



AUDIT

OF

**CONSTRUCTION OF 300 HOUSING UNITS IN RAFAH,
REPAIR DAMAGED HOUSING UNITS
(Directly Implemented Project No. 42831, Output No. 99288)**

BY

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE (PAPP)

Report No. 2357

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**Report on the Audit of
Construction of 300 Housing Units in Rafah,
Repair Damaged Housing Units implemented by UNDP Programme of Assistance to the Palestinian
People (PAPP)
(Project No. 42831, Output No. 99288)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 19 May to 3 June 2021, conducted an audit of ‘Construction of 300 Housing Units in Rafah’ (Project No. 42831), ‘Repair Damaged Housing Units’ (Output No. 99288) (the Project), which is directly implemented and managed by the UNDP Programme of Assistance to the Palestinian People (PAPP) (the Office). The last audit of the Project was conducted by OAI, through Talal Abu-Ghazaleh & Co. in 2020 and covered project expenses from 1 January to 31 December 2019.

The audit firm conducted a financial audit in accordance with the International Standards of Auditing (ISA), the 700 series, 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 2020 and the accompanying Funds Utilization statement¹ as of 31 December 2020. 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 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
6,360	Unmodified

There was an ‘Emphasis of Matter’ to the CDR and Funds Utilization statements due to UNDP expenses recorded as government expenses for the amount of \$5,156,605, but it did not affect the audit opinion as this was a misclassification issue.

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 amounts erroneously recorded as government expenses as the expenses were incurred by UNDP. This misclassification did not have a financial impact on the total CDR amount.

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 (Recommendation 1).

Implementation status of previous OAI audit recommendations: Report No. 2248, 17 August 2020.

Total recommendations: 1

Not Implemented: 1

The pending recommendation pertains to “Reconciled Advances Erroneously Recorded as Government Expenses.” Implementation has not yet commenced.

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.

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