



**AUDIT**

**OF**

**UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE**

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

**(Directly Implemented Project No. 60764)**

**Report No. 1051**

**Issue Date: 17 July 2012**

**Report on the audit of  
Employment Generation Programme through Economic and Social Infrastructure Development – Poverty  
Infrastructure Phase VI (Project No. 60764)**

**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 VI, (Project No. 60764) (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 \$1.4 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.

**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. 891). 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	Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
1,442	<b>unqualified</b>	-	<b>Not Applicable*</b>	-	<b>Not Applicable**</b>

\*The project did not acquire assets and equipment

\*\*No separate bank account was held by the project


**Key issues and recommendations**

The audit raised one issue. There is one recommendation 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 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 rectangular box.

Egbert C. Kaltenbach  
Director  
Office of Audit and Investigations