



AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

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

Report No. 2067
Issue Date: 14 August 2019

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

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 17 April to 14 June 2019, conducted an audit of Construction of Khan Younis Waste Water Treatment Plant (Project No. 41529, Output No. 47395) (the Project), which is directly implemented and managed by the UNDP Programme of Assistance to the Palestinian People (the Office). The last audit of the Project was conducted by OAI, through Talal 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 statement¹ as of 31 December 2018 as well as the Statement of Fixed Assets as of 31 December 2018. 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		Project Assets	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
10,604	Unmodified	30	Unmodified

The audit did not result in any recommendations.

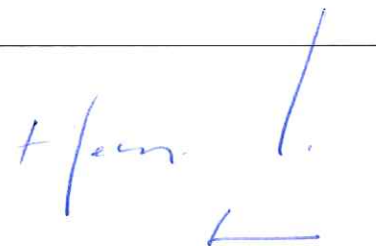
Implementation status of previous OAI audit recommendations:

The previous audit (Report No. 1941, issued on 22 June 2018) did not result in any recommendations.

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.

Management comments and action plan

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



Helge S. Osttveiten
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)**

**“Construction of Khan Younis Waste Water Treatment Plant”
(Project ID 41529 - Output ID 47395)**

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**



TABLE OF CONTENTS

1. PART I – Executive Summary	1
1.1. Executive Summary.....	1
1.2. Audit Objectives.....	2
1.3. Scope of Audit.....	3
2. PART II – Financial Audit Reports	4
2.1. Auditor’s Report on Financial Position.....	4-5
2.2 Combined Delivery Report CDR and Funds Utilization Statement.....	6-8
2.3. Auditor's Report on the Statement of Fixed Assets.....	9-10
2.4. Statement of Fixed Assets.....	11

1. PART I – EXECUTIVE SUMMARY

1.1. Executive Summary:

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

No reportable findings were identified as a result of our audit.

Follow-up on Previous year audit recommendations:

The project ID 41529 – output ID 47395 “Construction of Khan Younis Waste Water Treatment Plant” was audited in the prior year (audit ID 1941 issued on 22 June 2018). The previous audit did not result in any recommendation.

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 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 will be expressed. Other forms of statement of expenses that may be prepared by a project office are not accepted.
 - 2) Expressing an opinion on whether the statement of fixed assets, at net book value, presents fairly the balance of depreciated assets of the UNDP Project as at 31 December 2018. This statement should include all assets available as at 31 December 2018 and not only those purchased in the period under audit. Where a DIM project does not have any assets or equipment it will not be necessary to express such an opinion.
 - 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 projects are usually financed from the regular country office bank accounts. Exceptionally, a dedicated bank account may be opened and used solely for the cash transactions of a DIM project, e.g. if the project is in a remote location. It is required to express an opinion on the Statement of Cash only where a dedicated bank accounts for the DIM project has been established. In cases where the cash transactions of the audited DIM project are made through the country office bank accounts, this type of opinion is not required.
- B. Providing the progress made in implementing the recommendations raised in a previous year audit report (if any).

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

1.3. Scope of Audit:

The scope of the audit relates only to transactions concluded and recorded against the UNDP DIM project for the period from 1 January to 31 December 2018.

The scope of the audit did not include:

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

2. PART II – FINANCIAL AUDIT REPORTS

2.1. Auditor's Report on Financial Position

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

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

We have audited the financial position of the UNDP project ID 41529 – output ID 47395 “Construction of Khan Younis Waste Water Treatment Plant”, for the period from 1 January to 31 December 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\$ 10,604,328.66 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 Responsibilities

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 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 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

"Construction of Khan Younis Waste Water Treatment Plant" (Project ID: 41529 - Output ID: 47395) For the period from 1 January to 31 December 2018

UNDP UN Development Programme
Report ID: unglcdrp

Page 1 of 3
Run Time: 21-02-2019 11:02:39

Selection Criteria:
Business Unit: PAL10
Period: Jan-Dec (2018)
Selected Project Id: ALL
Selected Fund Code: ALL
Selected Dept. IDs: ALL
Selected Outputs: 00047395

Combined Delivery Report By Project

Project Id: 00041529 PAL/Construction of Treatment Plant	Period: Jan-Dec (2018)	Impl. Partner: 02388 UNDP - PAPP	Location: Palestine	
Output #: 00047395 Construction of Treatment Plant				
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Dept: 70001 (PAPP - Central)				
Fund: 04950 (PAPP Core Programme)				
64397 - Services to projects -CO staff	0.00	0.00	0.00	0.00
74596 - Services to projects -GOE	0.00	0.00	0.00	0.00
77660 - Dep Exp Owned -Vehicle	0.00	3,442.50	0.00	3,442.50
Total for Fund 04950	0.00	3,442.50	0.00	3,442.50
Fund: 30000 (PROGRAMME COST SHARING)				
71205 - Intl Consultants-Sht Term-Tech	0.00	447,062.51	0.00	447,062.51
72105 - Svc Co-Construction & Engineer	0.00	7,693,048.05	0.00	7,693,048.05
72115 - Svc Co-Natural Resources & Env	0.00	3,818,436.08	0.00	3,818,436.08
74510 - Bank Charges	0.00	80.00	0.00	80.00
75105 - Facilities & Admin - Implement	0.00	837,103.87	0.00	837,103.87
Total for Fund 30000	0.00	12,795,730.51	0.00	12,795,730.51
Fund: 40500 (TF PAPP Voluntary Contrib Actv)				
64397 - Services to projects -CO staff	0.00	15.00	0.00	15.00
71205 - Intl Consultants-Sht Term-Tech	0.00	-70,154.48	0.00	-70,154.48
72105 - Svc Co-Construction & Engineer	0.00	-1,135,716.52	0.00	-1,135,716.52
72115 - Svc Co-Natural Resources & Env	0.00	-826,414.29	0.00	-826,414.29
72170 - Svc Co-Humanitarian Aid & Relf	0.00	0.00	0.00	0.00
74596 - Services to projects -GOE	0.00	7.00	0.00	7.00
75105 - Facilities & Admin - Implement	0.00	-162,581.06	0.00	-162,581.06
Total for Fund 40500	0.00	-2,194,844.35	0.00	-2,194,844.35
Total for Dept: 70001	0.00	10,604,328.66	0.00	10,604,328.66
Total for Output: 00047395	0.00	10,604,328.66	0.00	10,604,328.66
Project Total:	0.00	10,604,328.66	0.00	10,604,328.66

Ramez Mhader

project Manager

[Signature]

21-2-2019

Signed By: Ashraf A. Shomda - Programme Manager Date: 12/2/2019

Signed By: Ima Al Hussein - Pay Specialist Date: 12/2/2019

[Signature]
Tata Abu-Ghazaleh & Co.
2019





UN Development Programme
Report ID: unglodrp

Combined Delivery Report By Project

Page 2 of 3
Run Time: 21-02-2019 11:02:39

Selection Criteria :

Business Unit : PAL10
Period : Jan-Dec (2018)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00047395

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	10,604,328.66	0.00
				10,604,328.66



Ramy Khader project manager

[Signature]

21-2-2019

Ashraf Abushomala Programme Manager

[Signature]

21/2/2019

Ima Al Hussein:

[Signature]

21/2/2019

[Signature]





UN Development Programme
Report ID: unglcdp

Combined Delivery Report By Project

Page 3 of 3
Run Time: 21-02-2019 11:02:41

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 : 00047395

Project/Award: 00041529 PAL/Construction of Treatment

Period : As at Dec 31, 2018

Output #	Impl. Partner	UNDP AMOUNT
00047395	02388 UNDP - PAPP	
Outstanding NEX advances		0.00
Undepreciated Fixed Assets		30,408.75
Unamortized Intangible Assets		0.00
Inventory		0.00
Prepayments		168,250.00
Commitments		168,250.00

Ramzy Mhader project manager 21-2-2019

Ashraf Abu Shomala Programme Manager 21/2/2019
Iman Al Hussein Prog. Specialist 21/2/2019



Jamal J. Nishan
2019
Tajir Abu-Ghazaleh & Co.

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

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

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

We have audited the accompanying statement of fixed assets of the UNDP project ID 41529 - output ID 47395 “Construction of Khan Younis Waste Water Treatment Plant”, as at 31 December 2018.

Unmodified Opinion

In our opinion, the accompanying statement of fixed assets presents fairly in all material respects the assets status of the UNDP Project ID 41529 - output ID 47395 amounting to US\$ 30,408.75 as at 31 December 2018 in accordance with UNDP accounting policies.

Basis for Opinion

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

Management's Responsibilities

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

Auditor's Responsibilities for the audit

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

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

- Identify and assess the risks of material misstatement of the statement of fixed assets, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the organization's internal control.

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


Jamal Milhem, CPA

Certified Accountant License # (100/98)

Talal Abu –Ghazaleh & Co.

License No. 251/1997

Ramallah – Palestine, 14 June 2019



2.4. Statement of Fixed Assets

"Construction of Khan Younis Waste Water Treatment Plant"
(Project ID: 41529 - Output ID: 47395)
As at 31 December 2018

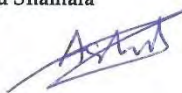
STATEMENT OF ASSETS				
AS AT 31 DECEMBER 2018 - Project # PAL10 - 47395				
Category	Location	Original Amount USD (A)	Depreciated Amount USD (B)	NET Book Value Amount USD (C=A-B)
TOUAREG VW VEHICLE	Gaza	41,310.00	10,901.25	30,408.75
Total Value		41,310.00	10,901.25	30,408.75

Prepared By: Ramzy Khader



Jamal J. Milhem
 2019
 Tala Abu-Ghazaleh & Co.

Programme Manager: Ashraf Abu Shamala



Program Specialist: Iman Hussein