

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

RIGHT TO EDUCATION IN THE GAZA STRIP
(Directly Implemented Project No. 87840, Output No. 94739)

Report No. 1800
Issue Date: 7 September 2017

**Report on the Audit of UNDP Programme of Assistance to the Palestinian People
Right to Education in the Gaza Strip
(Project No. 87840, Output No. 94739)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Deloitte (the audit firm), from 6 June to 3 July 2017, conducted an audit of Right to Education in the Gaza Strip, Project No. 87840, Output No. 94739, (the Project), which is directly implemented and managed by the UNDP Programme of Assistance to the Palestinian People (the Office). This was the first audit of the Project.

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 2016 and the accompanying Funds Utilization statement¹ as of 31 December 2016. The audit did not cover the Statement of Assets as no assets were held 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(s) and corresponding management letter(s) submitted by the audit firm, the results are summarized in the table below:

Project Expenditure*		
Amount (in \$ '000)	Opinion	NFM** (in \$ '000)
6,505	Qualified	1,682

*NFM= Net Financial Misstatement

The audit firm qualified its opinion on project expenditure due to an overstatement of expenditures recorded in the Combined Delivery Report, which was caused by the incorrect recording of prepayments to contractors as expenses (refer to issue 1).

Key recommendation: Total = 1, high priority = 1

The audit resulted in one high (critical) priority recommendation that aims to ensure the reliability and integrity of financial and operational information. For high (critical) priority recommendations, 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. The high (critical) priority recommendation is presented below:

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.

Recording prepayments to contractors as expenses (Issue 1)

The audit noted that eight payments made by UNDP to contractors based on signed contracts were recorded as an expense in full, while these payments represented a 20 percent prepayment of the total contract amounts. These payments were paid to the contractors to start implementing the project activities and were properly supported by signed contracts between UNDP and contractors along with other supporting documents. This accounting treatment led to the overstatement of recorded expenditures in the Combined Delivery Report by the total amount of US\$1,557,572. This accounting treatment also led to inflating the indirect costs recorded under the 'Facilities and Administration' account code by \$124,606.

Recommendation: The Office should fully implement and follow proper accounting treatments for recording of prepayments as required by POPP.

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.



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