



**AUDIT**

**OF**

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

**Productivity and Urban Renewal in East Jerusalem**  
**(Directly Implemented Project No. 87585, Output No. 94044)**

**Report No. 2250**  
**Issue Date: 17 August 2020**

**Report on the Audit of UNDP Programme of Assistance to the Palestinian People (PAPP)  
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 9 to 29 June 2020, 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). 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 as well as Statement of Assets as of 31 December 2019. 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 reports 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)	Effect on CDR	Amount (in \$ '000)	Opinion
647	Unmodified	(74)	Understatement	8	Unmodified

\*NFM= Net Financial Misstatement

At the time this report was being issued, OAI was investigating complaints relating to parties involved with the Project.

The audit did not result in any recommendations.

**Implementation status of previous OAI audit recommendations:** Report No. 2071, 14 August 2019.

Total recommendations: 1

Implemented: 1

#### **Management comments and action plan**

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

<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.



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)**

**“Productivity and Urban Renewal in East Jerusalem”  
(Project ID 87585 - Output ID 94044)  
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. of 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 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
<b>Financial Position</b>	Unmodified	-
<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 a 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
PURE current Combined Delivery Report (CDR) is understated by US\$ 68,913.60 due to the refund of amounts from other projects. This refund also led to the understatement of the General Management Support (GMS) (Facilities and Admin) amount in the current CDR by US\$ 5,251.03.	Medium (Important)	Understatement of the expenses in the current CDR by US\$ 74,164.63.

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

The project ID 87585 – output ID 94044 “Productivity and Urban Renewal in East Jerusalem” was audited in the prior year (audit ID 2071 issued on 14 August 2019). The previous audit report included one recommendation. The recommendation raised and its implementation status are as follow:

Recommendation Title	Implementation
The Combined Delivery Report (CDR) is understated due to the refund of amounts from other projects. This refund also led to the understatement of the General Management Support (GMS) (Facilities and Admin), thus the office should process the reversals from the related projects during the correct accounting period.	Implemented.

Sincerely yours,

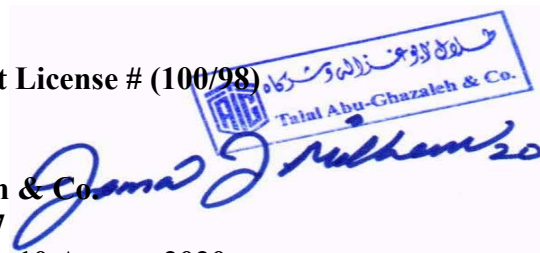
**Jamal Milhem, CPA**

**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 for the period from 1 January to 31 December 2019 and the funds utilization, 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 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 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 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 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\$ 647,391.38 directly incurred by the UNDP PAPP and charged to the project ID 87585 - output ID 94044 “Productivity and Urban Renewal in East Jerusalem”, 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 Responsibilities**

Management is responsible for the preparation of the CDR and the Funds Utilization statement of the project and for such internal controls 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 control that we identified during our audit.

#### **Emphasis of Matter:**

We draw attention to Note No.1 to the accompanying CDR and Funds Utilization statement which describes the uncertainty related to the amount of US\$ 74,164.63. 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:

### "Productivity and Urban Renewal in East Jerusalem" (Project ID 87585 - Output ID 94044) for the period from 1 January to 31 December 2019



**UN Development Programme**  
Report ID: unglcdrp

**Combined Delivery Report By Project**

Page 1 of 4  
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**Selection Criteria :**



Business Unit : PAL10  
Period : Jan-Dec (2019)  
Selected Project Id : 00087585  
Selected Fund Code : ALL  
Selected Dept. IDs : B0700  
Selected Outputs : 00094044

Project Id : 00087585 Productivity and Urban Renewal Output # : 00094044 Productivity&Urban Renewal JRS	Period : Jan-Dec (2019) Impl. Partner : 02388 UNDP - PAPP Location : Palestine	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
<b>Dept: 70001 (PAPP - Central)</b>					
<b>Fund : 04950 (PAPP Core Programme)</b>					
72105 - Svc Co-Construction & Engineer		0.00	182,600.00	0.00	182,600.00
74596 - Services to projects -GOE		0.00	24.00	0.00	24.00
76135 - Realized Gain		0.00	- 33.39	0.00	- 33.39
<b>Total for Fund 04950</b>		<b>0.00</b>	<b>182,590.61</b>	<b>0.00</b>	<b>182,590.61</b>
<b>Fund : 30000 (PROGRAMME COST SHARING)</b>					
64397 - Services to projects -CO staff		0.00	2,297.00	0.00	2,297.00
72105 - Svc Co-Construction & Engineer		0.00	85,227.02	0.00	85,227.02
72605 - Grants to Instit & other Benef		0.00	79,995.00	0.00	79,995.00
74596 - Services to projects -GOE		0.00	1,009.00	0.00	1,009.00
75105 - Facilities & Admin - Implement		0.00	13,482.24	0.00	13,482.24
<b>Total for Fund 30000</b>		<b>0.00</b>	<b>182,010.26</b>	<b>0.00</b>	<b>182,010.26</b>
<b>Fund : 30079 (EUROPEAN COMMISSION)</b>					
61105 - Salaries - NP Staff		0.00	14,086.39	0.00	14,086.39
61205 - Salaries - GS Staff		0.00	1,517.43	0.00	1,517.43
62105 - Dependency Allowance-NP Staff		0.00	1,275.37	0.00	1,275.37
62110 - Contrib Joint Staff Pension-NP		0.00	2,849.12	0.00	2,849.12
62115 - Contrib to Med.SocIns-NP Staff		0.00	1,303.01	0.00	1,303.01
62140 - Annual Leave Expense - NO		0.00	- 268.77	0.00	- 268.77
62205 - Dependency Allow - GS Staff		0.00	40.83	0.00	40.83
62210 - Contrib to Jt Staff Pens Fd-GS		0.00	305.73	0.00	305.73
62215 - Contrib. to Medical, social In		0.00	125.59	0.00	125.59
62240 - Annual Leave Expense - GS		0.00	- 398.54	0.00	- 398.54
63530 - Contribution to EOS Benefits		0.00	585.12	0.00	585.12
63535 - Contribution to Security		0.00	647.58	0.00	647.58
63540 - Contribution to Training		0.00	54.60	0.00	54.60
63545 - Contribution to ICT		0.00	234.06	0.00	234.06
63550 - Contributions to MAIP		0.00	7.82	0.00	7.82
63555 - Contribution to UN JFA		0.00	468.14	0.00	468.14
63560 - Contributions to Appendix D		0.00	39.00	0.00	39.00
64110 - Separations - NP Staff		0.00	281.72	0.00	281.72
64210 - Separations - GS Staff		0.00	30.35	0.00	30.35
64397 - Services to projects -CO staff		0.00	33,508.00	0.00	33,508.00
65115 - Contributions to ASHI Reserve		0.00	1,552.58	0.00	1,552.58
65135 - Payroll Mgt Cost Recovery ATLA		0.00	61.84	0.00	61.84
71305 - Local Consult.-Sht Term-Tech		0.00	81,618.99	0.00	81,618.99
71360 - Local Consult-Security		0.00	1,967.93	0.00	1,967.93
71405 - Service Contracts-Individuals		0.00	54,957.43	0.00	54,957.43
71410 - MAIP Premium SC		0.00	24.56	0.00	24.56

*Programme Analyst*  
*May Daghash*  
*10 June 2020*

*May Daghash*



  
  
intended for identification purposes only



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 (2019)	
Output # : 00094044 Productivity&Urban Renewal JRS		Impl. Partner :	02388 UNDP - PAPP	
		Location :	Palestine	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
71415 - Contribution to Security SC	0.00	2,038.88	0.00	2,038.88
72105 - Svc Co-Construction & Engineer	0.00	44,167.13	0.00	44,167.13
72425 - Mobile Telephone Charges	0.00	106.56	0.00	106.56
74325 - Contrib.To CO Common Security	0.00	5,120.00	0.00	5,120.00
74596 - Services to projects -GOE	0.00	15,441.00	0.00	15,441.00
75105 - Facilities & Admin - Implement	0.00	18,496.42	0.00	18,496.42
76125 - Realized Loss	0.00	61.97	0.00	61.97
76135 - Realized Gain	0.00	- 2.33	0.00	- 2.33
77630 - Dep Exp Owned - ITC	0.00	485.00	0.00	485.00
Total for Fund 30079	0.00	282,790.51	0.00	282,790.51
Total for Dept : 70001	0.00	647,391.38	0.00	647,391.38
Total for Output : 00094044	0.00	647,391.38	0.00	647,391.38
Project Total :	0.00	647,391.38	0.00	647,391.38


Signed By : Programme Analyst Date : 10 June 2020

Signed By : May Dayhosh Date : 10 June 2020

*May Dayhosh*



*Jamal D. Alkhatib*  
Tajal Abu-Gharabeh & Co.  
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**UNDP** UN Development Programme  
Report ID: unglcdrp

Combined Delivery Report By Project



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**Selection Criteria :**

Business Unit : PAL10  
 Period : Jan-Dec (2019)  
 Selected Project Id : 00087585  
 Selected Fund Code : ALL  
 Selected Dept. IDs : B0700  
 Selected Outputs : 00094044

Project Id : ALL Output # : ALL	Period : Jan-Dec (2019)	Impl. Partner : Location :	
			<div style="display: flex; justify-content: space-between;"> <span>Govt Exp</span> <span>UNDP Exp</span> <span>UN Agencies Exp</span> <span>Total Exp</span> </div>
70001 - PAPP - Central			<div style="display: flex; justify-content: space-between;"> <span>0.00</span> <span>647,391.38</span> <span>0.00</span> <span>647,391.38</span> </div>

*Programme Analyst*  
*Mary Daghash*  
*10 June 2020*

Initiated for identification purposes only





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 (2019)  
Selected Project Id : 00087585  
Selected Fund Code : ALL  
Selected Dept. IDs : B0700  
Selected Outputs : 00094044

Project/Award: 00087585 Productivity and Urban Renewal

Period : As at Dec 31, 2019

Output #	Impl. Partner :02388 UNDP - PAPP	UNDP AMOUNT
Outstanding NEX advances		0.00
Undepreciated Fixed Assets		7,921.67
Unamortized Intangible Assets		0.00
Inventory		0.00
Prepayments		0.00
Commitments		167,860.27

Programme Analyst  
Key Daghash  
10 June 2020

May Daghash



Jamal D. Halkin  
Tajal Abu-Gharabeh & Co.  
Initiated for identification purposes only

## 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 UNDP project ID 87585 - output ID 94044 “Productivity and Urban Renewal in East Jerusalem” as at 31 December 2019.

### Unmodified Opinion

In our opinion, the accompanying statement of fixed assets presents fairly, in all material aspects, the assets status of UNDP project ID 87585 - output ID 94044 amounting to US\$ 7,921.67 as at 31 December 2019 in accordance with UNDP accounting policies.

### 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 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 controls 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 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 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 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 control that we identified during our audit.

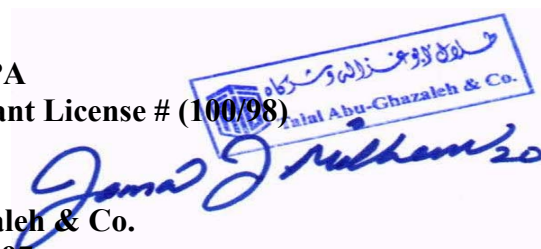
**Jamal Milhem, CPA**

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

**Talal Abu – Ghazaleh & Co.**

**License No. 251/1997**

**Ramallah – Palestine, 30 June 2020**





## 2.4. Statement of Fixed Assets:

**"Productivity and Urban Renewal in East Jerusalem"**  
**(Project ID 87585 - Output ID 94044)**  
**as at 31 December 2019**

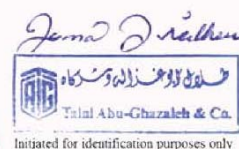
Statement of Assets					
As of 31 December 2019					
Project No. 87585 - Productivity and Urban Renewal					
Output No. 94044 – Productivity & Urban Renewal JRS					
Category	Year	Location	Original Amount	Depreciated Amount	Net Book Value
			USD	USD	USD
A Network data service units	2016	Jerusalem	9,700.00	1,778.33	7,921.67
<b>Total Value</b>			<b>9,700.00</b>	<b>1,778.33</b>	<b>7,921.67</b>

Programme Analyst

May Daghash

10-Jun-20

*May Daghash*



### 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 Project ID 87585- Output ID 94044 "Productivity and Urban Renewal in East Jerusalem" for the period from 1 January 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 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 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)

طال أبو غزالة وشركاه  
Talal Abu-Ghazaleh & Co.  
*Jamal Milhem*

Talal Abu -Ghazaleh & Co.

License No. 251/1997

Ramallah – Palestine, 30 June 2020

## Finding No. 1:

### Title:

### **Understatement of 2019 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 PURE project in previous years, however, the reversals were not processed during the same accounting period, instead, the reversals were processed during FY2019, which led to the understatement of the current CDR by US\$ 68,913.60.

Below are the details of these reversals in the 2019 CDR:

Transaction ID	Description	Amount US\$
PAL10-00114085-1-1-ACCR-DST	Reversal of Jerusalem District Electricity Co Output ID PAL10-00084404	(21,143.66)
PAL10-00115092-1-1-ACCR-DST	Reversal from Shops Rehabilitation Project Output ID PAL10-00084404	(12,000.00)
PAL10-00115093-1-1-ACCR-DST	Reversal from Shops Rehabilitation Project Output ID PAL10-00084404	(10,000.00)
PAL10-00115094-1-1-ACCR-DST	Reversal from Shops Rehabilitation Project Output ID PAL10-00084404	(10,300.00)
UNDP1-0008081429-30-JUN-2019-4060	Reversal of Facilities & Admin Cost from Shops Rehabilitation Project Output ID PAL10-00084404.	(5,061.94)
UNDP1-0008226162-30-SEP-2019-4319	Reversal of Facilities & Admin Cost from Shops Rehabilitation Project Output ID PAL10-00084404.	(2,584.00)
UNDP1-0008362766-31-DEC-2019-5395	Reversal of Facilities & Admin Cost from Shops Rehabilitation Project Output ID PAL10-00084404.	(7,824.00)
<b>Total of Reversals</b>		<b>(68,913.60)</b>

In addition, the above reversals led to the understatement of 2019 General Management Support (GMS) (Facilities and Admin) by the amount of US\$ 5,251.03.

Thus, the total financial impact is understatement of the current CDR by US\$ 74,164.63

This occurred as the utilized amounts during FY2016 by the Shops Rehabilitation Project were only refunded during FY2019, and the adjusting entry was recorded in FY 2019 since FY 2016 books were already closed.

The use of the available project funds to finance other projects is not allowed. When the reversals are processed during the different accounting period, the accuracy of expenses reported in the current CDR is affected.

**Priority:**

Medium (Important).

**Auditor's Comment:**

No further recommendation is raised, as the mentioned reversals were a result of corrective action taken by the Office following the previous year's audit finding.

### **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.