



AUDIT

OF

BUILDING RESILIENCE THROUGH EMPLOYMENT PROMOTION (BREP-I)
(Directly Implemented Project No. 124073)

IN

UNDP IRAQ

Report No. 2793
Issue Date: 21 October 2024

**Report on the Audit of Building Resilience Through Employment Promotion (BREP-I)
(Project No. 124073)
Implemented by UNDP Iraq
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Talal Abu-Ghazaleh & Co. International (the audit firm), from 3 to 22 July 2024, conducted an audit of Building Resilience Through Employment Promotion (BREP-I) (Project No. 124073) (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 Talal Abu-Ghazaleh & Co. International in 2022 and covered project expenses from 1 January to 31 December 2021.

The audit was conducted in accordance with the International Standards of Auditing (ISA), the 700 series. The audit work covered financial transactions as well as internal controls and systems for the purpose of expressing an opinion on whether the financial statements present fairly, in all material aspects, the Project’s operations, as well as assess compliance with UNDP regulations, rules, policies and procedures and donor agreements. The audit covered the Project’s Combined Delivery Report, which includes expenses for the period from 1 January to 31 December 2023 and the accompanying Funds Utilization statement¹ as of 31 December 2023 as well as Statement of Assets as of 31 December 2023. It also reviewed the relevant systems, procedures and practices in place as they relate to the Project, in the areas of governance, programme, and operations. 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 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* of The Institute of Internal Auditors (The IIA).

Overall audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, OAI assessed the management of the Project as **satisfactory/some improvement needed**, which means, “The assessed governance arrangements, risk management practices and controls, as applicable to the Project’s financial statements, 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 to the recording of project expenses during the correct accounting period, and weaknesses in contract management.

The details of the audit results are presented in the table below:

Project Expenses*				Project Assets	
Amount (in \$ '000)	Opinion	NFM** (in \$ '000)	Impact on CDR	Amount (in \$ '000)	Opinion
7,870	Qualified	239	Overstatement	25	Unmodified

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.



**Expenses recorded in the Combined Delivery Report were \$9,612,855. Excluded from the audit scope were transactions that relate to expenses processed and approved by other UNDP offices outside of the country (\$624,424). Also excluded were expenses incurred at the “responsible party” level (\$1,118,598).*

***NFM=Net Financial Misstatement*

The audit firm qualified its opinion on project expenses due to the recording of project expenses during the incorrect accounting period. The resulting financial impact was a material overstatement of the financial statements in the amount of 239,322, representing 3 percent of the project expenditures directly incurred by the Office as of 31 December 2023.

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.”

The two recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendation 1); and (b) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 2).

Implementation status of previous OAI audit recommendations:

The previous audit (Report No. 2514, issued on 17 August 2022) did not result in any recommendations.

Management comments and action plan

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

Sean DeBlieck
Deputy Director (Audit)
Office of Audit and Investigations