of their work.

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



Talal Abu-Ghazaleh & Co.
License No. 251/1997
Ramallah – Palestine, 26 July 2018

Finding 1: (Applicable for the year 2017).

Title:

Un-related refunds in the current CDR.

Criteria:

UNDP Programme and Operations Policies and Procedures (POPP) states that the Combined Delivery Report (CDR) should display expenses directly incurred by UNDP on behalf of the project. In addition, the general conditions of the agreement signed between the UNDP PAPP and KFW (annex 2) stating that the General Management Support (GMS) should be 7% of construction measures.

Observation

During the audit, we noticed that, in the previous years, EGP Phase VIII had utilized the available funds in EGP phase VII while the refunds were not made in the same accounting period for EGP phase VII to present the correct expenses, instead, refunds were made during 2017 by USD (124,336), affecting the presentation of the expenses and the calculation of the GMS by USD (6,620), which also led to non-compliance with the calculation as per the signed agreement.

The Net Financial Impact of the above is understatement of the CDR by USD (130,956).

This was caused by:

- a- Shortage in the available funds in EGP phase VIII when payments were due.
- b- Transfers to cover the shortages in EGP phase VIII were recorded as expenses in the output from which transfers are made and reversals transactions are made when the amounts are refunded.

This has affected the fair statement of expenses in the current year CDR. Moreover, aforementioned reversals also led to not presenting the correct total construction measures for each accounting period used on which calculations of GMS are made.

Priority

High (critical).

Recommendation

The Office should:

- a. Trace any funding or refunding to other projects in order to assess the impact on the project’s CDR.
- b. In case of inter-project transactions, ensure necessary reversals are made to the correct projects' accounts and correct accounting periods.
- c. Recalculate the GMS in compliance with terms of grant agreement.

Management’s Response:

All reversals have been undertaken where all charges are made accordingly against the correct project phase. UNDP through its internal monitoring mechanism is able to trace all funding and/or refunding of other projects. When closing phases 5 through 9, the donor was aware that UNDP was closing all pending reversals and payments based upon the final contribution deposits that were made by the donor. All reversals were made, including those related to salaries which the donor was aware of and shared with the audit team. However, it should be noted that once funds have been received by the donor, all charges were correctly recorded against the proper project

Auditor’s response:

Our recommendation is still valid

Finding 2: (Applicable for the year 2016).

Title:

Miscalculation of General Management Support (GMS).

Criteria:

The general conditions of the agreement signed between the UNDP PAPP and KFW (annex 2) stating that the GMS should be 7% of construction measures.

Observation

During our audit, we noticed that The GMS expenses did not present correctly 7% of the construction measures according to the project agreement.

Since the amount of construction in 2016 CDR is Zero, the amount of the GMS in the current CDR should equals to Zero. However, the amount of the GMS that appears in the Current CDR is USD 20,460 due to GMS reversals.

The reason for this miscalculation is that the General Management Support (Account No. 75105) in the CDR includes transactions that does not belong to 2016, leading to not providing the correct calculations of GMS.

Noncompliance with agreement conditions and not making reconciliation of GMS in the same period led to overstatement of expenses in the current CDR by USD 20,460.

Priority

High (Critical)

Recommendation

The Office should recalculate the GMS in compliance with terms of grant agreement, and make the GMS reconciliation in the same period.

.

Management’s Response:

The difference is based upon the reconciliation of all phases including GMS, your comment is noted and UNDP will ensure avoiding any similar situation in the future. Due to the accounting system we utilize, GMS is calculated against the entire project. Only during the following year when the CDR for the project is presented in final format, we can do a correction pertaining to the GMS.

Auditor’s response:

Our recommendation is still valid

Priorities of Audit Recommendations

| | |
|--------------------|--|
| High (Critical) | Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. |
| Medium (Important) | Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP. |
| Low | Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report. |

United Nations Development Programme

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

**“Small Scale Works and Employment 8 - Phase EGP VIII”
(Project ID 41098 - Output ID 80762)
for the period from 1 January to 31 December 2016
and
for the period from 1 January to 31 December 2017**

26 July 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 41098 - output ID 80762 “Small Scale Works and Employment 8 - Phase EGP VIII” (the project), directly implemented by UNDP Programme of Assistance to the Palestinian People (PAPP) for the period from 1 January to 31 December 2016 and 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 2017 | Adverse | -The current period expenses are materially overstated due to funding / refund of amounts from or to other phases. |
| Financial Position 2016 | Adverse | -The current period expenses are materially overstated due to funding amounts to other phases. -The GMS amount recorded in the CDR was not correctly calculated according to the terms of agreement |
| Statement of Fixed Assets 2017 | Not applicable | -There are no fixed assets or equipment, therefore, no audit opinion to be provided on the statement of fixed assets. |
| Statement of Fixed Assets 2016 | Not applicable | -There are no fixed assets or equipment, therefore, no audit opinion to be provided on the statement of fixed assets. |
| Statement of Cash Position 2017 | 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. |
| Statement of Cash Position 2016 | 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:

As a result of our audit, the following findings were included in the management letter:

| Summary of Audit Finding | Priority | Net Financial Impact |
|---|--------------------|---|
| <p>The current Combined Delivery Report (CDR) is overstated due to funding / refund of amounts from or to other phases (applicable for the year 2016 and 2017).</p> <p>The amounts presented in the CDR represent the result of funding of outputs and reversals transactions, while the current output did not have any actual payment transactions related to the output.</p> | High (Critical) | <p>The net overstatement in 2017 CDR is USD 473.48.</p> <p>The net overstatement in 2016 CDR is USD 62,162.17.</p> |
| <p>The GMS expenses did not present correctly 7% of the construction measures according to the project agreement (applicable for the year 2016).</p> | High (Critical) | <p>Overstatement of the GMS expenses in 2017 CDR by USD 33.14</p> <p>Understatement of the GMS expenses in 2016 CDR by USD 3,585.11</p> |

Follow-up on Previous year audit recommendations:

The output ID 80762 was not audited in the prior years; accordingly, no follow up procedures were required to be performed.

Sincerely yours,

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



Talal Abu –Ghazaleh & Co.
License No. 251/1997
Ramallah - Palestine, 26 July 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 for the period from 1 January to 31 December 2016 and for the period from 1 January to 31 December 2017 and the funds utilization, the accounts receivable and the accounts payable as at 31 December 2016 and 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 should 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 2016 and as at 31 December 2017. This statement should include all assets available as at 31 December 2016 and as at 31 December 2017 and not only those purchased in the year 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 2016 and as at 31 December 2017. Disbursements made against directly implemented project, DIM project 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 account 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 2016 and 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 Centres 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 for the year 2017

Independent Auditor's Report on the Project Financial position Of UNDP DIM Project ID 41098 – Output ID 80762 “Small Scale Works and Employment 8 - Phase EGP VIII”

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 41098 output ID 80762 “Small Scale Works and Employment 8 - Phase EGP VIII”, 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.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying CDR and Funds Utilization statement do not present fairly the expenses of USD 506.62 directly incurred by the UNDP PAPP and charged to the project for the period from 1 January to 31 December 2017.

Basis for Adverse 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.

- The total of current Combined Delivery Report (CDR) is overstated by USD 473.48 (Net) due to funding other phases presented in account No. 71405 by USD 614,150.48 and refunding from other phases presented in account No. 72105 by USD (613,677). In addition to miscalculation of the GMS.

Management 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

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.

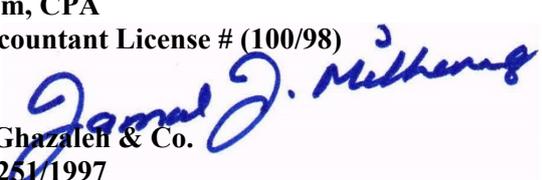
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 the purpose of 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, 26 July 2018



2.2. Combined Delivery Report (CDR) and Funds Utilization Statement for the year 2017:

**“Small Scale Works and Employment 8 - Phase EGP VIII”
(Project ID 41098 - Output ID: 80762)
for the period from 1 January to 31 December 2017**



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 1 of 3
Run Time: 14-04-2018 10:04:23

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2017)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00080762

| | | |
|--|-----------------|-------------------|
| Project Id : 00041098 PAL/ KFW -V | Period : | Jan-Dec (2017) |
| Output # : 00080762 Small Scale Works&Employment 8 | Impl. Partner : | 02388 UNDP - PAPP |
| | Location : | |
| | Govt Exp | UNDP Exp |
| | UN Agencies Exp | Total Exp |

Dept: 70001 (PAPP - Central)

Fund : 30000 (PROGRAMME COST SHARING)

| | | | | |
|--|-------------|---------------|-------------|---------------|
| 71405 - Service Contracts-Individuals | 0.00 | - 613,677.00 | 0.00 | - 613,677.00 |
| 72105 - Svc Co-Construction & Engineer | 0.00 | 614,150.48 | 0.00 | 614,150.48 |
| 74105 - Management and Reporting Svcs | 0.00 | 0.00 | 0.00 | 0.00 |
| 75105 - Facilities & Admin - Implement | 0.00 | 33.14 | 0.00 | 33.14 |
| Total for Fund 30000 | 0.00 | 506.62 | 0.00 | 506.62 |
| Total for Dept : 70001 | 0.00 | 506.62 | 0.00 | 506.62 |
| Total for Output : 00080762 | 0.00 | 506.62 | 0.00 | 506.62 |

| | | | | |
|------------------------|-------------|---------------|-------------|---------------|
| Project Total : | 0.00 | 506.62 | 0.00 | 506.62 |
|------------------------|-------------|---------------|-------------|---------------|

Deputy team leader - Gov: Nader Atta
Signed By: _____

Date: _____

23 May 2018

KfW Project Manager: Ina Kort Seraphin
Signed By: _____

Date: _____

23 May 2018





UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 2 of 3
Run Time: 14-04-2018 10:04:23

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2017)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00080762

| 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 | 506.62 | 0.00 | 506.62 |

Deputy team leader - Gov: Nader Atta
KfW Project Manager: Lina Kort Seraphin



23 May 2018

23 May 2018



UNDP UN Development Programme
Report ID: unglodrp

Combined Delivery Report By Project

Page 3 of 3
Run Time: 14-04-2018 10:04:23

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 : 00080762

No Data found for the Selection Criteria

Deputy team leader: Nadel Atta

Kfw Project Manager: Ina Kort Seraphin



23 May 2018

23 May 2018

2.3. Auditor's Report on Financial Position for the year 2016

Independent Auditor's Report on the Project Financial position Of UNDP DIM Project ID 41098 – Output ID 80762 “Small Scale Works and Employment 8 - Phase EGP VIII”

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 41098 output ID 80762 “Small Scale Works and Employment 8 - Phase EGP VIII”, for the period from 1 January to 31 December 2016, 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.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying CDR and Funds Utilization statement do not present fairly the expenses of USD 65,865 and directly incurred by the UNDP PAPP and charged to the project for the period for the period from 1 January to 31 December 2016.

Basis for Adverse 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.

- The total of current Combined Delivery Report (CDR) is overstated by USD 62,162.17 due to funding some amounts to other phases in addition to the miscalculation of the GMS amounting USD 3,585.11.

Management 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

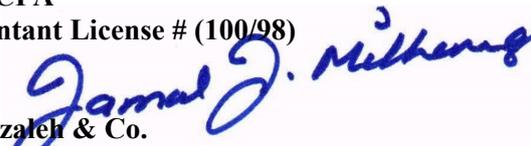
Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 the purpose of 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, 26 July 2018



UNDP UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 2 of 3
Run Time: 14-04-2018 10:04:15

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00080762

| Project Id : ALL | Period : Jan-Dec (2016) | | | |
|------------------------|-------------------------|-----------|-----------------|-----------|
| Output # : ALL | Impl. Partner : | | | |
| | Location : | | | |
| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
| 70001 - PAPP - Central | 0.00 | 65,865.28 | 0.00 | 65,865.28 |



Deputy team leader - Gov : Nader Atta
Kfup Project Manager : Iina Kerit Seraphin

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23 May 2018

23 May 2018



UN
DP UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 3 of 3
Run Time: 14-04-2018 10:04:17

Funds Utilization

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00080762

No Data found for the Selection Criteria



Deputy Team leader - Gov : Nader Atta
KfW Project Manager : Lina Kort Seraphin

23 May 2018

23 May 2018

3. PART III: MANAGEMENT LETTER

3.1 Current years audit findings and recommendations

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

Introduction

Under International Standards on Auditing, auditors are encouraged to report various matters concerning an entity's internal control structure noted during their audit, and are required to report certain of those matters. Matters that are required to be reported are "significant deficiencies in the design or operation of the internal control structure that, in the auditor's judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements."

As part of our audit of the Project's financial position of the Project ID 41098, output 80762 "Small Scale Works and Employment 8 - Phase EGP VIII" for the period from 1 January to 31 December 2016 and for the period from 1 January to 31 December 2017, we considered UNDP's internal control structure and compliance with its accounting policies in determining the scope of our audit procedures for the purpose of rendering an opinion on the financial statements. Our purpose was not to provide assurance on the internal control structure.

We emphasize that the responsibility for a sound system of internal controls rests with management and work performed by external audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of irregularity should there be any, although our audit procedures have been designed so that any material irregularity has a reasonable probability of discovery.

The matters raised in this part are those which came to our attention during the audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be needed. Recommendations for improvements should be assessed by management for their full commercial impact before they are implemented. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Acknowledgment

We wish to express our appreciation for the courtesy and cooperation extended to our representatives during the course of their work.

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



Talal Abu -Ghazaleh & Co.
License No. 251/1997
Ramallah – Palestine, 26 July 2018

Finding 1: (applicable for the year 2017)

Title:

Un-related expenses and refunds in the current CDR.

Criteria:

UNDP Programme and Operations Policies and Procedures (POPP) stating that the Combined Delivery Report (CDR) should display expenses directly incurred by UNDP on behalf of the project. In addition to that, the general conditions of the agreement signed between the UNDP PAPP and KfW (annex 2) stating that the General Management Support (GMS) should be 7% of construction measures.

Observation:

During the audit, we noticed that, in the previous years, EGP phase VIII had utilized the funds of EGP phase VI and EGP phase IX (Service Contracts-Individuals) and revised them during 2017 by USD 614,150. In addition, EGP phase VI and EGP phase IX had utilized the available funds of EGP phase VIII by USD (613,677) while the refunds were not made in the same accounting period for these phases to present correct expenses, instead, refunds were made during 2017.

This led to overstating the output 80762 expenses in 2017 by USD 473.48.

This was caused by:

- a- Shortage in the available funds in EGP phase VIII, EGP phase VI and EGP phase IX when payments were due.
- b- Transfers to cover the shortages in EGP phase VIII, EGP phase VI and EGP phase IX were recorded as expenses in the output from which transfers are made and reversals transactions are made when the amounts are refunded.

This has affected the fair statement of expenses in the current year CDR. Moreover, aforementioned reversals led to not presenting the correct total construction measures for each accounting period used on which calculations of GMS are made.

Priority:

High (critical).

Recommendation:

The Office should:

- a. Trace any funding or refunding to other projects in order to assess the impact on the project's CDR.
- b. In case of inter-project transactions, ensure necessary reversals are made to the correct projects' accounts and correct accounting periods.
- c. Recalculate the GMS in compliance with terms of grant agreement.

Management’s Response:

All reversals have been undertaken where all charges are made accordingly against the correct project phase. UNDP through its internal monitoring mechanism is able to trace all funding and/or refunding of other projects. When closing phases 5 through 9, the donor was aware that UNDP was closing all pending reversals and payments based upon the final contribution deposits that were made by the donor. All reversals were made, including those related to salaries which the donor was aware of and shared with the audit team. In the future, UNDP will be in a position to override in ATLAS and avoid the need to do cumbersome reversals.

Finding 2: (applicable for the year 2016)

Title:

Un-related expenses in the current CDR.

Criteria:

UNDP Programme and Operations Policies and Procedures (POPP) stating that the Combined Delivery Report (CDR) should display expenses directly incurred by UNDP on behalf of the project. In addition to that, the general conditions of the agreement signed between the UNDP PAPP and KfW (annex 2) stating that the General Management Support (GMS) should be 7% of construction measures.

Observation

During the audit, we noticed that, in the previous years, EGP phase VIII had utilized the available funds of EGP phase IX and revised them during 2016 by USD 62,162. This led to overstating the output 80762 expenses in 2017 by USD 62,162, in addition to the miscalculation of the GMS amounting USD 3,585.11.

This was caused by:

- a- Shortage in the available funds in EGP phase VIII when payments were due.
- b- Transfers to cover the shortages in EGP phase VIII were recorded as expenses in the output from which transfers are made and reversals transactions are made when the amounts are refunded.

This has affected the fair statement of expenses in the current year CDR. Moreover, aforementioned reversals also led to not presenting the correct total construction measures for each accounting period used on which calculations of GMS are made.

Priority

High (critical).

Recommendation

The Office should:

- a. Trace any funding or refunding to other projects in order to assess the impact on the project's CDR.
- b. In case of inter-project transactions, ensure necessary reversals are made to the correct projects' accounts and correct accounting periods.
- c. Recalculate the GMS in compliance with terms of grant agreement.

Management's Response:

The difference is based upon the reconciliation of all phases including GMS, your comment is noted and UNDP will ensure that in the future will avoid any similar situation. Due to the accounting system we utilize, GMS is calculated against the entire project. Only during the following year when the CDR for the project is presented in final format, we can do a correction pertaining to the GMS.

Priorities of Audit Recommendations

| | |
|--------------------|--|
| High (Critical) | Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. |
| Medium (Important) | Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP. |
| Low | Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report. |

United Nations Development Programme

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

**“Small Scale Works and Employment 9 – Phase EGP IX”
(Project ID 41098 - Output ID 86843)**

**For the period from 1 January to 31 December 2016
and
for the period from 1 January to 31 December 2017**

26 July 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 41098 - output ID 86843 “Small Scale Works and Employment 9 – Phase EGP IX” (the project), directly implemented by UNDP Programme of Assistance to the Palestinian People (PAPP) for the period from 1 January to 31 December 2016 and 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 2017 | Adverse | -The current period expenses are materially overstated due to funding/ refunding amounts from other phases. -The GMS amount recorded in the CDR was not correctly calculated according to the terms of agreement. |
| Financial Position 2016 | Adverse | -The GMS amount recorded in the CDR was not correctly calculated according to the terms of agreement. |
| Statement of Fixed Assets 2017 | Not applicable | -There are no fixed assets or equipment, therefore, no audit opinion to be provided on the statement of fixed assets. |
| Statement of Fixed Assets 2016 | Not applicable | -There are no fixed assets or equipment, therefore, no audit opinion to be provided on the statement of fixed assets. |
| Statement of Cash Position 2017 | 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. |
| Statement of Cash Position 2016 | 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:

As a result of our audit, the following findings were included in the management letter:

| Summary of Audit Finding | Priority | Net Financial Impact |
|---|--------------------|---|
| <p>The current Combined Delivery Report (CDR) is overstated due to funding / refund some amounts to or from other phases or projects (applicable for the year 2017).</p> <p>The amounts presented in the CDR represents the result of funding of outputs and reversals transactions, while the current output did not have any actual payment transactions related to the output.</p> | High (Critical) | CDR net Overstated by an amount of USD 176,947 for the year ended 31 December 2017. |
| <p>The GMS expenses did not present correctly 7% of the construction measures according to the project agreement (applicable for the year 2016 and 2017).</p> | High (Critical) | <p>Overstated the expenses in FY2017 CDR by an amount of USD 5,092</p> <p>Understated the expenses in FY2016 CDR by an amount of USD (18,687)</p> |

Follow-up on Previous year audit recommendations:

The output ID 86843 “Small Scale Works and employment 9 - Phase EGP IX” was audited in 2015 for FY2014. Audit report no.1502 issued on 11 August 2015 for the output ID 86843 “Small Scale Works and Employment 9 – Phase EGP IX” for the period from 1 January to 31 December 2014 included the following recommendation:

| Recommendation title | Implementation status |
|---|--|
| <p>The office should not record transactions belonging to one project under a different project. In exceptional cases where this situation is not avoidable, the refunds should be done during the same period to avoid any impact on the yearly statement of expenditures.</p> | <p>Not implemented.</p> <p>Recommendation is still valid, and the same recommendation was given in the current audit report.</p> |

Sincerely yours,

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

Talal Abu –Ghazaleh & Co.
License No. 251/1997
Ramallah - Palestine, 26 July 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 for the period from 1 January to 31 December 2016 and for the period from 1 January to 31 December 2017 and the funds utilization, the accounts receivable and the accounts payable as at 31 December 2017 and as at 31 December 2016 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 should 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 and as at 31 December 2016. This statement should include all assets available as at 31 December 2017 and as at 31 December 2016 and not only those purchased in the year 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 and as at 31 December 2016. Disbursements made against directly implemented project, DIM project 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 account 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 2016 and 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 Centres 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 for the year 2017

Independent Auditor's Report on the Project Financial Position of UNDP DIM Project ID 41098 – Output ID 86843 “Small Scale Works and Employment 9 – phase EGP IX”

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 41098 - output ID 86843 “Small Scale Works and Employment 9 – Phase EGP IX”, 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.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for opinion section of our report, the accompanying CDR and Funds Utilization statement do not present fairly the expenses of USD 182,039.21 directly incurred by the UNDP PAPP and charged to the project for the period from 1 January to 31 December 2017.

Basis for Adverse 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.

- The current Combined Delivery Report (CDR) is overstated by an amount of USD 176,947 due to funding/ refunding some amounts from other phases.
- The current GMS included in the CDR were not correctly calculated according to signed agreement (i.e. 7% of construction measures) which led to overstatement of the GMS in the current CDR by an amount of USD 5,092.

Management 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

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.

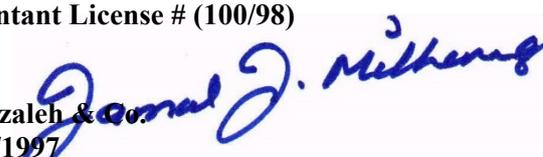
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 the purpose of 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, 26 July 2018



2.2. Combined Delivery Report (CDR) and Funds Utilization Statement for the year 2017:

**“Small Scale Works and Employment 9 - EGP IX”
(Project ID 41098 - Output ID: 86843)
for the period from 1 January to 31 December 2017**



UNDP UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 1 of 3
Run Time: 14-04-2018 10:04:26

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2017)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00086843

| | | |
|--|-----------------|-------------------|
| Project id : 00041098 PAL/ KFW -V | Period : | Jan-Dec (2017) |
| Output # : 00086843 Small Scale Works&Employment 9 | Impl. Partner : | 02388 UNDP - PAPP |
| | Location : | |
| | Govt Exp | UNDP Exp |
| | UN Agencies Exp | Total Exp |

Dept: 70001 (PAPP - Central)

Fund : 30000 (PROGRAMME COST SHARING)

| | | | | |
|--|-------------|-------------------|-------------|-------------------|
| 71405 - Service Contracts-Individuals | 0.00 | 103,446.04 | 0.00 | 103,446.04 |
| 72105 - Svc Co-Construction & Engineer | 0.00 | 73,501.13 | 0.00 | 73,501.13 |
| 74105 - Management and Reporting Svcs | 0.00 | 0.00 | 0.00 | 0.00 |
| 75105 - Facilities & Admin - Implement | 0.00 | 5,092.04 | 0.00 | 5,092.04 |
| Total for Fund 30000 | 0.00 | 182,039.21 | 0.00 | 182,039.21 |
| Total for Dept : 70001 | 0.00 | 182,039.21 | 0.00 | 182,039.21 |
| Total for Output : 00086843 | 0.00 | 182,039.21 | 0.00 | 182,039.21 |

| | | | | |
|------------------------|-------------|-------------------|-------------|-------------------|
| Project Total : | 0.00 | 182,039.21 | 0.00 | 182,039.21 |
|------------------------|-------------|-------------------|-------------|-------------------|

Signed By: Deputy Team leader - Gov : Nader Atta Date: _____

Signed By: kfw Project Manager : Ina Kort Seraphin Date: _____



23 May 2018
23 May 2018



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 2 of 3
Run Time: 14-04-2018 10:04:26

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2017)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00086843

| Project Id : ALL | Period : Jan-Dec (2017) | | | |
|------------------------|-------------------------|------------|-----------------|------------|
| Output # : ALL | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
| 70001 - PAPP - Central | 0.00 | 182,039.21 | 0.00 | 182,039.21 |



Deputy team leader - Gov : Nader Atta

Kfw Project Manager : Lina Kent Seraphine

[Handwritten signature]

28 May 2018

23 May 2018



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 3 of 3
Run Time: 14-04-2018 10:04:27

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 : 00086843

No Data found for the Selection Criteria



Deputy Team leader - Gov: Nader Atta

Kfw Project Manager: Lina Kort Seraphin

23 May 2018

23 May 2018

2.3. Auditor's Report on Financial Position for the year 2016

**Independent Auditor's Report on the Project Financial position
of UNDP DIM Project ID 41098 – Output ID 86843
“Project Title Poverty–Oriented infrastructure–West Bank and Gaza (EGP IX)”**

**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 41098 - output ID 86843 “Small Scale Works and Employment 9 – phase EGP IX”, for the period from 1 January to 31 December 2016, 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.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for opinion section of our report, the accompanying CDR and Funds Utilization statement do not present fairly the expenses of USD (18,687) for 2016 and directly incurred by the UNDP PAPP and charged to the project for the period from 1 January to 31 December 2016.

Basis for Adverse 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.

- The current GMS included in the CDR were not correctly calculated according to signed agreement (i.e. 7% of construction measures) which led to understatement of the GMS in the current CDR by an amount of USD 18,687.

Management 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

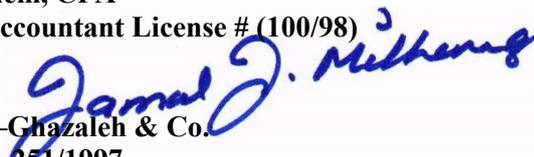
Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 the purpose of 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, 26 July 2018

2.4 Combined Delivery Report (CDR) and Funds Utilization Statement for the year 2016:

**“Small Scale Works and Employment 9 - Phase EGP IX”
(Project ID 41098 - Output ID: 86843)
for the period from 1 January to 31 December 2016**



UNDP UN Development Programme
Report ID: unglcdrp

Page 1 of 3
Run Time: 14-04-2018 10:04:47

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00086843

| Project Id : 00041098 PAL/ KFW -V | Period : Jan-Dec (2016) | | | | |
|--|-----------------------------------|-------------|--------------------|-----------------|--------------------|
| Output # : 00086843 Small Scale Works&Employment 9 | Impl. Partner : 02388 UNDP - PAPP | | | | |
| | Location : | | | | |
| | | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
| Dept: 70001 (PAPP - Central) | | | | | |
| Fund : 30000 (PROGRAMME COST SHARING) | | | | | |
| 72105 - Svc Co-Construction & Engineer | | 0.00 | 0.00 | 0.00 | 0.00 |
| 75105 - Facilities & Admin - Implement | | 0.00 | - 18,687.71 | 0.00 | - 18,687.71 |
| Total for Fund 30000 | | 0.00 | - 18,687.71 | 0.00 | - 18,687.71 |
| Total for Dept : 70001 | | 0.00 | - 18,687.71 | 0.00 | - 18,687.71 |
| Total for Output : 00086843 | | 0.00 | - 18,687.71 | 0.00 | - 18,687.71 |
| Project Total : | | 0.00 | - 18,687.71 | 0.00 | - 18,687.71 |

Signed By : Deputy Team leader - Gov: Nader Atta Date: _____

Signed By : Kfw Project Manager: Lina kort Seraphin Date: _____





UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 2 of 3
Run Time: 14-04-2018 10:04:47

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00086843

| Project Id : ALL | Period : Jan-Dec (2016) | | | |
|------------------------|----------------------------|-------------|-----------------|-------------|
| Output # : ALL | Impl. Partner : Location : | | | |
| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
| 70001 - PAPP - Central | 0.00 | - 18,687.71 | 0.00 | - 18,687.71 |

Deputy Team leader - Gov : Nader Atta
kfw Project Manager : Ina Kort Seraphin



23 May 2018
23 May 2018



UN
DP UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 3 of 3
Run Time: 14-04-2018 10:04:49

Funds Utilization

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00086843

No Data found for the Selection Criteria

Deputy Team leader - Gov : Nadel Atta
KfW Project Manager : lina kort Seraphin



23 May 2018
23 May 2018

3. PART III: MANAGEMENT LETTER

3.1 Current years audit findings and recommendations

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

Introduction

Under International Standards on Auditing, auditors are encouraged to report various matters concerning an entity's internal control structure noted during their audit, and are required to report certain of those matters. Matters that are required to be reported are "significant deficiencies in the design or operation of the internal control structure that, in the auditor's judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements."

As part of our audit of the Project's financial position of the Project ID 41098, output ID 86843 "Small Scale Works and Employment 9 – Phase EGP IX" for the period from 1 January to 31 December 2016 and for the period from 1 January to 31 December 2017, we considered UNDP's internal control structure and compliance with its accounting policies in determining the scope of our audit procedures for the purpose of rendering an opinion on the financial statements. Our purpose was not to provide assurance on the internal control structure.

We emphasize that the responsibility for a sound system of internal controls rests with management and work performed by external audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of irregularity should there be any, although our audit procedures have been designed so that any material irregularity has a reasonable probability of discovery.

The matters raised in this part are those which came to our attention during the audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be needed. Recommendations for improvements should be assessed by management for their full commercial impact before they are implemented. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Acknowledgment

We wish to express our appreciation for the courtesy and cooperation extended to our representatives during the course of their work.

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



Talal Abu –Ghazaleh & Co.
License No. 251/1997
Ramallah – Palestine, 26 July 2018

Finding 1: (applicable for the year 2017)

Title:

Un-related expenses and refunds in the current CDR.

Criteria:

UNDP Programme and Operations Policies and Procedures (POPP) stating that Combined Delivery Report (CDR) should display expenses directly incurred by UNDP on behalf of the project. In addition, the general conditions of the agreement signed between the UNDP PAPP and KfW (annex 2) stating that the GMS should be 7% of construction measures.

Observation

During the audit, we noticed that, EGP phase IX had used other projects funds in the previous years (construction and salaries) and were revised when refunded in 2017 by USD 1,135,658. In addition, other outputs had utilized available EGP phase IX fund while the refunds were not made in the same accounting period for these outputs to present correct expenses, instead, refunds were made during 2017 by USD (958,711). Accordingly, there were General Management Support (GMS) reversals by USD 5,092 leading to non-complying with the GMS calculated in the signed agreement.

- Details of reversals transactions are as follows:

| Description | USD Amount (in Totals) | Effect |
|---|---------------------------|-------------------------------------|
| EGP phase IX has made use of funds in EGP phase VI, phase VIII and phase X in the previous years and revised them in 2017 (Reversals) | 1,135,658 | Overstated the expenses in the CDR |
| EGP phase VIII made use of availability of EGP phase IX fund and the reversals were not made in the same accounting period for these outputs instead reversals were made in 2017. (Reversals) | (958,711) | Understated the expenses in the CDR |
| Net Reversals | 176,947 | |
| GMS Reversals | 5,092 | Overstated the expenses in the CDR |
| Total Overstatement in CDR | 182,039 | |

This was caused by:

- a- Shortage in the available funds in EGP phase VIII and EGP phase IX when payments were due.
- b- Transfers to cover the shortages in EGP phase VIII and EGP phase IX were recorded as expenses in the project from which transfers are made and reversals transactions are made when the amounts are refunded.

This has affected the fair statement of expenses in the current year CDR.

Priority

High (critical).

Recommendation

The office should:

- a) Trace any funding or refunding to other projects in order to assess the impact on the project’s CDR.
- b) In case of inter-project transactions, ensure necessary reversals are made to the correct projects' accounts and in the correct accounting periods.

Management’s Response:

All reversals have been undertaken where all charges are made accordingly against the correct project phase. UNDP through its internal monitoring mechanism is able to trace all funding and/or refunding of other projects. When closing phases 5 through 9, the donor was aware that UNDP was closing all pending reversals and payments based upon the final contribution deposits that were made by the donor. All reversals were made, including those related to salaries which the donor was aware of and shared with the audit team.

Finding 2: (applicable for the year 2016)

Title:

Miscalculation of General Management Support (GMS).

Criteria:

The general conditions of the agreement signed between the UNDP/PAPP and KfW (annex 2) stating that the GMS should be 7% of construction measures.

Observation

During our audit, we noticed that The GMS expenses did not present correctly 7% of the construction measures according to the project agreement.

Since the amount of construction in 2016 CDR is Zero, the amount of the GMS in the current CDR should be equals to Zero but the amount of the GMS that appears in the Current CDR is USD (18,687) due to GMS reversals.

The construction expense (Account No. 72105) in the CDR include many reversal transactions leading to not presenting the correct total construction measures for each accounting period used on which calculations of GMS are made causing for this miscalculation.

Not complying with the calculation in the signed agreement without making reversals in the same accounting period affects the expenses in the current CDR.

Priority

High (Critical)

Recommendation

The office should recalculate the GMS in compliance with terms of grant agreement.

Management’s Response:

The difference is based upon the reconciliation of all phases including GMS, your comment is noted and UNDP will ensure that in the future will avoid any similar situation. Due to the accounting system we utilize, GMS is calculated against the entire project. Only during the following year when the CDR for the project is presented in final format, we can do a correction pertaining to the GMS.

Priorities of Audit Recommendations

| | |
|--------------------|--|
| High (Critical) | Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. |
| Medium (Important) | Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP. |
| Low | Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report. |

United Nations Development Programme

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

**“Small Scale Works Employment 10 – Phase EGP X”
(Project ID 41098 - Output ID: 93278)**

**For the year from 1 January to 31 December 2016
and
for the year from 1 January to 31 December 2017**

26 July 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 41098 - output ID 93278 “Small Scale Works Employment 10 – Phase EGP X” (the project), directly implemented by UNDP Programme of Assistance to the Palestinian People (PAPP) for the year from 1 January to 31 December 2016 and for the year 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 - 2017 | Qualified | <ul style="list-style-type: none"> – Some of current period expenses are understated and some are overstated due to the refunding or funding of amounts from or to other phases leading to understatement of the total expenses. – The GMS amount recorded in the CDR was not correctly calculated according to the terms of agreement |
| Financial Position - 2016 | Qualified | <ul style="list-style-type: none"> – The current period expenses are understated due to the refunding or funding of amounts from or to other phases, and the net effect of these transactions led to understate the current period expenses. – The GMS amount recorded in the CDR was not correctly calculated according to the terms of agreement |
| Statement of Fixed Assets - 2017 | Unmodified | |
| Statement of Fixed Assets - 2016 | Unmodified | |
| Statement of Cash Position - 2017 | 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. |
| Statement of Cash Position - 2016 | 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:

As a result of our audit, the following findings were included in the management letter:

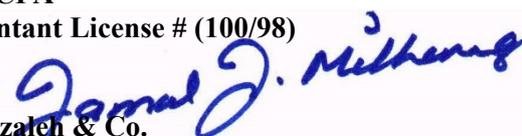
| Summary of Audit Finding | Priority | Net Financial Impact |
|--|-----------------------|---|
| The current 2017 Combined Delivery Report (CDR) is understated due to funding, refund some amounts to or from other phases or projects (applicable for the year 2017) | High (Critical) | The net understatement on 2017 CDR is USD 439,631. |
| The current Combined Delivery Report (CDR) is understated due to funding/ refund some amounts to/from other phases and the net effect of these transactions led to understate the current period expenses (applicable for the year 2016) | Medium (Important) | Understated by an amount of USD 332.8 of the year ended 31 December 2016 |
| The GMS expenses did not present correctly 8% of the construction measures according to the project agreement (applicable for the year 2016 and 2017) | Medium (Important) | Understated the expenses in 2016 CDR by an amount of USD (30,753) Overstated the expenses in 2017 CDR by an amount of USD 48,372 |

Follow-up on Previous year audit recommendations:

The output ID 93278 was not audited in the prior year; accordingly, no follow up procedures were required to be performed.

Sincerely yours,

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



Talal Abu –Ghazaleh & Co.
License No. 251/1997
Ramallah - Palestine, 26 July 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 for the year from 1 January to 31 December 2016 and for the year from 1 January to 31 December 2017 and the funds utilization, the accounts receivable and the accounts payable as at 31 December 2017 and as at 31 December 2016 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 should 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 and as at 31 December 2016. This statement should include all assets available as at 31 December 2017 and as at 31 December 2016 and not only those purchased in the year 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 and as at 31 December 2016. Disbursements made against directly implemented project, DIM project 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 account 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 year from 1 January to 31 December 2016 and for the year 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 Centres 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 for the year 2017.

Independent Auditor's Report on the Project Financial Position of UNDP DIM Project ID 41098 – Output ID 93278 “Small Scale Works Employment 10 - Phase EGP X”

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 41098 - output ID 93278 “Small Scale Works Employment 10 – phase EGP X”, for the year 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.

Qualified Opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report, the accompanying Combined Delivery Report (CDR) and Funds Utilization statement present fairly, in all material respects, the expenses of USD 3,172,992.39 directly incurred by the UNDP PAPP and charged to the project for the year 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 Qualified 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.

- The total of current Combined Delivery Report (CDR) is understated by an amount of USD 439,631 due to the funding, refund of some amounts from or to other phases or projects.
- The current GMS included in the CDR were not correctly calculated according to signed agreement (i.e. 8% of construction measure) which led to overstate the GMS in 2017's CDR by an amount of USD 48,372.

Management 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

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.

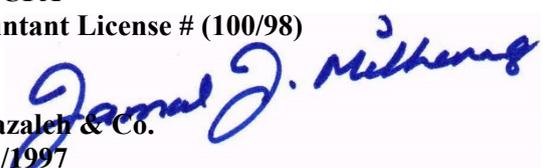
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 the purpose of 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, 26 July 2018



2.2. Combined Delivery Report (CDR) and Funds Utilization Statement for the year 2017:

**“Small Scale Works Employment 10 – phase EGP X”
(Project ID 41098 - Output ID: 93278)
for the year from 1 January to 31 December 2017**



UNDP
UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 1 of 4
Run Time: 04-06-2018 13:06:48

Selection Criteria :

Business Unit : PAL10
 Period : Jan-Dec (2017)
 Selected Project Id : ALL
 Selected Fund Code : ALL
 Selected Dept. IDs : ALL
 Selected Outputs : 00093278

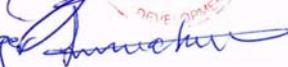
| Project Id : 00041098 PAL/ KFW -V Output # : 00093278 Small Scale Works Employment10 | Period : Impl. Partner : Location : | Jan-Dec (2017) 02388 UNDP - PAPP |
|---|---|-------------------------------------|
| | Govt Exp | UNDP Exp |
| | UN Agencies Exp | Total Exp |

Dept: 70001 (PAPP - Central)

Fund : 30000 (PROGRAMME COST SHARING)

| Account Code / Description | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
|--|-------------|---------------------|-----------------|---------------------|
| 64397 - Services to projects -CO staff | 0.00 | 18,070.00 | 0.00 | 18,070.00 |
| 64398 - Direct Project Cost-Staff | 0.00 | 4,980.00 | 0.00 | 4,980.00 |
| 71305 - Local Consult.-Sht Term-Tech | 0.00 | 7,763.46 | 0.00 | 7,763.46 |
| 71405 - Service Contracts-Individuals | 0.00 | 12,471.85 | 0.00 | 12,471.85 |
| 71410 - MAIP Premium SC | 0.00 | - 256.66 | 0.00 | - 256.66 |
| 71415 - Contribution to Security SC | 0.00 | 5,734.22 | 0.00 | 5,734.22 |
| 71505 - UN Volunteers-Stipend & Allow | 0.00 | 5,915.82 | 0.00 | 5,915.82 |
| 71520 - UNV-Language Allowance | 0.00 | 300.00 | 0.00 | 300.00 |
| 71525 - UNV-Hazard Pay | 0.00 | 1,491.59 | 0.00 | 1,491.59 |
| 71535 - UNV-Medical Insurance | 0.00 | 476.79 | 0.00 | 476.79 |
| 71540 - UNV-Global Charges | 0.00 | 352.52 | 0.00 | 352.52 |
| 71541 - UNVs-Contribution to security | 0.00 | 369.74 | 0.00 | 369.74 |
| 71550 - UNV-Resettlement Allowance | 0.00 | 494.09 | 0.00 | 494.09 |
| 71590 - UNV Development Effectiveness | 0.00 | 1,494.00 | 0.00 | 1,494.00 |
| 72105 - Svc Co-Construction & Engineer | 0.00 | 2,909,245.41 | 0.00 | 2,909,245.41 |
| 72120 - Svc Co-Trade and Business Serv | 0.00 | - 48,685.66 | 0.00 | - 48,685.66 |
| 72210 - Machinery and Equipment | 0.00 | 320.06 | 0.00 | 320.06 |
| 72220 - Furniture | 0.00 | 2,736.00 | 0.00 | 2,736.00 |
| 72425 - Mobile Telephone Charges | 0.00 | 4,115.97 | 0.00 | 4,115.97 |
| 72515 - Print Media | 0.00 | 106.35 | 0.00 | 106.35 |
| 73101 - Leased/rented land | 0.00 | 2,403.85 | 0.00 | 2,403.85 |
| 73105 - Rent | 0.00 | 13,794.16 | 0.00 | 13,794.16 |
| 73110 - Custodial & Cleaning Services | 0.00 | 54.40 | 0.00 | 54.40 |
| 73120 - Utilities | 0.00 | 217.04 | 0.00 | 217.04 |
| 73410 - Maint, Oper of Transport Equip | 0.00 | 958.90 | 0.00 | 958.90 |
| 74110 - Audit Fees | 0.00 | - 10,517.00 | 0.00 | - 10,517.00 |
| 74325 - Contrib.To CO Common Security | 0.00 | 8,580.00 | 0.00 | 8,580.00 |
| 74505 - Insurance | 0.00 | 3,098.20 | 0.00 | 3,098.20 |
| 74525 - Sundry | 0.00 | 21,276.02 | 0.00 | 21,276.02 |
| 74596 - Services to projects -GOE | 0.00 | 8,996.00 | 0.00 | 8,996.00 |
| 74598 - Direct Project Costs - GOE | 0.00 | 2,136.00 | 0.00 | 2,136.00 |
| 75105 - Facilities & Admin - Implement | 0.00 | 194,125.74 | 0.00 | 194,125.74 |
| 76125 - Realized Loss | 0.00 | 39.72 | 0.00 | 39.72 |
| 76135 - Realized Gain | 0.00 | - 9.01 | 0.00 | - 9.01 |
| 77630 - Dep Exp Owned - ITC | 0.00 | 342.82 | 0.00 | 342.82 |
| Total for Fund 30000 | 0.00 | 3,172,992.39 | 0.00 | 3,172,992.39 |
| Total for Dept : 70001 | 0.00 | 3,172,992.39 | 0.00 | 3,172,992.39 |
| Total for Output : 00093278 | 0.00 | 3,172,992.39 | 0.00 | 3,172,992.39 |

Ivan Carmi - Programme Specialist 

Line kort Seraphin - KFW Project Manager 

15 May 2018
15 May 2018






UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 2 of 4
Run Time: 04-06-2018 13:06:48

| | | | | |
|--|-----------------|-------------------|-----------------|-----------|
| Project Id : 00041098 PAL/ KFW -V | Period : | Jan-Dec (2017) | | |
| Output # : 00093278 Small Scale Works Employment10 | Impl. Partner : | 02388 UNDP - PAPP | | |
| | Location : | | | |
| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |

| | | | | |
|-----------------|------|--------------|------|--------------|
| Project Total : | 0.00 | 3,172,992.39 | 0.00 | 3,172,992.39 |
|-----------------|------|--------------|------|--------------|

Signed By: IWAN CARMI - Programme Specialist

Date:

13 May 2018

Signed By: Lina Kort Seraphin - KFW Project Manager

Date:

15 May 2018





UNDP UN Development Programme
 Report ID: unglcdrp

Combined Delivery Report By Project

Page 3 of 4
 Run Time: 04-06-2018 13:06:48

Selection Criteria :

Business Unit : PAL10
 Period : Jan-Dec (2017)
 Selected Project Id : ALL
 Selected Fund Code : ALL
 Selected Dept. IDs : ALL
 Selected Outputs : 00093278

| | Period : Jan-Dec (2017) | | | Total Exp |
|------------------------|-------------------------|--------------|-----------------|--------------|
| | Govt Exp | UNDP Exp | UN Agencies Exp | |
| 70001 - PAPP - Central | 0.00 | 3,172,992.39 | 0.00 | 3,172,992.39 |

IVAN CARMI - Programme Specialist
 Lina Kort Seraphin - kfw Project Manager



15 May 2018
 15 May 2018





UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 4 of 4
Run Time: 04-06-2018 13:06:51

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 : 00093278

Project/Award: 00041098 PAL/ KFW -V Period : As at Dec 31, 2017

| Output # | 00093278 | Impl. Partner :02388 UNDP - PAPP | UNDP AMOUNT |
|-------------------------------|----------|----------------------------------|-------------|
| Outstanding NEX advances | | | 0.00 |
| Undepreciated Fixed Assets | | | 3,713.86 |
| Unamortized Intangible Assets | | | 0.00 |
| Inventory | | | 0.00 |
| Prepayments | | | 0.00 |
| Commitments | | | 3,930.32 |

Ivan Carini - Programme Specialist
Line Kort Seraphin - KFW Project Manager



15 May 2018
15 May 2018



2.3 Auditors Report on the Statement of Fixed Assets for the year 2017:

**Independent Auditor's Report on the Statement of Fixed Assets
of UNDP DIM Project ID 41098 – Output ID 93278
“Small Scale Works Employment 10 – Phase EGP X”**

**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 41098 - output ID 93278 – “Small Scale Works Employment 10 – Phase EGP X” 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 41098 - output ID 93278 - “Small Scale Works Employment 10 – Phase EGP X”, amounting to USD 3,713.86 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 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

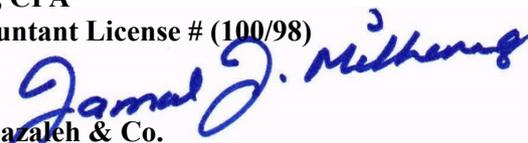
Our objectives are to obtain reasonable assurance about whether the statement of fixed assets is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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 the purpose of 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. 25/1997
Ramallah – Palestine, 26 July 2018

2.4. Statement of Fixed Assets for the year 2017:

**“Small Scale Works Employment 10 – Phase EGP X”
(Project ID 41098 - output ID: 93278)
for the year from 1 January to 31 December 2017**

| Statement of assets | | | | | |
|--|------|----------|-----------------|--------------------|-----------------|
| As of 31 December 2017 | | | | | |
| Project No. “00041098 - PAL/ KFW | | | | | |
| Output 00093278 - Small Scale Works Employment10 | | | | | |
| Category | Year | Location | Original Amount | Depreciated Amount | Net Book Value |
| | | | USD | USD | USD |
| Server | 2017 | Ramallah | 4,113.82 | 342.82 | 3,713.86 |
| Total Value | | | 4,113.82 | 342.82 | 3,713.86 |

Program Specialist :

Ivam Carmi

Date :

15 May 2018

Program Manager :

Lina Seraphin

Date :

15 May 2018



2.5 Auditor's Report on Financial Position for the year 2016:

Independent Auditor's Report on the Project Financial position of UNDP DIM Project ID 41098 – Output ID 93278 “Small Scale Works Employment 10 – Phase EGP X”

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 41098 - output ID 93278 “Small Scale Works Employment 10 – Phase EGP X”, for the year from 1 January to 31 December 2016, 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.

Qualified Opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report, the accompanying Combined Delivery Report (CDR) and Funds Utilization statement present fairly, in all material respects, the expenses of USD 1,794,421.44 for 2016 directly incurred by the UNDP PAPP and charged to the project for the year from 1 January to 31 December 2016 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 Qualified 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.

- The current Combined Delivery Report (CDR) is understated by an amount of USD 332.8 for the year 2016 due to the refund of some amounts to other phases.
- The current GMS included in the CDR were not correctly calculated according to signed agreement (i.e. 8% of construction measure) which led to understate the GMS in 2016 CDR by an amount of USD 30,753

Management 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

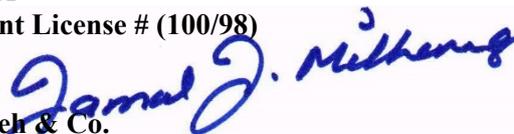
Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 the purpose of 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, 26 July 2018

2.6 Combined Delivery Report (CDR) and Funds Utilization Statement for the year 2016:

**“Small Scale Works Employment 10 – Phase EGP X”
(Project ID 41098 - Output ID: 93278)
for the year from 1 January to 31 December 2016**



UNDP
UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 1 of 3
Run Time: 04-06-2018 13:06:58

Selection Criteria :

Business Unit : PAL10
 Period : Jan-Dec (2016)
 Selected Project Id : ALL
 Selected Fund Code : ALL
 Selected Dept. IDs : ALL
 Selected Outputs : 00093278

| | | |
|--|-----------------------------------|--|
| Project Id : 00041098 PAL/ KFW -V | Period : Jan-Dec (2016) | |
| Output # : 00093278 Small Scale Works Employment10 | Impl. Partner : 02388 UNDP - PAPP | |
| | Location : | |

| | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
|--|-------------|---------------------|-----------------|---------------------|
| Dept: 70001 (PAPP - Central) | | | | |
| Fund : 30000 (PROGRAMME COST SHARING) | | | | |
| 64398 - Direct Project Cost-Staff | 0.00 | 11,531.84 | 0.00 | 11,531.84 |
| 71405 - Service Contracts-Individuals | 0.00 | 492,368.58 | 0.00 | 492,368.58 |
| 71410 - MAIP Premium SC | 0.00 | 1,231.91 | 0.00 | 1,231.91 |
| 71415 - Contribution to Security SC | 0.00 | 17,826.32 | 0.00 | 17,826.32 |
| 71505 - UN Volunteers-Stipend & Allow | 0.00 | 11,348.78 | 0.00 | 11,348.78 |
| 71520 - UNV-Language Allowance | 0.00 | 600.00 | 0.00 | 600.00 |
| 71535 - UNV-Medical Insurance | 0.00 | 511.92 | 0.00 | 511.92 |
| 71540 - UNV-Global Charges | 0.00 | 518.21 | 0.00 | 518.21 |
| 71541 - UNVs-Contribution to security | 0.00 | 709.35 | 0.00 | 709.35 |
| 71550 - UNV-Resettlement Allowance | 0.00 | 945.71 | 0.00 | 945.71 |
| 71590 - UNV Development Effectiveness | 0.00 | 1,920.46 | 0.00 | 1,920.46 |
| 71620 - Daily Subsistence Allow-Local | 0.00 | 454.00 | 0.00 | 454.00 |
| 72105 - Svc Co-Construction & Engineer | 0.00 | 783,712.24 | 0.00 | 783,712.24 |
| 72120 - Svc Co-Trade and Business Serv | 0.00 | 279,116.96 | 0.00 | 279,116.96 |
| 72311 - Fuel, petroleum and other oils | 0.00 | 114.37 | 0.00 | 114.37 |
| 72425 - Mobile Telephone Charges | 0.00 | 3,265.05 | 0.00 | 3,265.05 |
| 72815 - Inform Technology Supplies | 0.00 | 259.40 | 0.00 | 259.40 |
| 73101 - Leased/rented land | 0.00 | 1,134.77 | 0.00 | 1,134.77 |
| 73105 - Rent | 0.00 | 4,656.00 | 0.00 | 4,656.00 |
| 73120 - Utilities | 0.00 | 544.55 | 0.00 | 544.55 |
| 73410 - Maint. Oper of Transport Equip | 0.00 | 1,539.90 | 0.00 | 1,539.90 |
| 74110 - Audit Fees | 0.00 | 10,517.00 | 0.00 | 10,517.00 |
| 74210 - Printing and Publications | 0.00 | 343.83 | 0.00 | 343.83 |
| 74505 - Insurance | 0.00 | 3,373.72 | 0.00 | 3,373.72 |
| 74525 - Sundry | 0.00 | 43,304.79 | 0.00 | 43,304.79 |
| 74598 - Direct Project Costs - GOE | 0.00 | 4,942.75 | 0.00 | 4,942.75 |
| 75105 - Facilities & Admin - Implement | 0.00 | 117,379.48 | 0.00 | 117,379.48 |
| 76125 - Realized Loss | 0.00 | 224.62 | 0.00 | 224.62 |
| 76135 - Realized Gain | 0.00 | -32.21 | 0.00 | -32.21 |
| 77630 - Dep Exp Owned - ITC | 0.00 | 57.14 | 0.00 | 57.14 |
| Total for Fund 30000 | 0.00 | 1,794,421.44 | 0.00 | 1,794,421.44 |
| Total for Dept : 70001 | 0.00 | 1,794,421.44 | 0.00 | 1,794,421.44 |
| Total for Output : 00093278 | 0.00 | 1,794,421.44 | 0.00 | 1,794,421.44 |

| | | | | |
|------------------------|-------------|---------------------|-------------|---------------------|
| Project Total : | 0.00 | 1,794,421.44 | 0.00 | 1,794,421.44 |
|------------------------|-------------|---------------------|-------------|---------------------|

Signed By: Ivan Carmel - Programme Specialist Date: 15 May 2018

Signed By: Linakort Seraphin - KFW Project Manager Date: 15 May 2018







UNDP UN Development Programme
 Report ID: unglcdrp

Combined Delivery Report By Project

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Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2016)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00093278

| Project Id : ALL | Period : | Jan-Dec (2016) | | | |
|------------------------|-----------------|----------------|--------------|-----------------|--------------|
| Output # : ALL | Impl. Partner : | | | | |
| | Location : | | | | |
| | | Govt Exp | UNDP Exp | UN Agencies Exp | Total Exp |
| 70001 - PAPP - Central | | 0.00 | 1,794,421.44 | 0.00 | 1,794,421.44 |

IVAN CARM-Programme Specialist

Line kort Seraphin - KFW Project Manager



15 May 2018

15 May 2018



2.7 Auditors Report on the Statement of Fixed Assets for the year 2016:

**Independent Auditor's Report on the Statement of Fixed Assets
of UNDP DIM Project ID 41098 – Output ID 93278
“Small Scale Works Employment 10 – Phase EGP X”**

**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 41098 - output ID 93278 – “Small Scale Works Employment 10 – phase EGP X” as at 31 December 2016.

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 41098 - output ID 93278 - “Small Scale Works Employment 10 – phase EGP X”, amounting to USD 4,056.68 as at 31 December 2016 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 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.

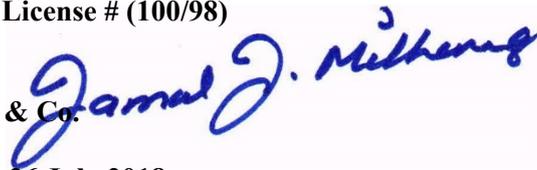
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 the purpose of 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, 26 July 2018



2.8 Statement of Fixed Assets for the year 2016:

**“Small Scale Works Employment 10 – phase EGP X”
(Project ID 41098 - output ID: 93278)
for the year from 1 January to 31 December 2016**

| Statement of assets | | | | | |
|--|------|----------|-----------------|--------------------|-----------------|
| As of 31 December 2016 | | | | | |
| Project No. “00041098 - PAL/ KFW | | | | | |
| Output 00093278 - Small Scale Works Employment10 | | | | | |
| Category | Year | Location | Original Amount | Depreciated Amount | Net Book Value |
| | | | USD | USD | USD |
| Server | 2016 | Ramallah | 4,113.82 | 57.14 | 4,056.68 |
| Total Value | | | 4,113.82 | 57.14 | 4,056.68 |

Program Specialist :

Ivam Carmi

Date :

15 MAY 2018

Program Manager :

Lina Seraphin

Date :

15 May 2018



3. PART III: MANAGEMENT LETTER

3.1 Current years audit findings and recommendations

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

Introduction

Under International Standards on Auditing, auditors are encouraged to report various matters concerning an entity's internal control structure noted during their audit and are required to report certain of those matters. Matters that are required to be reported are "significant deficiencies in the design or operation of the internal control structure that, in the auditor's judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements."

As part of our audit of the Project's financial position of the Project ID 41098 - output ID 93278 "Small Scale Works Employment 10 – phase EGP X" for the year from 1 January to 31 December 2016 and for the year from 1 January to 31 December 2017, we considered UNDP's internal control structure and compliance with its accounting policies in determining the scope of our audit procedures for the purpose of rendering an opinion on the financial statements. Our purpose was not to provide assurance on the internal control structure.

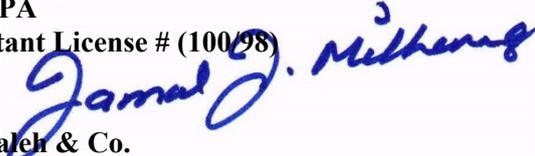
We emphasize that the responsibility for a sound system of internal controls rests with management and work performed by external audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of irregularity should there be any, although our audit procedures have been designed so that any material irregularity has a reasonable probability of discovery.

The matters raised in this part are those which came to our attention during the audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be needed. Recommendations for improvements should be assessed by management for their full commercial impact before they are implemented. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Acknowledgment

We wish to express our appreciation for the courtesy and cooperation extended to our representatives during the course of their work.

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



Talal Abu-Ghazaleh & Co.
License No. 251/1997
Ramallah – Palestine, 26 July 2018

Finding 1: (applicable for the year 2017)

Title:

Un-related expenses and refunds in the current CDR.

Criteria:

UNDP Programme and Operations Policies and Procedures (POPP) states that the Combined Delivery Report (CDR) should display expenses directly incurred by UNDP on behalf of the project.

Observation

During the audit, we noticed that:

- a. In previous years, EGP phase VI and phase IX had utilized available EGP X fund while the refunds were not made in the same accounting period for these outputs to present correct expenses, instead, refunds were made during 2017. This led to understating the output 93278 expenses in 2017 by USD 170,670.

The table below are the detailed amounts of reversals for construction expenses:

| Voucher No. | Account no. | Account description | USD Amount |
|--------------------|--------------------|------------------------------|-------------------|
| 00101469 | 72105 | SVC-CO-Construction Engineer | 1,113 |
| 00102119 | 72105 | SVC-CO-Construction Engineer | 147,904 |
| 00101520 | 72105 | SVC-CO-Construction Engineer | 21,654 |
| Total | | | 170,670 |

- b. The account No. 71405 (service contracts-individuals) in the CDR has been reduced by USD 273,502 due to use of remaining fund of EGP phase VI, phase VII and phase IX by USD 273,502 for the project expenses.
- c. Khan Al Wakaleh Inauguration project had utilized the available fund in the current EGP phase X fund during 2017 by USD 4,541 without reimbursement of such amounts till 31 December 2017 and without obtaining approval from the donor. This led to overstating the output ID 93278 expenses in 2017 by USD 4,541.

The Net Financial Impact of the above is understating of the CDR by USD 439,631.

This was caused by:

- a- Shortage in the available funds in EGP phase VI, phase VII, phase IX and Khan Al Wakaleh Inauguration project when payments were due.
- b- Transfers to cover the shortages in EGP phase VI, phase VII and phase IX were recorded as expenses in the output from which transfers are made and reversals transactions are made when the amounts are refunded.

This has affected the fair statement of expenses in the current year CDR and considered a noncompliance with funding agreements.

Priority

High (Critical).

Recommendation

The Office should:

- a) Trace any funding or refunding to other projects in order to assess the impact on the project's CDR.

- b) In case of inter-project transactions, ensure necessary reversals are made to the correct projects' accounts and correct accounting periods.
- c) Obtain the donor's approval for transfers of project fund to other project or phases.

Management's Response:

Management will follow the guidance of the audit to the best possible and address the shortfalls as pointed out. All reversals have been undertaken where all charges are made accordingly against the correct project phase. UNDP through its internal monitoring mechanism is able to trace all funding and/or refunding of other projects.

Finding 2: (applicable for the year 2016)

Title:

Un-related expenses and refunds in the current CDR.

Criteria:

UNDP Programme and Operations Policies and Procedures (POPP) stating that the Combined Delivery Report (CDR) should display expenses directly incurred by UNDP on behalf of the project.

Observation

During the audit, we noticed that, EGP phase X had utilized the fund in Jericho Park Industrial Support (JAIP 6) in the previous years (toner, stationery, etc.) and revised them in 2016 as shown below:

| Voucher No. | Account no. | Account description | USD Amount |
|--------------------|--------------------|----------------------------|-------------------|
| 91432 | 74525 | Sundry | 960.86 |
| 91432 | 74525 | Sundry | 163.34 |
| Total | | | 1,124.2 |

Moreover, EGP phase VI had utilized available EGP phase X fund while the reversals were not made in the same accounting period for these outputs to present correct expenses, instead, reversals were made during 2016, as shown below:

| Voucher No. | Account no. | Account description | USD Amount |
|--------------------|--------------------|------------------------------|-------------------|
| 92027 | 74525 | Sundry | (807) |
| 92034 | 72105 | SVC-CO-Construction Engineer | (650) |
| Total | | | (1,457) |

This was caused by:

- a- Shortage in the available funds in EGP phase VI and EGP phase X when payments were due.
- b- Transfers to cover the shortages in EGP phase VI and EGP phase X were recorded as expenses in the output from which transfers are made and reversals transactions are made when the amounts are refunded.

This has affected the fair statement of expenses in the current year CDR

Priority

Medium (Important)

Recommendation

The Office should:

- a) Trace any funding or refunding to other projects in order to assess the impact on the project's CDR.
- b) In case of inter-project transactions, ensure necessary reversals are made to the correct projects' accounts and correct accounting periods.

Management's Response:

Management will follow the guidance of the audit to the best possible and address the shortfalls as pointed out. All reversals have been undertaken where all charges are made accordingly against the correct project phase. UNDP through its internal monitoring mechanism is able to trace all funding and/or refunding of other projects.

Finding 3: (applicable for the year 2016 & 2017)

Title:

Miscalculation of General Management Support (GMS).

Criteria:

The general conditions of the agreement signed between the UNDP/PAPP and KfW (annex 2) stating that the GMS should be 8% of construction measures.

Observation

During our audit, we noticed that the GMS amount recorded in the CDR was not correctly calculated according to the agreement conditions.

- The table below may explain further details:

| Item | 2016 USD | 2017 USD |
|---|-------------|-------------|
| Construction amount in the CDR | 1,082,829 | 3,031,230 |
| GMS percentage | 8% | 8% |
| GMS calculation | 86,626 | 242,498 |
| GMS – recorded in the CDR (Account No. 75105) | (117,379) | (194,126) |
| Difference | (30,753) | 48,372 |

The reason for this miscalculation is that the construction expense (Account No. 72105 and 72120) in the CDR include many reversal transactions leading to not presenting the correct total construction measures for each accounting period which are used in the calculations of GMS.

Noncompliance with agreement conditions and making reallocation in the same period led to understate or overstate the expenses in the current CDR.

Priority

Medium (Important)

Recommendation

The office should recalculate the GMS in compliance with terms of grant agreement.

Management’s Response:

Management will follow the guidance of the audit to the best possible and address the shortfalls as pointed out.

The UNDP Atlas system assigns the General Management Services (GMS) to the overall project activities and cannot be charged exclusively to certain activities. In the case of the KfW grants, GMS is to be charged to the direct costs and not to be charged to project implementation unit and other operational costs. This correction for the charging as per the signed agreements is done manually at the end of each fiscal year.

Priorities of Audit Recommendations

| | |
|---------------------------|--|
| High (Critical) | Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. |
| Medium (Important) | Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP. |
| Low | Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report. |