

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
Resilient nations.*

AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

**SUPPORTING THE RULE OF LAW AND ACCESS TO JUSTICE,
HEBRON COURTHOUSE BUILDING**
(Directly Implemented Project No. 57409, Output No. 77024)

Report No. 2069
Issue Date: 14 August 2019

**Report on the Audit of UNDP Programme of Assistance to the Palestinian People
Supporting the Rule of Law and Access to Justice,
Hebron Courthouse Building
(Project No. 57409, Output No. 77024)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 15 May to 14 June 2019, conducted an audit of Supporting the Rule of Law and Access to Justice, Hebron Courthouse Building (Project No. 57409, Output No. 77024) (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 (CDR), 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 Statement of Fixed Assets as of 31 December 2018. The audit did not include expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). In addition, the audit did not cover the Statement of Cash 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	NFM** (in \$ '000)	Amount (in \$ '000)	Opinion
1,386	Adverse	844	11	Unmodified

*Expenses recorded in the CDR were \$1,415,292. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country (\$29,394).

**NFM = Net Financial Misstatement

The audit firm issued an adverse opinion on project expenses due to adjustments in the 2018 CDR of unrelated expenditures recorded in the 2017 CDR. These adjustments led to an understatement of the General Management Support expenses and the 2018 CDR.

Key recommendations: Total = 2, high priority = 1

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.

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

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 recommendation is presented below:

Understatement of
2018 CDR
(Issue 1)

Reversals of funds utilized by other projects in the previous year were not made in the same accounting period, but during the 2018 financial year, which led to an understatement of the current CDR of \$788,768. Furthermore, these reversals led to an understatement of 2018 General Management Support expenses of \$55,214.

Recommendation: The Office should process the reversals from the related projects during the correct accounting period.

Implementation status of previous OAI audit recommendations: Report No. 1943, 2 August 2018.

Total recommendations: 3

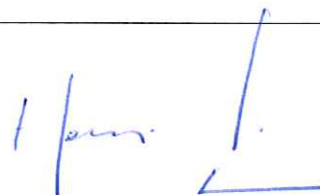
Implemented: 2

In progress: 1

The pending recommendation pertains to the recording of prepayments to contractors as expenses. Its implementation is in progress.

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
(UNDP)**

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

**“Supporting the Rule of Law and Access to Justice,
Hebron Courthouse Building”
(Project ID 57409 - Output ID 77024)
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:

This report represents the results of the financial audit conducted by Talal Abu – Ghazaleh & Co. of the project ID 57409 “Supporting the Rule of Law and Access to Justice” – output ID 77024 “Hebron Courthouse Building” (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	Adverse	-The Current Combined Delivery Report (CDR) is understated due to refunding of amounts from other projects. -The Current Combined Delivery Report (CDR) is overstated due to miscalculation of GMS.
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 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 Combined Delivery Report (CDR) is understated due to refunding of expenses from other projects.	High (Critical)	Construction and engineer expense in the current CDR are understated by the amount of US\$ 788,768.03. These refunds led to understatement of 2018 GMS expenses (Facilities and Admin) by the amount of US\$ 55,213.76.

Acquisition of transferred fixed asset from another project without previous approval from the donor	Medium (Important)	No financial Impact
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- Follow-up on previous year's audit recommendations:


The project ID 57409 "Supporting the Rule of law and Access to Justice" - Output ID 77024 "Hebron Courthouse Building" was audited in the prior year (audit ID 1943 issued on 2 August 2018). The previous audit report included three recommendations. The recommendations raised and its implementation status are as follow:

Recommendation Title	Implementation
Recording prepayments to contractors as expenses. In addition, as a result of recording prepayments as expenses, the GMS expenses did not present correctly 7% of the expenses reported in the CDR.	Not Implemented.
Unrelated expenses in the CDR: The Combined Delivery Report (CDR) was overstated due to funding of expenses of other projects.	Implemented.
Unrelated expenses in the Funds Utilization statement: The Funds Utilization statement was overstated due to not closing the commitments in Atlas in previous years.	Implemented.

Sincerely yours,

Talal Abu –Ghazaleh & Co.
License No. 251/1997

Jamal Milhem, CPA
Certified Accountant License # (100/98)
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 period 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 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”; and
- Expenses processed and approved in locations outside the country such as UNDP Regional Centers and UNDP Headquarters and where the supporting documentation is not retained at the level of the UNDP office.

2. PART II – FINANCIAL AUDIT REPORTS

2.1. Auditor's Report on Financial Position.

**Independent Auditor's Report on the Project Financial Position
of UNDP DIM Project ID 57409 – Output ID 77024
“Supporting the Rule of Law and Access to Justice,
Hebron Courthouse Building”**

**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 57409 “Supporting the Rule of Law and Access to Justice” - output ID 77024 “Hebron Courthouse Building” 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.

The CDR expenditure totaling US\$ 1,415,292.01, is comprised of expenditure directly incurred by UNDP PAPP for an amount of US\$ 1,385,898.51 and expenditure incurred by entities other than the Office for an amount of US\$ 29,393.50. Our audit only covered the expenditures directly incurred by UNDP PAPP of US\$ 1,385,898.51.

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 US\$ 1,385,898.51 directly incurred by the UNDP PAPP and charged to the project for the period from 1 January to 31 December 2018.

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.

- Construction and engineering expenses (account no. 72105) reported in the current CDR were understated by US\$ 788,768.03 due to refunding these amounts from other projects. These refunds led also to understatement of 2018 GMS expenses (Facilities and Admin) by US\$ 55,213.76.

Management's Responsibility

Management is responsible for the preparation 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.

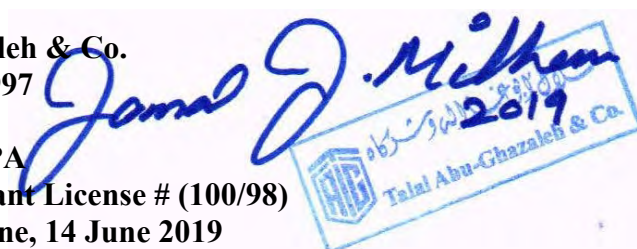
Talal Abu –Ghazaleh & Co.

License No. 251/1997

Jamal Milhem, CPA

Certified Accountant License # (100/98)

Ramallah - Palestine, 14 June 2019



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

"Supporting the Rule of Law and Access to Justice, Hebron Courthouse Building" (Project ID 57409 - Output ID: 77024) for the period from 1 January to 31 December 2018

Combined Delivery Report By Project

Page 1 of 4

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UNDP

UN Development Programme

Report ID: unglcdp

Selection Criteria :

Business Unit : PAL10
 Period : Jan-Dec (2018)
 Selected Project Id : ALL
 Selected Fund Code : 30000
 Selected Dept. IDs : ALL
 Selected Outputs : 00077024

Project Id : 00057409 Supporting the Rule of Law and	Period : Jan-Dec (2018)
Output # : 00077024 Hebron Courthouse Building	Impl. Partner : 02386 UNDP (Direct Execution)
	Location :
Govt Exp	UNDP Exp
UN Agencies Exp	Total Exp

Dept: 70001 (PAPP - Central)

Fund : 30000 (PROGRAMME COST SHARING)

61105 - Salaries - NP Staff	0.00	58,864.60	0.00	58,864.60
61205 - Salaries - GS Staff	0.00	18,807.83	0.00	18,807.83
61305 - Salaries - IP Staff	0.00	13,699.50	0.00	13,699.50
61310 - Post Adjustment - IP Staff	0.00	7,562.12	0.00	7,562.12
62105 - Dependency Allowance-NP Staff	0.00	1,579.24	0.00	1,579.24
62110 - Contrib Joint Staff Pension-NP	0.00	11,942.54	0.00	11,942.54
62115 - Contrib to Med,SocIns-NP Staff	0.00	4,187.18	0.00	4,187.18
62140 - Annual Leave Expense - NO	0.00	1,087.91	0.00	1,087.91
62205 - Dependency Allow - GS Staff	0.00	234.04	0.00	234.04
62210 - Contrib to Jt Staff Pens Fd-GS	0.00	3,859.26	0.00	3,859.26
62215 - Contrib. to Medical, social In	0.00	936.98	0.00	936.98
62220 - Language Allowance - GS Staff	0.00	379.17	0.00	379.17
62240 - Annual Leave Expense - GS	0.00	- 143.71	0.00	- 143.71
62305 - Dependency Allowances-IP Staff	0.00	1,763.86	0.00	1,763.86
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	4,529.74	0.00	4,529.74
62315 - Contrib. to medical, social in	0.00	288.88	0.00	288.88
62320 - Mobility, Hardship, Non-remova	0.00	1,611.66	0.00	1,611.66
62340 - Annual Leave Expense - IP	0.00	- 3,421.23	0.00	- 3,421.23
63330 - Ed Grt Incl Trvl&Allow-IP Stf	0.00	1,948.00	0.00	1,948.00
63335 - Home Leave Trvl & Allow-IP Stf	0.00	462.50	0.00	462.50
63350 - Reimb of Income Tax-IP Staff	0.00	1,067.34	0.00	1,067.34
63530 - Contribution to EOS Benefits	0.00	3,710.01	0.00	3,710.01
63535 - Contribution to Security	0.00	4,204.73	0.00	4,204.73
63540 - Contribution to Training	0.00	395.76	0.00	395.76
63545 - Contribution to ICT	0.00	1,484.01	0.00	1,484.01
63550 - Contributions to MAIP	0.00	98.95	0.00	98.95
63555 - Contribution to UN JFA	0.00	3,215.37	0.00	3,215.37
63560 - Contributions to Appendix D	0.00	247.34	0.00	247.34
64110 - Separations - NP Staff	0.00	1,177.30	0.00	1,177.30
64210 - Separations - GS Staff	0.00	376.14	0.00	376.14
64310 - Separations - IP Staff	0.00	297.66	0.00	297.66
64397 - Services to projects -CO staff	0.00	35,372.00	0.00	35,372.00
65115 - Contributions to ASHI Reserve	0.00	9,596.41	0.00	9,596.41
65135 - Payroll Mgt Cost Recovery ATLA	0.00	487.56	0.00	487.56
71305 - Local Consult-Sht Term-Tech	0.00	5,480.08	0.00	5,480.08
71360 - Local Consult-Security	0.00	127.50	0.00	127.50
71405 - Service Contracts-Individuals	0.00	360,587.48	0.00	360,587.48
71410 - MAIP Premium SC	0.00	310.89	0.00	310.89
71415 - Contribution to Security SC	0.00	13,211.43	0.00	13,211.43
71615 - Daily Subsistence Allow-Intl	0.00	519.22	0.00	519.22
71620 - Daily Subsistence Allow-Local	0.00	588.20	0.00	588.20
71635 - Travel - Other	0.00	1,152.06	0.00	1,152.06
72105 - Svc Co-Construction & Engineer	0.00	656,884.29	0.00	656,884.29
72210 - Machinery and Equipment	0.00	0.00	0.00	0.00

Tiries Awad
Project Manager
14.5.2019
Nader Atta
Prog. Analyst
20/5/2019
James J. Milham




UN Development Programme
Report ID: unglcdp

Combined Delivery Report By Project

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Project Id : 00057409 Supporting the Rule of Law and		Period :	Jan-Dec (2018)	
Output # : 00077024 Hebron Courthouse Building		Impl. Partner :	02386 UNDP (Direct Execution)	
		Location :		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
72399 - Other Materials and Goods	0.00	194.00	0.00	194.00
72425 - Mobile Telephone Charges	0.00	8,515.51	0.00	8,515.51
72435 - E-mail-Subscription	0.00	900.00	0.00	900.00
73101 - Leased/rented land	0.00	1,232.62	0.00	1,232.62
73104 - Leased Building	0.00	-6,000.00	0.00	-6,000.00
73305 - Maint & Licensing of Hardware	0.00	1,015.93	0.00	1,015.93
73406 - Maintenance of Equipment	0.00	300.00	0.00	300.00
73410 - Maint, Oper of Transport Equip	0.00	1,320.35	0.00	1,320.35
74110 - Audit Fees	0.00	9,990.00	0.00	9,990.00
74325 - Contrib.To CO Common Security	0.00	11,682.00	0.00	11,682.00
74525 - Sundry	0.00	11,789.02	0.00	11,789.02
74596 - Services to projects -GOE	0.00	43,994.00	0.00	43,994.00
75105 - Facilities & Admin - Implement	0.00	97,529.06	0.00	97,529.06
75706 - Learning - ticket costs	0.00	824.00	0.00	824.00
76125 - Realized Loss	0.00	11.43	0.00	11.43
76135 - Realized Gain	0.00	- 71.70	0.00	- 71.70
77630 - Dep Exp Owned - ITC	0.00	1,293.99	0.00	1,293.99
Total for Fund 30000	0.00	1,415,292.01	0.00	1,415,292.01
Total for Dept : 70001	0.00	1,415,292.01	0.00	1,415,292.01
Total for Output : 00077024	0.00	1,415,292.01	0.00	1,415,292.01
Project Total :	0.00	1,415,292.01	0.00	1,415,292.01

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

Project Manager



Signed By: Tiries Awad TIG Date: 14. May. 2019
Signed By: Nader Atta, Prog. Analyst Date: 31 May 2019



UN Development Programme
Report ID: ungldrp

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 : 30000
Selected Dept. IDs : ALL
Selected Outputs : 00077024

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	1,415,292.01	0.00	1,415,292.01

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



Jiries Awad Project Manager 14.5.2019
Nader Atta Programme Analyst
TSG
31/5/2019



UN Development Programme
Report ID: unglcdp

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 : 30000
Selected Dept. IDs : ALL
Selected Outputs : 00077024

Project/Award: 00057409 Supporting the Rule of Law and

Period : As at Dec 31, 2018

Output #	00077024	Impl. Partner :02386 UNDP (Direct Execution)	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			10,640.23
Unamortized Intangible Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			6,744.00

Jamal J. Milhem
2019
Tajal Abu-Gharabeh & Co.



Jiries Anad
Nader Atta

Project Manager
Programme Analyst

31/5/2019

14.5.2019

L.G

2.3. Auditors Report on the Statement of Fixed Assets:

**Independent Auditor's Report on the Statement of Fixed Assets
of UNDP DIM Project ID 57409 – Output ID 77024
“Supporting the Rule of Law and Access to Justice,
Hebron Courthouse Building”**

**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 57409 “Supporting the Rule of Law and Access to Justice” - output ID 77024 – “Hebron Courthouse Building” 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 57409 - output ID 77024 amounting to US\$ 10,640.23 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 Responsibility

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.

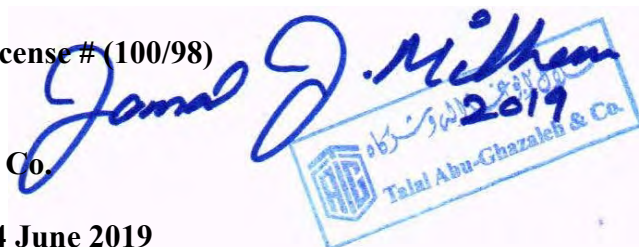
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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, 14 June 2019



2.4. Statement of Fixed Assets:

**"Supporting the Rule of Law and Access to Justice,
Hebron Courthouse Building"
(Project ID 57409 - output ID: 77024)
as at 31 December 2018**

Statement of Assets					
As of 31 December 2018					
Project No. 00057409 - Supporting the Rule of Law					
Output 00077024 - Hebron Courthouse Building					
Category	Year	Location	Original Amount	Depreciated Amount	Net Book Value
			USD	USD	USD
HP FOLIO	2014	Hebron	1,590.00	861.25	728.75
HP ELITE BOOK FOLIO	2015	Hebron	1,573.96	737.79	836.17
SERVER	2016	Ramallah	4,113.82	742.78	3371.04
LAPTOP_HP	2017	Jerusalem	2,015.00	293.85	1721.15
A DESKTOP Computers	2017	Jerusalem	493.39	66.81	426.58
LAPTOP - Dell	2018	Hebron	1,985.05	206.78	1778.27
LAPTOP - HP	2018	Hebron	1,985.05	206.78	1778.27
Total Value			13,756.27	3,116.04	10,640.23

Project Manager: Jiries Awad

Date: May 15, 2019

Programme Analyst: Nader Atta



Handwritten signature: Jamal J. Nishan

3. PART III: MANAGEMENT LETTER

3.1 Current year 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 57409 "Supporting the Rule of Law and Access to Justice", output ID 77024 "Hebron Courthouse Building" 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.

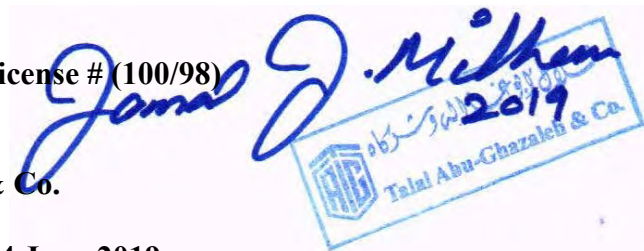
The matters raised in this part are those which came to our attention during the audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be needed. Recommendations for improvements should be assessed by management for their full commercial 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:

Understatement of 2018 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, other projects have utilized the available funds of the output ID 77024 (Hebron Courthouse Building) in the previous years. However, the reversals were not made in the same accounting period, instead, the reversals were made during FY 2018, which led to understatement of the current CDR by the amount of US\$ 788,768.03. Below are the details of these reversals in 2018 CDR:

Transaction ID	Description	US\$ Amount
PAL10-00109809-1-1-ACCR-DST	Reversal of Journal voucher no. 105409 which represents construction work for Nabi Musa Project.	(3,888.03)
PAL10-00109816-1-1-ACCR-DST	Reversal of Journal voucher no. 105405 which represents construction work for Nabi Musa Project.	(25,250.00)
PAL10-00108047-1-1-ACCR-DST	Reversal of Journal vouchers no. 105116 and 106889 which represents construction work for Al-Najah project IDB Health.	(259,630.00)
PAL10-00109813-1-1-ACCR-DST	Reversal of Journal vouchers no. 105495 and 104787 which represents construction work for Nabi Musa Project	(500,000.00)
Total of Reversals		(788,768.03)

Furthermore, the above reversals led to understatement of 2018 GMS by the amount of US\$ 55,213.76. Thus, the total financial impact is understating 2018 CDR by US\$ 843,981.76.

This occurred because the utilized amount during 2017 by Nabi Musa and Al-Najah projects were refunded to this project during 2018, and the adjusting entry was recorded in 2018 since 2017 books were already closed.

The use of available project funds to finance other projects without processing the reversals during the same accounting period affects the accuracy of expenses recorded in the current CDR.

Priority

High (Critical).

Recommendation

The office should process the reversals from the related projects during the correct accounting period.

Management's Response:

UNDP takes note of the recommendation and highlights that the finding relates to 2017 that was addressed through the referenced reversals. This ultimately impacted the project CDR however as the 2017 financial year was already closed there was no other alternative but to process the reversals in 2018 therefore impacting the CDR and accuracy of the expenses reported.

UNDP notes that it has introduced an override policy that mitigates the need to borrow funding from alternate projects during implementation. Therefore, the practice has been halted already in 2018 and addresses both finding from 2017 and 2018.

Finding No. 2:

Title:

Weakness in the fixed assets transfer process.

Criteria:

In accordance with 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 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) without obtaining prior approval from the donor.

Transferring a fixed asset from project to another without prior approval from the donors is not complying with UNDP assets transfer policy, will add additional depreciation expenses to the receiving project, and may lead to misuse of project assets.

Priority

Medium (Important)

Recommendation

The office should obtain approval from the donor before transferring or acquisition of fixed assets from another projects.

Management's Response:

UNDP Acknowledges the finding and notes that the asset was erroneously transferred to the project at interim while the new EGP XI project was being established. The unrelated project asset along with all depreciation expenses will be moved to the new EGP XI project for which the asset was intended.

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.