



AUDIT

OF

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

IN

UNDP IRAQ

Report No. 2349
Issue Date: 27 August 2021

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

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. (the audit firm), from 20 May to 26 July 2021, conducted an audit of ‘Funding Facility for Stabilization’ (Project No. 89459, Output Nos. 95684 and 120726) (the Project), which is directly implemented and managed by the UNDP Country Office in Iraq (the Office). The last audit of Output No. 95684 was conducted by OAI, through Talal Abu-Ghazaleh & Co. in 2020 and covered project expenses from 1 January to 31 December 2019.

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 2020 and the accompanying Funds Utilization statement¹ as of 31 December 2020 as well as Statement of Assets for Output No. 95684 as of 31 December 2020. 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) or expenses of other United Nations agencies. The audit did not cover the Statement of Assets for Output No. 120726 as no assets were held by this Output. In addition, the audit did not cover the Statement of Cash 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)	Impact on CDR	Amount (in \$‘000)	Opinion
95684	185,542*	Qualified	28,270****	Overstatement	1,003	Unmodified
120726	10,251**	Unmodified	N/A	N/A	N/A	N/A

*Expenses recorded in the Combined Delivery Report were \$191,352,267. Excluded from the audit scope were transactions that relate to other United Nations agencies (-\$3,865) and expenses processed and approved by other UNDP offices outside of the country (\$5,057,445). Also excluded were expenses incurred at the “responsible party” level (\$756,419), which included the amount of \$700,668 that was subject to a separate audit conducted by external auditors that resulted in an unmodified opinion.

**Expenses recorded in the Combined Delivery Report were \$10,545,845. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country (\$294,739).

***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.



****This amount includes a NFM (understatement) of \$12,896,562 from the prior year audit, resulting in a net value of the NFM for 2020 of \$15,373,817.

The audit firm qualified its opinion on the expenses of Output No. 95684 due to 2019 expenditures recorded in 2020. The resulting financial impact was a material overstatement of the financial statements in the amount of \$28,270,379, that represented 15 percent of the Output expenditures directly incurred by the Office as at 31 December 2020.

The audit did not result in any recommendations. A recommendation related to the same observation was raised in the prior year audit and implemented in 2020. Expenses incurred in 2020 were recorded in the same fiscal year.

At the time this report was being issued, OAI was investigating allegations relating to the Project.

Implementation status of previous OAI audit recommendations: Report No. 2240, 28 September 2020.

Total recommendations: 1

Implemented: 1

Management comments and action plan

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

Helge S. Ostveiten
Director
Office of Audit and Investigations