

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

SUPPORT TO EDUCATION SECTOR IN EAST JERUSALEM
(Directly Implemented Project No. 99472, Output No. 102751)

Report No. 2073

Issue Date: 14 August 2019

**Report on the Audit of UNDP Programme of Assistance to the Palestinian People
Support to Education Sector in East Jerusalem
(Project No. 99472, Output No. 102751)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 23 April to 14 June 2019, conducted an audit of Support to Education Sector in East Jerusalem (Project No. 99472, Output No. 102751) (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 expenses for the period from 1 January to 31 December 2018 and the accompanying Funds Utilization statement¹ as of 31 December 2018. 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 and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenses		
Amount (in \$ '000)	Opinion	NFM* (in \$ '000)
10,546	Adverse	8,690

*NFM= Net Financial Misstatement

The audit firm issued an adverse opinion on project expenses due to the recording of advanced payments as expenses in the Combined Delivery Report (CDR).

Key recommendation: Total = 1, high priority = 1

The recommendation 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.

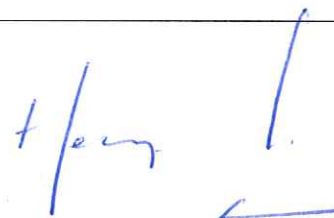
Recording advance payments as expenses in the Combined Delivery Report (CDR) (Issue 1)

Advance payments of \$8,436,932 were recorded as expenses. These payments were made to the schools to start implementing project activities. As of 31 December 2018, none of the project activities were implemented, which led to an overstatement of the expenses recorded in the 2018 CDR. This overstatement led to overstating the General Management Support expenses by \$253,108.

Recommendation: The Office should recognize expenses only for goods or services that have been received or provided during the current financial year.

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. Ostveiten
Director
Office of Audit and Investigations