



**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 statement<sup>1</sup> 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

<sup>1</sup> 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 S. Ostveiten  
Director  
Office of Audit and Investigations