AUDIT

OF

UNDP IRAQ

FUNDING FACILITY FOR STABILIZATION
(Directly Implemented Project No. 89459, Output No. 95684)

Report No. 2240
Issue Date: 28 September 2020
Report on the Audit of UNDP Iraq
Funding Facility for Stabilization
(Project No. 89459, Output No. 95684)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 16 July to 20 August, conducted an audit of Funding Facility for Stabilization (Project No. 89459, Output No. 95684) (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 statement 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; expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters); and expenses of other United Nations agencies. In addition, the audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

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

Audit results

Based on the audit report and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

<table>
<thead>
<tr>
<th>Project Expenses*</th>
<th>Project Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount (in $'000)</td>
<td>Opinion</td>
</tr>
<tr>
<td>277,331</td>
<td>Qualified</td>
</tr>
</tbody>
</table>

*Expenses recorded in the Combined Delivery Report were $283,158,771. Excluded from the audit scope were transactions that relate to expenses of other United Nations agencies ($175,365) and expenses processed and approved by other UNDP offices outside of the country ($5,560,915). Also excluded were expenses incurred at the “responsible party” level ($91,020).
**NFM= Net Financial Misstatement

At the time this report was being issued, OAI was investigating complaints relating to parties involved with the project.

The audit firm issued a qualified opinion on the project expenses due to 2018 expenditures recorded in 2019, and 2019 expenses recorded in 2020. The resulting financial impact was a material understatement of the financial statements in the amount of $12,896,562, including the corresponding GMS, that represented 4.7 percent of the expenditures directly incurred by the Office as at 31 December 2019.

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.
**Key recommendation:** Total = 1, high priority = 0

The audit did not result in any high (critical) priority recommendations. There is one 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.” The recommendation includes actions to address the lack of recording of the Project’s expenditure in the correct reporting period.

The recommendation aims to ensure the reliability and integrity of financial and operational information (Recommendation 1).

**Implementation status of previous OAI audit recommendations:**

The previous audit (Report No. 2147, issued on 16 August 2019) did not result in any recommendations.

**Management comments and action plan**

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