AUDIT OF INCREASING ACCESS TO WATER IN HOST-COMMUNITIES (Directly Implemented Project No. 77399, Output No. 88194) IN UNDP LEBANON

Report No. 2353
Issue Date: 25 August 2021
United Nations Development Programme
Office of Audit and Investigations

Report on the Audit of Increasing Access to Water in Host-Communities
implemented by UNDP Lebanon
(Project No. 77399, Output No. 88194)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 1 to 23 July 2021, conducted an audit of Increasing ‘Access to Water in Host-Communities’ (Project No. 77399, Output No. 88194) (the Project), which is directly implemented and managed by the UNDP Country Office in Lebanon (the Office). The last audit of the Project was conducted by OAI, through BDO LLP in 2020 and covered project expenses from 1 January to 31 December 2019.

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 2020 and the accompanying Funds Utilization statement as of 31 December 2020 as well as Statement of Assets as of 31 December 2020. The audit did not include expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). In addition, the audit did not cover the Statement of Cash as no separate bank account was established and maintained for the Project.

The audit was conducted under the general supervision of OAI in conformance with the International Standards for the Professional Practice of Internal Auditing.

Audit results

Based on the audit report submitted by the audit firm, the results are summarized in the table below:

<table>
<thead>
<tr>
<th>Project Expenses*</th>
<th>Project Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount (in $ '000)</td>
<td>Opinion</td>
</tr>
<tr>
<td>7,807</td>
<td>Unmodified</td>
</tr>
</tbody>
</table>

*Expenses recorded in the Combined Delivery Report were $7,922,828. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country ($115,784).

The audit did not result in any recommendations.

Implementation status of previous OAI audit recommendations:

The previous audit (Report No. 2243, issued on 27 August 2020) did not result in any recommendations.

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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.
Management comments and action plan

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

Helge Osttveiten
2021.08.25
14:47:29 -04'00'

Helge S. Osttveiten
Director
Office of Audit and Investigations
United Nations Development Programme
(UNDP)

Financial Audit of Directly Implemented Project Managed by
UNDP Country Office in Lebanon

“Increasing Access to Water in Host-Communities”
(Project ID 77399 -Output ID 88194)
For the period from 1 January to 31 December 2020

19 August 2021

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 77399- Output ID 88194 “Increasing Access to Water in Host-Communities” (the project), directly implemented by UNDP for the period from 1 January to 31 December 2020.

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 11 April 2021.

- Audit Opinions:

The following is the summary of the audit opinions provided:

<table>
<thead>
<tr>
<th>Report on</th>
<th>Type of Opinion</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Position</td>
<td>Unmodified</td>
<td>No issues were identified.</td>
</tr>
<tr>
<td>Statement of Fixed Assets</td>
<td>Unmodified</td>
<td>No issues were identified.</td>
</tr>
<tr>
<td>Statement of Cash</td>
<td>Not applicable</td>
<td>There was no separate bank account for the project under audit. Therefore, no audit opinion is provided on a Statement of Cash.</td>
</tr>
</tbody>
</table>

- Audit Finding:

There were no reportable findings with medium or high priority ratings, consequently we did not issue a management letter.

- Follow-up on Previous year’s Audit Recommendations:

Project ID 77399- Output ID 88194 “Supporting Lebanese Hosting Communities was audited in the prior year (audit ID 2243 issued on 27 August 2020). The previous audit report did not raised any audit findings or recommendations.

Sincerely yours,

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

Jamal Milhem, CPA
Certified Accountant License # (100/98)
Ramallah - Palestine, 30 July 2021
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 2020 and the funds utilization, the accounts receivable and the accounts payable as at 31 December 2020 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 2020. This statement should include all assets available as at 31 December 2020 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 2020. 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 2020.

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 country office.
2. PART II – FINANCIAL AUDIT REPORTS


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 77399- Output ID 88194 “Increasing Access to Water in Host-Communities” for the period from 1 January to 31 December 2020, which include: (a) the accompanying Combined Delivery Report (CDR); (b) the Funds Utilization Statement (the statement); and (c) the project-related accounts receivable and accounts payable.

The CDR expenditure totaling US$ 7,922,828.36 is comprised of expenditure directly incurred by UNDP Country Office in Lebanon for an amount of US$ 7,807,044.58 and expenditure incurred by entities other than the Country Office for an amount of US$ 115,783.78. Our audit only covered the expenditures directly incurred by the UNDP Country Office in Lebanon of US$ 7,807,044.58.

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$ 7,807,044.58 directly incurred by the UNDP Country Office in Lebanon and charged to the project for the period from 1 January to 31 December 2020 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 Unmodified 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.

Management’s Responsibility

Management is responsible for the preparation of the CDR and the Funds Utilization Statement of the project and for such internal control as management determines is
necessary to enable the preparation of a CDR and Funds Utilization statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

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

- Identify and assess the risks of material misstatement of the CDR and Funds Utilization statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization’s internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Jamal Milhem, CPA
Certified Accountant License # (100/98)
Ramallah - Palestine, 21 July 2021
1.2. Combined Delivery Report (CDR) and Funds Utilization statement:

"Increasing Access to Water in Host-Communities"
Project ID 77399– Output ID 88194
for the period from 1 January to 31 December 2020
Financial audit of Directly implemented Project ID 77399 - Output ID 88194 “Increasing Access to Water in Host-Communities for the period from 1 January to 31 December 2020.

Report by Activity and Fund

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Government</th>
<th>UNDP</th>
<th>UN Agencies</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output: 00688194 - Increasing access to water</td>
<td></td>
<td>0.00 7,922,828.36</td>
<td>0.00 7,922,828.36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity: -</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund: 30000 - Programme Cost Sharing</td>
<td></td>
<td>0.00 12,304.98</td>
<td>0.00 12,304.98</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Financial audit of Directly implemented Project ID 77399 - Output ID 88194 “Increasing Access to Water in Host-Communities for the period from 1 January to 31 December 2020.
Financial audit of Directly implemented Project ID 77399 - Output ID 88194 “Increasing Access to Water in Host-Communities for the period from 1 January to 31 December 2020.

<table>
<thead>
<tr>
<th>Financial Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding NIM Advances</td>
<td>0.00</td>
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<tr>
<td>Undepreciated Fixed Assets</td>
<td>35,319.32</td>
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<tr>
<td>Unamortized Intangible Assets</td>
<td>0.00</td>
</tr>
<tr>
<td>Inventory</td>
<td>0.00</td>
</tr>
<tr>
<td>Prepayments</td>
<td>0.00</td>
</tr>
<tr>
<td>Commitments</td>
<td>301,347.57</td>
</tr>
</tbody>
</table>

Signed on behalf of UNDP:

**Hassan Jaber**

hassan.jaber@undp.org

Date: Mar 03, 2021

**Celine Moyroud**

Resident Representative

Signed on behalf of Implementing Partner:

**Nicolas Gharib**

Project Manager

UNDP

Date: Mar 04, 2021

[Signature]

For identification purposes only

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1.3. Auditors Report on the Statement of Fixed Assets:


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 77399 - Output ID 88194 “Increasing Access to Water in Host-Communities” as at 31 December 2020.

Unmodified Opinion
In our opinion, the accompanying statement of fixed assets presents fairly in all material respects the assets status of the Project ID 77399 – Output ID 88194 amounting to US$ 35,319.32 as at 31 December 2020 in accordance with UNDP accounting policies.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor’s responsibilities for the audit of the statement of fixed assets. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management’s Responsibility
Management is responsible for the preparation of the statement of fixed assets of the project and for such internal control as management determines is necessary to enable the preparation of the statement of fixed assets that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibilities for the audit
Our objectives are to obtain reasonable assurance about whether the statement of fixed assets is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of fixed assets, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization’s internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Talal Abu –Ghazaleh & Co.
License No. 251/1997
Ramallah – Palestine, 21 July 2021
1.4. **Statement of Fixed Assets:**

**“Increasing Access to Water in Host-Communities”**
(Project ID 77399–Output ID 88194)
as at 31 December 2020

<table>
<thead>
<tr>
<th>Asset ID</th>
<th>Profile ID</th>
<th>Description</th>
<th>TAG Number</th>
<th>Serial Number</th>
<th>Location</th>
<th>Acquisition Date</th>
<th>In Service Date</th>
<th>Cost (USD)</th>
<th>Net Book Value (USD)</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,443</td>
<td>MTRV4</td>
<td>A-SUV</td>
<td>D289/RL-01</td>
<td></td>
<td>LBNNCE1</td>
<td>11/23/2014</td>
<td>11/21/2014</td>
<td>34,725.45</td>
<td>16,880.41</td>
<td>1</td>
</tr>
<tr>
<td>1,474</td>
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<td></td>
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<td>LBNUOA1</td>
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<td>11/15/2012</td>
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<td>1,497</td>
<td>MTRV4</td>
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<td>LBNUOA1</td>
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<td>10/22/2009</td>
<td>23,856.30</td>
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<td>1,490</td>
<td>MTRV4</td>
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<td>D259/66</td>
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<td>LBNUOA1</td>
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<td>12/22/2009</td>
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<td>1,526</td>
<td>MTRV4</td>
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<td>D259/19</td>
<td></td>
<td>LBNUOA1</td>
<td>04/07/2015</td>
<td>04/07/2015</td>
<td>82,920.30</td>
<td>37,956.41</td>
<td>1</td>
</tr>
</tbody>
</table>

**Total:** 157,860.45

15,119.30

Name: [Redacted]
Title: Programme Manager
Energy and Environment Programme
Date: 5-Mar-21