



INTERNAL AUDIT AND INVESTIGATIONS GROUP

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

INTERNAL AUDIT REPORT

12 JUNE 2014

PROJECT NAME:	PROJET D'APPUI A LA REHABILITATION ET RELANCE DU SECTEUR AGRICOLE (PARRSA)
PROJECT NUMBER:	00077040
COUNTRY:	DEMOCRATIC REPUBLIC OF CONGO
AUDITOR:	MOORE STEPHENS LLP
PERIOD:	1JANUARY TO 31 DECEMBER 2013

Contents

Acronyms and abbreviations	3
Executive summary	4
The engagement context	4
Audit objectives	4
Audit scope	4
Audit rating	4
Key issues and recommendations	5
Detailed assessment	7
Annex I - Definitions	13

Acronyms and abbreviations

IAIG	Internal Audit and Investigations Group
IPSAS	International Public Sector Accounting Standards
OC	Operations Centre
PARRSA	Projet D'Appui A La Rehabilitation Et Relance Du Secteur Agricole (Parrsa)
TOR	Terms of Reference
UNOPS	United Nations Office for Project Services
USD	United States Dollars

Executive summary

The engagement context

From 31 March to 25 April 2014, the Internal Audit and Investigations Group (IAIG) of the United Nations Office for Project Services (UNOPS), through Moore Stephens LLP (“the audit firm”), conducted an audit of *Projet d’Appui à la Réhabilitation et à la Relance du Secteur Agricole « PARRSA »*, (Project ID 00077040), (the project), which is implemented and managed by the UNOPS Operations Centre in Democratic Republic of Congo. 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 amounted to USD 11,251,054 during the period from 1 January to 31 December 2013. The following donor contributed to the project: World Bank (IDA).

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 IASSB 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 partially satisfactory which means “Internal controls, 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". 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.
Projet de Réhabilitation et de Relance du Secteur Agricole – PARRSA		1 January – 31 December 2013	00077040
Financial statement		Statement of non-expendable property	
Amount USD	Opinion	Amount USD	Opinion
11,251,054	Unqualified	705,631	Unqualified

Table 2: Internal control rating summary for project

Rating summary by functional area		
Functional area	Rating	
Project management	Partially satisfactory	
Finance	Partially satisfactory	
Procurement and supply chain	Satisfactory	
Human resources	Satisfactory	
General administration	Satisfactory	
Overall rating of internal control	Partially satisfactory	

Key issues and recommendations

Of the four audit findings, none were noted to be caused by factors beyond the control of UNOPS. There are four recommendations, none of which is ranked of high priority.

Below is a list of the audit findings, further details of which can be found in the detailed assessment section.

No.	Functional area	Audit finding title	Priority rating (high / medium)	Financial impact (USD)
1	Project management	Weaknesses in quarterly reporting	Medium	-
2	Project management	Failure to meet work performance deadlines.	Medium	-
3	Project management	Lack of monitoring of budget against actual on a line by line basis	Medium	
4	Finance	Failure to respect petty-cash management procedures	Medium	

No.	Functional area	Audit finding title	Priority rating (high / medium)	Financial impact (USD)
Total				-



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Detailed assessment

#	Observation	Recommendation	Management Remarks and Action Plan	Manager/Date which action is required/Priority
Operational Area: Project Management				
1	<p>Title: Weaknesses in quarterly reporting</p> <p>Comparison criterion: According to the project's procedures manual (point 1.1.2.5. UNOPS-P19), quarterly reports issued by the MOD must include specific information, including a table of resources and their use during the period.</p> <p>Observation: This table was not included in the various reports provided to us.</p> <p>Impact: Difficulty in monitoring the project income and expenditure by activity, budget heading and financial year.</p> <p>Cause: Guidance – Lack of or inadequate guidance or supervision at the RO/OC/PC level</p>	<p>The project quarterly report must include a "Table of Resources and Jobs" as well as an anticipated timetable.</p>	<p>The current format for the quarterly and annual report includes a section showing budgetary performance for each budget item.</p> <p>Consequently there is no specific table for resources and jobs. This table will be included in the next quarterly and annual reports.</p>	<p>Manager: Administration and Finance Manager</p> <p>Implementation date: Next Quarterly and Annual Reports.</p> <p>Priority: Medium.</p>

#	Observation	Recommendation	Management Remarks and Action Plan	Manager/Date by which Action is required/Priority
Operational Area: Project Management				
2	<p>Heading: Failure to meet work performance deadlines</p> <p>Comparison Criterion: Project Procedures Manual: Section III of the procedures for awarding Public Contracts and selecting consultants, paragraph 3.1.2 concerning rigorous application and efficiency.</p> <p>Observation: We noted that for construction work on the Mogalo contract a 3-month extension to the forecasted total duration of 6 months was granted to the company and justified on the grounds of poor personnel management, stock management and conduct of the works.</p> <p>Impact: Doubt concerning respect for the performance guarantee of satisfactory completion of the works in accordance with the terms and conditions and aims of the contract between the Government and UNOPS.</p> <p>Cause: Compliance</p>	<p>The District Chief Engineer must verify that the identities and qualifications of the people whose qualities and experience enabled the service providers to win the contract are in fact the same as the personnel actually currently working on the site.</p>	<ul style="list-style-type: none"> ▪ Absence of manufactured products in the districts where the service providers were supposed to procure them, in Kinshasa, Bumba and Kisangani (cement, reinforced concrete, metal sheeting). ▪ Time taken by ship owners (4 months) to ship manufactured products from Kinshasa to the port of Akula located 235 Km from Mogalo. ▪ Shortage of local materials (gravel) ▪ Sometimes quite a considerable distance from the sites from which local materials are borrowed (gravel coming from Gemena, located 120 Km from the works site). ▪ Means of transport used to move the local materials (gravel): vehicles. Arrival time of local materials on site: 1 to 2 weeks due to the very poor state of the road between Gemena and Mogalo. ▪ Bicycle and motor-cycle: to move sand and cement between PK 95 and PK 120. Impracticable state of the road in the section. ▪ Very frequent rainfall. ▪ Implementation of the audit recommendations at the start of works will consist of verifying on the ground 	<p>Manager: Public Contract Award Cell and District Chief Engineer.</p> <p>Implementation date: Immediate.</p> <p>Priority: Medium.</p>

#	Observation	Recommendation	Management Remarks and Action Plan	Manager/Date by which Action is required/Priority
			<p>whether the personnel stated in the service provider's tender are in fact the people present on the sites and checking whether they actually possess the claimed skill levels, by carrying out a quick test of their knowledge.</p> <ul style="list-style-type: none"> ▪ The Project plans to provide support in the form of an adviser to the service providers concerning purchases and bulk transport: ▪ The Project management will send out appeals to those socio-professional groups (e.g. suppliers, transporters) capable of assisting in the Project's completion. Due to the remoteness of Equator Province, the procurement and transport of manufactured materials (reinforced concrete, cement) for the works constitutes one of the main constraints for completion of the Project, a major consequence being the slowness in moving materials by boat from Kinshasa to Equator; as a result we plan to proceed as follows: <ul style="list-style-type: none"> ▪ Organisation of Open Days to familiarise people with the Project, its areas of activity and the nature of the activities. (This has already been done in Kinshasa in 2014 when elected representatives of Equator Province attended, as well 	

#	Observation	Recommendation	Management Remarks and Action Plan	Manager/Date by which Action is required/Priority
			<p>as business people and ordinary members of the civilian population).</p> <ul style="list-style-type: none"> ▪ Working meetings with local suppliers in each of the 3 districts in which the Project is active. During these meetings, the Project management will inform suppliers of the quantities of materials required for the works planned during the course of the year; ▪ The Project management will also contact the suppliers and our works' contractors so that the latter can place firm orders with suppliers capable of transporting large quantities of materials to the districts (cement, reinforced concrete). ▪ The Project management will also place our works' contractors in contact with local transporters so that bulk transport can be organised between the main towns in the districts concerned and the work sites. 	

#	Observation	Recommendation	Management Remarks and Action Plan	Manager/Date by which Action is required/Priority
Operational Area: Project Management				
3	<p>Heading: Lack of monitoring of budget against actual on a line by line basis</p> <p>Comparison Criterion: Project budget compared to actual expenditure during the financial year.</p> <p>Observation: A line by line comparison between the budget and the actual expenditure for the financial year 2013 is not prepared.</p> <p>Impact: No evidence of achievement of the result should it become necessary to change direction in terms of decisions relating to more efficient project management.</p> <p>Cause: Compliance.</p>	<p>We recommend that a budgetary reconciliation be carried out between forecasts and achievements and that the reasons why targets were or were not met be stated for each budget line.</p>	<p>This is due to the delay between the time of issue of purchase orders budgeted for in 2012, the time of delivery of equipment in 2013 and the time payment for it was charged to the cost account in 2013. The problem will be resolved with the budget review.</p>	<p>Manager: Project Coordinator.</p> <p>Implementation date: Immediate based on the mechanism established by UNOPS 'Contract Management Table.'</p> <p>Priority: Medium.</p>

#	Observation	Recommendation	Management Remarks and Action Plan	Manager/Date by which Action is required/Priority
Operational Area: Finance				
4	<p>Heading: Failure to respect petty-cash management procedures</p> <p>Comparison Criteria: According to the manual of administrative, accounting, financial and technical procedures, section 2.1.1.4.6 Petty-Cash Checks, checks must be carried out at the regional level by the Regional Financial Manager by means of a review of the petty-cash register and unannounced inspections to verify the petty cash situation.</p> <p>Observation: We noticed that the funds making up petty cash in Gemena are not subject to unannounced inspections by the District Engineer who merely checks supporting documentation submitted to justify expenditure of funds by the District Technical Assistant.</p> <p>Impact: Validation of amounts which do not correspond to existing petty cash balances.</p> <p>Cause: Compliance.</p>	<p>We recommend that the District Engineer carry out unannounced inspections of the existing petty cash balances and reconcile the account balance shown with the cash holding.</p>	<p>The Gemena petty cash is held by the District Technical Assistant and checked by the District Engineer. Since the latter spends most of the time in the field supervising work, he checks the petty cash on his return.</p> <p>Surprise inspections will be carried out at least once a month and give rise to a detailed report.</p>	<p>Manager: Administration and Finance Manager.</p> <p>Implementation date: Immediate.</p> <p>Priority: Medium.</p>

Annex I - Definitions

Standard Audit Ratings for overall performance of internal control system

The harmonized rating system being applied by the internal audit services of UNICEF, UNFPA, WFP, UNDP and UNOPS effective 1 January 2010 is based on the following principles:

There are three categories:

- (a) satisfactory,
- (b) partially satisfactory, and
- (c) unsatisfactory.

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	Internal controls, 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 controls, 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 controls, governance and risk management processes 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.

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. <i>Note: Low priority recommendations, if any, are dealt with by the audit firm directly with UNOPS management either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in the report.</i>

Possible causes

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

- **Guidelines:** absence of written procedures to guide staff in performing their functions;
 - Lack of or inadequate corporate policies or procedures
 - Lack of or inadequate RO/OC/PC policies or procedures
 - Inadequate planning
 - Inadequate risk management processes
 - Inadequate management structure
- **Guidance:** inadequate or lack of supervision by supervisors;
 - Lack of or inadequate guidance or supervision at the RO/OC/PC level
 - Inadequate oversight by Headquarters
- **Resources:** insufficient resources (funds, skill, staff) to carry out an activity or function;
 - Lack of or insufficient resources (financial, human, or technical resources)
 - 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.

List of functional areas

The following categories of **functional areas** are used:

- Project management
- Finance
- Human resources
- Procurement and supply chain
- General administration (which includes asset management)
- Information and communications technology