



**AUDIT**

**OF**

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

**STRENGTHENING THE RULE OF LAW IN THE OCCUPIED PALESTINIAN TERRITORIES**  
**(Directly Implemented Project No. 77565, Output Nos. 88270 and 98489)**

**Report No. 1804**

**Issue Date: 7 September 2017**

**Report on the Audit of UNDP Programme of Assistance to the Palestinian People  
Strengthening the Rule of Law in the Occupied Palestinian Territories  
(Project No. 77565, Output Nos. 88270 and 98489)  
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 Strengthening the Rule of Law in the Occupied Palestinian Territories, Project No. 77565, Output Nos. 88270, and 8489 (the Project), which is directly implemented and managed by the UNDP Programme of Assistance to the Palestinian People (the Office). The last audit of Output No. 88270 was conducted by OAI in 2016 and covered project expenditure from 1 January to 31 December 2015. This is the first audit of Output No. 98489.

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 statement<sup>1</sup> as of 31 December 2016 as well as Statement of Assets as of 31 December 2016. The audit did not include activities and 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 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:

Output ID	Project Expenditure*			Project Assets	
	Amount (in \$ '000)	Opinion	NFM*** (in \$ '000)	Amount (in \$ '000)	Opinion
88270	6,272**	Unqualified	N/A	3	Unqualified
98489	2,581**	Qualified	160	29	Unqualified

\*Expenditures recorded in the Combined Delivery Report for output 88270 were \$6,579,144. Excluded from the audit scope were expenditures processed and approved by other UNDP offices outside of the country (\$307,416).

\*Expenditures recorded in the Combined Delivery Report for output 98489 were \$2,849,226. Excluded from the audit scope were expenditures processed and approved by other UNDP offices outside of the country (\$268,636).

\*\*Government expenditure amounting to \$901,882 for Output No. 88270 and to \$306,253 for Output No. 98489 were included in the audit scope, as these were not covered by a Harmonized Approach to Cash Transfers (HACT) audit.

\*\*\*NFM= Net Financial Misstatement

The audit firm qualified its opinion on project expenditure of Output No. 98489 due to the incorrect recording of advances granted to implementing partners as expenses, and due to incorrect recording of 2015 payroll expenditures in 2016 Combined Delivery Report, which led to an overstatement of reported expenditures.

<sup>1</sup> 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.

**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. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to address the incorrect recording of payments to implementing partners as expenses instead of advances, and the incorrect recording of 2015 payroll expenses in the 2016 Combined Delivery Report.

The two recommendations aim to ensure reliability and integrity of financial and operational information.

**Management comments and action plan**

The Special Representative to the Administrator 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.

A handwritten signature in blue ink, appearing to read 'B G Simpson'.

Brett Simpson  
Officer-in-Charge  
Office of Audit and Investigations