



**AUDIT**

**OF**

**UNDP PROGRAME OF ASSISTANCE TO THE PALESTINIAN PEOPLE (PAPP)**

**CONSTRUCTION OF 300 HOUSING UNITS IN RAFAH,  
REPAIR DAMAGED HOUSING UNITS  
(Directly Implemented Project No. 42831, Output No. 99288)**

**Report No. 2248**  
**Issue Date: 17 August 2020**

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**Report on the Audit of UNDP Programme of Assistance to the Palestinian People (PAPP)  
Construction of 300 Housing Units in Rafah,  
Repair Damaged Housing Units  
(Project No. 42831, Output No. 99288)  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 17 May to 29 June 2020, conducted an audit of Construction of 300 Housing Units in Rafah, Project No. 42831, Repair Damaged Housing Units, Output No. 99288 (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 2019 and covered project expenses from 1 January to 31 December 2018.

The audit firm conducted a financial audit, in accordance with the International Standards of Auditing (ISA) the 700 series, 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 2019 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2019. 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 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
12,600	Unmodified

**Key recommendation:** Total = 1, high priority = 0

The audit did not result in any high (critical) priority recommendations. There is one 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." The recommendation includes actions to address amounts erroneously recorded as government expenses although the expenses were incurred by UNDP. The audit firm provided an unmodified opinion as they audited the entire Combined Delivery Report, which included the misclassified amount.

The recommendation aims to ensure the reliability and integrity of financial and operational information (Recommendation 1).

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<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.

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**Implementation status of previous OAI audit recommendations:**

The previous audit (Report No. 2068, issued on 14 August 2019) did not result in any recommendations.

**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. Ostveiten  
Director  
Office of Audit and Investigations

**United Nations Development Programme**

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

**“Construction of 300 Housing Units in Rafah,  
Repair Damaged Housing Units”  
(Project ID 42831 - Output ID 99288)**

**For the period from 1 January to 31 December 2019**

**10 August 2020**

**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. on the Project ID 42831 “Construction of 300 Housing Units in Rafah”- Output ID 99288 “Repair Damaged Housing Units” (the project), directly implemented by UNDP Programme of Assistance to the Palestinian People (PAPP) for the period from 1 January to 31 December 2019.

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 20 April 2020.

#### – **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	Not applicable	There are no fixed assets or equipment therefore, no audit opinion is provided on a Statement of fixed assets.
Statement of Cash	Not applicable	There was no separate bank account for the project under audit therefore, no audit opinion is provided on a Statement of Cash.

#### – **Audit Findings:**

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

Summary of Audit Findings	Priority	Net Financial Impact
Reconciled Advances with an amount of US\$ 567,501.39 were recorded in the current CDR under the government expenses although it was incurred and implemented by UNDP.	Medium (Important)	The UNDP expense column in the current CDR was understated with an amount of US\$ 567,501.39.

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

The Project ID 42831 "Construction of 300 Housing Units in Rafah", Output ID 99288, "Repair Damaged Housing Units" - was audited in the prior year (audit ID 2068 issued on 14 August 2019). The previous audit report did not result on any recommendations.

Sincerely yours,

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

**Talal Abu –Ghazaleh & Co.**  
**License No. 251/1997**  
**Ramallah - Palestine, 10 August 2020**



## **1.2. Audit Objectives**

- A. The objective of the financial audit is to express an opinion on the project's financial position which includes:
- 1) Expressing an opinion on whether the financial expenses incurred by the Project from 1 January 2019 to 31 December 2019 and the funds utilization statement, the accounts receivable and the accounts payable as at 31 December 2019 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.
  - 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 2019. This statement should include all assets available as at 31 December 2019 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 2019. 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. As applicable, providing the progress made in implementing the recommendations raised in a previous year audit report.

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 2019.

The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of "responsible parties", unless the inclusion of these expenses is specifically required in the request for proposal; 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 42831 – Output ID 99288  
“Construction of 300 Housing Units in Rafah,  
Repair Damaged Housing Units”**

**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 42831 “Construction of 300 Housing Units in Rafah” – Output ID 99288 “Repair Damaged Housing Units”, for the period from 1 January to 31 December 2019, which includes: (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\$ 12,600,362.20 directly incurred by UNDP PAPP and charged to the Project ID 42831- Output ID 99288 for the period from 1 January to 31 December 2019 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 (ISA). 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 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 ISA 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 ISA, 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 controls.
- Obtain an understanding of internal controls 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 controls.

We communicated 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 controls that we identified during our audit.

## Emphasis of Matter

We draw your attention to Note No. 1 to the accompanying CDR and Funds Utilization statement which describes reconciled advances with an amount of US\$ 567,501.39 which were recorded in the current CDR under the government expenses column, although it was incurred and implemented by UNDP PAPP. Our opinion is not qualified in respect of this matter.

**Jamal Milhem, CPA**

**Certified Accountant License # (100/98)**

**Talal Abu -Ghazaleh & Co.**


**License No. 251/1997**

**Ramallah - Palestine, 30 June 2020**



## 2.2 Combined Delivery Report (CDR) and Funds Utilization Statement

### "Construction of 300 Housing Units in Rafah, Repair Damaged Housing Units" (Project ID 42831 - Output ID 99288) for the period from 1 January to 31 December 2019



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

Selection Criteria :

Business Unit : PAL10  
Period : Jan-Dec (2019)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00099288


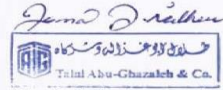
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Combined Delivery Report By Project

Project Id : 00042831 PAL/ Construction of 300 Housi Output # : 00099288 repair damaged housing units	Period : Impl. Partner : Location :	Jan-Dec (2019) 02388 UNDP - PAPP	
	Govt Exp	UNDP Exp	UN Agencies Exp
<b>Dept: 70001 (PAPP - Central)</b>			
<b>Fund : 04950 (PAPP Core Programme)</b>			
71405 - Service Contracts-Individuals	0.00	84,007.74	0.00
71410 - MAIP Premium SC	0.00	23.88	0.00
71415 - Contribution to Security SC	0.00	2,937.69	0.00
72425 - Mobile Telephone Charges	0.00	95.40	0.00
74510 - Bank Charges	0.00	477.42	0.00
76125 - Realized Loss	0.00	0.23	0.00
<b>Total for Fund 04950</b>	<b>0.00</b>	<b>87,542.36</b>	<b>0.00</b>
<b>Fund : 30000 (PROGRAMME COST SHARING)</b>			
71305 - Local Consult-Sht Term-Tech	0.00	18,200.00	0.00
71405 - Service Contracts-Individuals	0.00	248,622.92	0.00
71410 - MAIP Premium SC	0.00	96.18	0.00
71415 - Contribution to Security SC	0.00	14,740.96	0.00
71620 - Daily Subsistence Allow-Local	0.00	572.35	0.00
72105 - Svc Co-Construction & Engineer	0.00	2,902,574.24	0.00
72135 - Svc Co-Communications Service	0.00	450.00	0.00
72170 - Svc Co-Humanitarian Aid & Relif	567,501.39	8,263,717.03	0.00
72210 - Machinery and Equipment	0.00	28,306.95	0.00
72220 - Furniture	0.00	18,160.00	0.00
72425 - Mobile Telephone Charges	0.00	103.68	0.00
72445 - Common Services-Communications	0.00	700.00	0.00
73410 - Maint, Oper of Transport Equip	0.00	680.25	0.00
74210 - Printing and Publications	0.00	546.68	0.00
74225 - Other Media Costs	0.00	10,500.00	0.00
74325 - Contrib.To CO Common Security	0.00	0.00	0.00
74525 - Sundry	0.00	450.00	0.00
74596 - Services to projects -GOE	0.00	0.00	0.00
75105 - Facilities & Admin - Implement	0.00	422,657.31	0.00
76120 - Unrealized Loss	0.00	0.05	0.00
76125 - Realized Loss	0.00	14,300.52	0.00
76130 - Unrealized Gain	0.00	-60.67	0.00
<b>Total for Fund 30000</b>	<b>567,501.39</b>	<b>11,945,318.45</b>	<b>0.00</b>
<b>Total for Dept : 70001</b>	<b>567,501.39</b>	<b>12,032,860.81</b>	<b>0.00</b>
<b>Total for Output : 00099288</b>	<b>567,501.39</b>	<b>12,032,860.81</b>	<b>0.00</b>

*Hekmat EL Khairy*  
Programme Analyst  
*25/2/2020*

*Ramy Mhader*  
Project Manager  
*25/2/2020*

Initiated for identification purposes only



UN Development Programme  
Report ID: unglodrp

Combined Delivery Report By Project

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Project Id : 00042831 PAL/ Construction of 300 Housi	Period :	Jan-Dec (2019)		
Output # : 00099288 repair damaged housing units	Impl. Partner :	02388 UNDP - PAPP		
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Project Total :	567,501.39	12,032,860.81	0.00	12,600,362.20
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Helwanat El Khairy  
Programme Analyst

Ramzy Wheeler

Signed By :

*[Signature]*

Date :

25/2/2020

Signed By :

*[Signature]*  
25/2/2020

Date :

*[Signature]*



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**Combined Delivery Report By Project**

UNDP UN Development Programme  
Report ID: unglcdrp

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Run Time: 25-02-2020 12:02:15

**Selection Criteria :**  
Business Unit : PAL10  
Period : Jan-Dec (2019)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00099288

Project Id : ALL Output # : ALL	Period : Jan-Dec (2019) Impl. Partner : Location :	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
70001 - PAPP - Central		567,501.39	12,032,860.81	0.00	12,600,362.20

*Helmat SLChairy  
Programme Analyst  
25/2/2020*

*Ramry Khader*

*25/2/2020*

UNITED NATIONS  
Economic and Social Programme

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**Combined Delivery Report By Project**

UNDP UN Development Programme  
Report ID: unglcdrp

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Run Time: 25-02-2020 12:02:20

**Funds Utilization**

**Selection Criteria :**  
Business Unit : PAL10  
Period : Jan-Dec (2019)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : ALL  
Selected Outputs : 00099288

Project/Award: 00042831 PAL/ Construction of 300 Housi	Period : As at Dec 31, 2019
Output # 00099288 Impl. Partner : 02388 UNDP - PAPP	UNDP AMOUNT
Outstanding NEX advances	19,336.65
Undepreciated Fixed Assets	0.00
Unamortized Intangible Assets	0.00
Inventory	0.00
Prepayments	90,190.34
Commitments	91,713.65

*Helmat SLChairy  
Programme Analyst  
25/2/2020*

*Ramry Khader*

*25/2/2020*

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### 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 42831 "Construction of 300 Housing Units in Rafah" – Output ID 99288 "Repair Damaged Housing Units" for the period from 1 January 2019 to 31 December 2019, 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 controls 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 business 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, 30 June 2020



**Finding No. 1:**

**Title:**

**Reconciled Advances Erroneously Recorded as Government Expenses**

**Criteria:**

UNDP Programme and Operations Policies and Procedures (POPP) states that, Government Expenses Continues to reflect the total disbursements by the implementing partner as reported on the Financial Report (for non-harmonized country programme) or Funding Authorization and Certification of Expenditure (FACE) (for harmonized-country programme). Such expenses will be reported under the government expenses column in the CDR” The expenses incurred and implemented directly by the UNDP office will be recorded under the UNDP expenses column in the CDR..

**Observation**

During the audit, we noticed that reconciliation was made for advances with an amount of US\$ 567,501.39 and these reconciled advances were recorded in the current CDR under the government expenses column, although it was incurred and implemented by UNDP PAPP.

This occurred because when the office reconciled the advances, the UNDP financial system recorded these expenses under the column of government expense.

Not closing the advances properly led to understatement of the UNDP expenses column in the current CDR with an amount of US\$ 567,501.39.

**Priority**

Medium (Important).

**Recommendation**

The office should record the expenses that were incurred and implemented through the UNDP under the UNDP expenses column in the CDR.

**Management’s Response:**

UNDP acknowledges the audit finding. UNDP notes that the finding is a result of the financial system in place and will approach Office of Financial Resources Management (OFRM) for their guidance on how such expenses can better be reflected as the finding is not within the office control to address.

### **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.