



AUDIT

OF

FUNDING FACILITY FOR STABILIZATION
(Directly Implemented Project No. 89459, Output Nos. 95684, 120726 and 122573)

IN

UNDP IRAQ

Report No. 2510
Issue Date: 15 August 2022

**Report on the Audit of Funding Facility for Stabilization (Project No. 89459, Output Nos. 95684, 120726 and 122573) Implemented by UNDP Iraq
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 5 to 16 June 2022, conducted an audit of Funding Facility for Stabilization (Project No. 89459, Output Nos. 95684, 120726 and 122573) (the Project), which is directly implemented and managed by UNDP Country Office in Iraq (the Office). The last audit of the Project (Output Nos. 95684 and 120726) was conducted by OAI, through Talal Abu-Ghazaleh & Co. in 2021 and covered project expenses from 1 January to 31 December 2020. This was the first audit of Output No. 122573.

The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) Project management
- (b) Project operations – procurement, finance and human resources

The audit covered the Project's activities from 1 January to 31 December 2021. The Project recorded expenses of approximately \$189.5 million during the audited period.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors (The IIA).

Overall audit rating

OAI issued an audit rating for the Office's management of the Project of **fully satisfactory**, which means "The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area."

Good practice

Project monitoring

The Project employed a multi-layered monitoring system applied at programme, project and operational support to the Project's activities. The monitoring and evaluation plan prioritized enforcement of rapid feedback to support programming, field oversight, focus on delivery, and quality of work and impact. The Monitoring and Evaluation Unit's tasks were distributed and performed throughout the project cycle. The Project developed a system to track and address complaints and concerns received from beneficiaries.

The audit did not result in any recommendations.

Implementation status of previous OAI audit recommendations:

The previous audit (Report No. 2349, issued on 27 August 2021) did not result in any recommendations.



Management comments and action plan

Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

	Helge Ostveiten 2022.08.15 15:26:46 +02'00'
Helge S. Ostveiten Director Office of Audit and Investigations	



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Helge S. Ostveiten
Director
Office of Audit and Investigations

I. About the Project

The Office is located in Baghdad, Iraq (the Country). The Project contributes to one of the Country Programme's outcomes that supports the Country's civil society and communities, particularly women, on improving their capacity to lead, participate in and contribute to the design and delivery of equitable and responsive services, especially for the most vulnerable populations.

The Project is directly Implemented by the Office. The Project's approach to stabilization is aimed at facilitating the return of displaced people to their homes following the end of conflict, and to support them to have their lives return to normal. The Project is implemented in 31 locations across five Governorates of Anbar, Diyala, Kirkuk, Ninewah and Salah al Din.

The Project is the Office's largest development project in terms of expenses. During the audited period, the Project's expenditures represented 70 percent of the Office's total expenditures. The three outputs audited under Project No. 89459 and their expenditures for 2021 and 2020 were as follows:

Title	Expenditure January to December 2021 \$million	Expenditure January to December 2020 \$million
Output 95684 - Fund Facility for Stabilization	174.6	189.3
Output 120726 – COVID19 Response	9.1	13.8
Output 122573 - Sustainable Development	5.8	3.7
Total	189.5	206.8

The largest sources of funding of the Project for the period covered by the audit were:

Donor	Funding for 2021 \$million
United States of America	41.8
Germany	17.9
Norway	8.4
Canada	7.9
The Netherlands	6.9
Total	82.9

II. Good practices

OAI identified a good practice, as follows:

Project Monitoring

The Project employed a multi-layered monitoring system applied at programme, project, and operational support to the Project's activities. The monitoring and evaluation plan prioritized enforcement of rapid feedback to support programming, field oversight, focus on delivery, and quality of work and impact. The Monitoring and Evaluation Unit's tasks were distributed and performed throughout the project cycle.

A "grievances tracker" excel sheet, was developed as a tracking system to monitor complaints and concerns received from beneficiaries and to guide the project team on actions that needed to be taken during the project implementation.

The Monitoring and Evaluation Unit also coordinated the digitalization of the Project's information (database) that was projected to be completed in October 2022.

III. Audit results

Effective controls were established and functioning in the following area:

- (a) Project management. Internal controls within project management were effective; processes were well documented, and quality of reporting was adequate. The project sites visited were on track in terms of progress. Beneficiaries and stakeholders interviewed provided positive feedback on management of the Project.
- (b) Procurement. Internal controls of processes reviewed were in place and functioning adequately. Procurement samples reviewed were well documented. Procurement submissions to review committees were adequate and observations made by the committees were timely addressed.
- (c) Finance. Internal controls were adequate. The audit team identified opportunities for improving the efficiency in the processing of payments to a vendor providing services in the sourcing, deploying, and contract management of individual contractors. This was discussed and shared with the Office through the Exit Meeting Notes.
- (d) Human resources. The recruitment of project staff was conducted in accordance with policies and procedures and in a competitive manner.

The audit did not result in any recommendations.

Low priority issues/ recommendations were discussed directly and agreed with the Office and are not included in this report.

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Fully Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

B. 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.