Auditor's responsibilities for the audit of the financial information

Our objective is to obtain reasonable assurance about whether the financial information is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partner's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with those charged with governance of the Partner, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

April 30, 2019

Rabih Shalabi

KPMG Kawasmy and Partners

2.1 Notes to the Project Financial Report (presented in section 3)

Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the PFR are set out below. These policies have been consistently applied unless otherwise stated.

Purpose of the Project Financial Report (the "PFR")

The PFR is prepared to meet the requirements of the tripartite Partnership Project Agreement (the "PPA").

Basis of preparation

The PFR is prepared on a modified cash basis of accounting. Under this basis, income is recorded when it is received, while expenditures are recorded when paid for. The basis is modified for the project liquidation period (please refer to point d.). The accounting policies enumerated below relate to the PFR as a whole.

The Project Financial Report is presented in IQD.

a. Instalments

Instalments generally comprise of cash transfers from UNHCR for the implementation of the project activities during the period.

b. Interest income

This is revenue credited to the bank account to which Project funds are deposited as a result of the interest rate paid by the financial institution for the respective deposit account.

c. Expenditure

Expenditure comprises expenses incurred directly for approved UNHCR project activities. These are recognised in the PFR in the period in which they are paid.

d. Liquidation period

This is the period during which financial commitments entered into by the partner during the project implementation period may continue to be settled by the partner pursuant to the PPA. No new expenditure, financial commitment or implementation of activities is undertaken during this period. In compliance with the PPA, the liquidation period ends on 31 January 2019.

e. Fixed assets

Fixed assets are expensed in the PFR in the period of purchase. The PFR does not therefore, reflect the value of fixed assets at the end of the period. Fixed assets are defined as tangible assets which have been acquired with the intention of being used on a continuing basis for a period exceeding one year.

f. Currency

The PFR is expressed in IQD. Expenditure incurred in currencies other than IQD is converted to the reporting currency using the exchange rates prevailing at the dates of the transaction.

g. Balances due to UNHCR

These represent unspent balances at period end.