

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP IRAQ**

**LOCAL AREA DEVELOPMENT PROGRAM PHASE II**  
**(Directly Implemented Project No. 66352, Output No. 82552)**

**Report No. 1483**

**Issue Date: 15 September 2015**

## Report on the Audit of UNDP Iraq Local Area Development Program Phase II (Project No. 66352, Output No. 82552) Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), conducted from 14 to 18 June 2015 an audit of Local Area Development Program Phase II (Project No. 66352, Output No. 82552) (the Project), which is directly implemented and managed by the UNDP Country Office in Iraq (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 Combined Delivery Report, which includes expenditure for the period from 01 January to 31 December 2014 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2014 as well as Statement of Assets as of 31 December 2014. The audit did not include activities and expenses incurred or undertaken at the "responsible party" level, or expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). In addition, the audit did not cover the Statement of Cash Position 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 Expenditure*			Project Assets		
Amount (in \$ '000)	Opinion	NFI** (in \$ '000)	Amount (in \$ '000)	Opinion	NFI (in \$ '000)
2,043	Qualified	216	106	Qualified	6

\*Expenditures recorded in the Combined Delivery Report were \$2.73 million. Excluded from the audit scope were transactions that relate to expenditures processed and approved by other UNDP offices outside of the country (\$0.68 million).

\*\*NFI = Net Financial Impact

The audit firm qualified its opinion on project expenditure and project assets due to lack of supporting documents for expenditures and assets.

**Key recommendations:** Total = 2, high priority = 1

The audit resulted in two recommendations, which aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendation 1); and (b) safeguarding of assets (Recommendation 2).

The medium priority recommendation aims to address lack of supporting documents for assets valued at \$6,000.

<sup>1</sup> The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) depreciated 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.

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:

Lack of supporting  
documentation  
(Issue 1)

The Office did not provide supporting documents as evidence that expenditures amounting to \$215,666 were incurred for project purposes and in accordance with UNDP regulations. The Office's Finance Unit had staff turnover and finance personnel that were not familiar with the Atlas system. Furthermore, some project documents were kept outside of the Country and the retrieval process was difficult.

Recommendation: The Office should ensure that adequate supporting documents are maintained by having proper handover between exiting and joining staff, providing adequate Atlas training to finance personnel, and maintaining adequate records of documents that are kept outside of the country.

#### Management comments and action plan

The Resident Representative accepted both recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.



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