



AUDIT

OF

UNDP IRAQ

IRAQ CRISIS RESPONSE AND RESILIENCE PROGRAMME (ICRRP)
(Directly Implemented Project No. 85156, Output Nos. 105112 and 105146)

Report No. 2241
Issue Date: 28 September 2020

**Report on the Audit of UNDP Iraq
Iraq Crisis Response and Resilience Programme (ICRRP)
(Project No. 85156, Output Nos. 105112 and 105146)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 16 July to 20 August 2020, conducted an audit of Iraq Crisis Response and Resilience Programme (ICRRP), Project No. 85156 (Integrated Recovery Support, Output No. 105112, and Resilience Building in Iraq II, Output No. 105146) (the Project), which is directly implemented and managed by the UNDP Country Office in Iraq (the Office). The last audit of the Project was conducted by OAI, through KPMG in 2019 and covered project expenses from 1 January to 31 December 2018.

The audit firm conducted a financial audit, in accordance with the International Standards of Auditing (ISA), the 700 series, 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 expenses for the period from 1 January to 31 December 2019 and the accompanying Funds Utilization statement¹ as of 31 December 2019 as well as Statement of Assets as of 31 December 2019. 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 reports and corresponding management letters submitted by the audit firm, the results are summarized in the table below:

Output No.	Project Expenses			Project Assets	
	Amount (in \$ '000)	Opinion	NFM*** (in \$ '000)	Amount (in \$ '000)	Opinion
105112	10,275*	Qualified	(35)	5	Unmodified
105146	3,407**	Qualified	1,129	46	Unmodified

* Expenses recorded in the Combined Delivery Report were \$15,960,165. Excluded from the audit scope were expenses processed and approved by other UNDP offices outside of the country (\$218,099). Also excluded were expenses incurred at the "responsible party" level (\$5,467,321), of which \$4,395,451 was subject to a separate audit conducted by external auditors that resulted in an unmodified opinion.

** Expenses recorded in the Combined Delivery Report were \$7,825,459. Excluded from the audit scope were expenses processed and approved by other UNDP offices outside of the country (\$320,057). Also excluded were expenses incurred at the "responsible party" level (\$4,098,709), of which \$3,584,081 was subject to a separate audit conducted by external auditors that resulted in an unmodified opinion.

*** NFM = Net Financial Misstatement

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

The audit firm issued a qualified opinion on expenses for Output No. 105112 due to the following: (a) personnel expenses that were charged in 2018 to another project with available funds, since the Project lacked funds at the time of payment – these funds were reimbursed and recognized as expenses by the Project in 2019, causing an overstatement in the financial statements of \$33,356, including the corresponding GMS; and (b) expenses incurred in 2018 and 2019 recorded in the incorrect accounting period, with a financial impact (understatement) of \$68,126, including GMS. The resulting impact was an understatement of the FY2019 financial statements in the amount of \$34,771 that represented 0.34 percent of the expenditures directly incurred by the Office as at 31 December 2019.

The audit firm issued a qualified opinion on expenses for Output No. 105146 due to the following: (a) learning expenses, from another project that lacked funds, charged in 2018 to the Project – these funds were reimbursed to the Project in 2019, and related expenditures were unposted, causing an understatement in the financial statements of \$233,500, including the corresponding GMS; and (b) construction and engineering expenses charged in 2018 to another project. The refunding and posting of expenses in 2019 led to an overstatement of 1,362,855, including GMS. The resulting impact was an overstatement of the FY2019 financial statements of \$1,129,355 that represented 33 percent of the expenditures directly incurred by the Office as at 31 December 2019.

Key recommendations: Total = **2**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There are two medium (important) priority recommendations, which means “Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.” These recommendations include actions to address the incorrect recording of personnel expenses (Output No. 105112), and the incorrect recording of learning expenses (Output No. 105146).

The two recommendations aim to ensure the reliability and integrity of financial and operational information.

Implementation status of previous OAI audit recommendations

The previous audit (Report No. 2149, issued on 16 August 2019) did not result in any recommendations.

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.



Helge
Osttveiten
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Helge S. Osttveiten
Director
Office of Audit and Investigations

**United Nations Development Programme
(UNDP)**

**Financial Audit of Directly Implemented Project Managed by
UNDP Country office in Iraq**

**“Resilience Building in Iraq II”
(Project ID 85156 - Output ID 105146)
For the period from 1 January to 31 December 2019**

23 September 2020

**Talal Abu-Ghazaleh & Co.
Member of Talal Abu-Ghazaleh & Co. International, TAGI
Certified Public Accountants**



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1. PART I – EXECUTIVE SUMMARY

1.1. Executive Summary:

This report represents the results of the financial audit conducted by Talal Abu-Ghazaleh & Co. of the project ID 85156 – output ID 105146 “Resilience Building in Iraq II” (the project), directly implemented by UNDP country office in Iraq for the period from 1 January to 31 December 2019.

The audit was undertaken on behalf of UNDP, Office of Audit and Investigations (OAI) and mandated in accordance with the Contract for Professional Services signed between UNDP and Talal Abu-Ghazaleh & Co. on 20 April 2020.

Audit Opinions:

The following is the summary of the audit opinions provided:

Report on	Type of Opinion	Note
Financial Position	Modified (Qualified)	Total Net Financial Misstatement is overstatement of the CDR by US\$1,129,355.45*
Statement of Fixed Assets	Unmodified	None
Statement of Cash	Not applicable	There was no separate bank account for the project under audit. Therefore, no audit opinion to be provided on a Statement of Cash.

*Breakdown per account of total net financial misstatement of FY2019 CDR:

Account	Account description	Amount USD	Net Financial Misstatement on FY2019 CDR
75705	Learning costs expenses	(216,204.08)	Understatement
72105	Construction and engineering	906,135.85	Overstatement
72399	Other materials and goods	355,767.72	Overstatement
	Net Impact	1,045,699.49	Overstatement
		83,655.96	GMS was overstated as a result of these transactions by 8%
		1,129,355.45	Total Net Financial Misstatement of FY 2019 CDR (Overstatement)

Audit Finding:

As a result of our audit, the following findings were included in the management letter:

Ref no.	Summary of Audit Finding	Priority	Net Financial Misstatement
1	The current Combined Delivery Report (CDR) is understated due to refunding of expenses by another project that temporality used the audited project funds during 2018, with adjustment of amount of US\$ 216,204.08 made in 2019. This refund also led to the understatement of the General Management Support (GMS) (Facilities and Admin) amount in the current CDR by US\$ 17,296.32.	Medium (Important)	Understatement of the expenses in the current CDR with an amount of US\$ 233,500.40.
2	The current Combined Delivery Report (CDR) is overstated due to the recognition of expenses in 2019 of amounts temporality posted to another project in 2018 with an amount of US\$ 1,261,903.57. This led to the overstatement of the General Management Support (GMS) (Facilities and Admin) amount in the current CDR by US\$ 100,952.28.	N/A	Overstatement of the expenses in the current CDR with an amount of US\$ 1,362,855.85.
	Total Net Financial Misstatement of FY2019 CDR (Overstatement)		US\$1,129,355.45

Follow-up on previous year’s audit recommendations:

The project ID 85156 - output ID 105146 “Resilience Building in Iraq II” was audited in the prior year (audit ID 2149 issued on 16 August 2019). The previous audit report did not include any recommendations.

Sincerely yours,

Jamal Milhem, CPA

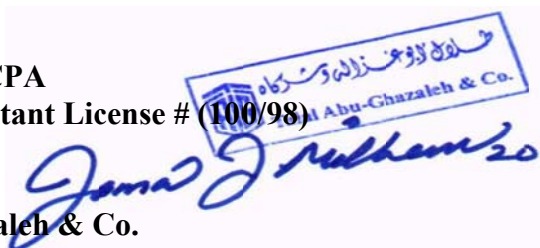
Certified Accountant License # (100/98)

Talal Abu-Ghazaleh & Co.

License No. 251/1997

Ramallah – Palestine

23 September 2020



1.2. Audit Objectives

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

- 1) Expressing an opinion on whether the financial expenses incurred by the project for the period from 1 January to 31 December 2019 and the funds utilization, the accounts receivable and the accounts payable as at 31 December 2019 were fairly presented in accordance with UNDP 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 UNDP; and (iv) supported by properly approved vouchers and other supporting documents.
- 2) Expressing an opinion on whether the statement of fixed assets, at net book value, presents fairly the balance of depreciated assets of the UNDP Project as at 31 December 2019. This statement should include all assets available as at 31 December 2019 and not only those purchased in the year under audit. Where a DIM project does not have any assets or equipment, it will not be necessary to express such an opinion, and
- 3) Expressing an opinion on whether the statement of cash held by the Project presents fairly the cash and bank balance of UNDP Project as at 31 December 2019. The audit firm is required to express an opinion on the Statement of Cash only where a dedicated bank account for the DIM project has been established. In cases where the cash transactions of the audited DIM project are made through the country office bank accounts, this type of opinion is not required.

B. As applicable, providing 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 on Auditing (ISA), the 700 series.

1.3. Scope of Audit:

The scope of the audit relates only to transactions concluded and recorded against the UNDP DIM project for the period from 1 January to 31 December 2019.

The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of “responsible parties”; and
- Expenses processed and approved in locations outside the country such as UNDP Regional Centers and UNDP Headquarters and where the supporting documentation is not retained at the level of the UNDP country office.

2. PART II – FINANCIAL AUDIT REPORTS

2.1. Auditor's Report on Financial Position.

**Independent Auditor's Report on the Project Financial Position
of UNDP DIM Project ID 85156 – Output ID 105146
“Resilience Building in Iraq II”**

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

Report on the Project Financial position

We have audited the financial position of the UNDP project ID 85156 - output ID 105146 “Resilience Building in Iraq II” for the period from 1 January to 31 December 2019, which includes: (a) the accompanying Combined Delivery Report (CDR); (b) the Funds Utilization Statement (the statement); and (c) the project-related accounts receivable and accounts payable.

The CDR expenditures totaling US\$ 7,825,459.54, are comprised of expenditures directly incurred by the UNDP country office in Iraq with an amount of US\$ 3,406,693.74 and expenditures incurred by entities other than the Office with an amount of US\$ 4,418,765.80. Our audit only covered the expenditures directly incurred by the UNDP country office in Iraq at an amount of US\$ 3,406,693.74.

Modified (Qualified) Opinion

In our opinion, except for the effects of the matter described in the Basis for opinion section of our report, the accompanying CDR and Funds Utilization statement presents fairly, in all material respects, the expenses of US\$ 3,406,693.74 directly incurred by the UNDP Country Office in Iraq and charged to the project ID 85156 - output ID 105146 for the period from 1 January to 31 December 2019 in accordance with UNDP accounting policies and 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 UNDP; and (iv) supported by properly approved vouchers and other supporting documents.

Basis for Modified (Qualified) Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the CDR and Funds Utilization section of our report. We are independent of UNDP 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.

- Learning costs expenses (account No. 75705) reported in the current CDR were understated with an amount of US\$ 216,204.08 due to refunding of this amount from other projects. This refund also led to the understatement of the 2019 GMS expenses (Facilities and Admin.) by the amount of US\$ 17,296.32.
- Construction and engineering expenses (account No. 72105) and other material and goods expense (account No. 72399) reported in the current CDR were overstated with an amount of US\$ 906,135.85 and US\$ 355,767.72 respectively due to refunding of these amounts to other projects. These refunds also led to the overstatement of the 2019 GMS expenses (Facilities and Admin.) by the amount of US\$ 100,952.28.

Management’s Responsibility

Management is responsible for the preparation of the CDR and the Funds Utilization Statement of the project and for such internal controls as management determines are necessary to enable the preparation of a CDR and Funds Utilization statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are 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 ISA 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 documents.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the CDR and Funds Utilization statement, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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 organization’s internal controls.

We communicated 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 controls that we identified during our audit.

Jamal Milhem, CPA
Certified Accountant License # (100/98)



Talal Abu-Ghazaleh & Co.
License No. 251/1997

Ramallah – Palestine
18 August 2020

2.2. Combined Delivery Report (CDR) and Funds Utilization statement:

“Resilience Building in Iraq II” (Project ID 85156 - Output ID: 105146) For the period from 1 January to 31 December 2019

Combined Delivery Report By Project


Page 1 of 5
Run Time: 09-02-2020 12:02:46

UN Development Programme
Report ID: unglodip

Selection Criteria :

Business Unit : IRQ10
Period : Jan-Dec (2019)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00105146

Project Id : 00085156 ICRRP	Period : Jan-Dec (20'9)
Output # : 00105146 Resilience Building in Iraq II	Impl. Partner : 99989 UNDP
	Location :

 UN Development Programme Report ID: ungicdrp					Combined Delivery Report By Project					Page 2 of 5 Run Time: 08-02-2020 12:02:46				
Project ID : 00085156 ICRRP Output # : 00105146 Resilience Building in Iraq II					Period : Jan-Dec (2019) Impl. Partner : 99999 UNDP Location :									
					Govt Exp					UNDP Exp				
					UN Agencies Exp					Total Exp				
71610 - Travel Tickets-Local					0.00					7,546.27				
71615 - Daily Subsistence Allow-Intl					0.00					3,138.63				
71620 - Daily Subsistence Allow-Local					0.00					12,735.02				
71635 - Travel - Other					99,010.00					23,076.96				
72105 - Svc Co-Construction & Engineer					132,420.88					1,133,350.24				
72120 - Svc Co-Trade and Business Serv					8,268.54					3,367.71				
72130 - Svc Co-Transportation Services					0.00					351.32				
72135 - Svc Co-Communications Service					1,471.65					0.00				
72165 - Svc Co-Social Svcs, Sociat Sci					68,812.45					10,506.55				
72170 - Svc Co-Humanitarian Aid & Relf					238,323.45					1,275,514.77				
72205 - Office Machinery					0.00					0.00				
72210 - Machinery and Equipment					124,106.77					0.00				
72215 - Transportation Equipment					0.00					0.00				
72220 - Furniture					0.00					5,105.00				
72311 - Fuel, petroleum and other oils					0.00					1,725.15				
72330 - Medical Products					0.00					85.50				
72350 - Medical Kits					0.00					85.40				
72399 - Other Materials and Goods					0.00					1,559,548.21				
72401 - Prefab structure/other buildin					0.00					291,110.00				
72402 - Building Maintenance					629.39					2,878.26				
72410 - Acquisition of Audio Visual Eq					0.00					215.00				
72425 - Mobile Telephone Charges					10,057.67					7,447.69				
72430 - Postage and Pouch					0.00					-5.86				
72440 - Connectivity Charges					1,165.02					590.37				
72445 - Common Services-Communications					0.00					0.00				
72505 - Stationery & other Office Supp					6,190.92					3,053.27				
72635 - Grant by IP toSubGrantee					635,739.23					-635,739.23				
72805 - Acquis of Computer Hardware					2,860.83					462.46				
72815 - Inform Technology Supplies					33.66					8,105.29				
73104 - Leased Building					0.00					2,799.92				
73105 - Rent					44,636.89					13,772.31				
73110 - Custodial & Cleaning Services					0.00					0.00				
73115 - Moving Expenses					0.00					3,037.65				
73120 - Utilities					0.00					1,788.16				
73125 - Common Services-Premises					0.00					0.00				
73310 - Maint & Licencing of Software					0.00					-8,874.00				
73410 - Maint, Oper of Transport Equip					0.00					165.47				
73420 - Leased Vehicles					9,730.50					0.00				
74105 - Management and Reporting Svcs					109,666.86					86,013.16				
74110 - Audit Fees					0.00					79,774.58				
74115 - Legal Fees					2,000.00					2,244.98				
74210 - Printing and Publications					310.80					0.00				
74215 - Promotional Materials and Dist					17,580.09					6,298.85				
74225 - Other Media Costs					240.90					0.00				
74325 - Contrib To CO Common Security					0.00					0.00				
74510 - Bank Charges					8,014.40					15,295.70				
74525 - Sundry					0.00					0.00				
74596 - Services to projects -GOE					0.00					0.00				
74725 - Other L.T.S.H.					0.00					2,158.69				
74910 - Gain/Loss Disposal Fixed Asset					0.00					1,650.00				
75105 - Facilities & Admin - Implement					0.00					579,663.57				
75705 - Learning costs					616,824.10					13,435.34				
75706 - Learning - ticket costs					0.00					-22,456.30				
75710 - Participation of counterparts					0.00					34,938.00				

Combined Delivery Report By Project

UN Development Programme

Report ID: unglcdrp

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Run Time: 09-02-2020 12:02:46

Project Id : 00085156 ICRRP

Output # : 00105146 Resilience Building in Iraq II

Period :

Jan-Dec (2019)

Impl. Partner :

9999 UNDP

Location :

Govt Exp

UNDP Exp

UN Agencies Exp

Total Exp

76125 - Realized Loss

0.00

0.83

0.00

0.83

77165 - Hazard Duty Stat Allow-NP-TA

0.00

21.00

0.00

21.00

77630 - Dep Exp Owned - ITC

0.00

1,271.88

0.00

1,271.88

77660 - Dep Exp Owned -Vehicle

0.00

3,666.67

0.00

3,666.67

Total for Fund 32046

2,623,026.53

5,202,433.01

0.10

7,825,459.64

Total for Dept : 45001

2,623,026.53

5,202,433.01

0.10

7,825,459.64

Total for Output : 00105146

2,623,026.53

5,202,433.01

0.10

7,825,459.64

Project Total :

2,623,026.53

5,202,433.01

0.10

7,825,459.64




Signed By : Zubair Murshed - ICRRP Programme Manager a.i. Date : 11-02-2020

Signed By : Zena Ali Ahmed – UNDP Resident Representative Date : 13/2/2020



Initiated for identification purposes only



UNDP

UN Development Programme

Report ID: unglodp

Combined Delivery Report By Project

Page 4 of 5

Run Time: 09-02-2020 12:02:46

Selection Criteria :

Business Unit : IRQ10

Period : Jan-Dec (2019)

Selected Project Id : ALL

Selected Fund Code : ALL

Selected Dept. IDs : ALL

Selected Outputs : 00105146

Project Id : ALL		Period : Jan-Dec (2019)	
Output # : ALL		Impl. Partner :	
		Location :	
	Govt Exp	UNDP Exp	UN Agencies Exp
			Total Exp
45001 - Iraq - Central	2,623,026.53	5,202,433.01	0.00
			7,825,459.54



UN Development Programme
Report ID: unglcdp

Combined Delivery Report By Project

Page 5 of 5
Run Time: 09-02-2020 12:02:49

Funds Utilization

Selection Criteria :

Business Unit : IRQ10
Period : Jan-Dec (2019)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00105146

Project/Award: 00085156 ICRRP

Period : As at Dec 31, 2019

Output # 00105146 Impl. Partner :99999 UNDP

UNDP AMOUNT

Outstanding NEX advances	0.00
Undepreciated Fixed Assets	46,154.22
Unamortized Intangible Assets	0.00
Inventory	0.00
Prepayments	0.00
Commitments	108,504.18

2.3. Auditors Report on the Statement of Fixed Assets:

**Independent Auditor's Report on the Statement of Fixed Assets
of UNDP DIM Project ID 85156 – Output ID 105146
“Resilience Building in Iraq II”**

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

We have audited the accompanying statement of fixed assets of the UNDP project ID 85156 - output ID 105146– “Resilience Building in Iraq II” as at 31 December 2019.

Unmodified Opinion

In our opinion, the accompanying statement of fixed assets presents fairly in all material respects the assets status of the UNDP project ID 85156 - output ID 105146 “Resilience Building in Iraq II” amounting to US\$ 46,154.22 as at 31 December 2019 in accordance with UNDP accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the statement of fixed assets. We are independent of UNDP 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.

Management's Responsibility

Management is responsible for the preparation of the statement of fixed assets of the project and for such internal controls as management determines are necessary to enable the preparation of the statement of fixed assets 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 statement of fixed assets 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 ISA 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 documents.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of fixed assets, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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 organization’s internal controls.

We communicated 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 controls that we identified during our audit.

Jamal Milhem, CPA

Certified Accountant License # (100/98)

Talal Abu-Ghazaleh & Co.

License No. 251/1997

Ramallah – Palestine

20 July 2020

2.4. Statement of Fixed Assets:

“Resilience Building in Iraq II” (Project ID 85156 - Output ID: 105146) for the period from 1 January to 31 December 2019



Asset Management Detail Report
UN Development Programme
Project ID :00105146

Business unit	Asset ID	Profile ID	Description	Serial Number	Location	Acquisition Date	Cost, USD	Net Book Value	Quantity	Department	Impl Agency	Donor	Project	Fund code
IRQ10	00000001937	ITC4	A Printer Xerox SC 2020	3040007015	IRQ:ULI	11/23/2016	1,600.00	1,093.31		145001	001981	00141	00105146	32045
IRQ10	00000002001	MT1V4	A Toyota Prado TXL 4.0	ITEBU9F/LIS079678	IRQ:IAGHDAD	3/7/2018	44,000.00	37,277.71		145001	001981	00141	105146	32045
IRQ10	00000002054	ITC1	A Notebook computers	G2V55Q2	IRQ:IRB	1/22/2019	1,650.00	1,443.71		145001	001981	00141	00105146	32045
IRQ10	00000002055	ITC1	A Notebook computers	6NH55Q2	IRQ:IRB	1/22/2019	1,650.00	1,443.71		145001	001981	00141	00105146	32045
IRQ10	00000002056	ITC1	A Notebook computers	42H75Q2	IRQ:IRB	1/22/2019	2,295.00	2,008.11		145001	001981	00141	00105146	32045
IRQ10	00000002057	ITC1	A Notebook computers	GMN55Q2	IRQ:IRB	1/22/2019	1,650.00	1,443.71		145001	001981	00141	00105146	32045
IRQ10	00000002058	ITC1	A Notebook computers	2NH55Q2	IRQ:IRB	1/22/2019	1,650.00	1,443.71		145001	001981	00141	00105146	32045
Total amount							54,495.00	46,154.22						

Asset Portal Print

Zubair Murshed, Program Manager ICRRP



Issued for identification purposes only

3. PART III: MANAGEMENT LETTER

3.1 Current year audit findings and recommendations

To the Director of the 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 controls 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 controls 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 Project's financial position of the project ID 85156 - output ID 105146 "Resilience Building in Iraq II" for the period from 1 January to 31 December 2019, we considered UNDP's internal controls 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 statements. Our purpose was not to provide assurance on the internal controls 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 those which came to our attention during the 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 business impact before they are implemented. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal controls system.

Acknowledgment

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

Jamal Milhem, CPA

Certified Accountant License # (100/98)

Talal Abu-Ghazaleh & Co.

License No. 251/1997

Ramallah – Palestine

20 July 2020

Finding No. 1:

Title: Understatement of the 2019 CDR/ Inter-projects transactions.

Criteria:

UNDP Programme and Operations Policies and Procedures (POPP) states:

The Combined Delivery Report (CDR) is a mandatory official report that reflects project expenditures. When a CDR is generated, the UNDP office should verify that all financial information is complete and accurate, and the information is consistent with the approved work plan and Atlas project budget.

The Combined Delivery Report constitutes the official report of project expenses and must contain all advanced funds and valid expenses for the reporting period. Prior to issuing a final report, all advances and expenses should be carefully reviewed and final adjustments (rejections or corrections) made as necessary. Significant adjustments should be reviewed and cleared by UNDP senior management.

If adjustments to the recorded expenses reported in the Combined Delivery Report are required, to the extent possible, the adjustments should be recorded in the period to which the Combined Delivery Report relates. Adjustments can be recorded in the subsequent period if the ledger is closed but offices should ensure timely issuance and thorough review of CDRs and FACE forms to minimize recording of adjustments in subsequent periods.

Observation

During the audit, we noticed that the project DFID (Project ID 97176) have utilized the available funds of the Output ID 105146 (Resilience Building in Iraq II) in the previous years. However, the reversals were not made in the same accounting period, instead, the reversals were made during FY 2019, which also led to the understatement of the current CDR with an amount of US\$ 216,204.08.

Below are the details of these reversals in the 2019 CDR:

Date of the reversal	Transaction ID from 2019 books	Description	Amount US\$
10/7/2019	IRQ10-00090212-1-1-ACCR-DST	Reversal of Journal Vouchers No. 81879+83095+80729 which were represent 3 courses of trainings for the training programme for the JCMC- Iraq Project (from JSB 2016).	(216,204.08)
Total financial Misstatement			(216,204.08)

In addition, the above reversals led to the understatement of the 2019 General Management Support (GMS) (Facilities and Admin) with an amount of US\$ 17,296.32.

Therefore, the total financial Misstatement is understating of the 2019 CDR with the amount of US\$ 233,500.40.

This occurred due to the utilized amount during 2018 by the project DFID (Project ID 97176) which were refunded to this project during 2019, and the adjusting entry was recorded in 2019 as the 2018 books were already closed.

Inter-project financing and temporary use of one project’s available funds to finance another project’s activities without a timely adjustment of expenses, is not allowed. When the reversals are processed during a different accounting period, the accuracy of expenses reported in the current CDR is affected.

Priority

Medium (Important)

Recommendation

The office should avoid using the available fund to finance other projects and should ensure a correct cost sharing of project activities being implemented jointly in the future. Furthermore, the office should ensure a careful review of expenses and process all required reversals and final adjustments (rejections or corrections) in the correct period to which the Combined Delivery Report relates.

Management’s Response:

- UNDP Iraq accepts the recommendation provided. The Office will put in place a system which would enable reconciling expenditures within the provided financial year and the relevant projects.
 - a) Given that General Ledger module is one of the last to be closed at the year end, Project colleagues will be informed of the necessity to make all the required financial adjustments within the given financial year, and within the permitted timeframe.
 - b) Upon receiving confirmation of the required adjustments, and review by Operations and Senior Management, in case there is a need for additional time to finalize significant adjustments within the financial year, Senior Management will request an exceptional extension of the GL closure date from HQ, providing the required justifications.

Finding No. 2:

Title: Overstatement of 2019 CDR/ Inter-projects transactions.

Criteria:

UNDP Programme and Operations Policies and Procedures (POPP) states the Combined Delivery Report constitutes the official report of project expenses and must contain all advanced funds and valid expenses for the reporting period. Prior to issuing a final report, all advances and expenses should be carefully reviewed and final adjustments (rejections or corrections) made as necessary. Significant adjustments should be reviewed and cleared by UNDP senior management.

If adjustments to the recorded expenses reported in the Combined Delivery Report are required, to the extent possible, the adjustments should be recorded in the period to which the Combined Delivery Report relates. Adjustments can be recorded in the subsequent period if the ledger is closed but offices should ensure timely issuance and thorough review of CDRs and FACE forms to minimize recording of adjustments in subsequent periods.

Observation

During the audit, we noticed that the available funds of project ID 95684 were used in 2018 to fund activities relating to project ID 105146 – ‘Resilience Building in Iraq II’ with an amount of US\$ 1,261,903.57 while the reversals/ refunds were not processed during the same accounting period to present correct expenses, which led to overstating the current CDR by the same amount.

Details are shown below:

Transaction ID from 2019 books	Description	Amount US\$
IRQ10-00086048-3-1-ACCR-DST	Reversal of Journal voucher No. 80325 which represents building maintenance and repair which was charged to Project ID 95684.	284,386.5
IRQ10-00086048-2-1-ACCR-DST	Reversal of Journal voucher No. 83651 which represents building maintenance and repair, which was charged to Project ID 95684.	337,362.85
IRQ10-00086048-1-1-ACCR-DST	Reversal of Journal voucher No. 79565 which represents building maintenance and repair, which was charged to Project ID 95684.	284,386.50
IRQ10-00086049-1-1-ACCR-DST	Reversal of Journal voucher No. 82612 which represents electrical accessories supplies, which was charged to Project ID 95684.	355,767.72
Total of financial Misstatement		1,261,903.57

In addition, the above reversals led to the overstatement of the 2019 General Management Support (GMS) (Facilities and Admin.) with an amount of US\$ 100,952.28.

Therefore, the total financial misstatement is overstatement of the 2019 CDR with an amount of US\$ 1,362,855.85.

This case might be occurred because project ID 95684 funds were used to fund activities that were implemented jointly as part of one portfolio approach, on behalf of the Resilience Building in Iraq II project during 2018, However, the Office did not refund the utilized fund during the same accounting period, and only during a subsequent period in 2019.

The use of other available project funds to finance this project without processing the reversals during the same accounting period, affects the accuracy of expenses in the current CDR.

Management’s Response:

UNDP Iraq accepts the observation. The Office will put in place a system which would enable reconciling expenditures within the provided financial year and the relevant projects.

The result of this transaction in overall is ZERO as shown in the table below:

Vendor Name	Transaction Id	Project Id	Description2	Description	Total
ALFITYAN CO. FOR CONTRACTING LTD	IRQ10-00086048	105146	To ICRRP 80325/79565/8365	TO ICRRP 00080325	284,386.50
	IRQ10-00086048	105146	To ICRRP 80325/79565/8365	MODIFY PROJECT 79565	337,362.85
	IRQ10-00086048	105146	To ICRRP 80325/79565/8365	MODIFY PROJECT 00079565	284,386.50
EMTA ELEKTRIK DIS TIC A. S.	IRQ10-00086049	105146	To ICRRP V#00082612	TO ICRRP V 00082612	355,767.72
Grand Total					1,261,903.57

Vendor Name	Transaction Id	Project Id	Description	Description2	Total
ALFITYAN CO. FOR CONTRACTING LTD	IRQ10-00086048	95684	TO ICRRP 00080325	To ICRRP 80325/79565/83651	(284,386.50)
	IRQ10-00086048	95684	MODIFY PROJECT 79565	To ICRRP 80325/79565/83651	(337,362.85)
	IRQ10-00086048	95684	MODIFY PROJECT 00079565	To ICRRP 80325/79565/83651	(284,386.50)
EMTA ELEKTRIK DIS TIC A. S.	IRQ10-00086049	95684	TO ICRRP V 00082612	To ICRRP V#00082612	(355,767.72)
Grand Total					(1,261,903.57)

Auditor’s Response:

No further recommendation is raised, as the mentioned reversals were a result of corrective action taken by the Office.

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. Failure to take action could result in 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.

**United Nations Development Programme
(UNDP)**

**Financial Audit of Directly Implemented Project Managed by
UNDP Country Office in Iraq**

**“Integrated Recovery Support”
(Project ID 85156 - Output ID 105112)
For the period from 1 January to 31 December 2019**

23 September 2020

**Talal Abu-Ghazaleh & Co.
Member of Talal Abu-Ghazaleh & Co. International, TAGI
Certified Public Accountants**



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1. PART I – EXECUTIVE SUMMARY

1.1. Executive Summary:

This report represents the results of the financial audit conducted by Talal Abu – Ghazaleh & Co. of the project ID 85156 – output ID 105112 “Integrated Recovery Support” (the project), directly implemented by UNDP country office in Iraq for the period from 1 January to 31 December 2019.

The audit was undertaken on behalf of UNDP, Office of Audit and Investigations (OAI) and mandated in accordance with the Contract for Professional Services signed between UNDP and Talal Abu–Ghazaleh & Co. on 20 April 2020.

Audit Opinions:

The following is the summary of the audit opinions provided:

Report on	Type of Opinion	Note
Financial Position	Modified (Qualified)	Not recording the expenses in the correct accounting period and inter-project transactions resulted in the understatement of the CDR by US\$ 34,770.96*.
Statement of Fixed Assets	Unmodified	None
Statement of Cash	Not applicable	There was no separate bank account for the project under audit, therefore no audit opinion is provided on a statement of cash.

*Breakdown per account of total net financial misstatement of FY2019 CDR:

Account	Account description	Amount US\$	Net Financial Misstatement on FY2019 CDR
71505	UN Volunteers-Stipend & Allow	30,884.55	Overstatement
71305	Local Consult.-Short Term-Tech	37,568.41	Overstatement
72105	Svc Co-Construction & Engineer	327,960.00	Overstatement
71405	Service Contracts-Individuals	136,857.16	Overstatement
72170	SVC CO-HUMANITARIAN AID RELF	(232,109.00)	Understatement
72401	PREFAB STRUCTURE/OTHER BUILDING	(333,356.45)	Understatement
	Net Impact	(32,195.33)	Understatement
		(2,575.63)	GMS was understated as a result of these transactions by 8%
		(34,770.96)	Total Net Financial Misstatement of FY2019 CDR (understatement)

Audit Finding:

As a result of our audit, the following findings were included in the management letter:

Ref No.	Summary of Audit Finding	Priority	Net Financial Misstatement
1	The current Combined Delivery Report (CDR) is overstated due to refunding of expenses by another project that temporality used the audited project funds during 2018, with adjustment of amount of US\$ 30,884.55 made in 2019. This refund also led to the overstatement of the General Management Support (GMS) (Facilities and Admin) amount in the current CDR by US\$ 2,470.76.	N/A	Overstatement of the expenses in the current CDR with an amount of US\$ 33,355.31.
2	The current Combined Delivery Report (CDR) is overstated with an amount of US\$ 502,385.57 due to the recognition of expense amounts in the current CDR related to the previous year. In addition, the current Combined Delivery Report (CDR) is understated with an amount of US\$ 565,465.45 due to the recording of 2019 related expenses in 2020. The net financial impact was understatement of 2019 expenses in the CDR by US\$ 63,079.88 Understatement. This also led to the understatement of the General Management Support (GMS) (Facilities and Admin) amount in the current CDR by US\$ 5,046.39.	Medium (Important)	Understatement of the expenses in the current CDR with an amount of US\$ 68,126.27
	Total Net Financial Misstatement of FY2019 CDR (Understatement)		(34,770.96)

Follow-up on previous year’s audit recommendations:

The project ID 85156 - output ID 105112 “Integrated Recovery Support” was audited in the prior year (audit ID 2149 issued on 16 August 2019). The previous audit report did not include any recommendations.

Sincerely yours,

Jamal Milhem, CPA

Certified Accountant License # (100/98)

Talal Abu-Ghazaleh & Co.

License No. 251/1997

Ramallah – Palestine

23 September 2020



Audit Objectives

A. The objectives of the financial audit is to express an opinion on the project’s financial position which include:

- 1) Expressing an opinion on whether the financial expenses incurred by the project for the period from 1 January to 31 December 2019 and the funds utilization, the accounts receivable and the accounts payable as at 31 December 2019 were fairly presented in accordance with UNDP 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 UNDP; and (iv) supported by properly approved vouchers and other supporting documents.
 - 2) Expressing an opinion on whether the statement of fixed assets, at net book value, presents fairly the balance of depreciated assets of the UNDP Project as at 31 December 2019. This statement should include all assets available as at 31 December 2019 and not only those purchased in the year under audit. Where a DIM project does not have any assets or equipment, it will not be necessary to express such an opinion, and
 - 3) Expressing an opinion on whether the statement of cash held by the Project presents fairly the cash and bank balance of UNDP Project as at 31 December 2019. It is required to express an opinion on the Statement of Cash only where a dedicated bank account for the DIM project has been established. In cases where the cash transactions of the audited DIM project are made through the country office bank accounts, this type of opinion is not required.
- B. As applicable, providing 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 on Auditing (ISA), the 700 series.

1.2. Scope of Audit:

The scope of the audit relates only to transactions concluded and recorded against the UNDP DIM project for the period from 1 January to 31 December 2019.

The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of “responsible parties”; and
- Expenses processed and approved in locations outside the country such as UNDP Regional Centers and UNDP Headquarters and where the supporting documentation is not retained at the level of the UNDP country office.

2. PART II – FINANCIAL AUDIT REPORTS

2.1. Auditor's Report on Financial Position.

Independent Auditor's Report on the Project Financial Position of UNDP DIM Project ID 85156 – Output ID 105112 “Integrated Recovery Support”

To the Director of the Office of Audit and Investigations (OAI)
United Nations Development Programme (UNDP)

Report on the Project Financial position

We have audited the financial position of the UNDP project ID 85156 - output ID 105112 “Integrated Recovery Support” for the period from 1 January to 31 December 2019, which includes: (a) the accompanying Combined Delivery Report (CDR); (b) the Funds Utilization Statement (the statement); and (c) the project-related accounts receivable and accounts payable.

The CDR expenditures totaling US\$ 15,960,164.62, are comprised of expenditures directly incurred by UNDP country office in Iraq with an amount of US\$ 10,274,744.50 and expenditures incurred by entities other than the Office with an amount of US\$ 5,685,420.12. Our audit only covered the expenditures directly incurred by the UNDP country office in Iraq of US\$ 10,274,744.50.

Modified (Qualified) Opinion

In our opinion, except for the effects of the matter described in the basis for opinion section of our report, the accompanying CDR and Funds Utilization statement present fairly, in all material respects, the expenses of US\$ 10,274,744.50 directly incurred by the UNDP Country Office in Iraq and charged to the project ID 85156 - output ID 105112 for the period from 1 January to 31 December 2019 in accordance with UNDP accounting policies and 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 UNDP; and (iv) supported by properly approved vouchers and other supporting documents.

Basis for Modified (Qualified) Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the CDR and Funds Utilization section of our report. We are independent of UNDP 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.

-“UN Volunteers-Stipend & Allowed” expenses in the current CDR are overstated with an amount of US\$ 30,884.55 due to refund of previously used amounts to another project. These refunds also led to the overstatement of 2019 GMS expenses “Facilities and Administration” with an amount of US\$ 2,470.76.

-The current 2019 CDR included US\$ 502,385.57 related to 2018 expenses and the project 2019 unrecorded expenses were US\$ 565,465.45, which were found recorded in 2020 CDR; The net financial impact was understatement of 2019 CDR with the amount US\$ 63,079.88 (the total impact with the GMS was US\$ 68,126.27).

Management’s Responsibility

Management is responsible for the preparation of the CDR and the Funds Utilization Statement of the project and for such internal controls as management determines is necessary to enable the preparation of a CDR and Funds Utilization statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are 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 ISA 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 documents.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the CDR and Funds Utilization statement, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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 organization’s internal controls.

We communicated 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 controls that we identified during our audit.

Jamal Milhem, CPA
Certified Accountant License # (100/98)

Talal Abu-Ghazaleh & Co.
License No. 251/1997
Ramallah – Palestine
19 August 2020



2.2. Combined Delivery Report (CDR) and Funds Utilization statement:

“Integrated Recovery Support” (Project ID 85156 - Output ID 105112) for the period from 1 January to 31 December 2019



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 1 of 5
Run Time: 20-08-2020 00:08:50

Selection Criteria :

Business Unit : IRQ10
Period : Jan-Dec (2019)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : 80450
Selected Outputs : 00105112

Project Id : 00085156 ICRRP		Period : Jan-Dec (2019)		
Output # : 00105112 Integrated Recovery Support		Impl. Partner : 99999 UNDP		
		Location :		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Dept: 45001 (Iraq - Central)

Fund : 30000 (PROGRAMME COST SHARING)

61205 - Salaries - GS Staff	0.00	7,718.87	0.00	7,718.87
61305 - Salaries - IP Staff	0.00	60,394.09	0.00	60,394.09
61310 - Post Adjustment - IP Staff	0.00	34,286.00	0.00	34,286.00
62120 - Hazard Duty Station Allow-NP	0.00	574.80	0.00	574.80
62210 - Contrib to Jt Staff Pens Fd-GS	0.00	1,341.41	0.00	1,341.41
62215 - Contrib. to Medical, social In	0.00	253.10	0.00	253.10
62225 - Hazard Duty Station Allow-GS	0.00	63.00	0.00	63.00
62240 - Annual Leave Expense - GS	0.00	618.68	0.00	618.68
62305 - Dependency Allowances-IP Staff	0.00	15,118.23	0.00	15,118.23
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	31,583.02	0.00	31,583.02
62315 - Contrib. to medical, social in	0.00	2,477.44	0.00	2,477.44
62320 - Mobility Hardship, Non-remova	0.00	19,655.63	0.00	19,655.63
62330 - Rental Supplements - IP Staff	0.00	1,575.42	0.00	1,575.42
62335 - Hazard Duty Station Allow-IP	0.00	1,578.00	0.00	1,578.00
62340 - Annual Leave Expense - IP	0.00	1,986.57	0.00	1,986.57
63330 - Ed Grt Incl Trvl&Allow-IP Stf	0.00	14,560.00	0.00	14,560.00
63335 - Home Leave Trvl & Allow-IP Stf	0.00	3,780.00	0.00	3,780.00
63340 - Proc trips/Rest & Recup-IP Stf	0.00	3,762.96	0.00	3,762.96
63350 - Reimb of Income Tax-IP Staff	0.00	5,603.08	0.00	5,603.08
63360 - Medical Exams(incl Pre-empl)	0.00	212.82	0.00	212.82
63365 - Special Oper Living Allow-IP	0.00	21,525.86	0.00	21,525.86
63530 - Contribution to EOS Benefits	0.00	4,923.79	0.00	4,923.79
63535 - Contribution to Security	0.00	8,075.05	0.00	8,075.05
63540 - Contribution to Training	0.00	459.60	0.00	459.60
63545 - Contribution to ICT	0.00	1,969.52	0.00	1,969.52
63550 - Contributions to MAIP	0.00	65.65	0.00	65.65
63555 - Contribution to UN JFA	0.00	3,939.06	0.00	3,939.06
63560 - Contributions to Appendix D	0.00	328.29	0.00	328.29
64210 - Separations - GS Staff	0.00	135.80	0.00	135.80
64310 - Separations - IP Staff	0.00	1,743.15	0.00	1,743.15
64397 - Services to projects -CO staff	0.00	97,202.25	0.00	97,202.25
65115 - Contributions to ASHI Reserve	0.00	13,064.54	0.00	13,064.54
65135 - Payroll Mgt Cost Recovery ATLA	0.00	1,032.93	0.00	1,032.93
71205 - Intl Consultants-Sht Term-Tech	0.00	11,494.00	0.00	11,494.00
71210 - Intl Consultants-Sht Term-Supp	0.00	98,429.66	0.00	98,429.66
71211 - Intl Consult Security Charge	0.00	332.10	0.00	332.10
71305 - Local Consult.-Sht Term-Tech	7,265.00	546,812.76	0.00	554,077.76
71310 - Local Consult.-Short Term-Supp	72,546.87	11,924.09	0.00	84,470.96
71360 - Local Consult-Security	0.00	553.50	0.00	553.50
71405 - Service Contracts-Individuals	0.00	277,269.10	0.00	277,269.10
71410 - MAIP Premium SC	0.00	139.42	0.00	139.42
71415 - Contribution to Security SC	0.00	17,153.22	0.00	17,153.22
71440 - Appendix D SC	0.00	- 288.99	0.00	- 288.99
71505 - UN Volunteers-Stipend & Allow	0.00	495,236.91	0.00	495,236.91



UN Development Programme
Report ID: unglcdp

Combined Delivery Report By Project

Page 2 of 5
Run Time: 20-08-2020 00:08:

Project Id : 00085156 ICRRP		Period : Jan-Dec (2019)		
Output # : 00105112 Integrated Recovery Support		Impl. Partner : 99999 UNDP		
		Location :		
	Govt Exp	UNDP Exp	UNAgencies Exp	Total Exp
71510 - UNV Settling-In-Grant	0.00	1,125.39	0.00	1,125.39
71520 - UNV-Language Allowance	0.00	5,321.00	0.00	5,321.00
71525 - UNV-Hazard Pay	0.00	100,414.25	0.00	100,414.25
71530 - UNV-Rest and Recuperation	0.00	21,750.00	0.00	21,750.00
71535 - UNV-Medical Insurance	0.00	17,865.48	0.00	17,865.48
71540 - UNV-Global Charges	0.00	15,310.71	0.00	15,310.71
71541 - UNVs-Contribution to security	0.00	5,326.75	0.00	5,326.75
71545 - UNV-Home Leave Travel & Allowa	0.00	76.50	0.00	76.50
71550 - UNV-Resettlement Allowance	0.00	3,189.95	0.00	3,189.95
71592 - UNV_COST_RECOVERY_RECURRING	0.00	8,336.33	0.00	8,336.33
71605 - Travel Tickets-International	7,975.00	204.14	0.00	8,179.14
71610 - Travel Tickets-Local	0.00	3,273.67	0.00	3,273.67
71615 - Daily Subsistence Allow-Intl	0.00	10,224.07	0.00	10,224.07
71620 - Daily Subsistence Allow-Local	0.00	8,334.58	0.00	8,334.58
71630 - Shipment	0.00	13,569.04	0.00	13,569.04
71635 - Travel - Other	1,500.00	78,275.30	0.00	79,775.30
72105 - Svc Co-Construction & Engineer	44,528.29	8,814,254.24	0.00	8,858,882.53
72130 - Svc Co-Transportation Services	0.00	1,090.06	0.00	1,090.06
72170 - Svc Co-Humanitarian Aid & Relf	0.00	349,270.88	0.00	349,270.88
72210 - Machinery and Equipment	0.00	63,270.00	0.00	63,270.00
72220 - Furniture	0.00	764.19	0.00	764.19
72305 - Agri & Forestry Products	517.73	0.00	0.00	517.73
72311 - Fuel, petroleum and other oils	0.00	1,365.16	0.00	1,365.16
72330 - Medical Products	0.00	21.80	0.00	21.80
72350 - Medical Kits	0.00	66.50	0.00	66.50
72399 - Other Materials and Goods	0.00	5,456.00	0.00	5,456.00
72401 - Prefab structure/other buildin	0.00	2,016,949.56	0.00	2,016,949.56
72402 - Building Maintenance	1,231.23	68,130.86	0.00	69,362.09
72405 - Acquisition of Communic Equip	0.00	8,998.72	0.00	8,998.72
72415 - Courier Charges	0.00	- 87.74	0.00	- 87.74
72425 - Mobile Telephone Charges	0.00	6,615.21	0.00	6,615.21
72440 - Connectivity Charges	540.00	8,924.28	0.00	9,564.28
72505 - Stationery & other Office Supp	1,021.52	6,894.88	0.00	7,916.40
72510 - Publications	0.00	- 2,728.50	0.00	- 2,728.50
72805 - Acquis of Computer Hardware	1,500.00	- 588.50	0.00	1,011.50
72815 - Inform Technology Supplies	0.00	17,201.21	0.00	17,201.21
73104 - Leased Building	0.00	35,836.08	0.00	35,836.08
73105 - Rent	17,996.36	1,181.91	0.00	19,178.27
73107 - Rent - Meeting Rooms	0.00	- 17,647.94	0.00	- 17,647.94
73120 - Utilities	0.00	- 86.67	0.00	- 86.67
73125 - Common Services-Premises	0.00	66,930.00	0.00	66,930.00
73205 - Premises Alternations	0.00	- 810,424.69	0.00	- 810,424.69
73210 - Reinforcement of premises	11,994.00	0.00	0.00	11,994.00
73406 - Maintenance of Equipment	0.00	- 180.83	0.00	- 180.83
73410 - Maint. Oper of Transport Equip	0.00	1,710.79	0.00	1,710.79
74105 - Management and Reporting Svcs	0.00	1,943.38	0.00	1,943.38
74110 - Audit Fees	0.00	60,368.01	0.00	60,368.01
74120 - Capacity Assessment	0.00	61,490.25	0.00	61,490.25
74210 - Printing and Publications	0.00	- 1,474.46	0.00	- 1,474.46
74220 - Translation Costs	0.00	- 4,100.35	0.00	- 4,100.35
74225 - Other Media Costs	916.64	- 775,630.75	0.00	- 774,714.11
74325 - Contrib. To CO Common Security	0.00	84,842.88	0.00	84,842.88
74505 - Insurance	972.00	0.00	0.00	972.00
74510 - Bank Charges	384.00	31,354.29	0.00	31,738.29



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

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Run Time: 20-08-2020 00:08:50

Project Id : 00085156 ICRRP		Period : Jan-Dec (2019)		
Output # : 00105112 Integrated Recovery Support		Impl. Partner : 99999 UNDP		
		Location :		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
74525 - Sundry	541.07	1,644,298.35	0.00	1,644,749.42
74596 - Services to projects -GOE	0.00	19,440.45	0.00	19,440.45
74599 - UNDP cost recovery chrgs-Bills	0.00	- 469.75	0.00	- 469.75
74710 - Land Transport	0.00	- 22,584.95	0.00	- 22,584.95
74725 - Other L.T.S.H.	0.00	706.41	0.00	706.41
75105 - Facilities & Admin - Implement	0.00	1,182,235.03	0.00	1,182,235.03
75705 - Learning costs	64,030.33	62,982.17	0.00	127,012.50
75709 - Learning - training of counter	221,750.75	46,240.06	0.00	267,990.81
75710 - Participation of counterparts	0.00	5,569.77	0.00	5,569.77
75711 - TrnWrkshp&Conf - Stipends	0.00	- 278.20	0.00	- 278.20
76135 - Realized Gain	0.00	- 8.85	0.00	- 8.85
77105 - Salaries - NP Staff-TA	0.00	64,927.90	0.00	64,927.90
77165 - Hazard Duty Stat Allow-NP-TA	0.00	- 13,269.18	0.00	- 13,269.18
77197 - Appendix D TA/NO	0.00	- 94.40	0.00	- 94.40
77205 - Salaries - GS Staff-TA	0.00	349,729.19	0.00	349,729.19
77297 - Appendix D TA/GS	0.00	224.60	0.00	224.60
77305 - Salaries - IP Staff-TA	0.00	- 48,658.24	0.00	- 48,658.24
77315 - Contrib-Med,SocIns-IP Staff-TA	0.00	- 955.64	0.00	- 955.64
77330 - Ed Grt w/ Trvl&Allow-IP Stf-TA	0.00	- 108.43	0.00	- 108.43
77335 - Hazard Duty Stat Allow-IP-TA	0.00	- 6,331.46	0.00	- 6,331.46
77355 - Term Indemnity-IP Staff-TA	0.00	- 421.64	0.00	- 421.64
77357 - Repat. Grt/Comm Ann Lv-IP-TA	0.00	3,011.45	0.00	3,011.45
77360 - Med Exams(Incl Pre-empl)-TA	0.00	- 235.28	0.00	- 235.28
77375 - Contrib-Jt Staff Pens Fd-IP-TA	0.00	- 4,790.76	0.00	- 4,790.76
77385 - Contribution to Security	0.00	6,505.80	0.00	6,505.80
77397 - Appendix D TA/IP	0.00	- 917.82	0.00	- 917.82
77630 - Dep Exp Owned - ITC	0.00	755.00	0.00	755.00
77670 - Dep Exp-Hvy Mac & Equip	0.00	0.00	0.00	0.00
Total for Fund 30000	457,510.79	15,502,653.83	0.00	15,960,164.62
Total for Dept : 45001	457,510.79	15,502,653.83	0.00	15,960,164.62
Total for Output : 00105112	457,510.79	15,502,653.83	0.00	15,960,164.62
Project Total :	457,510.79	15,502,653.83	0.00	15,960,164.62

Signed By : Mohammad Alanakrih, ICRRP PM OIC Date : 23/August/2020

Signed By : Vakhtang Svanidze OIC Date : 24/08/2020



Initiated for identification purposes only





UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

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Selection Criteria :

Business Unit : IRQ10
Period : Jan-Dec (2019)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : B0450
Selected Outputs : 00105112

Project Id : ALL		Period : Jan-Dec (2019)		
Output # : ALL		Impl. Partner :		
		Location :		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
45001 - Iraq - Central	457,510.79	15,502,653.83	0.00	15,960,164.62



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Combined Delivery Report By Project

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Funds Utilization

Selection Criteria :

Business Unit : IRQ10
Period : Jan-Dec (2019)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : B0450
Selected Outputs : 00105112

Project/Award: 00085156 ICRRP	Period : As at Dec 31, 2019
-------------------------------	-----------------------------

Output #	00105112	Impl. Partner :99999 UNDP	UNDP AMOUNT
Outstanding NEX advances			20,653.46
Undepreciated Fixed Assets			5,407.08
Unamortized Intangible Assets			0.00
Inventory			0.00
Prepayments			82,735.70
Commitments			4,458,678.30

2.3. Auditors Report on the Statement of Fixed Assets:

**Independent Auditor's Report on the Statement of Fixed Assets
of UNDP DIM Project ID 85156 – Output ID 105112
“Integrated Recovery Support”**

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

We have audited the accompanying statement of fixed assets of the UNDP project ID 85156” - output ID 105112 “Integrated Recovery Support” as at 31 December 2019.

Unmodified Opinion

In our opinion, the accompanying statement of fixed assets presents fairly in all material respects the assets status of the UNDP project ID 85156 - output ID 105112 “Integrated Recovery Support” amounting to US\$ 5,407.08 as at 31 December 2019 in accordance with UNDP accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the statement of fixed assets. We are independent of UNDP 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.

Management's Responsibility

Management is responsible for the preparation of the statement of fixed assets of the project and for such internal controls as management determines are necessary to enable the preparation of the statement of fixed assets 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 statement of fixed assets 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 ISA 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 documents.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of fixed assets, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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 organization’s internal controls.

We communicated 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 controls that we identified during our audit.

Jamal Milhem, CPA

Certified Accountant License # (100/98)

Talal Abu-Ghazaleh & Co.

License No. 251/1997

Ramallah – Palestine

19 August 2020

2.4. Statement of Fixed Assets:

“Integrated Recovery Support” (Project ID 85156 - Output ID 105112) for the period from 1 January to 31 December 2019



Asset Management Detail Report
UN Development Programme
Project ID :0015112

Business unit	Asset ID	Profile ID	Description	Serial Number	Location	Acquisition Date	Cost/USD	Net Book Value	Quantity	Department	Impl Agent	Donor	Project	Fund code
IRC10	000000001940	ITC4	A Printer Xerox S12020	3040006817	IRQ/HQ	11/23/2016	1,600.00	1,093.31	1	45001	001981	10283	00105112	10000
IRC10	000000001957	ITC5	A Photocopiers	3913894536	IRQ/IR	4/13/2017	5,950.00	4,313.71	1	45001	001981	10283	00105112	10000
Total amount							7,550.00	5,407.00						

Asset Focal point

[Signature]

Zubair Mirshed, Program Manager ICRRP



3. PART III: MANAGEMENT LETTER

3.1 Current year audit findings and recommendations

To the Director of the 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 controls 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 controls 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 Project's financial position of the Project ID 85156 - output ID 105112 "Integrated Recovery Support" for the period from 1 January to 31 December 2019, we considered UNDP's internal controls 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 statements. Our purpose was not to provide assurance on the internal controls 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 those which came to our attention during the 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 business impact before they are implemented. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal controls system.

Acknowledgment

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

Jamal Milhem, CPA

Certified Accountant License # (100/98)

Talal Abu -Ghazaleh & Co.

License No. 251/1997

Ramallah – Palestine,

19 August 2020

طال أبو غزالة وشركاه
Talal Abu-Ghazaleh & Co.
Jamal Milhem

Finding No. 1:

Title: Overstatement of the 2019 CDR/ Inter-projects transactions.

Criteria:

UNDP Programme and Operations Policies and Procedures (POPP) states:

The Combined Delivery Report (CDR) is a mandatory official report that reflects project expenditures. When a CDR is generated, the UNDP office should verify that all financial information is complete and accurate, and the information is consistent with the approved work plan and Atlas project budget.

The Combined Delivery Report constitutes the official report of project expenses and must contain all advanced funds and valid expenses for the reporting period. Prior to issuing a final report, all advances and expenses should be carefully reviewed and final adjustments (rejections or corrections) made as necessary. Significant adjustments should be reviewed and cleared by UNDP senior management.

If adjustments to the recorded expenses reported in the Combined Delivery Report are required, to the extent possible, the adjustments should be recorded in the period to which the Combined Delivery Report relates. Adjustments can be recorded in the subsequent period if the ledger is closed but offices should ensure timely issuance and thorough review of CDRs and FACE forms to minimize recording of adjustments in subsequent periods.

Observation

During the audit, we noticed that Project ID 85156-Output ID 105112 (Resilience Building in Iraq II) has utilized the available funds of Project ID 92888 in the previous years. However, the reversals were not made in the same accounting period, instead, the reversals were made during FY 2019, which led to the overstatement of the current CDR by an amount of US\$ 30,884.55.

Below are the details of this reversal in the 2019 CDR:

Transaction ID from 2019 books	Date of the Reversal	Description	Amount US\$
UNDP1-0007888782-01- JAN-2019-4	16/8/2018	Reversal entry to correct over expenditures in 2018	30,884.55
Total financial misstatement			30,884.55

In addition, the above reversals led to the overstatement of the 2019 General Management Support (GMS) (Facilities and Admin) with an amount of US\$ 2,470.76.

Therefore, the total financial misstatement is overstatement of FY2019 CDR with an amount of US\$ 33,355.31.

This occurred as the utilized amount during 2018 by this project was only refunded to Project ID 92888 during 2019, and the adjusting entry was recorded in 2019 as 2018 books were already closed.

The use of available other projects funds to finance this project without processing the reversals during the same accounting period affects the accuracy of expenses recorded in the current CDR.

Inter-project financing and temporary use of one project’s available funds to finance another project’s activities without timely adjustment is not allowed. Furthermore, when the reversals are processed during a different accounting period, the accuracy of expenses reported in the current CDR is affected.

Management’s Response:

UNDP Iraq accepts the observation. The Office will put in place a system which would enable reconciling expenditures within the provided financial year and the relevant projects.

The result of this transaction in overall is ZERO as shown in the table below:

Transaction Id	Acct	Proj Id	Description	Total
UNDP1-0007888782-01-JAN-2019-	71505	105112	Reversal to correct over expenditure in 2018 for donor 11688/ GIZ	30,884.55
Grand Total				30,884.55
Transaction Id	Acct	Proj Id	Description	Total
UNDP1-0007888782-01-JAN-2019-	71505	92888	Reversal to correct over expenditure in 2018 for donor 11688/ GIZ	(30,884.55)
Grand Total				(30,884.55)

The Project identified that there was a mistake in charges made, and therefore records were corrected to enable fulfilling compliance with donor agreements and refund obligations to the donor. There are no expectation that this transaction would be reversed again in 2020.

Auditor’s Response:

No further recommendation is raised, as the mentioned reversals were a result of corrective action taken by the Office.

Finding No. 2:

Title: Not reporting project’s expenses in the correct accounting period.

Criteria:

In accordance with IPSAS, UNDP expenses policy follows the accrual basis of accounting, under which transactions and events are recognized as they occur (and not only when cash or its equivalent is received or paid). The transaction and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate when goods or services are received and accepted by UNDP and a corresponding liability to pay is created.

As UNDP have to comply with IPSAS, Offices should ensure any anticipated expenses before closing the year are recorded through accrual system using the correct accounting year. Further, in accordance with UNDP POPP, it is important that the receipts be entered promptly in ATLAS when the goods and services are actually received. It is mandatory to enter receipts in ATLAS within 48 hours of actual receipt of goods and services, so that the expense and asset recognition is done correctly in accordance with UNDP accounting policy.

Observation

The office recorded the amount of US\$ 502,385.57 in 2019 CDR although this amount represents expenses that related to FY2018 CDR, which also led to overstatement of the GMS (Facilities and Admin) included in the current CDR by US\$ 40,190.85.

Details are shown in the following table:

Date of the Invoice	Transaction ID from 2019 books	Amount US\$
8/1/2019	IRQ10-00084398-3-1-ACCR-DST	3,424.48
13/1/2019	IRQ10-00084505-1-1-ACCR-DST	2,996.88
13/1/2019	IRQ10-00084507-1-1-ACCR-DST	2,896.88
13/1/2019	IRQ10-00084519-1-1-ACCR-DST	2,369.20
13/1/2019	IRQ10-00084520-1-1-ACCR-DST	2,369.20
13/1/2019	IRQ10-00084547-1-1-ACCR-DST	2,369.20
13/1/2019	IRQ10-00084548-1-1-ACCR-DST	2,385.25
13/1/2019	IRQ10-00084557-1-1-ACCR-DST	2,996.88
18/12/2018	IRQ10-00084558-1-1-ACCR-DST	2,996.88

2/12/2018	IRQ10-00084559-1-1-ACCR-DST	2,996.88
23/12/2018	IRQ10-00085387-2-1-ACCR-DST	4,515.26
23/12/2018	IRQ10-00085408-1-1-ACCR-DST	5,251.42
7/1/2019	IRQ10-00083963-1-1-ACCR-DST	327,960.00
3/10/2019	UNDP1-0008171988-31-AUG-2019-4	34,214.29
3/10/2019	UNDP1-0008172859-31-AUG-2019-4	34,214.29
17/9/2019	UNDP1-0008193848-30-SEP-2019-13	34,214.29
17/9/2019	UNDP1-0008193491-30-SEP-2019-13	34,214.29
Total financial impact		502,385.57

UNDP office explained that this issue occurred because they could not raise the receipts in 2018 as supporting documents were not available yet. The office raised the receipts in Atlas only after receiving the supporting documents in January 2019.

Not charging project’s expenditures to the correct accounting period FY2018 led to overstatement of the expenses in the current CDR (FY2019). Since the 2018 and 2019 books are already closed, adjustment entries entered following the closure will not correct the overstatement in the CDR of FY2019.

Not recording 2018 expenses in the correct accounting period led to overstating the current CDR with a total amount of US\$ 542,576.42.

We also noticed through the subsequent events review that expenses with an amount of US\$ 565,465.45 were recorded in FY2020 CDR while they are related to FY2019 CDR.

Not charging project’s expenditures to correct accounting period FY2020 led to understatement of the expenses in the current CDR (FY2019). The following transactions found in FY2020 books while they are related to FY2019 expenses.

Date of occurrence of the expenses	Transaction ID from 2019 books	Amount US\$
During 2019	IRQ10-00095706-1-1-ACCR-DST	232,109.00
During 2019	IRQ10-00095485-1-1-ACCR-DST	157,332.00
During 2019	IRQ10-00095618-1-1-ACCR-DST	176,024.45
Total		565,465.45

Although the net financial effect on the 2019 CDR is an understatement of US\$ 63,079.88 (Total net effect with GMS of 8% is US\$ 68,127.27), we believe this case is important.

Priority

Medium (Important)

Recommendation

UNDP should improve the recording of expenses by:

- a) Processing the recognition of expenses during the correct accounting period.
- b) Consulting with Office of Financial Resources Management (OFRM), how best to process this type of transactions in the future, given the unique development situation and country context of Iraq, to ensure UNDP complies with IPSAS and UNDP expenses policy that follows the accrual basis of accounting.

Management’s Response:

UNDP Iraq has maintained consistently high levels of performance in processing payments in a timely manner. As per UNDP’s standard payment terms, payments shall be processed within thirty (30) days of the date of their receipt and acceptance by UNDP. UNDP shall affect payments after acceptance and upon achievement of the corresponding milestones. Therefore, for invoices received during the final months of the year, and for complex projects under the Stabilization Portfolio (such as ICRRP) where several supporting documents are required, and several levels of approvals are needed to ensure quality and accuracy of payments, and given the financial closure deadlines, some payments realistically get processed in the following year.

It must be noted that based on Financial Year end instruction UNDP globally has a cut-off date for processing payments in mid-December, after which date no payments can be processed.

Payments to contractors who are contracted through a third-party are paid based on a certified timesheet at the last working day of each month. After certification from the relevant supervisor the request is sent to third party to process the payment to the contractor. After the monthly salary is paid UNDP is invoiced for the respective amount, based on which the payment is processed. The thirty-day limit for processing payment starts after receiving and accepting the invoice from the third-party.

Without supporting documents confirming that goods and services has been delivered it would not be possible to raise receipt in Atlas. The office will define the minimum documents required to raise the receipt as per the following categories.

- a) Infrastructure rehabilitation:
- b) Individual contracts & Technical Consultants
- c) Goods/Equipment
- d) Professional Services:

Auditor’s Response:

Management response is noted, however the office should comply with IPSAS and UNDP expenses policy that follows the accrual basis of accounting, therefore transactions and events are should be recognized when occurred and not only when cash or its equivalent is received or paid.

In this case the expenses shown in the report included expenses incurred out of the period of the report (FY2019), Therefore, the finding is retained and valid.

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. Failure to take action could result in 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.