UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

INTERNAL AUDIT REPORT

3 July 2025

Project name:	**Local Infrastructure for Rural Anbar (LIRA) - Phase III**
Project number:	**23573-001**
Country:	**Iraq**
Auditor:	**BDO LLP**
Period subject to audit:	**4 December 2023 to 31 December 2024**

Contents

Acronyms and abbreviations

IAASB   International Auditing and Assurance Standards Board

IAIG   Internal Audit and Investigations Group

IDPs   Internally Displaced Persons

IESBA   International Ethics Standards Board for Accountants

IPSAS   International Public Sector Accounting Standards

ISA   International Standards on Auditing

KfW   Kreditanstalt für Wiederaufbau (Credit Institute for Reconstruction)

UN   United Nations

UNOPS   United Nations Office for Project Services

US$ United States Dollars

WASH   Water, Sanitation and Hygiene

Executive summary

The engagement context

The Internal Audit and Investigations Group (IAIG) of the United Nations Office for Project Services (UNOPS), through BDO LLP ("the audit firm"), conducted an audit of the project 'Local Infrastructure in Rural Anbar - LIRA III' ("the project") (oneUNOPS project ID 23573-001), which is implemented and managed by the UNOPS Operational Hub in Amman. The audit firm was under the general supervision of IAIG in conformance with the International Standards for the Professional Practice of Internal Auditing.

The project reported expenditure amounting to US$ 306,149 during the period from 4 December 2023 to 31 December 2024. The donor who contributed to the project is KfW.

Audit objectives

The overall objective of the audit was to assess the management of the project operations to obtain reasonable assurance towards the achievement of the project objectives.

The areas of focus included:

a) Effective, efficient and economical use of resources;
b) Reliability of reporting;
c) Safeguarding of assets; and
d) Compliance with applicable legislation.

The purpose of the audit was to provide reasonable assurance that:

a) Client/donor contributions and project expenditure are properly accounted for;
b) Project expenditure was incurred in accordance with the contribution agreement, and is supported by adequate documentation; and
c) The related financial statements prepared by UNOPS for the year under review present a fair view of the operations.

In particular, the audit firm provided an overall assessment of the operational and internal control systems that are in place for the management of the project so that related transactions are processed in accordance with UNOPS policies and procedures to achieve the project's objectives.

Audit scope

The audit firm conducted the audit in accordance with International Standards on Auditing issued by the IAASB and UNOPS internal audit practices, and in consideration of the requirements of International Public Sector Accounting Standards (IPSAS).

Audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, IAIG assessed the management of the project as satisfactory, which means, "The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area". The details of the audit results are presented in Tables 1 and 2.

Table 1: Summary results of the financial audit

Project title	Period		Project no.
Local Infrastructure in Rural Anbar - LIRA III	4 December 2023 to 31 December 2024		23573-001
Financial statement	**Statement of non-expendable property**		
Amount US$	**Opinion**	**Amount US$**	**Opinion**
306,149	Unmodified	95,989	Unmodified

Table 2: Internal control rating summary for project

Rating summary by functional area		
Functional area	**Rating**	
Project management	Satisfactory	
Finance	Satisfactory	
Procurement and supply chain	Satisfactory	
Human resources	Satisfactory	
General administration	Satisfactory	
Information and Communications Technology	Satisfactory	
Overall rating of internal control	**Satisfactory**	

Key issues and recommendations

The internal audit report has not raised any recommendations.

Signed:

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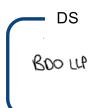
BDO LLP

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Operational overview

Around 1.2 million people remain internally displaced throughout Iraq. Destroyed infrastructure and lack of rehabilitation efforts have left affected populations lacking access to adequate housing and WASH services. Most returnee households are living in locations where residential destruction has taken place. In Anbar governorate, this concern 97% of returnee households, and 82% in Ninewa. While a number of UN agencies and non-governmental organisations are working to rehabilitate war-damaged houses, these rehabilitation efforts primarily target houses that are partially damaged (categories I and II, and to a lesser extent categories III), but leave the majority of returnees and IDPs whose houses are fully destroyed (category 4) without support. Furthermore, female returnees and IDPs continue to be particularly vulnerable and overlooked in shelter rehabilitation efforts.

Through this third phase of the LIRA project, and with the support of KfW, UNOPS aims to increase the rehabilitation/reconstruction of war-damaged housing units with a focus on Categories III (partially destroyed - 60% and more) and IV (fully destroyed) housing units in Sinjar for rehabilitation. Furthermore, the restoration of access to critical decentralized water and sanitation services through an integrated and gender-responsive approach ensuring cost-effectiveness and complementarity across sectors.

The project objective is to address critical problems related to the living standards of conflict-affected people with acute needs by expanding access to services. The project outcome is to improve living conditions of the population in the targeted peri-urban and rural areas of the Anbar and Ninewa governorates.

The outputs for this project are as follows:

a) Social and gender needs assessments through community consultations, including vulnerable and marginalized groups in all pre-selected targeted areas, are conducted through 15 consultations for 120 participants (60 male and 60 female);

b) Selected housing units are rehabilitated and/or newly constructed for 260 War Damaged shelters;

c) Critical services, such as water systems, are rehabilitated for targeted communities in Anbar and/or Ninewa for 10 water projects;

d) Maintenance skills of trained individuals have improved for 100 trainees.

The audit team extends its appreciation to the management and staff members of the UNOPS Operational Hub in Amman for their full cooperation during the audit.

Annex I - Definitions

Standard audit ratings for overall performance of internal control system

Effective 1 January 2017, the internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP adopted harmonized audit rating definitions, as described below. IAIG assesses the entity under review as a whole as well as the specific audit areas within the audited entity:

> (a) satisfactory (effective),
>
> (b) partially satisfactory (some improvement needed),
>
> (c) partially satisfactory (major improvement needed), and
>
> (d) unsatisfactory (ineffective).

The elements of the rating system take into account the audited office's internal control system, risk management practices, and their impact on the achievement of office objectives.

The definitions of the ratings are, as follows:

Standard rating	Definition
Satisfactory **(effective)**	The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
Partially satisfactory **(some improvement needed)**	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.
Partially satisfactory **(major improvement needed)**	The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
Unsatisfactory **(ineffective)**	The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity.

Categories for priorities of audit recommendations

The audit observations are categorized according to the priority of the audit recommendations and the possible causes of the issues. The categorized audit observation provides a basis by which the UNOPS country office management is to address the issues.

The following categories of **priorities** are used:

Categories	Definition
High	Prompt action is considered imperative to ensure that UNOPS is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization).
Medium	Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).
Low	Action is considered desirable and should result in enhanced control or better value for money.

Possible causes

The following categories of **possible causes** are used:

- **Guidelines**: absence of written procedures to guide staff in performing their functions;
  - o   Lack of or inadequate corporate policies or procedures
  - o   Lack of or inadequate RO/OC/PC policies or procedures
  - o   Inadequate planning
  - o   Inadequate risk management processes
  - o   Inadequate management structure
- **Guidance**: inadequate or lack of supervision by supervisors;
  - o   Lack of or inadequate guidance or supervision at the RO/OC/PC level
  - o   Inadequate oversight by Headquarters
- **Resources**: insufficient resources (funds, skill, staff) to carry out an activity or function;
  - o   Lack of or insufficient resources (financial, human, or technical resources)
  - o   Inadequate training
- **Human error**: Un-intentional mistakes committed by staff entrusted to perform assigned functions;
- **Intentional:** intentional overriding of internal controls;
- **Other**: Factors beyond the control of UNOPS.