



AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

**COMMUNITY RESILIENCE AND DEVELOPMENT PROGRAMME FOR AREA C AND
EAST JERUSALEM**
(Directly Implemented Project No. 69435, Output No. 84013)

Report No. 2253
Issue Date: 17 August 2020

**Report on the Audit of UNDP Programme of Assistance to the Palestinian People (PAPP)
Community Resilience and Development Programme For Area C and East Jerusalem
(Project No. 69435, Output No. 84013)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 23 to 29 June 2020, conducted an audit of Community Resilience and Development Programme for Area C and East Jerusalem (Project No. 69435, Output No. 84013) (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 statement¹ as of 31 December 2019 as well as Statement of Assets as of 31 December 2019. The audit did not include activities and expenses incurred or undertaken at the "responsible party" level. 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 reports and corresponding management letters submitted by the audit firm, the results are summarized in the table below:

Project Expenses*		Project Assets	
Amount (in \$ '000)	Opinion	Amount (in \$'000)	Opinion
3,564	Unmodified	55	Unmodified

*Expenses recorded in the Combined Delivery Report were \$4,782,402. Excluded from the audit scope were expenses incurred at the "responsible party" level in the amount of \$1,218,189; this amount included \$660,000 that was subject to a separate audit conducted by external auditors that resulted in an unmodified opinion.

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." This recommendation includes actions to address amounts erroneously recorded as government expenses although the expenses were incurred by UNDP.

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

Implementation status of previous OAI audit recommendations: Report No. 2070, 15 July 2019).

Total recommendations: 1

Implemented: 1

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
(UNDP)**

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

**“Community Resilience and Development Programme For Area C and East
Jerusalem”**

(Project ID 69435 - Output ID 84013)

For the period from 1 January to 31 December 2019

10 August 2020

Talal Abu – Ghazaleh & Co.

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 69435 – Output ID 84013 “Community Resilience and Development Programme For Area C and 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
Financial Position	Unmodified	
Statement of Fixed Assets	Unmodified	
Statement of Cash	Not applicable	There was no separate bank account for the project under audit, therefore, no audit opinion is provided on 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
Reconciled Advances with an amount of US\$ 10,000.00 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\$ 10,000.00.

- Follow-up of Previous Year Audit Recommendations:

Project ID 69435 – Output ID 84013 “Community Resilience and Development Programme For Area C and East Jerusalem” was audited in the prior year (audit ID 2070 issued on 15 July 2019). The previous audit report included one recommendation. The recommendation raised and its implementation status is as follows:

Recommendation Title	Implementation
Adjusting entry with an amount of USD 43,112.75 was recorded in 2018’s CDR, although it belongs to 2017’s CDR since 2017’s CDR were already closed.	Implemented.

Sincerely yours,

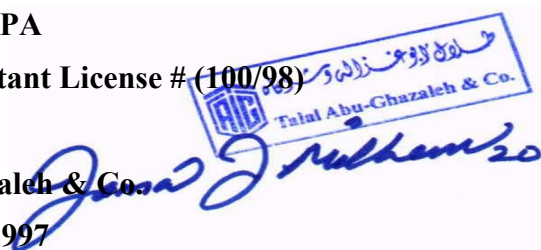
Jamal Milhem, CPA

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 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 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 Centres 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 69435 – Output ID 84013
“Community Resilience and Development Programme For Area C and 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 69435 - output ID 84013 “Community Resilience and Development Programme For Area C and 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.

The CDR expenditures totaling to US\$ 4,782,401.67 are comprised of expenditures directly incurred by the UNDP PAPP at an amount of US\$ 3,564,212.67 and expenditures incurred by entities other than the Office at an amount of US\$ 1,218,189.00. Our audit only covered the expenditures directly incurred by the UNDP PAPP at a total amount of US\$ 3,564,212.67.

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\$ 3,564,212.67 directly incurred by the UNDP PAPP and charged to the Project ID 69435 - Output ID 84013 “Community Resilience and Development Programme For Area C and 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 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 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 reconciled advances with an amount of US\$ 10,000.00 out of US\$ 1,228,189.00 which were recorded in the current CDR under the government expenses column, although they were incurred and implemented by UNDP PAPP. Our opinion is not qualified in respect of this matter.

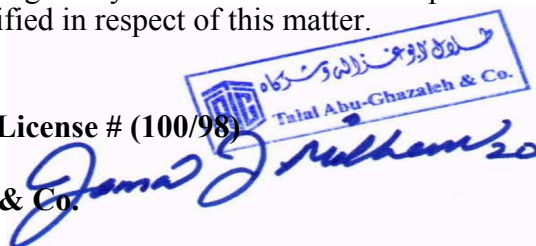
Jamal Milhem, CPA

Certified Accountant License # (100/98)

Talal Abu –Ghazaleh & Co.

License No. 251/1997

Ramallah - Palestine, 30 June 2019




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

“Community Resilience and Development Programme For Area C and East Jerusalem”

(Project ID 69435 - Output ID 84013)

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
Run Time: 27-02-2020 10:02:46

Selection Criteria :


Business Unit : PAL10
Period : Jan-Dec (2019)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00084013

Project Id : 00069435 Community Resilience & Dev. P Output # : 00084013 Community Resilience Program	Period : Impl. Partner : Location :	Jan-Dec (2019) 02388 UNDP - PAPP Palestine
	Govt Exp	UNDP Exp
	UN Agencies Exp	Total Exp
Dept: 70001 (PAPP - Central)		
Fund : 04950 (PAPP Core Programme)		
72145 - Svc Co-Training and Educ Serv	10,000.00	0.00
72165 - Svc Co-Social Svcs, Social Sci	0.00	29,670.00
Total for Fund 04950	10,000.00	29,670.00
Fund : 30000 (PROGRAMME COST SHARING)		
61105 - Salaries - NP Staff	0.00	3,280.04
61205 - Salaries - GS Staff	0.00	650.12
62105 - Dependency Allowance-NP Staff	0.00	37.69
62110 - Contrib Joint Staff Pension-NP	0.00	669.86
62115 - Contrib to Med.SocIns-NP Staff	0.00	160.64
62140 - Annual Leave Expense - NO	0.00	-292.30
62205 - Dependency Allow - GS Staff	0.00	3.78
62210 - Contrib to Jt Staff Pens Fd-GS	0.00	134.26
62215 - Contrib. to Medical, social In	0.00	30.27
62220 - Language Allowance - GS Staff	0.00	17.19
62240 - Annual Leave Expense - GS	0.00	-176.11
63530 - Contribution to EOS Benefits	0.00	147.37
63535 - Contribution to Security	0.00	163.09
63540 - Contribution to Training	0.00	13.74
63545 - Contribution to ICT	0.00	58.95
63550 - Contributions to MAIP	0.00	1.95
63555 - Contribution to UN JFA	0.00	117.91
63560 - Contributions to Appendix D	0.00	9.81
64110 - Separations - NP Staff	0.00	65.61
64210 - Separations - GS Staff	0.00	13.01
64397 - Services to projects -CO staff	0.00	102,085.31
65115 - Contributions to ASHI Reserve	0.00	391.05
65135 - Payroll Mgt Cost Recovery ATLA	0.00	26.76
71305 - Local Consult.-Sht Term-Tech	0.00	145,455.76
71360 - Local Consult-Security	0.00	4,125.10
71405 - Service Contracts-Individuals	0.00	231,213.33
71410 - MAIP Premium SC	0.00	101.74
71415 - Contribution to Security SC	0.00	8,444.93
71505 - UN Volunteers-Stipend & Allow	0.00	60,305.59
71520 - UNV-Language Allowance	0.00	2,468.06
71535 - UNV-Medical Insurance	0.00	3,085.26
71540 - UNV-Global Charges	0.00	2,249.21
71541 - UNVs-Contribution to security	0.00	2,502.63
71550 - UNV-Resettlement Allowance	0.00	3,962.10
71565 - UNV-Natl Appointment/Sep incl Trvl	0.00	528.66
71591 - UNV_Cost_Recovery_Deployment	0.00	13,280.30
71592 - UNV_COST_RECOVERY_RECURRING	0.00	9,515.78

Programme Analyst
Mota Z Dawabshen
30 June 2020



Tajal Abu-Ghazaleh



Tajal Abu-Ghazaleh & Co.
Initiated for identification purposes only

Financial audit of Directly implemented Project ID 69435 – Output ID 84013 “Community Resilience and Development Programme For Area C and East Jerusalem” for the period from 1 January to 31 December 2019.

Project Id : 00069435 Community Resilience & Dev. P		Period : Jan-Dec (2019)		
Output # : 00084013 Community Resilience Program		Impl. Partner : 02388 UNDP - PAPP Location : Palestine		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
72105 - Svc Co-Construction & Engineer	488,769.00	236,689.78	0.00	725,458.78
72120 - Svc Co-Trade and Business Serv	521,320.00	18,680.00	0.00	540,000.00
72125 - Svc Co-Studies & Research Serv	208,100.00	0.00	0.00	208,100.00
72220 - Furniture	0.00	19,072.45	0.00	19,072.45
72311 - Fuel, petroleum and other oils	0.00	1,752.74	0.00	1,752.74
72405 - Acquisition of Communic Equip	0.00	3,150.00	0.00	3,150.00
72425 - Mobile Telephone Charges	0.00	3,765.06	0.00	3,765.06
72435 - E-mail-Subscription	0.00	600.00	0.00	600.00
72505 - Stationery & other Office Supp	0.00	150.87	0.00	150.87
72605 - Grants to Instit & other Benef	0.00	1,954,941.00	0.00	1,954,941.00
72805 - Acquis of Computer Hardware	0.00	5,396.31	0.00	5,396.31
72815 - Inform Technology Supplies	0.00	825.46	0.00	825.46
73101 - Leased/rented land	0.00	3,017.18	0.00	3,017.18
73120 - Utilities	0.00	636.54	0.00	636.54
73216 - Construction Cost	0.00	174,660.50	0.00	174,660.50
73410 - Maint, Oper of Transport Equip	0.00	3,872.72	0.00	3,872.72
74110 - Audit Fees	0.00	6,598.00	0.00	6,598.00
74210 - Printing and Publications	0.00	331.13	0.00	331.13
74215 - Promotional Materials and Dist	0.00	1,500.00	0.00	1,500.00
74225 - Other Media Costs	0.00	4,402.63	0.00	4,402.63
74230 - Audio & Visual Equipment	0.00	68.97	0.00	68.97
74325 - Contrib.To CO Common Security	0.00	11,640.00	0.00	11,640.00
74505 - Insurance	0.00	5,776.49	0.00	5,776.49
74596 - Services to projects -GOE	0.00	104,185.00	0.00	104,185.00
74710 - Land Transport	0.00	306.86	0.00	306.86
75105 - Facilities & Admin - Implement	0.00	351,262.94	0.00	351,262.94
75710 - Participation of counterparts	0.00	10,844.10	0.00	10,844.10
76125 - Realized Loss	0.00	685.16	0.00	685.16
76135 - Realized Gain	0.00	- 3.24	0.00	- 3.24
77630 - Dep Exp Owned - ITC	0.00	211.89	0.00	211.89
77660 - Dep Exp Owned -Vehicle	0.00	4,607.01	0.00	4,607.01
77670 - Dep Exp-Hvy Mac & Equip	0.00	66.67	0.00	66.67
Total for Fund 30000	1,218,189.00	3,524,542.67	0.00	4,742,731.67
Total for Dept : 70001	1,228,189.00	3,554,212.67	0.00	4,782,401.67
Total for Output : 00084013	1,228,189.00	3,554,212.67	0.00	4,782,401.67
Project Total :	1,228,189.00	3,554,212.67	0.00	4,782,401.67

Signed By : Programme Analyst Date : 30 June 2020

Signed By : Motaz Dawabsheh Date : [Signature]






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UN
DIP UN Development Programme
Report ID: unglodrp

Combined Delivery Report By Project

Page 3 of 4
Run Time: 27-02-2020 10:02:47

Selection Criteria :

Business Unit : PAL10
 Period : Jan-Dec (2019)
 Selected Project Id : ALL
 Selected Fund Code : ALL
 Selected Dept. IDs : ALL
 Selected Outputs : 00084013

Project Id : ALL	Period : Jan-Dec (2019)		
Output # : ALL	Impl. Partner : Location :		

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
70001 - PAPP - Central	1,228,189.00	3,554,212.67	0.00	4,782,401.67



Programme Analyst
Motaz Dawabsheh
30 June 2020



Jamal D. Nathan



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Financial audit of Directly implemented Project ID 69435 – Output ID 84013 “Community Resilience and Development Programme For Area C and East Jerusalem” for the period from 1 January to 31 December 2019.



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

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Run Time: 27-02-2020 10:02:50

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 : 00084013

Project/Award: 00069435 Community Resilience & Dev. P

Period : As at Dec 31, 2019

Output #	Impl. Partner :02388 UNDP - PAPP	UNDP AMOUNT
Outstanding NEX advances		0.00
Undepreciated Fixed Assets		54,553.41
Unamortized Intangible Assets		0.00
Inventory		0.00
Prepayments		0.00
Commitments		726,362.44

Programme Analyst
Hotaz Dawabsheh
30 June 2020




Jamal D. Dakhil



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

**Independent Auditor's Report on the Statement of Fixed Assets
of UNDP DIM Project ID 69435 – Output ID 84013
“Community Resilience and Development Programme For Area C and 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 69435 - Output ID 84013 “Community Resilience and Development Programme For Area C and East Jerusalem” as at 31 December 2019.

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 69435 - Output ID 84013 - “Community Resilience and Development Programme For Area C and East Jerusalem”, amounting to US\$ 54,553.41 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 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 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

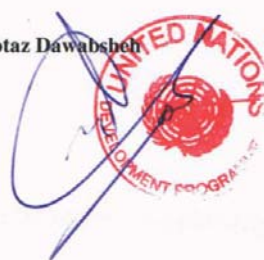
2.4. Statement of Fixed Assets:

“Community Resilience and Development Programme For Area C and East Jerusalem”
(Project ID 69435 - Output ID 84013)
as at 31 December 2019

Statement of Assets					
As of 31 December 2019					
Project No. 69435 - Community Resilience & Dev. P					
Output 84013 - Community Resilience Program					
Category	Year	Location	Original Amount	Depreciated Amount	Net Book Value
			USD	USD	USD
Vehicle	2014	Jerusalem	26,355.25	12,445.53	13,909.72
Laptop	2014	Jerusalem	1,869.00	1,027.95	841.05
Vehicle	2016	Jerusalem	28,928.85	7,433.11	21,495.74
A Medical Equipment	2019	Ramallah	16,000.00	66.67	15,933.33
A LAPTOP	2019	Jerusalem	2,398.56	24.99	2,373.57
Total Value			75,551.66	20,998.25	54,553.41

Programme Analyst

Motaz Dawabsheh



Initiated for identification purposes only

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 69435 - Output ID 84013 "Community Resilience and Development Programme For Area C and East Jerusalem" 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)

Talal Abu -Ghazaleh & Co.

License No. 251/1997

Ramallah – Palestine, 30 June 2020

Finding No. 1:

Title:

Reconciled Advances Erroneously Recorded as Government Expense

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 reconciliations were made for advances with an amount of US\$ 10,000.00 out of US\$ 1,228,189.00. These reconciled advances were recorded in the current CDR under the government expenses column, although they were incurred and implemented by UNDP PAPP.

This occurred as result of human error, when the office recorded the advances using the wrong Implementing Agent code, hence the reconciliation was later recorded under the government expenses column.

Not closing the advances properly led to understatement of the UNDP expenses column in the current CDR with an amount of US\$ 10,000.00

Priority

Medium (Important).

Recommendation

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

Management’s Response:

UNDP acknowledges the finding, the wrong Implementing Agent (IA) code was used due to human error, UNDP will carry out the correction to reflect the correct IA code related to the signed letter of agreement between the Responsible party and UNDP.

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.