

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

PRODUCTIVITY AND URBAN RENEWAL IN EAST JERUSALEM
(Directly Implemented Project No. 87585, Output No. 94044)

Report No. 2071

Issue Date: 14 August 2019

**Report on the Audit of UNDP Programme of Assistance to the Palestinian People
Productivity and Urban Renewal in East Jerusalem
(Project No. 87585, Output No. 94044)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 30 April to 14 June 2019, conducted an audit of Productivity and Urban Renewal in East Jerusalem (Project No. 87585, Output No. 94044) (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 (CDR), which includes expenses for the period from 1 January to 31 December 2018 and the accompanying Funds Utilization statement¹ as of 31 December 2018 as well as Statement of Assets as of 31 December 2018. 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 Expenses*			Project Assets	
Amount (in \$ '000)	Opinion	NFM** (in \$ '000)	Amount (in \$ '000)	Opinion
3,481	Qualified	159	8	Unmodified

*Included in the audit scope were transactions that relate to expenses incurred at the "responsible party" level (\$185,000) as these were not covered under HACT audits and all related supporting documents were available for review at the Office.

**NFM= Net Financial Misstatement

The audit firm qualified its 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 recommendation: Total = 1, high priority = 0

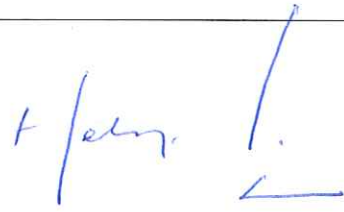
The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, which means, "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP." This recommendation includes actions to address an understatement in the 2018 CDR.

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 recommendation aims to ensure the reliability and integrity of financial and operational information.

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.



Helge S. Osttveiten
Director
Office of Audit and Investigations