UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

IRAQ

Follow-up of OAI Report No. 1444 dated 5 June 2015

Report No. 1700
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Report on Follow-up Audit of UNDP Iraq
(Previous OAI Report No. 1444, 5 June 2015)
Executive Summary

From 15 to 19 May 2015, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an on-site follow-up audit of the UNDP Country Office in Iraq (the Office). This on-site follow-up audit was undertaken, in addition to regular desk reviews, in view of the 'unsatisfactory' audit rating assigned by OAI in Report No. 1444 dated 5 June 2015. The follow-up audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit scope and approach

The follow-up audit reviewed the implementation of 15 audit recommendations. OAI conducted appropriate tests of transactions and activities by the Office from 1 January 2016 to 30 April 2016 and interviewed management and staff concerned to determine whether the reported corrective actions were indeed implemented, as reported by the Office in the Comprehensive Audit and Recommendation Database System (CARDS).

Audit results

Of the 15 audit recommendations, the Office had fully implemented 14 and initiated action on 1 recommendation, resulting in an implementation rate of 100 percent[1] as shown on the UNDP website as of 15 June 2016.

Implementation status	Number of recommendations	Recommendation Nos.
Implemented	14	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14
In progress	1	15
Total	**15**	

The detailed implementation status of the 15 recommendations has been updated by OAI in CARDS.

Section I summarizes the recommendation that has yet to be fully implemented. OAI encourages the Office to continue to take appropriate actions to address this remaining recommendation. OAI will continue to monitor the progress of the implementation of the recommendation as and when updates are provided by the Office in CARDS.

The one recommendation in progress aims to ensure the safeguarding of assets.

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[1] The implementation rate included extra points depending on how quickly the recommendations have been implemented by the action units. The implementation rate in CARDS was 103 percent as of 15 June 2016.

Management comments and action plan

The Resident Representative provided the revised implementation date for the outstanding recommendation.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I.   Details of recommendation not yet implemented

No.	Recommendation	Implementation status reported by UNDP Iraq	OAI assessment
15	Improve asset management by: (a) conducting and documenting the asset verification process and having the verification reports signed by the assigned verification committee; (b) updating the asset locations in the system and tagging all assets; and (c) reviewing and deciding if zero net book value assets should be re-evaluated or disposed.	▪ The 2016 mid-year physical verification was completed in all locations except Baghdad, where it will be undertaken between 14 and 23 June. A consolidated assets verification report will be prepared by the end of June 2016, after the completion of the mid-year physical verification exercise. ▪ Separate lists of capital assets and non-capital assets were used in the 2016 mid-year physical verification exercise. ▪ Reconciliation documents will be prepared as part of the assets verification report, following the mid-year exercise. ▪ The Office will follow up with the Regional Bureau for Arab States Regional Hub for the transfer/disposal of assets that are still in Amman. ▪ Out of the 10 missing assets, 8 assets with a total net book value of $6,759 were disposed and removed from the list of assets. The remaining two assets with a net book value of $4,187 will be submitted to the Contracts, Assets and Procurement Committee. After the Committee's review, the case will be submitted to the Director of the Bureau for Management Services for approval prior to submission to the Global Shared Services Centre. ▪ The process of adding the four old vehicles in the list of assets has been initiated. ▪ The Office is planning to develop Standard Operating Procedures for asset management and training Office personnel on asset management in July 2016, with specific preparations for this exercise already underway. ▪ To maintain and further strengthen the overall Office capacity in asset management, three asset focal points will be assigned for each of the key Office locations – Baghdad, Erbil and Basra. The asset focal point in Erbil will remain the principal/key asset focal point for the Office. ▪ The Office will communicate the results of the mid-year asset verification process to OAI at the end of June 2016.	**In progress** OAI reviewed the last asset verification report and noted the following issues: ▪ There was no consolidated assets verification report with comprehensive results of the physical verification. ▪ Signed verification reports included capital assets and non-capital asset items. ▪ There was a lack of comprehensive reconciliation documents between the signed reports and the list of assets. ▪ Three assets located in Amman valued at $2,939 remained in the list of assets. ▪ Two assets with a total net book value amounting to $4,187 were not found. However, they remained listed in the assets inventory. ▪ Four vehicles were not registered in the list of assets as of 31 December 2015. Agreed revised implementation date: 31 July 2016

ANNEX   Definitions of audit terms – implementation status, ratings and priorities

A.   IMPLEMENTATION STATUS

▪ **Implemented**
The audited office has either implemented the action as recommended in the audit report or has taken an alternative solution that has met the original objective of the audit recommendation.

▪ **In progress**
The audited office initiated some action to implement the recommendation or has implemented some parts of the recommendation.

▪ **Not implemented**
The audited office has not taken any action to implement the recommendation.

▪ **Withdrawn**
Because of changing conditions, OAI considers that the implementation of the recommendation is no longer feasible or warranted or that further monitoring efforts would outweigh the benefits of full implementation. A recommendation may also be withdrawn when senior management has accepted the residual risk of partial or non-implementation of recommendation.

B.   AUDIT RATINGS

▪ **Satisfactory**
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.

▪ **Partially Satisfactory**
Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.

▪ **Unsatisfactory**
Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

C.   PRIORITIES OF AUDIT RECOMMENDATIONS

▪ **High (Critical)**
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.

▪ **Medium (Important)**
Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.

▪ **Low**
Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.