



**AUDIT**

**OF**

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

**PRODUCTIVITY AND URBAN RENEWAL IN EAST JERUSALEM**  
**(Directly Implemented Project No. 87585, Output No. 94044)**

**Report No. 2071**  
**Issue Date: 14 August 2019**

**Report on the Audit of UNDP Programme of Assistance to the Palestinian People  
Productivity and Urban Renewal in East Jerusalem  
(Project No. 87585, Output No. 94044)  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 30 April to 14 June 2019, conducted an audit of Productivity and Urban Renewal in East Jerusalem (Project No. 87585, Output No. 94044) (the Project), which is directly implemented and managed by the UNDP Programme of Assistance to the Palestinian People (the Office). This was the first audit of the Project.

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 statement<sup>1</sup> as of 31 December 2018 as well as Statement of 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	NFM** (in \$ '000)	Amount (in \$ '000)	Opinion
3,481	Qualified	159	8	Unmodified

\*Included in the audit scope were transactions that relate to expenses incurred at the "responsible party" level (\$185,000) as these were not covered under HACT audits and all related supporting documents were available for review at the Office.

\*\*NFM= Net Financial Misstatement

The audit firm qualified its 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 recommendation:** Total = 1, high priority = 0

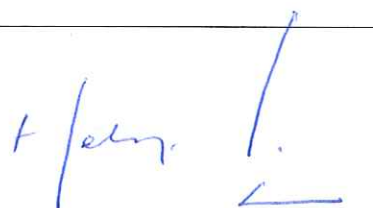
The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, which means, "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP." This recommendation includes actions to address an understatement in the 2018 CDR.

<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 recommendation aims to ensure the reliability and integrity of financial and operational information.

**Management comments and action plan**

The Special Representative of the Administrator accepted the recommendation and is in the process of implementing it. 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)**

**“Productivity and Urban Renewal in East Jerusalem”  
(Project ID 87585 - Output ID 94044)  
For the period from 1 January to 31 December 2018**

**7 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 87585 – output ID 94044 “Productivity and Urban Renewal in East Jerusalem” (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>	Qualified	Current CDR understated by the amount of US\$ 159,465.31 due to refunding of amounts from other projects.
<b>Statement of Fixed Assets</b>	Unmodified	
<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 finding was included in the management letter:

Summary of Audit Finding	Priority	Net Financial Impact
The current Combined Delivery Report (CDR) is understated by US\$ 149,033.00 due to the refund of amounts from other projects, this refund also led to understatement of the General Management Support (GMS) (Facilities and Admin) amount that was recorded in the current CDR by US\$ 10,432.31.	Medium (Important)	Understatement of the expenses in the current CDR by US\$ 159,465.31.

**- Follow-up of Previous Year Audit Recommendations:**

The project ID 87585 – output ID 94044 “Productivity and Urban Renewal in East Jerusalem” was not audited in the prior years.

Sincerely yours,

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

**Talal Abu –Ghazaleh & Co.**  
**License No. 251/1997**  
**Ramallah - Palestine, 7 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:

- 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 87585 – Output ID 94044  
“Productivity and Urban Renewal in East Jerusalem”**

**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 87585 output ID 94044 “Productivity and Urban Renewal in East Jerusalem”, 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.

#### Qualified Opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report, the attached Combined Delivery Report (CDR) and Funds Utilization statement present fairly, in all material respects, the expenses of US\$ 3,481,303.87 directly incurred by the 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 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 US\$ 149,033.00 due to refunding of amounts from other projects, which led to understatement of the General Management Support (GMS) expenses (Facilities and Admin) amount recorded in the current CDR by US\$ 10,432.00

#### Management Responsibilities

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 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, 14 June 2019**







UN Development Programme  
Report ID: unglcdrp

Combined Delivery Report By Project

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Run Time: 22-02-2019 10:02:47

Project ID : 00087585 Productivity and Urban Renewal	Period : Jan-Dec (2018)
Output # : 00094044 Productivity&Urban Renewal JRS	Impl. Partner : 02388 UNDP - PAPP
	Location : Palestine

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
72405 - Acquisition of Communic Equip	0.00	3,000.00	0.00	3,000.00
72425 - Mobile Telephone Charges	0.00	198.26	0.00	198.26
72435 - E-mail-Subscription	0.00	600.00	0.00	600.00
73305 - Maint & Licensing of Hardware	0.00	178.00	0.00	178.00
73406 - Maintenance of Equipment	0.00	371.00	0.00	371.00
73410 - Maint, Oper of Transport Equip	0.00	1,778.34	0.00	1,778.34
74205 - Audio Visual Productions	0.00	-401.97	0.00	-401.97
74220 - Translation Costs	0.00	989.50	0.00	989.50
74525 - Sundry	0.00	-1,076.84	0.00	-1,076.84
75105 - Facilities & Admin - Implement	0.00	118,692.37	0.00	118,692.37
76125 - Realized Loss	0.00	1.11	0.00	1.11
76135 - Realized Gain	0.00	-1,184.20	0.00	-1,184.20
77630 - Dep Exp Owned - ITC	0.00	485.00	0.00	485.00
<b>Total for Fund 30079</b>	<b>185,000.00</b>	<b>1,628,114.49</b>	<b>0.00</b>	<b>1,813,114.49</b>
<b>Total for Dept : 70001</b>	<b>185,000.00</b>	<b>3,294,209.23</b>	<b>0.00</b>	<b>3,479,209.23</b>
<b>Dept: 70010 (PAPP - Finance)</b>				
<b>Fund : 30000 (PROGRAMME COST SHARING)</b>				
64397 - Services to projects -CO staff	0.00	277.00	0.00	277.00
74596 - Services to projects -GOE	0.00	118.00	0.00	118.00
75105 - Facilities & Admin - Implement	0.00	31.60	0.00	31.60
<b>Total for Fund 30000</b>	<b>0.00</b>	<b>426.60</b>	<b>0.00</b>	<b>426.60</b>
<b>Total for Dept : 70010</b>	<b>0.00</b>	<b>426.60</b>	<b>0.00</b>	<b>426.60</b>
<b>Dept: 70013 (PAPP - Procmt &amp; Travel)</b>				
<b>Fund : 30000 (PROGRAMME COST SHARING)</b>				
74596 - Services to projects -GOE	0.00	1,489.00	0.00	1,489.00
75105 - Facilities & Admin - Implement	0.00	119.12	0.00	119.12
<b>Total for Fund 30000</b>	<b>0.00</b>	<b>1,608.12</b>	<b>0.00</b>	<b>1,608.12</b>
<b>Total for Dept : 70013</b>	<b>0.00</b>	<b>1,608.12</b>	<b>0.00</b>	<b>1,608.12</b>
<b>Dept: 70014 (PAPP - General Services)</b>				
<b>Fund : 30079 (EUROPEAN COMMISSION)</b>				
73410 - Maint, Oper of Transport Equip	0.00	56.00	0.00	56.00
75105 - Facilities & Admin - Implement	0.00	3.92	0.00	3.92
<b>Total for Fund 30079</b>	<b>0.00</b>	<b>59.92</b>	<b>0.00</b>	<b>59.92</b>

Programme Analyst: May Daghash

14-May-19

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

May Daghash







UN Development Programme  
Report ID: unglcdrp


Combined Delivery Report By Project

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Project id : 00087585 Productivity and Urban Renewal	Period :	Jan-Dec (2018)		
Output # : 00094044 Productivity&Urban Renewal JRS	Impl. Partner :	02388 UNDP - PAPP		
	Location :	Palestine		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Total for Dept : 70014	0.00	59.92	0.00	59.92
Total for Output : 00094044	185,000.00	3,296,303.87	0.00	3,481,303.87
Project Total :	185,000.00	3,296,303.87	0.00	3,481,303.87

Signed By : Programme Analyst May Daghash Date : 14 May 2019  
 Signed By : May Daghash  
Jamal J. Nishan  
 2019  
 Total Abu-Ghazaleh & Co.





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

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 : 00094044

Project Id : ALL Output # : ALL	Period : Jan-Dec (2018)	Impl. Partner :	Location :
	Govt Exp	UNDP Exp	UN Agencies Exp
	Total Exp		
70001 - PAPP - Central	185,000.00	3,294,209.23	0.00
70010 - PAPP - Finance	0.00	426.60	0.00
70013 - PAPP - Procmt & Travel	0.00	1,608.12	0.00
70014 - PAPP - General Services	0.00	59.92	0.00


Programme analyst: May Daghest

*Jamal J. Milhem*

2019

Tajal Abu-Ghazaleh & Co.

*May Daghest*



14 May - 19



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 : 00094044

Project/Award: 00087585 Productivity and Urban Renewal

Period : As at Dec 31, 2018

Output #	00094044	Impl. Partner :02388 UNDP - PAPP	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			8,406.67
Unamortized Intangible Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			327,729.72

Programme Analyst: May Daghash  
May Daghash  
Jamal J. Nishan  
2019  
Tajal Abu-Ghazaleh & Co.  
UNDP  
DEVELOPMENT PROGRAMME  
May -19

### 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 87585 – Output ID 94044  
“Productivity and Urban Renewal in East Jerusalem”**

**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 87585 - output ID 94044 “Productivity and Urban Renewal in East Jerusalem” as at 31 December 2018.

#### **Unmodified Opinion**

In our opinion, the accompanying statement of fixed assets presents fairly, in all material aspects, the assets status of the UNDP project ID 87585 - output ID 94044 amounting to US\$ 8,406.67 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 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, 14 June 2019**



#### 2.4. Statement of Fixed Assets:

**“Productivity and Urban Renewal in East Jerusalem”  
(Project ID 87585 - output ID 94044)  
as at 31 December 2018**

Statement of Assets					
As of 31 December 2018					
Project No. 87585 - Productivity and Urban Renewal					
Output No. 94044 – Productivity & Urban Renewal JRS					
Category	Year	Location	Original Amount	Depreciated Amount	Net Book Value
			USD	USD	USD
A Network data service units	2016	Jerusalem	9,700.00	1,293.33	8,406.67
<b>Total Value</b>			<b>9,700.00</b>	<b>1,293.33</b>	<b>8,406.67</b>

Programme analyst

May Daghash

14-May-19

*May Daghash*



*Jamal J. Milhem*



### 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 87585, Output ID 94044 "Productivity and Urban Renewal in East Jerusalem" 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 utilized the available funds of the current project (PURE) in previous years, however, the reversals were not processed during the same accounting period, instead, the reversals were processed during FY2018, which led to understatement of the current CDR by US\$ 149,033.00.

Below are the details of these reversals in 2018 CDR:

Transaction ID	Description	Amount US\$
PAL10-00108627-1-1-ACCR-DST	Reversal of construction work for Development Cultural Tourism Project (Output ID 88974)	(54,000.00)
PAL10-00107657-1-1-ACCR-DST	Reversal of construction work for Support Housing in East Jerusalem PHASE III (Output ID 104005)	(28,000.00)
PAL10-00107667-1-1-ACCR-DST	Reversal of construction work for Support Housing in East Jerusalem PHASE III (Output ID 104005)	(24,000.00)
PAL10-00107636-1-1-ACCR-DST	Reversal of construction work for Support Housing in East Jerusalem PHASE III (Output ID 104005)	(10,000.00)
PAL10-00107665-1-1-ACCR-DST	Reversal of construction work for Support Housing in East Jerusalem PHASE III (Output ID 104005)	(10,000.00)
PAL10-00107649-1-1-ACCR-DST	Reversal of construction work for Support Housing in East Jerusalem PHASE III (Output ID 104005)	(8,000.00)
PAL10-00107669-1-1-ACCR-DST	Reversal of construction work for Support Housing in East Jerusalem PHASE III (Output ID 104005)	(4,500.00)
PAL10-00107626-1-1-ACCR-DST	Reversal of construction work for Support Housing in East Jerusalem PHASE III (Output ID 104005)	(3,435.00)
PAL10-00107668-1-1-ACCR-DST	Reversal of construction work for Support Housing in East Jerusalem PHASE III (Output ID 104005)	(3,200.00)
PAL10-00108635-1-1-ACCR-DST	Reversal of construction work for Development Cultural Tourism Project (Output ID 88974)	(1,668.00)
PAL10-00108633-1-1-ACCR-DST	Reversal of construction work for Development Cultural Tourism Project (Output ID 88974)	(1,586.00)
PAL10-00108634-1-1-ACCR-DST	Reversal of construction work for Development Cultural Tourism Project (Output ID 88974)	(520.00)
PAL10-00108630-1-1-ACCR-DST	Reversal of construction work for Development Cultural Tourism Project (Output ID 88974)	(124.00)
<b>Total of Reversals</b>		<b>(149,033.00)</b>

The above reversals led to understatement of the 2018 General Management Support (GMS) (Facilities and Admin) by the amount of US\$ 10,432.31. Thus, the total financial impact is understatement of the current CDR by US\$ 159,465.31

This occurred because the utilized amounts during 2017 by Development Cultural Tourism Support Housing in East Jerusalem PHASE III projects were refunded 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 in the current CDR.

**Priority:**

Medium (Important)

**Recommendation:**

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

**Management’s Response:**

UNDP Acknowledges the finding and notes that it has already addressed the issue of reversals between projects by issuing a directive by the Special Representative to all staff in December 2018 that provided guidelines on applying a budget override policy. This has since mitigated the issue of transfer of funds between projects, thus there will be no reversals between projects taking place in the future.

**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.