



**AUDIT**

**OF**

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

**KFW POVERTY ORIENTED INFRASTRUCTURE (VI) - WEST BANK AND GAZA STRIP**  
**(Directly Implemented Project No. 60764)**

**Report No. 1269**

**Issue Date: 21 February 2014**

**Report on the audit of UNDP Programme of Assistance to the Palestinian People  
KfW Poverty Oriented Infrastructure (VI) - West Bank and Gaza Strip (Project No. 60764)  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 1 October to 6 November 2013, through Talal Abu-Ghazaleh & Co. (the audit firm), conducted an audit of KfW Poverty Oriented Infrastructure (VI) - West Bank and Gaza Strip, Project No. 60764 (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 Deloitte & Touche M.E/ Saba & Co. in 2012.

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit covered the Project's Statement of Expenditure (Combined Delivery Report) for the period from 1 January to 31 December 2012.

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 Expenditure    |           |                     | Project Assets         |         |                     |
|------------------------|-----------|---------------------|------------------------|---------|---------------------|
| Amount<br>(in \$ '000) | Opinion   | NFI<br>(in \$ '000) | Amount<br>(in \$ '000) | Opinion | NFI<br>(in \$ '000) |
| 482                    | Qualified | 64                  | N/A                    | N/A     | N/A                 |

NFI = Net Financial Impact

The audit firm qualified its opinion on project expenditure and cash due to the following:

- An amount of \$29,788 was not reported in the Project's Combined Delivery Report, and was instead reported in another project account, leading to an understatement of the expenditures in the Combined Delivery Report.
- There was an incorrect calculation of administration costs and non-compliance with the terms of agreement with the Project, leading to the Office being charged an amount of \$34,441. The auditors did not receive a calculation for the administration costs and were therefore not able to calculate the correct amount to be charged.
- The Project's funds were not maintained in a separate bank account. Instead they were maintained in a bank account together with funds from other projects. Accordingly, the auditors could not confirm the Project's bank account balance as at 31 December 2012 and interest revenue received during the project period.

**Key recommendations:** Total = 4, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are four medium (important) priority recommendations, which means "Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP." These recommendations include actions to address: the absence of a dedicated project bank account, variance with

the approved budget, incorrect calculation of General Management Support amounts, and unrecorded expenditures.

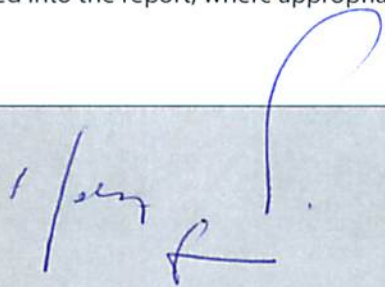
**Implementation status of previous audit recommendations:** Report No. 1051, 17 July 2012.

Total recommendations: 1

Implementation status: 100%

**Management comments and action plan**

The Special Representative accepted all four recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.



Helge S. Ostveiten  
Director  
Office of Audit and Investigations