United Nations Office for Project Services (UNOPS)

Support to the Ministry of Agriculture and Forestry and the Ministry of Animal Resources and Fisheries for the construction of five state offices in five states of South Sudan (Atlas ID Nos. 00073605 and 00073606)

Management letter for the period 22 December 2009 to 31 October 2012

December 2012

This report contains 26 pages

K112 - UNOPS (MAF and MARF)

United Nations Office for Project Services (UNOPS)

Support to the Ministry of Agriculture and Forestry and the Ministry of Animal Resources and Fisheries for the construction of five state offices in five states of South Sudan

Management letter for the period 22 December 2009 to 31 October 2012

On behalf of the UNOPS Internal Audit and Investigations Group (IAIG), KPMG East Africa have completed the audit of the Support to the Ministry of Agriculture and Forestry (MAF) and the Ministry of Animal Resources and Fisheries (MARF) for the construction of five state offices in five states of South Sudan, namely Central Equatoria, Eastern Equatoria, Jonglei, Upper Nile and Unity (the Project) for the period 22 December 2009 to 31 October 2012.

The purpose of this letter is to set out certain matters that were noted during the course of our audit work, which IAIG consider should be brought to your attention.

Details of our observations and recommendations for improvement in procedures and controls, together with management comments thereon, are contained in the appendix to this letter. The matters raised represent findings during the course of the audit, and have not been reviewed subsequently.

The audit observations are categorized according to the priority of the audit recommendations and the possible causes of the issues. The following categories of priorities have been used:

Priority	Details
High	Prompt action is considered imperative to ensure that UNOPS is not exposed to high risks (i.e., 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 (i.e., failure to take action could result in significant consequences).
Low	Action is desirable and should result in enhanced control or better value for money.

The following categories of possible causes to the matters raised have been used:

Possible cause	Details
Guidelines	Absence of written procedures to guide staff in performance of their functions: • Lack of or inadequate corporate policies or procedures; • Lack of or inadequate policies or procedures; • Inadequate planning; • Inadequate risk management processes; and • Inadequate management structure.
Guidance	• Inadequate or lack of supervision by supervisors; • Lack of or inadequate guidance or supervision at the Centre level; and • Inadequate oversight by Headquarters.
Resources	• Insufficient resources (funds, skills, staff) to carry out an activity or function; • Lack of or insufficient resources (financial, human, or technical resources); and • Inadequate training.
Human error	Un-intentional mistakes committed by staff entrusted to perform assigned functions.
Intentional	Intentional overriding of internal control.
Other	Factors beyond the control of UNOPS.

The following are the definitions of the standard audit ratings used in the report to describe the overall assessment of internal control processes reviewed.

Standard rating	Definition
Satisfactory	Internal control, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited party.
Partially satisfactory	Internal control, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
Unsatisfactory	Internal control, governance and risk management practices were either not established or not functioning well. The issues identified were such that the overall objectives of the audited entity could be seriously compromised.

IAIG should like to take this opportunity to thank you and your staff for the assistance and co-operation accorded to us throughout the audit.

Contents

1 Executive summary

1.1 Background

The Internal Audit and Investigations Group (IAIG) conducted a limited scope internal audit of the Support to the Ministry of Agriculture and Forestry (MAF) and the Ministry of Animal Resources and Fisheries (MARF) for the construction of five state offices in five states of South Sudan namely Central Equatoria, Eastern Equatoria, Jonglei, Upper Nile and Unity (Atlas ID numbers 00073605 and 00073606). The audit was carried out with the assistance of an audit firm, KPMG Denmark, via, KPMG East Africa from July 2012 to November 2012.

The purpose of the audit was to assess the extent to which operational processes have been effected to provide reasonable assurance with regard to the following areas:

- Efficient and economic use of resources;
- Reliability of operational and financial reporting; and
- Compliance of activities and transactions with applicable regulations, rules and procedures.

In particular the audit is aimed to provide reasonable assurance that:

a) Project expenditures are properly accounted for;

b) Project expenditures were incurred in accordance with the provisions of UNOPS services under the legal agreement, and are supported by adequate documentation; and

c) The related financial statements prepared by UNOPS for the period under review present a fair view of the operations.

The scope of the audit was initially to review transactions for the period for the period 22 December 2009 to 30 June 2012. Subsequently, KPMG East Africa was requested by the management of UNOPS, Juba, South Sudan, to extend the period covered by the audit to 31 October 2012 in order to include payments made during the four-month period from 1 July 2012 to 31 October 2012.

1.2 Overall assessment

The overall level of internal control with respect to the Support to the Ministry of Agriculture and Forestry (MAF) and the Ministry of Animal Resources and Fisheries (MARF) for the construction of five state offices in five states in South Sudan for the period 22 December 2009 to 31 October 2012 (the Project) is considered to be partially satisfactory.

The specific ratings for the main areas covered by the audit are as follows:

Rating summary by functional area		
Functional area of review	**Rating**	
Project management	Partially satisfactory	
Finance	Partially satisfactory	
Procurement and supply chain	Satisfactory	
Asset management	Partially satisfactory	
Finance - Cash management	Partially satisfactory	
Human Resources management	Partially satisfactory	

Management should consider this rating within the context that UNOPS, South Sudan Operations Centre project management team should attempt to strengthen its management practices in the areas marked as partially satisfactory.

1.3 Audit highlights

The management letter contains five recommendations, of which 40% are considered high priority, while 60% are considered medium priority. Further analysis of the recommendations disclosed that 67% of the underlying causes of audit findings pertained to Guidance, 22% pertained to Human Error, while 11% pertained to Guidelines.

A summary of the matters noted during the audit and the priorities assigned to each of them is provided in the table below.

Functional area	**Finding**	**Priority for implementation**	
		High	Medium
Project management	Non-compliance with contractual reporting requirements		✔
Project management	Non-compliance with cut-off period of project implementation	✔	
Human Resource management	Non compliance with contractual requirements with regard to Human Resource management		✔
Asset management	Control weaknesses in the management of non-expendable assets. Unrecorded expenditure	✔	
Finance - Cash management	Control weaknesses in cash management.		✔

Detailed findings and related management comments are presented in Section 3.

2 Audit objectives, scope and operational overview

2.1 Audit objectives and scope

2.1.1 Audit objectives

1 The overall objective of the audit was to assess the management of Project operations with a view to obtain reasonable assurance towards the achievement of the Project's objectives. The areas of focus in achieving this objective were:

- Effective, efficient and economical use of resources;
- Reliability of reporting;
- Safeguarding of assets; and
- Compliance with applicable legislation.

2 To provide reasonable assurance that:

- Project expenditures are properly accounted for;
- Project expenditures were incurred in accordance with the provision of UNOPS services under the legal agreement, and the expenditure is supported by adequate documentation; and
- The related financial statements prepared by UNOPS for the period under review present a fair view of operations.

3 In particular:

a. Express an opinion on whether the Project's financial statements present fairly, in all material respects, expenditures incurred by the Project and whether these expenditures were:

   - Incurred in conformity with the approved Project budgets;
   - For the approved purposes of the Project;
   - Incurred in compliance with the relevant regulations and rules, policies and procedures of UNOPS;
   - In accordance with the legal agreement terms; and
   - Supported by properly approved vouchers and other supporting documents.

b. Express an opinion on whether the Project's statement of non-expendable property presents fairly, in all material respects, the status of non-expandable property of the Project at the end of the period under review.

c. Provide an overall assessment of the operational and internal control system in place for management of the Project so that related transactions are processed in accordance with UNOPS policies and procedures and for the achievement of the Project objectives.

Specific procedures to be carried out in order to achieve the above objectives were provided in the Terms of Reference.

Our opinion under the second and third objectives above is included in a separate report. The results of carrying out tasks under the first objective is set out in this report. The areas covered were:

- Overall project management;
- Finance;
- Human Resources;
- Procurement and supply chain; and
- Property (asset) management.

2.1.2 Audit scope

IAIG, with assistance from KPMG Denmark, via KPMG East Africa conducted a limited scope internal audit of the Support to the Ministry of Agriculture and Forestry (MAF) and the Ministry of Animal Resources and Fisheries (MARF) for the construction of five state offices in five states of South Sudan, namely Central Equatoria, Eastern Equatoria, Jonglei, Upper Nile and Unity for the period 22 December 2009 to 30 June 2012. Subsequently, KPMG East Africa was requested by the management of UNOPS, Juba, South Sudan, to extend the period covered by the audit to 31 October 2012 in order to include payments made during the four-month period from 1 July 2012 to 31 October 2012. The audit field work was undertaken from 17 July 2012 to 21 November 2012. The audit was to be conducted in accordance with International Standards on Auditing and UNOPS Internal Audit Practices (specified in the Terms of Reference set by IAIG).

Although the terms of reference required a review of cash management, IAIG was unable to do so as the Project did not have a separate bank account and cash transactions were handled under a shared cash kitty (i.e. petty cash account).

2.2 Operational overview

In December 2009, the Government of Southern Sudan (GOSS) represented by the Ministry of Agriculture and Forestry (MAF) and the Ministry of Animal Resources and Fisheries (MARF) signed a consultancy agreement with UNOPS (the Consultancy Agreement) for the implementation of the project entitled "Support to MAF and MARF for the construction of five states offices in five states of South Sudan, namely Central Equatoria, Eastern Equatoria, Jonglei, Upper Nile and Unity" (the Project).

The grant for the implementation of the Project was provided by the Multi-donor Trust Fund (MDTF) through two grants i.e. Support to Agriculture and Forestry Development Project (SAFDP), Grant No. TF092182, under MAF, and Support to Livestock and Fisheries Development Project (LDFP), Grant No. TF057638), under MARF. The grants were to support the development of agriculture, forestry, livestock and fisheries in South Sudan, in accordance with GOSS priorities.

The goals of SAFDP included enhancement of institutional capacity of GOSS, state ministerial levels and local government levels in order to deliver effective and efficient planning and coordination services in the agriculture and forestry sectors and the goal of LFDP included institutional development and capacity building of MARF. Under these goals, the construction and refurbishment of office buildings were significant activities. The offices were to be shared between the two ministries.

The scope of work under the Project included:

i. Construction of new offices in Jonglei, Eastern Equatoria and Unity states comprising nine office rooms, a conference room, toilets, a borehole, a storage tank, fencing and site development works and improvements of access roads; and

ii. Construction of new offices and refurbishment of existing buildings in Central Equatoria and Upper Nile states. The new offices were to include six office rooms, a conference room, toilets, borehole, storage tank, fencing and site development works. The refurbishment works were to include one office block in Juba and 3 office blocks in Malakal.

The envisaged outputs of the Project in the five states were as follows:

a) Central Equatoria State

- A new state building for the Ministry of Agriculture and Animal Resources in Juba.
- One refurbished existing building for the State Ministry of Agriculture and Animal Resources in Juba.

b) Eastern Equatoria State: New state building in Torit.

c) Upper Nile State

- A new state building for the Ministry of Agriculture and Animal Resources in Malakal;
- One refurbished main building for MARF in Malakal; and
- Two refurbished blocks (Blocks 1 and 2) for MARF Fishery Department in Malakal.

d) Unity State: A new state building in Bentiu.

e) Jonglei: A new state building.

Funding

According to the Consultancy Agreement signed between GOSS and UNOPS in December 2009, the Project period was initially for a 24-month period from 22 December 2009. Subsequently, a no-cost extension was granted by GOSS to 30 June 2012, through Amendment 1 to the Consultancy Agreement. The extension was sought by UNOPS to enable utilization of a portion of surplus Project funds on Project auditing and payment of transportation costs for Information and Communication Technology (ICT) equipment. One consultancy agreement was signed for both MAF and MARF components.

The Project budget and estimated cost of services for both MARF and MAF was US$ 6,527,564. Actual Project expenditure for the period 22 December 2009 to 31 October 2012 was US$ 6,349,840.

3 Detailed Assessment

The details of the audit findings are as follows:

No.	Observation	Recommendation	Responsible Manager	Management reply and Action Plan	Due date	Priority
FUNCTIONAL AREA: Project management						
3.1	**Title: Non-compliance with contractual reporting requirements** **Comparison Criteria** • Section 3.4 (b) of the consultancy agreement between UNOPS and the Government of Southern Sudan (GOSS or the Government) here in referred to as "the Consultancy Agreement" requires that UNOPS should provide GOSS with annual financial requires that UNOPS should provide GOSS with annual financial statements of account, with a copy to the World Bank, within five months after the close of the calendar year. The annual financial statements shall include expenditures and accrued commitments, broken down into the following categories of expenditures: - Civil works; - Personnel costs;	Management should put in place processes and procedures to ensure the Project's compliance with all contractual requirements/conditions set out in the Consultancy Agreement, including those relating to reporting.	Head of Support Services	In general UNOPS should exercise more care in signing agreements that are in line with its standard reporting procedures and financial systems. In this particular case, there was a non standard UNOPS format agreed upon in paragraph 3.4(b). In addition, UNOPS has provided quarterly reports as per Appendix VII of the agreement listing the expenditure per site. Reporting is part of the client stakeholder relationship management. This has been highlighted as a key priority under improving internal processes in the UNOPS South Sudan 2012-2013 strategic plan. The office intends to fully utilize the new reporting scheduling tool	June 2013	Medium

No.	Observation	Recommendation	Responsible Manager	Management reply and Action Plan	Due date	Priority
	- Operating costs; and - Management fee. • Appendix 1 to the Consultancy Agreement states that UNOPS will prepare and submit progress reports to the Government, as follows: - A first report within 30 days following signature of the Consultancy Agreement; and - Quarterly progress reports within 15 days following the end of the quarter. **<u>Facts/Observation</u>** • **Format of the annual financial statements**: The annual financial statements prepared by UNOPS and submitted to the Government during the period under review did not present Project expenditure in the categories specified in the Consultancy Agreement. Instead, project expenditure was classified as follows: - Project expenditure; - Management fees; and - Gains/losses on exchange differences. • **First report**: There was no evidence that UNOPS			of the management workspace (which has been launched in late 2012) by the second quarter of 2013. This will assure a careful assessment of the different reporting requirements by project as well as better adherence to the reporting deadlines.		

<table>
<tr><th>No.</th><th>Observation</th><th>Recommendation</th><th>Responsible Manager</th><th>Management reply and Action Plan</th><th>Due date</th><th>Priority</th></tr>
<tr><td></td><td>prepared and submitted a first report to the Government within 30 days after signature of the Consultancy Agreement, as required by the agreement.

• Late submission of quarterly progress reports: In two instances, quarterly progress reports were submitted to the Government after the stipulated deadlines. Details are as follows:

<table><tr><th>Reporting Period</th><th>Date submitted</th><th>Comment</th></tr><tr><td>1 January 2010 to 31 March 2010</td><td>23 May 2010</td><td>More than one month after the deadline of 15 April 2010</td></tr><tr><td>October 2010 to 31 December 2010</td><td>29 January 2011</td><td>Two weeks after the deadline of 15 January 2011</td></tr></table>
<u>Impact:</u>

Failure to comply with contractual reporting requirements may result in sanctions being imposed on the Project.</td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

No.	**Observation**	**Recommendation**	**Responsible Manager**	**Management reply and Action Plan**	**Due date**	**Priority**
	Cause: Guidance - Lack of supervision					
FUNCTIONAL AREA: Project Management						
3.2	**Title: Non-compliance with cut-off period of project implementation** **Comparison Criteria** Section 2.4 of the Special Conditions to the Consultancy Agreement stipulates that the implementation period of the Project would be 24 months from 22 December 2009. Amendment 1 to the Consultancy Agreement, dated 10 February 2012, granted a no-cost extension to 30 June 2012. **Facts/Observation** The 2012 financial statements covered project activities for the period 1 January 2012 to 31 October 2012 which comprised reversals from expenditure amounting to US$ 41,821 (US$ 37,498 for MAF and US$ 4,323 for MARF).	Management should put in place guidelines and processes to ensure that project expenditures are incurred within approved implementation periods. Where delivery of goods, works or services is envisaged to take place after the end of the implementation period, approval or time extensions should be sought form the donor in a timely manner.	Head of Support Services	This is basically a transitional oversight in the move from UNSAS to IPSAS which was at the time not yet engrained in the different processes. The non cost extension under amendment 1 was sought for additional services to utilize the portion of remaining project funds, at the time of signing this was estimated to be finalized by 30th June 2012. The expenditure after the cutoff date consists of the following items.	Mid 2013	High

<table>
<tr><th>No.</th><th>Observation</th><th>Recommendation</th><th>Responsible Manager</th><th>Management reply and Action Plan</th><th>Due date</th><th>Priority</th></tr>
<tr><td></td><td>These reversals represent the difference between positive value expenditure amounting to US$ 59,562 incurred from 1 July 2012 to 31 October 2012 and reversals from expenditure amounting to US$ 101,383 made from 1 January 2012 to 30 June 2012.

We were unable to satisfy ourselves as to the eligibility of positive value expenditure amounting to US$ 41,394 out of the $59,562 incurred from 1 July 2012 to 31 October 2012 as, although the related purchase orders were raised prior to 30 June 2012, actual delivery of goods and services was after the approved implementation to June 2012. The amount was hence incurred outside the project implementation period of 22 December 2009 to 30 June 2012.

There was no evidence of approval of a further no-cost extension for the period from 1 July 2012 to 31 October 2012.

<u>Impact:</u>
Expenditure incurred after the approved project implementation period would be ineligible. In addition, the audit report is qualified in this respect.</td><td></td><td></td><td><table>
<tr><th>Expense Class</th><th>Amount (US$)</th><th>Date of Delivery of good/service</th><th>Comments</th></tr>
<tr><td>Furniture</td><td>34,688</td><td>Received at UNOPS on 25/Jul/2012</td><td>Delivery made after implementation period</td></tr>
<tr><td>Salary cost audit facilitator</td><td>12,298</td><td>Salaries for July 2012</td><td>Delivery of service made after implementation period</td></tr>
<tr><td>Sundry</td><td>-8,582</td><td>Allocable expense for 2012 Q3 (i e July to September 2012)</td><td>Delivery after implementation period</td></tr>
<tr><td>Facilities & Admin Implement</td><td>2,990</td><td>Management fees for 2012 Q3</td><td>Delivery made after implementation period</td></tr>
<tr><td>Total</td><td>41,394</td><td></td><td></td></tr>
</table>
US$ 41,394 in expenditure was incurred for goods and services received after 30 June 2012.

With regard to the goods the relevant purchase order was raised and recorded as an encumbrance well before 30 June 2012. At the time of encumbrance the goods were expected to be delivered</td><td></td><td></td></tr>
</table>

No.	Observation	Recommendation	Responsible Manager	Management reply and Action Plan	Due date	Priority
	<u>Cause</u>: Guidance - Lack of supervision			before the agreement ended. Apart from a delay by the supplier, the delivery of the furniture was further delayed due to the remote location which is 800 km's from Juba by river with infrequent barge connections. The different services are related to audit activities which are logically incurred under IPSAS after project closure or relate to corporate charges based on the expenditure after 30 June 2012. Under UNSAS accounting once the purchase orders are raised it is reflected as expenditure with the accompanying corporate charges. In retrospect the office should have requested an extension when it became clear that the furniture could not be delivered in time. However, we find the heading non compliance with the cut off period for project implementation rather severe for what in fact concerns a delayed delivery of goods requested by the client to a remote location.		

No.	**Observation**	**Recommendation**	**Responsible Manager**	**Management reply and Action Plan**	**Due date**	**Priority**
				This is one of the lessons learned in the transition from UNSAS to IPSAS and UNOPS will in the future better monitor the expenditure cut off and apply exception management in those cases where a shipment is delayed. Separate guidance will be sought from IAIG with regard to the accounting of audit charges after project closure.		
FUNCTIONAL AREA: Human Resources						
<u>3.3</u>	**<u>Title:</u> Human Resources Management** **<u>Comparison Criteria</u>** • UNOPS Staff Rule 1.3 (a) stipulates that for purposes of accountability, staff members shall be evaluated for their efficiency, competence and integrity through performance appraisal mechanisms that shall assess the staff member's compliance with the standards set out in the staff regulations and staff rules. • Article 4.3.2 of the Consultancy Agreement requires that in performance of services including replacement of key personnel, UNOPS should submit to the	Management should put in place guidelines and processes to ensure that project expenditures are incurred within approved implementation periods. Where delivery of goods, works or services is envisaged to take place after the end of the implementation period, approval or time extensions should be sought from the donor in a timely manner.	Head of Support Services	We recognize the missing performance evaluation for the logistic assistant. As per 2012 all performance appraisals are logged in on line which ensures that all appraisals are done and archived centrally. We also recognize that no formal approval for the key staff was sought from the government. With the establishment of the programme management office in late 2011 more emphasis is given on compliance and it is expected that this will be remediated in	Second quarter of 2013	Medium

No.	Observation	Recommendation	Responsible Manager	Management reply and Action Plan	Due date	Priority
	Government a copy of the person's biographical data, qualification and experience of all key personnel, for prior review and clearance by the Government. **Facts/Observation** • **Performance appraisal:** In one instance, there was no evidence that performance appraisals were performed for a logistics assistant in the years 2010 and 2011. • **Recruitment of key project personnel:** There was no evidence that during the recruitment process of the stipulated key personnel engaged during the period under review, UNOPS submitted a shortlist of proposed candidates to the Government for review of the candidate's qualification and experience prior to appointment, as required by the Consultancy Agreement. **Impact:** Failure to comply with contractual requirements may result in sanctions being imposed on the Project.			the overall maturing of the office.		

<table>
<tr><th>No.</th><th>Observation</th><th>Recommendation</th><th>Responsible Manager</th><th>Management reply and Action Plan</th><th>Due date</th><th>Priority</th></tr>
<tr><td></td><td><u>Causes</u>:

• Human error - Failure to carry out performance appraisals and/or failure to archive/document performance appraisals in accordance with UNOPS rules and regulations.

• Guidance - Lack of supervision</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="7">FUNCTIONAL AREA: General administration - Asset management</td></tr>
<tr><td><u>3.4</u></td><td><u>Title:</u> Asset Management and incorrectly recorded expenditure

(a) Asset Management

<u>Comparison Criteria</u>

• Section 1.4.3 of the UNOPS Assets Management Guidelines stipulates that a physical count of inventory items should be conducted at least once a year. The data included in the asset inventory should correspond to the inventory items physically verified. When the inventory is physically conducted at the end of the year, a cross-check should be carried out to ascertain that;</td><td>Management should put in place a rigorous review mechanism to ensure that UNOPS guidelines for management of assets are adhered to.</td><td>Head of Support Services</td><td>With the introduction of IPSAS the entire UNOPS asset management system has been revised integrated in Atlas and greatly improved. While this is still ongoing we expect to have a solid asset management system by 2013. With regard to the laptop, the value is below USD 2500 and it is technically not an asset.

The expenditure was incorrectly recorded in Atlas by allocating the wrong project number to the purchase order. As a result the accounting entry was reflected under a different project. The</td><td>April 2013: after the first year end closure and asset valuation under IPSAS.</td><td>High</td></tr>
</table>

No.	**Observation**	**Recommendation**	**Responsible Manager**	**Management reply and Action Plan**	**Due date**	**Priority**
	- All items are recorded; - New purchases during the year are capitalized in the ERP assets module; and - Disposed items are included in the disposals record. In case of any discrepancy an investigation should be initiated, the data in the asset inventory corrected, and a note made on the same. • Section 1.3.2 of the Asset Management Guideline requires the following data to be collected and recorded for each new asset: - Project number; - Item number; - Tag number (bar code number); - Serial number; - Description (including brand); - Purchase price/unit value; - Purchase date; and - Location.			encumbrance and expenditure has always been recorded in the accounting system. There is therefore no failure by management to ensure that all expenditures are posted into the accounting system (ATLAS) but a failure to assure all expenditure is recorded under the correct project. We acknowledge that there is an oversight failure, as of 2012 a new management workspace has been operational which has greatly improved the tracking of the individual purchase orders and contract data through the new contract tool. While this was introduced in 2012 not every project has entered all its data and the office will ensure that in 2013 all major contracts are tracked in the contracting tool.		

No.	Observation	Recommendation	Responsible Manager	Management reply and Action Plan	Due date	Priority
	Facts/Observation • **Incorrect record of cost:** In one instance, the cost of a safe was incorrectly recorded in the schedule of non expendable assets as US $ 2,500 instead of US $ 1,059. As a result, the schedule of non-expendable assets was overstated by US $ 1,441. This was corrected during the audit. • **Incorrectly recorded expenditure:** We noted that the financial statements for the year ended 31 December 2011 and the related detailed expenditure listing did not include expenditure amounting to US$ 18,168 relating to purchase of photo copiers for the Project. This omission was noted during the audit field work. The expenditure was subsequently recorded in the 2012 financial statements as the 2011 system had been locked up from further posting at the time. • **Non-project assets**: A container purchased for US $ 5,000 and included in the schedule of non-expendable assets for the project did not belong to the Project. As a result, the schedule of non expendable asset was overstated by US $ 5000. This was corrected during the audit.					

<table>
<tr><th>No.</th><th>Observation</th><th>Recommendation</th><th>Responsible Manager</th><th>Management reply and Action Plan</th><th>Due date</th><th>Priority</th></tr>
<tr><td></td><td>
We were unable to verify the existence of one laptop as it was not available for our review during the audit of field visit. Details are as follows:
<table>
<tr><th>Description</th><th>Serial No.</th><th>Model</th><th>Purchase date</th><th>Purchase order No.</th></tr>
<tr><td>Computer laptop with charger & bag</td><td>211Z MJM1</td><td>Latitude E6400</td><td>27-Apr-10</td><td>000019011</td></tr>
</table>
<u>Impact:</u>
The project is in contravention of the UNOPS Assets Management Guidelines.
<u>Causes</u>:
Human error – Incorrect posting of information to the schedule of inventory of non-expendable assets.
</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="7">FUNCTIONAL AREA: Finance</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

No.	Observation	Recommendation	Responsible Manager	Management reply and Action Plan	Due date	Priority
3.5	**Title: Cash Management** **Comparison Criteria** UNOPS' Operational Advances Manual - Standard Operational Procedure for Advance Recoverable Locally (ARL) 4 (a) stipulates that all operational advances should be recovered not later than three (3) months from the date of the advance. **Facts/Observation** We noted instances where operational advances were accounted for later than 3 months from the date of the advance. Further details included dates when the advances were recovered are presented in Appendix A.1. **Impact:** Failure to account for advances in a timely manner contravenes the requirements of the UNOPS Operational Advances Manual - Standard Operational Procedure for Advance Recoverable Locally (ARL) 4 (a). **Cause**: Guidance – Inadequate guidance by the Head of Support Services.	Management should ensure that ARLs are accounted for within three months of advance as stipulated in the UNOPS Operational Advances Manual.	Head of Support Services	We acknowledge the delay in clearance of operational advances and have tightened our management of operational advances which resulted that there no more delays beyond 90 days since August 2012.	Done	Medium

A.1 Operational advances

Date of advance	Vendor Name	Voucher ID	Description	Expected date of accounting	Actual date of accounting	Days outstanding	Currency	Amount
20-Jan-10	[redacted]	388179	Operational Advance for Juba Office;	20-Apr-10	15-Sep-10	148	USD	3,000
27-May-10	[redacted]	432299	AP Accruals; Operational Advance for Field; Operational Advance for Field Office;	25-Aug-10	15-Sep-10	21	USD	1,500
19-Aug-11	[redacted]	587245	Operational Advance for the mo; Operational Advance	17-Nov-11	15-Dec-08	54	SDG	20,000