AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

SUPPORTING THE RULE OF LAW AND ACCESS TO JUSTICE,
HEBRON COURTHOUSE BUILDING
(Directly Implemented Project No. 57409, Output No. 77024)

Report No. 2069
Issue Date: 14 August 2019
Report on the Audit of UNDP Programme of Assistance to the Palestinian People
Supporting the Rule of Law and Access to Justice,
Hebron Courthouse Building
(Project No. 57409, Output No. 77024)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 15 May to 14 June 2019, conducted an audit of Supporting the Rule of Law and Access to Justice, Hebron Courthouse Building (Project No. 57409, Output No. 77024) (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 Talal Abu-Ghazaleh & Co., in 2018 and covered project expenses from 1 January to 31 December 2017.

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 (CDR), which includes expenses for the period from 1 January to 31 December 2018 and the accompanying Funds Utilization statement\(^1\) as of 31 December 2018 as well as Statement of Fixed Assets as of 31 December 2018. The audit did not include 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 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:

<table>
<thead>
<tr>
<th>Project Expenses*</th>
<th>Project Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amount</strong> (in $’000)</td>
<td><strong>Opinion</strong></td>
</tr>
<tr>
<td>1,386</td>
<td>Adverse</td>
</tr>
</tbody>
</table>

*Expenses recorded in the CDR were $1,415,292. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country($29,394).
**NFM = Net Financial Misstatement

The audit firm issued an adverse opinion on project expenses due to adjustments in the 2018 CDR of unrelated expenditures recorded in the 2017 CDR. These adjustments led to an understatement of the General Management Support expenses and the 2018 CDR.

Key recommendations: Total = 2, high priority = 1

---

\(^1\) 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.
The two recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendation 1, high priority); and (b) safeguarding of assets (Recommendation 2, medium priority).

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:

**Understatement of 2018 CDR (Issue 1)**

Reversals of funds utilized by other projects in the previous year were not made in the same accounting period, but during the 2018 financial year, which led to an understatement of the current CDR of $788,768. Furthermore, these reversals led to an understatement of 2018 General Management Support expenses of $55,214.

**Recommendation:** The Office should process the reversals from the related projects during the correct accounting period.

**Implementation status of previous OAI audit recommendations:** Report No. 1943, 2 August 2018.
- Total recommendations: 3
- Implemented: 2
- In progress: 1

The pending recommendation pertains to the recording of prepayments to contractors as expenses. Its implementation is in progress.

**Management comments and action plan**

The Special Representative of the Administrator accepted all of the 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. Ostvgeiten
Director
Office of Audit and Investigations

Audit Report No. 2069, 14 August 2019: UNDP PAPP, DIM Project No. 57409