

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
Resilient nations.*

AUDIT

OF

UN WOMEN COUNTRY OFFICE IN JORDAN

**PROMOTING SOCIAL COHESION THROUGH WOMEN'S ECONOMIC EMPOWERMENT AND
PROTECTION INITIATIVES IN IRBID AND ZARQA
(Directly Implemented Project No. 96450)**

Report No. 1864
Issue Date: 20 September 2017

**Report on the Audit of UN Women
Promoting Social Cohesion through Women’s Economic Empowerment and Protection Initiatives
in Irbid and Zarqa (Project No. 96450)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Deloitte (the audit firm), from 12 to 19 June 2017, conducted an audit of Promoting Social Cohesion through Women’s Economic Empowerment and Protection Initiatives in Irbid and Zarqa (Project No. 96450 (the Project), which is directly implemented and managed by the UN Women Country Office in Jordan (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 Trial Balance Report, which includes expenses for the period from 1 January to 31 December 2016. The audit did not cover the Statement of Assets as there were no assets held by the Project as of 31 December 2016. In addition, the audit did not include expenses incurred or undertaken at the level of “responsible party” and expenses processed and approved in locations outside of the country (such as UN Women Regional Centres and UN Women Headquarters).

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)
1,488	Qualified	0

*Expenses recorded in the Project Trial Balance were \$1,558,483. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UN Women offices outside of the country (\$70,563).

**NFM= Net Financial Misstatement. The qualified amount did not result in a net financial misstatement.

The audit firm qualified its opinion on project expenses due to misclassification of expenses amounting to \$783,904. This did not have an impact on the amount of the total expenses reported for 2016 (refer to issue 1) and consequently the qualified amount did not result in any net financial misstatement.

Key recommendation: Total = 1, high priority = 1

The recommendation aims to ensure compliance with legislative mandates, regulations and rules, policies and procedures.


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:

Improper classification of expenses (Issue 1)	The Office improperly classified expenses amounting to \$783,904 and charged to construction and engineering account (code #72105) although these expenses pertained to various consultancy and training activities.
---	--

Recommendation: The Office should consult with Headquarters Procurement Division on how to properly modify the default account generated in Atlas when creating the Purchase Order/Voucher and to regularly review the classification of expenses.

Management comments and action plan

The Representative of the Office concerned accepted the recommendation and has implemented corrective actions. Management comments and/or additional information provided have been incorporated into the report, where appropriate.



Helge S. Ostveiten
Director
Office of Audit and Investigations

United Nations Development Programme (UNDP)

**Report on Financial Audit of United Nations Entity for Gender Equality and
the Empowerment of Women (UN WOMEN)
Directly Implemented Project in
Jordan**

**Promoting Social Cohesion through Women's Economic Empowerment and
Protection Initiatives in Irbid and Zarqa**

Project No. 00096450

September 19, 2017

Table of Contents

Part I – Executive Summary.....	4
PART II - Auditor’s Report	7
2.1 INDEPENDENT AUDITOR’S REPORT ON STATEMENT OF EXPENSES	7
Part III – Management Letter	10

**To: The Director
Office of Audit and Investigations (OAI)
United Nations Development Programme (UNDP)**

Dear Sir;

This report represents the results of the financial audit conducted on the UN Women Jordan directly implemented (DIM) project “Promoting Social Cohesion through Women’s Economic Empowerment and Protection Initiatives in Irbid and Zarqa”, Project ID 00096450 (“the project”), for the period from 1 January 2016 to 31 December 2016.

The audit was undertaken on behalf of the Office of Audit and Investigations (OAI), United Nations Development Programme (UNDP).

Part I – Executive Summary

Deloitte Haskins & Sells LLP (DHS) through Deloitte & Touche (ME) Palestine Office conducted a financial audit of the UN Women Jordan (“the office”), directly implemented Project: “Promoting Social Cohesion through Women’s Economic Empowerment and Protection Initiatives in Irbid and Zarqa” (Project no. 00096450) (“the Project”) for the period 1 January 2016 to 31 December 2016.

1.1 Audit Objective

The objective of the financial audit is to express an opinion on the project’s financial statements which include:

- a) Expressing an opinion on whether the financial expenses incurred by the project for the period from January 01, 2016 to December 31, 2016 and the funds utilization as at December 31, 2016 are fairly presented in accordance with UN Women accounting policies and that the expenses incurred were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UN Women; and (iv) supported by properly approved vouchers and other supporting documents.
- b) Expressing an opinion on whether the statement of fixed assets presents fairly the balance of assets of the UN Women project as at 31 December, 2016. This statement must include all assets available as at 31 December, 2016 and not only those purchased in a given period. Where a DIM project does not have any assets or equipment, it will not be necessary to express such an opinion.
- c) As may be applicable, provide the progress made in implementing the recommendations raised in a previous year audit report.

The Financial Audit was conducted in accordance with the International Standards of Auditing (ISA), the 800 series.

1.2 Scope of Audit

The scope of the audit relates only to transactions concluded and recorded against the UN Women DIM project for the period from January 01, 2016 to December 31, 2016. The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of “responsible parties”, unless the inclusion of these expenses is specifically required in the request for proposal; and

- Expenses processed and approved in locations outside the country such as UN Women Regional Offices and UN Women Headquarters and where the supporting documentation is not retained at the level of the UN Women country office.
-
- a) The audit covered all activities of the project number 96450 “Promoting Social Cohesion through Women’s Economic Empowerment and Protection Initiatives in Irbid and Zarqa” during the period from January 01, 2016 to December 31, 2016; and included review of project reports and records located at the UN Women country office in Jordan.
 - b) Specifically, the audit covered the expenses incurred and recorded in the Project Trial Balance of project number 96450 during the period from January 01 to 31 December 2016 as reported by the Office in Jordan; and the value and existence of the fixed assets held by project number 96450 as at December 31, 2016; and
 - c) Follow-up on previous audit findings:

1.3 Summary of audit opinions

We have issued audit opinions as summarized in the table below and as detailed in the next section:

Project Certified Trial Balance –(Statement of Expenditure)	Qualified
Statement of Fixed Assets	Not applicable

1.4 Summary of Observations

As a result of our audit, we have raised one audit finding with the financial impact as summarized below: -

Project ID	Title of Finding	Priority	Financial Impact
96450	Improper Classification of Expenses as Service Contractor – Construction and Engineering	High	USD 783,904

No audit was carried out in the prior year, no follow-up procedures were performed.



Deloitte & Touche (ME)
Ramallah, Palestine
September 19, 2017



PART II - Auditor's Report

2.1 INDEPENDENT AUDITOR'S REPORT ON THE PROJECT TRIAL BALANCE - STATEMENT OF EXPENSES

**To: The Director
Office of Audit and Investigations (OAI)
United Nations Development Programme (UNDP)**

Qualified Opinion

We have audited the accompanying Project Trial Balance, ("the statement") of the UN Women Jordan project 00096450, 'Promoting Social Cohesion through Women's Economic Empowerment and Protection Initiatives in Irbid and Zarqa', as at 31 December 2016.

The Project Trial Balance expenditure totaling USD \$1,558,483, is comprised of expenditures directly incurred by the UN Women Country Office in Jordan for an amount of USD \$1,487,920 and expenditures incurred by entities other than the Country Office in the amount of USD \$70,563. Our audit only covered the expenditure directly incurred by the UN Women Country Office in Jordan of USD \$1,487,920.

In our opinion, and except for the effects of the matter described in the basis for qualified opinion section of our report, the accompanying Project Trial Balance presents fairly, in all material respects, the expenses of USD \$1,487,920, incurred directly by the UN Women Country Office in Jordan and charged to the Project, for the year ended 31 December 2016 in accordance with UN Women accounting policies, and that the expenses incurred were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UN Women; and (iv) supported by properly approved vouchers and other supporting documents.

Basis for Qualified Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the Project Trial Balance section of our report. We are independent of UN Women in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

1. We noted that expenditures for total amount of USD 783,904 were improperly Classified under Construction and Engineering Account (account # 72105), which is not in compliance with relevant regulations and rules, policies and procedures of UN Women, since the expenditures represent amounts paid for consultancy and training.

INDEPENDENT AUDITOR'S REPORT (Continued)

Management Responsibilities

Management is responsible for the preparation of the Project Trial Balance, and for such internal control as management determines is necessary to enable the preparation of a Project Trial Balance that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit

Our objectives are to obtain reasonable assurance about whether the Project Trial Balance as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also,

1. Identify and assess the risks of material misstatement of the Project Trial Balance whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Acknowledgment

We wish to express our appreciation for the courtesy and cooperation extended to our representatives during the course of their work.


Deloitte & Touche (M.E.)

**Ramallah - Palestine
September 19, 2017**



Financial audit of UN Women DIM Project 96450- "Promoting Social Cohesion through Women's Economic Empowerment and Protection Initiatives in Irbid and Zarqa"
For the year ended 31 December 2016

The Financial Report for the Year Ended 31 December 2016:



Extract of UN Women Trial balance as at the 31 December 2016
Expenditure by Project

Project	Account	Acc Desc	Donor report classification	Total per GL
96450	65555	Contribution to UN JFA	Expenses	691.04
96450	71305	Local Consult.-Sht Term-Tech	Expenses	57,886.39
96450	71505	UN Volunteers-Skipend & Allow	Expenses	3,739.75
96450	71520	UNV-Language Allowance	Expenses	1,117.74
96450	71535	UNV-Medical Insurance	Expenses	305.84
96450	71540	UNV-Global Charges	Expenses	189.78
96450	71550	UNV-Resettlement Allowance	Expenses	103.87
96450	71590	UNV Development Effectiveness	Expenses	696.77
96450	71605	Travel Tickets-International	Expenses	1,260.00
96450	71615	Daily Subsistence Allow-Intl	Expenses	1,054.04
96450	71620	Daily Subsistence Allow-Local	Expenses	20,828.08
96450	71635	Travel - Other	Expenses	309.88
96450	72105	Svc Co-Construction & Engineer	Expenses	783,904.00
96450	72145	Svc Co-Training and Educ Serv	Expenses	313,629.24
96450	72210	Machinery and Equipment	Expenses	207,918.85
96450	72311	Fuel, petroleum and other oils	Expenses	3,050.84
96450	72405	Acquisition of Communic Equip	Expenses	3,284.97
96450	72415	Courier Charges	Expenses	112.47
96450	72420	Land Telephone Charges	Expenses	237.88
96450	72425	Mobile Telephone Charges	Expenses	718.06
96450	72440	Connectivity Charges	Expenses	132.25
96450	72505	Stationery & other Office Supp	Expenses	942.63
96450	72815	Inform Technology Supplies	Expenses	2,727.42
96450	73110	Custodial & Cleaning Services	Expenses	67.80
96450	73120	Utilities	Expenses	3,693.15
96450	73125	Common Services-Premises	Expenses	12,909.60
96450	73405	Rental & Maint-Other Office Eq	Expenses	696.04
96450	73410	Maint, Oper of Transport Equip	Expenses	79.10
96450	73505	Reimb to UNDP for Supp Svcs	Expenses	8,182.21
96450	73510	Reimb to UN for Supp Svcs	Expenses	8,400.00
96450	74210	Printing and Publications	Expenses	1,461.86
96450	74220	Translation Costs	Expenses	2,477.54
96450	74325	Contrib.To CD Common Security	Expenses	928.88
96450	74410	Charges on Fin Completed Projs	Expenses	33,518.31
96450	74965	Low value equipment	Expenses	515.82
96450	75105	Facilities & Admin - Implement	Expenses	15,078.05
96450	75705	Learning Costs	Expenses	9,282.59
96450	75709	Learning - training of counter	Expenses	885.59
96450	76125	Realized Loss	Expenses	0.01
96450	77305	Salaries - IP Staff-TA	Expenses	31,088.60
96450	77310	Post Adjustment - IP Staff-TA	Expenses	7,301.67
96450	77357	Repat. Grt/Comm Ann Lv-IP-TA	Expenses	1,951.39
96450	77375	Contrib-Jt Staff Pens Fd-IP-TA	Expenses	10,277.21
96450	77385	Contribution to Security	Expenses	1,535.60
96450	77386	Contribution to ICT_TA	Expenses	1,535.60
96450	77395	MWP Premium TA/IP	Expenses	76.80
96450	77396	PAYROLL MGT COST RECOVERY	Expenses	643.80
96450	77397	Appendix D TA/IP	Expenses	115.17
96450	77630	Dep Exp Owned - ITC	Expenses	622.80
96450	77660	Dep Exp Owned -Vehicle	Expenses	336.29
				1,558,483.27

I hereby certify that the Trial Balance is extracted from UN-Women's books and records which have been audited by the United Nations Board of Audit for the year ended 31 December 2016

Dina Al-Ghannouchi

16-May-17
Date



Part III – Management Letter

**To: The Director
Office of Audit and Investigations (OAI)
United Nations Development Programme (UNDP)**

Introduction

Under International Standards on Auditing, auditors are encouraged to report various matters concerning an entity's internal control structure noted during their audit, and are required to report certain of those matters. Matters that are required to be reported are "significant deficiencies in the design or operation of the internal control structure that, in the auditor's judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements."

As part of our audit of the statement of the Project "Promoting Social Cohesion through Women's Economic Empowerment and Protection Initiatives in Irbid and Zarqa" for the year ended 31 December 2016, we considered UN Women's internal control structure and compliance with its accounting policies in determining the scope of our audit procedures for the purpose of rendering an opinion on the financial statement. Our purpose was not to provide assurance on the internal control structure.

We emphasize that the responsibility for a sound system of internal controls rests with management and work performed by external audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of irregularity should there be any, although our audit procedures have been designed so that any material irregularity has a reasonable probability of discovery.

The matters raised in this part are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be needed. Recommendations for improvements should be assessed by management for their full commercial impact before they are implemented. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

The Audit Engagement

Audit objectives

The objective of the financial audit is to express an opinion on a project's financial statements which include:

3.1 Expressing an opinion on whether the financial expenses incurred by the project for the period from January 01, 2016 to December 31, 2016 are fairly presented in accordance with UN Women accounting policies and that the expenses incurred were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UN Women; and (iv) supported by properly approved vouchers and other supporting documents. The Project Trial Balance certified by the UN Women Chief of Accounts, is the mandatory and official statement upon which the audit opinion should be expressed. Other forms of statement of expenses that may be prepared by a project office are not acceptable.

3.2 Expressing an opinion on whether the statement of fixed assets presents fairly the balance of assets of the UN Women project as at 31 December, 2016. This statement must include all assets available as at 31 December, 2016 and not only those purchased in a given period. Where a DIM project does not have any assets or equipment, it will not be necessary to express such an opinion.

3.3 As may be applicable, provide the progress made in implementing the recommendations raised in a previous year audit report.

The Financial Audit will be conducted in accordance with the International Standards of Auditing (ISA), the 700 series.

Scope of Audit

3.4 We performed our audit in accordance with the International Standards on Auditing. The scope of the audit related to transactions concluded and recorded against the UN Women DIM project for the period 1 January 2016 to 31 December 2016. Per the Terms of Reference the scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of "responsible parties", unless the inclusion of these expenses is specifically required in the request for proposal; and
- Expenses processed and approved in locations outside the country such as UN Women Regional Offices and UN Women Headquarters and where the supporting documentation is not retained at the level of the UN Women country office.

3.4.1 Specifically, the audit covered the following:

- (a) The expenses incurred and recorded in the Project Trial Balance during the period from 1 January to 31 December 2016 as reported by the Office in Jordan;
- (b) The value and existence of the fixed assets held by the project as at 31 December 2016; and
- (c) Follow-up on previous audit: No previous audits were performed for this project

Acknowledgment

We wish to express our appreciation for the courtesy and cooperation extended to our representatives during the course of their work.



Deloitte & Touche (M.E.)

Ramallah, Palestine

September 19, 2017



Finding Number 1: Improper Classification of Expenses as Service Contractor – Construction and Engineering

Observation

We noted that expenditures for total amount of USD \$783,904 were improperly Classified under Construction and Engineering Account (Code #72105) although the expenditures represent amounts paid for various consultancy and training activities.

Priority

High

Risk

The incorrect coding of project expenditures in Atlas, may result in inaccurate reporting to donors and management for use in decision making and may cause difficulty in comparing and reviewing the data.

Cause

The Office explained that the error was caused by the application of default account codes in the Atlas Procurement Catalog.

Recommendation

We recommend UN Women country office consult with Headquarters Procurement Division on how to properly modify the default account generated in Atlas when creating the Purchase Order/Voucher and to regularly review the classification of the expenses in order to ensure their accuracy and to timely make necessary adjustments of the trial balance.

Responses

Management's Response/Action

As the requisitions and POs were raised before August 2016, the account code for construction and engineering was used in default mode of the ERP. However effective August 2016 significant improvements to the procurement catalogue in the corporate ERP has been effected thereby allowing correct account codes being used.

Auditor's Response/Action

We are retaining our finding since it was valid under our audit period.