

**UNITED NATIONS DEVELOPMENT PROGRAMME  
Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

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

**COMMUNITY RESILIENCE AND DEVELOPMENT PROGRAMME FOR AREA C AND EAST  
JERUSALEM**

**(Directly Implemented Project No. 69435, Output No. 84013)**

**Report No. 1944**

**Issue Date: 2 August 2018**

**Report on the Audit of UNDP Programme of Assistance to the Palestinian People  
Community Resilience and Development Programme for Area C and East Jerusalem  
(Project No. 69435, Output No. 84013)**

## Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Tala Abu-Ghazaleh & Co. (the audit firm), from 15 to 31 May 2018, conducted an audit of Community Resilience and Development Programme for Area C and East Jerusalem (Project No. 69435, Output No. 84013), 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 in 2017 and covered project expenses from 1 January to 31 December 2016.

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 expenses for the period from 1 January to 31 December 2017 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2017 as well as Statement of Assets as of 31 December 2017. 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 Expenses*      |           |                          |                | Project Assets        |               |
|------------------------|-----------|--------------------------|----------------|-----------------------|---------------|
| Amount<br>(in \$ '000) | Opinion   | NFM**<br>(in \$<br>'000) | Effect on CDR  | Amount<br>(in \$'000) | Opinion       |
| 6,365                  | Qualified | 43                       | Understatement | 46                    | Unmodified*** |

\* Included in the audit scope were transactions that relate to expenses incurred at the "responsible party" level (\$3,851) as these were not covered under HACT audits and all related supporting documents were available for review at the level of UNDP PAPP.

\*\*NFM= Net Financial Misstatement

\*\*\*Unmodified=Unqualified or clean opinion

The audit firm qualified its opinion on project expenses due to a miscalculation of General Management Support cost (GMS).

**Key recommendation:** Total = 1, high priority = 1

The recommendation aims to ensure compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 1).

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:

<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) 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.

Miscalculation of  
General Management  
support (GMS)  
(Issue 1)

The GMS amount recorded in the 2017's CDR was calculated using a percentage of 7 percent instead of the agreed upon percentage of 8 percent, thus resulting in an understatement of expenses amounting to \$43,000.

Recommendation:

The Office should comply with terms of grant agreement in calculating the GMS and should record the above-mentioned amounts in the correct accounting period.

### **Management comments and action plan**

The Special Representative to 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.

Helge S. Osttveiten  
Director  
Office of Audit and Investigations