



AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

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

(Directly Implemented Project No. 46774)

Report No. 1049

Issue Date: 17 July 2012

**Report on the audit of
Employment Generation Programme through Economic and Social Infrastructure Development – Poverty
Infrastructure Phase V (Project No. 46774)**

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 V, (Project No. 46774) (the Project), which is directly implemented and managed by 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 \$1.2 million during the period from 1 January to 31 December 2011. The Project is funded by the Government of Germany through the Kreditanstalt für Wiederaufbau.

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.

The audit also verified the implementation status of the previous audit report on this Project issued on 14 December 2011 (Report no. 887). All recommendations were noted to be fully implemented.

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		Cash	
Amount (in \$ '000)	Opinion	NFI (in \$ '000)	Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
1,157	qualified	6	-	Not Applicable*	-	Not Applicable**

NFI = Net Financial Impact

*The project did not acquire assets and equipment

**No separate bank account was held by the project

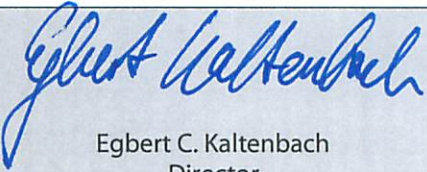
The audit firm qualified the opinion on project expenditure due to incorrect charging of general management support (GMS) fee to the Kreditanstalt für Wiederaufbau. An amount of \$6,000 was charged in excess of the agreed amount. This qualification did not affect OAI overall rating since it was not a significant defect on internal controls.

Key issues and recommendations

The audit raised one issue. There is one recommendation ranked medium (important) priority, which means "Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP." The medium (important) priority recommendation includes actions to address the incorrectly calculated general management support fee.

Management's comments

The Special Representative accepted the recommendation and is in the process of implementing it.

A blue ink signature of Egbert C. Kaltenbach is written in a cursive style within a light blue rectangular box.

Egbert C. Kaltenbach
Director
Office of Audit and Investigations