



**AUDIT**

**OF**

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

**KFW – POVERTY ORIENTED INFRASTRUCTURE – WEST BANK AND GAZA STRIP,  
EMPLOYMENT GENERATION PROGRAMME (EGP X)  
(Directly Implemented Project No. 41098, Output No. 93278)**

**Report No. 2066**  
**Issue Date: 14 August 2019**

**Report on the Audit of UNDP Programme of Assistance to the Palestinian People  
KFW – Poverty Oriented Infrastructure – West Bank and Gaza Strip,  
Employment Generation Programme (EGP X)  
Project No. 41098, Output No. 93278  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 8 May to 14 June 2019, conducted an audit of KFW – Poverty Oriented Infrastructure – West Bank and Gaza Strip, Employment Generation Programme (EGP X), Project No. 41098, Output No. 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 the Project was conducted by OAI through Tala Abu-Ghazaleh & Co. in 2018 and covered project expenses from 1 January to 31 December 2017.

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit covered the Project's Combined Delivery Report, which includes expenses for the period from 1 January to 31 December 2018 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2018. The audit did not cover the Statement of Assets as no assets were held by the Project. In addition, the audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

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

### Audit results

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

Project Expenses	
Amount (in \$ '000)	Opinion*
612	Unmodified

\* There was a Net Financial Misstatement of \$6,390 but it did not affect the audit opinion as it was not financially material.

**Key recommendations:** Total = 2, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are two medium (important) priority recommendations, which means, "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to address the miscalculation of General Management Support (GMS) expenses and weakness in the fixed assets disposal process.

<sup>1</sup> The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) undepreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

The two recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendation 1); and (b) safeguarding of assets (Recommendation 2).

**Implementation status of previous OAI audit recommendations:** Report No. 1948, 15 August 2018.

Total recommendations: 3

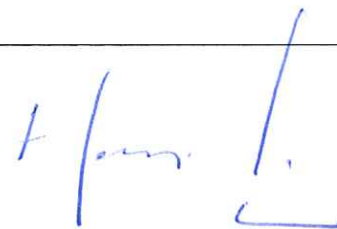
Implemented: 2

Not implemented: 1

The pending recommendation pertains to the miscalculation of GMS amounts. Its implementation is in progress.

**Management comments and action plan**

The Special Representative of the Administrator accepted both 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  
(UNDP)**

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

**“KFW – Poverty Oriented Infrastructure – West Bank and Gaza Strip  
(Employment Generation Programme (EGP X))”  
(Project ID 41098 - Output ID 93278)  
For the period from 1 January to 31 December 2018**

**4 August 2019**

**Talal Abu Ghazaleh & Co.  
Member of Talal Abu Ghazaleh & Co. International, TAGI  
Certified Public Accountants**



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## 1. PART I – EXECUTIVE SUMMARY

### 1.1. Executive Summary:

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

Dear Sir/Madam;

This report represents the results of the financial audit conducted by Talal Abu – Ghazaleh & Co. of the project ID 41098 - output ID 93278 “KFW - Poverty Oriented Infrastructure – West Bank and Gaza Strip (Employment Generation Programme (EGP X))” (the project), directly implemented by UNDP Programme of Assistance to the Palestinian People (PAPP) for the period from 1 January to 31 December 2018.

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 5 April 2019.

#### - Audit Opinions:

The following is the summary of the audit opinions provided:

Report on	Type of Opinion	Note
<b>Financial Position</b>	Unmodified	
<b>Statement of Fixed Assets</b>	Not applicable	The office transferred the undepreciated fixed asset (server) with a net book value of US\$ 3,371.04 to another project.
<b>Statement of Cash</b>	Not applicable	There was no separate bank account for the project under audit. Therefore, no audit opinion is provided on the statement of cash.

#### - 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
<ul style="list-style-type: none"> <li>The General Management Support (GMS) expenses (Facilities and Admin) in the current CDR did not present 8% of the construction measures according to the project agreement.</li> <li>Correction of the miscalculation of 2017 GMS expenses in FY 2018.</li> </ul>	Medium (Important)	<ul style="list-style-type: none"> <li>Overstated the expenses in the current CDR by an amount of US\$ 15,726.5.</li> <li>Understatement of the GSM in the current CDR by US\$ 9,336.89.</li> </ul> <p>The net financial impact is an overstatement in the current CDR with the amount of US\$ 6,389.63.</p>
Transferring out the undepreciated fixed asset without previous approval from the donor.	Medium (Important)	No Financial Impact.

- **Follow-up on Previous Year’s Audit Recommendations:**

The project ID 41098 - output ID 93278 “KFW – Poverty Oriented Infrastructure – West Bank and Gaza strip (Employment Generation Programme (EGP X))” was audited in the prior year (audit ID 1948 issued on 15 August 2018). The previous audit report resulted on three recommendations. The recommendation raised and its implementation status was as follows:

Recommendation Title	Implementation
The 2017 Combined Delivery Report (CDR) is understated/overstated due to funding/refund of amounts from other phases (The net financial impact was understatement of CDR by the amount of US\$ 444,172)	Implemented.
The 2017 Combined Delivery Report (CDR) was overstated by the amount of US\$ 4,541 due to utilizing EGP X funds for other phase of the project without obtaining prior approval from the donor.	Implemented.
The 2017 CDR was overstated by the amount of US\$ 48,372 due to miscalculation of GMS (8% of the construction measures expenses according to the project agreement)	Not implemented.  Recommendation is still valid, and the same recommendation was raised 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, 4 August 2019**




## 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 financial expenses incurred by the project for the year from 1 January to 31 December 2018 and the funds utilization, the accounts receivable and the accounts payable as at 31 December 2018 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 2018. This statement should include all assets available as at 31 December 2018 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 2018. 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 2018.

The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of “responsible parties”; and
- Expenses processed and approved in locations outside the country such as UNDP Regional Centers and UNDP Headquarters and where the supporting documentation is not retained at the level of the UNDP country office.

## 2. PART II – FINANCIAL AUDIT REPORTS

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

**Independent Auditor's Report on the Project Financial position  
of UNDP DIM Project ID 41098 – Output ID 93278  
“KFW – Poverty Oriented Infrastructure – West Bank and Gaza Strip  
(Employment Generation Programme (EGP X))”**

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

#### **Report on the Project Financial position**

We have audited the financial position of the UNDP project ID 41098 – output ID 93278 “KFW - Poverty - Oriented infrastructure – West Bank and Gaza Strip (Employment Generation Programme (EGP X))”, for the period from 1 January to 31 December 2018, which include: (a) the accompanying Combined Delivery Report (CDR); (b) the Funds Utilization Statement (the statement); and (c) the project-related accounts receivable and accounts payable.

#### **Unmodified Opinion**

In our opinion, the attached Combined Delivery Report (CDR) and Funds Utilization Statement present fairly, in all material respects, the expenses of US\$ 612,073.59 directly incurred by UNDP PAPP and charged to the project for the period from 1 January to 31 December 2018 in accordance with UNDP accounting policies and were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.

#### **Basis for Opinion**

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

#### **Management's Responsibility**

Management is responsible for the preparation 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 Responsibility**

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, 14 June 2019



## 2.2. Combined Delivery Report (CDR) and Funds Utilization statement

### “KFW – Poverty Oriented Infrastructure – West Bank and Gaza Strip (EGP X)” (Project ID 41098 - Output ID 93278) for the period from 1 January to 31 December 2018

 <b>UN Development Programme</b> Report ID: unglcdrp				
<b>Combined Delivery Report By Project</b>				
<b>Selection Criteria :</b> Business Unit : PAL10 Period : Jan-Dec (2018) Selected Project Id : ALL Selected Fund Code : ALL Selected Dept. IDs : ALL Selected Outputs : 00093278				
Page 1 of 4 Run Time: 01-03-2019 18:03:42				
Project Id : 00041098 PAL/ KFW -V	Period :	Jan-Dec (2018)		
Output # : 00093278 Small Scale Works Employment10	Impl. Partner :	02388 UNDP - PAPP		
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
<b>Dept: 70001 (PAPP - Central)</b>				
<b>Fund : 04950 (PAPP Core Programme)</b>				
71305 - Local Consult -Sht Term-Tech	0.00	780.73	0.00	780.73
71405 - Service Contracts-Individuals	0.00	65,644.02	0.00	65,644.02
71410 - MAIP Premium SC	0.00	79.63	0.00	79.63
71415 - Contribution to Security SC	0.00	3,914.98	0.00	3,914.98
72105 - Svc Co-Construction & Engineer	0.00	19,174.81	0.00	19,174.81
72210 - Machinery and Equipment	0.00	643.20	0.00	643.20
72425 - Mobile Telephone Charges	0.00	1,229.50	0.00	1,229.50
72440 - Connectivity Charges	0.00	126.94	0.00	126.94
72505 - Stationery & other Office Supp	0.00	88.95	0.00	88.95
73115 - Moving Expenses	0.00	1,583.63	0.00	1,583.63
73120 - Utilities	0.00	7.28	0.00	7.28
73125 - Common Services-Premises	0.00	7,480.76	0.00	7,480.76
73410 - Maint. Oper of Transport Equip	0.00	223.18	0.00	223.18
74525 - Sundry	0.00	4,291.90	0.00	4,291.90
76110 - Foreign Exch Translation Loss	0.00	6.77	0.00	6.77
76125 - Realized Loss	0.00	1.38	0.00	1.38
76135 - Realized Gain	0.00	-0.92	0.00	-0.92
<b>Total for Fund 04950</b>	<b>0.00</b>	<b>105,276.94</b>	<b>0.00</b>	<b>105,276.94</b>
<b>Fund : 30000 (PROGRAMME COST SHARING)</b>				
64397 - Services to projects -CO staff	0.00	10,986.00	0.00	10,986.00
71305 - Local Consult -Sht Term-Tech	0.00	32,196.18	0.00	32,196.18
71405 - Service Contracts-Individuals	0.00	119,543.76	0.00	119,543.76
71410 - MAIP Premium SC	0.00	83.17	0.00	83.17
71415 - Contribution to Security SC	0.00	4,090.08	0.00	4,090.08
72105 - Svc Co-Construction & Engineer	0.00	280,411.56	0.00	280,411.56
72420 - Land Telephone Charges	0.00	62.23	0.00	62.23
72425 - Mobile Telephone Charges	0.00	1,554.61	0.00	1,554.61
72505 - Stationery & other Office Supp	0.00	109.17	0.00	109.17
72605 - Grants to Instit & other Benef	0.00	0.00	0.00	0.00
72815 - Inform Technology Supplies	0.00	20.47	0.00	20.47
73105 - Rent	0.00	14,445.11	0.00	14,445.11
73120 - Utilities	0.00	525.85	0.00	525.85
73125 - Common Services-Premises	0.00	1,315.31	0.00	1,315.31
73410 - Maint. Oper of Transport Equip	0.00	633.94	0.00	633.94
74325 - Contrib. To CO Common Security	0.00	3,640.00	0.00	3,640.00
74525 - Sundry	0.00	580.80	0.00	580.80
74596 - Services to projects -GOE	0.00	5,709.58	0.00	5,709.58
75105 - Facilities & Admin - Implement	0.00	28,749.51	0.00	28,749.51
76110 - Foreign Exch Translation Loss	0.00	41.17	0.00	41.17
76125 - Realized Loss	0.00	6.04	0.00	6.04
76135 - Realized Gain	0.00	-126.35	0.00	-126.35

IVAN CARMi - Programme Specialist  
Line Kort Seraphin - KFW Project Manager  
15 May 2018  
15 May 2018  
Jamil J. Nishan  
2017  
Tahar Abu-Ghazal & Co.



UN Development Programme  
Report ID: unglcdrp

Combined Delivery Report By Project

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Project Id : 00041098 PAL/ KFW -V		Period :	Jan-Dec (2018)	
Output # : 00093278 Small Scale Works Employment10		Impl. Partner :	02388 UNDP - PAPP	
		Location :		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
77630 - Dep Exp Owned - ITC	0.00	171.42	0.00	171.42
Total for Fund 30000	0.00	504,749.61	0.00	504,749.61
Total for Dept : 70001	0.00	610,026.55	0.00	610,026.55
Dept: 70010 (PAPP - Finance)				
Fund : 04950 (PAPP Core Programme)				
64397 - Services to projects -CO staff	0.00	35.00	0.00	35.00
74596 - Services to projects -GOE	0.00	65.00	0.00	65.00
Total for Fund 04950	0.00	100.00	0.00	100.00
Fund : 30000 (PROGRAMME COST SHARING)				
64397 - Services to projects -CO staff	0.00	285.00	0.00	285.00
74596 - Services to projects -GOE	0.00	147.00	0.00	147.00
75105 - Facilities & Admin - Implement	0.00	34.56	0.00	34.56
Total for Fund 30000	0.00	466.56	0.00	466.56
Total for Dept : 70010	0.00	566.56	0.00	566.56
Dept: 70011 (PAPP - Human Resources)				
Fund : 04950 (PAPP Core Programme)				
64397 - Services to projects -CO staff	0.00	673.00	0.00	673.00
74596 - Services to projects -GOE	0.00	288.00	0.00	288.00
Total for Fund 04950	0.00	961.00	0.00	961.00
Fund : 30000 (PROGRAMME COST SHARING)				
64397 - Services to projects -CO staff	0.00	337.00	0.00	337.00
74596 - Services to projects -GOE	0.00	144.00	0.00	144.00
75105 - Facilities & Admin - Implement	0.00	38.48	0.00	38.48
Total for Fund 30000	0.00	519.48	0.00	519.48
Total for Dept : 70011	0.00	1,480.48	0.00	1,480.48
Total for Output : 00093278	0.00	612,073.59	0.00	612,073.59
Project Total :	0.00	612,073.59	0.00	612,073.59

  
 Total Abu-Ghazaleh & Co.

Signed By: JUAN CARMI - Programme Specialist Date: 15 May 2018  
 Signed By: Lina Kort Seraphin - KFW Project Manager Date: 15 May 2018





UN Development Programme  
Report ID: unglodrp

Combined Delivery Report By Project

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Selection Criteria :

Business Unit : PAL10  
Period : Jan-Dec (2018)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00093278

Project Id : ALL	Period : Jan-Dec (2018)			
Output # : ALL	Impl. Partner : Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
70001 - PAPP - Central	0.00	610,026.55	0.00	610,026.55
70010 - PAPP - Finance	0.00	566.56	0.00	566.56
70011 - PAPP - Human Resources	0.00	1,480.48	0.00	1,480.48

*Handwritten signatures and stamps:*

*Signature: Jamal J. Nisham*  
*Signature: Ivan Carmi*  
*Signature: Lina Kort Seraphin*

*Stamp: UNDP*  
*Stamp: 2019*  
*Stamp: Talal Abu-Ghazaleh & Co.*

*Date: 15 May 2018*  
*Date: 15 May 2018*

*Text: IVAN CARMi - Programme Specialist*  
*Text: Lina Kort Seraphin - KFW Project Manager*



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 (2018)  
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, 2018

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		18,738.84

*Jamal J. Milhem*  
2019  
Tahel Abu-Ghazaleh & Co.

IVAN CARMI - Programme Specialist  
Line Kort Seraphin - KFW Project Manager

*[Signature]* 15 May 2018  
*[Signature]* 15 May 2018

*[UNDP Logo]*



### **2.3. Statement of Fixed Assets**

Due to the project closure a fixed asset (server) with a net book value of US\$ 3,371.04 was transferred from “EGP X” project (Ramallah office) to “Hebron Courthouse Building” project (Jerusalem office). Accordingly, as of 31 December 2018 the project ID 41098 – output ID 93278 “KFW – Poverty Oriented infrastructure – West Bank and Gaza Strip (EGP X)” had no fixed assets and no statement of fixed assets was prepared.



### 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 "KFW - Poverty Oriented infrastructure – West Bank and Gaza Strip (Employment Generation Programme (EGP X))" for the period from 1 January to 31 December 2018, 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, 14 June 2019



## **Finding No.1:**

### **Title:**

Miscalculation of General Management Support (GMS) amounts (Facilities and Admin).

### **Criteria:**

According to general conditions of the signed agreement (annex 2), an amount of 8% of construction measures should be charged to UNDP. This amount will be considered as management fees.

### **Observation**

During the audit, we noticed that the GMS amount recorded in the CDR was not calculated according to the terms of the signed agreement. A percentage of 8% was charged on total expenses reported in the CDR and not just on construction measures as mentioned in the signed agreement. Details are presented in the table below:

Item	2018 US\$
Amount of Construction expenses in the current CDR	280,411.56
Management fee percentage	8%
Facilities & Admin (actual amount of GMS)	22,432.92
Facilities & Admin (GMS as recorded in 2018 CDR (8% of all CDR expenses)	38,159.44
GMS in 2018 CDR is overstated by	<b>15,726.52</b>
2017 GMS Correction recorded in the current CDR	(9,336.89)
<b>Net financial impact</b>	<b>6,389.63</b>

Noncompliance with the terms of the agreement in calculating the GMS amounts leads to unfair presentation of the expenses recorded in the CDR.

### **Priority**

Medium (Important).

### **Recommendation**

The office should comply with terms of the signed agreement and its related amendments and recalculate the GMS amounts using the rates agreed in the Annexes of this agreement.

### **Management's Response:**

The accrued GMS (8%) on the Construction Activities for year 2018 is calculated and officially documented as per the audit report. UNDP agrees to the recommendation. The adjustment will be done manually in the amount of US\$ 15,726.52 in Atlas in the year of 2019 in order to be posted.

## **Finding No.2:**

### **Title:**

Weakness in the fixed assets disposal process.

### **Criteria:**

According to UNDP Programme and Operations Policies and Procedures (POPP), UNDP Assets Transfers state that “Where the Project Document is silent on the actions to be taken on assets at the end of the project, Project management shall agree with the respective Donor/s and Government counterparts on the assets disposal methods during or at the end of the project”

### **Observation**

During the audit, we noticed that due to the closure of the project, undepreciated fixed asset (server) with a net book value of US\$ 3,371.04 was transferred from “EGP X” project (Ramallah office) to “Hebron Courthouse Building” project (Jerusalem office) without obtaining prior approval from the donor.

Transferring out the fixed asset from project to another without prior approval from the donors is not complying with UNDP assets transfer policy, and also may lead to misuse of project assets.

### **Priority**

Medium (Important).

### **Recommendation**

The office should obtain approval of the donor prior to transferring the project’s fixed assets to another project.

### **Management’s Response:**

UNDP acknowledges the finding and note that the asset was wrongly transferred to Hebron Project and should have been transferred to the new phase of KFW. Once the KFW new phase agreement is signed, the server will be transferred to the new project.

### **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.