AUDIT

OF

UNDP COUNTRY OFFICE

IN

IRAQ

Report No. 2180
Issue Date: 21 April 2020
Report on the Audit of UNDP Iraq
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Iraq (the Office) from 16 to 27 February 2020. 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) governance (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);

(b) programme (quality assurance process, programme/project design and implementation, knowledge management);

(c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and

The audit covered the activities of the Office from 1 January to 31 December 2019. The Office recorded programme and management expenses of approximately $367 million. The last audit of the Office was conducted by OAI in 2018.

The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

Overall audit rating

OAI assessed the Office as partially satisfactory/some improvement needed, which means “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.” This rating was mainly due the inadequate management of cheque payments, and challenges with project budget management and closure.

Key recommendations: Total = 5, high priority = 2

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Recommendation No.</th>
<th>Priority Rating</th>
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<tbody>
<tr>
<td>Achievement of the organization’s strategic objectives</td>
<td>2</td>
<td>High</td>
</tr>
<tr>
<td>Reliability and integrity of financial and operational information</td>
<td>1</td>
<td>Medium</td>
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<tr>
<td>Compliance with legislative mandates, regulations and rules, policies and procedures</td>
<td>4</td>
<td>High</td>
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<tr>
<td></td>
<td>3</td>
<td>Medium</td>
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<tr>
<td></td>
<td>5</td>
<td>Medium</td>
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</tbody>
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For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. Both high (critical) priority recommendations are presented below:

Challenges in budget management and project closure (Issue 2) At the time of the audit, the Office faced challenges in terms of implementation of the project budgets and activities management, as well as the closure process, as described below:
a)  **Project delivery weaknesses**
   - 8 out of 11 projects reviewed had a delivery below 80 percent in 2019. 6 out of the 8 projects had less than 50 percent delivery.
   - Delays in finalizing project document.
   - Delays in finalizing Responsible Party Agreement.

b)  **Project closure weaknesses**
   - As at 24 February 2020, 18 ongoing outputs with past expiry dates had active and ongoing status in Atlas (enterprise resource planning system of UNDP). Another output which had been set as operationally closed for more than 12 months had yet to be closed financially.
   - A review of six closed projects (three operationally closed and three financially closed) showed the following: (i) final Combined Delivery Report not approved and signed by UNDP and implementing partner (one case); (ii) non-closure of bank accounts (two cases); (iii) outstanding cash balance of $53,478 (one case); (iv) project closure checklist not completed in Atlas (two cases); and (v) minutes of the final project review not available (two cases).

**Recommendation:** The Office should strengthen project budget monitoring, implementation and closure by: (a) identifying bottlenecks to project delivery and developing a timebound action plan to address them in order to boost project delivery; and (b) establishing a mechanism to monitor project end dates, and ensuring that closure procedures are timely initiated.

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Inadequate management of cheque payments (issue 4)

The audit team reviewed the bank reconciliation process with a sample of 33 of 20,545 vouchers totalling $44 million out of $325 million in 2019. The review noted weaknesses in the controls over cheque payments as follows:

   - For 50 payments totalling $298,181 in January 2019, the issued cheques differed from the system assigned cheque numbers.
   - Six cheque payments for six different vendors with a total of $210,682 on behalf of a United Nations agency were all cashed at the bank by the same individual, who had not been named in the Atlas vendor record, as required.

**Recommendation:** The Office should strengthen controls over cheque payments and ensure accurate recording of transactions in Atlas by: (a) maintaining copies of cheques and collector’s identification for an audit trail; and (b) discontinuing the manual adjustment to the bank statements, verifying the accuracy of the manual bank account reconciliation, and communicating identified irregularities during bank reconciliation to the respective United Nations agency that authorized payment.

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**Implementation status of previous OAI audit recommendations:** Report No. 2011 (29 January 2019).

Total recommendations: 7
 Implemented: 7
Management comments and action plan

The Resident Representative accepted all of the recommendations and is in the process of implementing them. 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.

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2020.04.21
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Office of Audit and Investigations