UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

KFW POVERTY ORIENTED INFRASTRUCTURE (PHASE VII) - WEST BANK AND GAZA STRIP
(Directly Implemented Project, Output No. 73017)

Report No. 1375

Issue Date: 4 September 2014

Report on the audit of UNDP Programme of Assistance to the Palestinian People
KfW Poverty Oriented Infrastructure (Phase VII) - West Bank and Gaza Strip (Output No. 73017)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 4 to 17 June 2014, through Talal Abu-Ghazaleh & Co. (the audit firm), conducted an audit of KfW Poverty Oriented Infrastructure (Phase VII) - West Bank and Gaza Strip, Output No. 73017 (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 in 2013 and covered project expenditure from 1 January to 31 December 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 Combined Delivery Report, which includes expenditure for the period from 1 January to 31 December 2013 and the accompanying Funds Utilization statement[1] as of 31 December 2013. The audit did not cover the Statement of Assets as no assets were purchased by the Project. In addition, the audit did not cover the Statement of Cash Position 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 Expenditure			Project Assets	
Amount (in $ '000)	**Opinion**	**NFI (in $ '000)**	**Amount (in $'000)**	**Opinion**
944	Qualified	327	N/A	N/A

NFI = Net Financial Impact

The audit firm qualified its opinion on project expenditure due to an amount of $326,740 that was not reported in the Combined Delivery Report and was wrongly reported in another project, leading to an understatement of expenditure in the Combined Delivery Report.

Key recommendations: Total = **2**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There are two 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 unrecorded expenditures, and variance in the approved budget.

[1] The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) depreciated 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.

Implementation status of previous OAI audit recommendations: Report No. 1270, 21 February 2014.
Total recommendations: 5
Implementation status: 80%

Management comments and action plan

The Special Representative accepted both 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. Osttveiten
Director
Office of Audit and Investigations