



AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

**EMPLOYMENT GENERATION PROGRAMME THROUGH ECONOMIC AND SOCIAL
INFRASTRUCTURE DEVELOPMENT – POVERTY INFRASTRUCTURE PHASE VII –**

(Directly Implemented Project No. 73017)

Report No. 1055

Issue Date: 17 July 2012

**Report on the audit of
Employment Generation Programme through Economic and Social Infrastructure Development – Poverty
Infrastructure Phase VII (Project No. 73017)**

Executive Summary

From 3 to 30 April 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through Deloitte & Touche M.E. / Saba & Co. (the audit firm), conducted an audit of Employment Generation Programme through Economic and Social Infrastructure Development – Poverty Infrastructure Phase VII, (Project No. 73017) (the Project), which is directly implemented and managed by the UNDP Programme of Assistance to the Palestinian People (the Office). The audit firm was under the general supervision by OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

The Project reported expenditure totalling \$5.7 million during the period from 1 January to 31 December 2011. The project is funded by the Federal Republic of Germany through the Kreditanstalt für Wiederaufbau and UNDP.

Audit scope and objectives

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the results of the Project’s operations. The audit covered the review of the Project’s Statement of Expenditure (Combined Delivery Report) for the period from 1 January to 31 December 2011.

Audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, OAI assessed the management of the Project as **satisfactory**, which means “Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.” The details of the audit results are presented in Figure 1.

Figure 1: Summary results of the audit

Project Expenditure		Project Assets			
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
5,688	unqualified	-	Not Applicable*	-	Not Applicable**

*The project did not acquire assets and equipment

**No separate bank account was held by the project

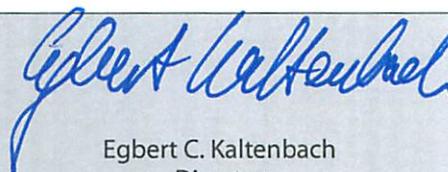
Key issues and recommendations

The audit raised three issues. There are three recommendations, of which one (33 percent) is ranked high (critical) priority, meaning “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 and may affect the organization at the global level.”

Financial and cash management Utilization of donor's funds. Project fund balance was negative at the year end, which indicates that the Office was using other donor's funds to fund the Project without requesting additional funds from the Kreditanstalt für Wiederaufbau. OAI recommends that the Office use the allocated funds specified for each project and request donors for instalments on a timely basis.

Management's comments

The Special Representative accepted all the recommendations and took action to address two medium (important) recommendations, which had been acknowledged by OAI and will be reflected as implemented in Comprehensive Audit and Recommendation Database System. Implementation is in progress for the remaining one.

A handwritten signature in blue ink, reading 'Egbert C. Kaltenbach', is positioned above the printed name and title.

Egbert C. Kaltenbach
Director
Office of Audit and Investigations