UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

INTERNAL AUDIT REPORT

4 September 2015

PROJECT NAME: SMALL GRANTS PROGRAMME (SGP) – OPERATIONAL PHASE 5
PROJECT NUMBER: 00078662
COUNTRY: BURUNDI
AUDITOR: MOORE STEPHENS LLP
PERIOD SUBJECT TO AUDIT: 1 JANUARY 2011 TO 30 JUNE 2014
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</table>
### Acronyms and abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BU</td>
<td>Business Unit</td>
</tr>
<tr>
<td>CBA</td>
<td>Community-based Adaptation</td>
</tr>
<tr>
<td>CBO</td>
<td>Community-based Organization</td>
</tr>
<tr>
<td>CO</td>
<td>Country Office</td>
</tr>
<tr>
<td>COA</td>
<td>Chart of Account (Atlas)</td>
</tr>
<tr>
<td>COB</td>
<td>Country Operating Budget</td>
</tr>
<tr>
<td>CPMT</td>
<td>Central Programme Management Team</td>
</tr>
<tr>
<td>CPS</td>
<td>Country Programme Strategy</td>
</tr>
<tr>
<td>DOA</td>
<td>Delegation of Authority</td>
</tr>
<tr>
<td>ERP</td>
<td>Enterprise Resource Planning (Atlas)</td>
</tr>
<tr>
<td>FTA</td>
<td>Fixed-Term Appointments</td>
</tr>
<tr>
<td>GEF</td>
<td>Global Environment Facility</td>
</tr>
<tr>
<td>GLJE</td>
<td>General Ledger Journal Entry</td>
</tr>
<tr>
<td>ICF</td>
<td>Internal Control Framework</td>
</tr>
<tr>
<td>LOA</td>
<td>Letter of Agreement</td>
</tr>
<tr>
<td>MOA</td>
<td>Memorandum of Agreement</td>
</tr>
<tr>
<td>MOSS</td>
<td>Minimum Operating Security Standards</td>
</tr>
<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>NAO</td>
<td>(UNOPS) North America Office</td>
</tr>
<tr>
<td>NC</td>
<td>National Coordinator</td>
</tr>
<tr>
<td>NFP</td>
<td>National Focal Person</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental Organization</td>
</tr>
<tr>
<td>NHI</td>
<td>National Host Institution</td>
</tr>
<tr>
<td>NSC</td>
<td>National Steering Committee</td>
</tr>
<tr>
<td>OP</td>
<td>Operational Phase</td>
</tr>
<tr>
<td>PA</td>
<td>Programme Assistant</td>
</tr>
<tr>
<td>PO</td>
<td>Purchase Order (Atlas)</td>
</tr>
<tr>
<td>PRINCE2</td>
<td>Projects In Controlled Environments 2</td>
</tr>
<tr>
<td>REQ</td>
<td>Requisition (Atlas)</td>
</tr>
<tr>
<td>RR (Res. Rep.)</td>
<td>Resident Representative</td>
</tr>
<tr>
<td>SC</td>
<td>Service Contracts</td>
</tr>
<tr>
<td>SOP</td>
<td>Standard Operating Procedures</td>
</tr>
<tr>
<td>SGC</td>
<td>Small Grants Cluster (The UNOPS NAO SGP team)</td>
</tr>
<tr>
<td>SGP</td>
<td>GEF Small Grants Programme</td>
</tr>
<tr>
<td>SSA</td>
<td>Special Service Agreement</td>
</tr>
<tr>
<td>TOR</td>
<td>Terms of Reference</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNDSS</td>
<td>United Nations Department of Safety and Security</td>
</tr>
<tr>
<td>UNOPS</td>
<td>United Nations Office for Project Services</td>
</tr>
</tbody>
</table>
Executive summary

The engagement context
From 01 to 11 December 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 Small Grants Programme (SGP), Operational Phase 5 (OP5) in Burundi, (Project ID 00078662) (“the project”), which is implemented and managed by UNDP SGP Office in Burundi on behalf of the Global Environment Facility (GEF). 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 USD 1,569,136 during the period from 1 January 2011 to 30 June 2014. This project was funded by the Global Environment Facility (GEF).

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 and UNOPS internal audit practices, and in consideration of the requirements of United Nations System Accounting Standards (UNSAS), for the project period up to 31 December 2011, and International Public Sector Accounting Standards (IPSAS), for the project period from 1 January 2012.

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

<table>
<thead>
<tr>
<th>Project title</th>
<th>Period</th>
<th>Project no.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Grants Programme – Operational Phase 5, Burundi</td>
<td>1 January 2011 – 30 June 2014</td>
<td>00078662</td>
</tr>
</tbody>
</table>

Financial statement

<table>
<thead>
<tr>
<th>Amount USD</th>
<th>Opinion</th>
<th>Amount USD</th>
<th>Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,569,136</td>
<td>Unqualified</td>
<td>9,462.70</td>
<td>Unqualified</td>
</tr>
</tbody>
</table>

Table 2: Internal control rating summary for project

<table>
<thead>
<tr>
<th>Functional area</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant management</td>
<td>Partially satisfactory</td>
</tr>
<tr>
<td>Database management</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Country Operating Budget management</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Atlas processes</td>
<td>Partially satisfactory</td>
</tr>
<tr>
<td>Financial management</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Human resources</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Document &amp; Asset Management</td>
<td>Partially satisfactory</td>
</tr>
<tr>
<td>Overall rating of internal control</td>
<td>Partially satisfactory</td>
</tr>
</tbody>
</table>

Key issues and recommendations

There are six recommendations, all of which are ranked of medium priority. Among the six audit findings, none were noted to be caused by factors beyond the control of UNOPS.

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

<table>
<thead>
<tr>
<th>No.</th>
<th>Functional area</th>
<th>Audit finding title</th>
<th>Priority rating (high / medium / low)</th>
<th>Financial impact (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Grant management</td>
<td>Lack of evidence that progress / financial reports submitted by grantees have been reviewed for compliance with the MoA</td>
<td>Medium</td>
<td>-</td>
</tr>
<tr>
<td>No.</td>
<td>Functional area</td>
<td>Audit finding title</td>
<td>Priority rating</td>
<td>Financial impact (USD)</td>
</tr>
<tr>
<td>-----</td>
<td>--------------------------------------</td>
<td>----------------------------------------------------------</td>
<td>------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>2</td>
<td>Database management</td>
<td>Errors in database information</td>
<td>Medium</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>Atlas process</td>
<td>Vendor profiles created in Atlas before MOA signed</td>
<td>Medium</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Finance management</td>
<td>Incorrect classification of COB expenditure</td>
<td>Medium</td>
<td>-</td>
</tr>
<tr>
<td>5</td>
<td>Finance management</td>
<td>Absence of regular petty cash reconciliations</td>
<td>Medium</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td>Document and asset management</td>
<td>Weaknesses in asset monitoring and reporting</td>
<td>Medium</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

Signed:

Mark Henderson  
Partner  
Moore Stephens LLP  
4 September 2015
### Detailed assessment

<table>
<thead>
<tr>
<th>#</th>
<th>Observation</th>
<th>Recommendation</th>
<th>Management comment and action plan</th>
<th>Responsible manager / due date / priority</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Functional area: Grant management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 1 | **Title**  
Lack of evidence that progress / financial reports submitted by grantees have been reviewed for compliance with the MoA | The NC should ensure that all reports received from the grantees are adequately reviewed for compliance with the terms of the MOA, and that evidence for this review is included on the report. | NC comments  
For the 5 projects listed: transmission letters for 2nd interim reports and final reports have been collected; 2nd narrative report, 2nd financial report, final narrative report and final financial report have been received and accepted. | Responsible manager: NC  
Due date: 31 December 2015  
Priority: Medium |
| | **Comparison criteria** | | | |
| | Section 4.1.4. of the Standard Operating Procedures (SOP) states that:  
“As stated in the UNOPS PO notification, the NC certifies that the progress / financial reports submitted by the grantee are in line with the MoA. The NC submits the necessary supporting documents (invoice, reports, etc) to the UNDP CO for release of the grant instalment”. | | | |
| | **Facts / observation** | | | |
| | The audit team noted there was no evidence that the progress and / or financial reports submitted by grantees are reviewed by the NC to confirm their compliance with the relevant MoA.  
Furthermore in some cases, listed in the table below, the narrative and financial reports submitted by grantees to request the final payment instalment were accepted as final reports. This demonstrates the limited review undertaken to accept the submitted reports as they do not include the entire period of project implementation. | | | |
### Impact

Failure to perform an adequate review of reports submitted by grantees, or to evidence that this review has been done, risks errors or omissions being undetected.

### Cause

Lack of or inadequate corporate policies or procedures.
<table>
<thead>
<tr>
<th>#</th>
<th>Observation</th>
<th>Recommendation</th>
<th>Management comment and action plan</th>
<th>Responsible manager / due date / priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td><strong>Title</strong></td>
<td><strong>The NC should ensure that only projects whose final reports have been approved are recorded on the database as satisfactorily completed.</strong></td>
<td><strong>SGC comments:</strong> The NC is advised to take note of the audit recommendation to avoid any future occurrences. Also, before indicating the project as “satisfactorily completed”, please ensure the final reports are received and certified. Eventually, the status of the project in the database is also updated.</td>
<td><strong>Responsible manager:</strong> NC <strong>Due date:</strong> 31 December 2015 <strong>Priority:</strong> Medium</td>
</tr>
<tr>
<td></td>
<td><strong>Comparison criteria</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Section 4.1.2. of the SOP states that:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Since July 2007, UNOPS made it mandatory for all new grant MOAs to properly have its financial data (including the planned disbursement dates and amounts) entered into the SGP Database.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Facts / observation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A number of projects were identified whose statuses were recorded as “Satisfactorily completed” on the database even though their respective final reports had not yet been submitted.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>In certain cases, listed below, reports submitted to request the final disbursement were approved as final reports.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Project number</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BDI/SGP/OP5/CORE/BD/11/01</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BDI/SGP/OP5/CORE/CC/2012/04</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BDI/SGP/OP5/CORE/LD/11/02</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BDI/SGP/OP5/CORE/CC/2012/01</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact</td>
<td>Inaccurate information published on the database may mislead its users.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>--------------------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cause</td>
<td>Un-intentional mistakes committed by staff entrusted to perform assigned functions.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Functional Area: Atlas process

<table>
<thead>
<tr>
<th>#</th>
<th>Observation</th>
<th>Recommendation</th>
<th>Management comment and action plan</th>
<th>Responsible manager / due date / priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td><strong>Title</strong></td>
<td>Vendor profiles created in Atlas before MOA signed</td>
<td>The NC should ensure that vendor profiles are created within 15 days following the signature of the MoA. Purchase Orders should be recorded in Atlas within 30 days of the MOA being signed while the PO creation for subsequent payments is created after progress / financial reports have been submitted.</td>
<td>NC comments: Issue1: The vendors are created in Atlas as soon as the NSC has approved the projects. This is to expedite the payment processing for later. Issue2: For projects for which POs were created 30 days after MOAs signature, the SGP Burundi team has noted this, and will try to avoid any delays in future. Issue3: When a project has 2 or 3 phases to be implemented in the same year, we have to create one PO at the same time which has different lines related to those phases.</td>
</tr>
<tr>
<td></td>
<td><strong>Comparison criteria</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The ‘Atlas processes’ section of ‘Audit Parameters’ states that: ‘Vendor for grantees are created within 15 days after the MoA is fully signed’. And ‘Grant POs are created and sent to UNOPS for approval within 30 days after MoA is fully signed’.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Facts / observation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The following grantees’ vendor profiles were created in the Atlas system before their respective MOAs had been signed.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project number</th>
<th>MOA date</th>
<th>Vendor creation date</th>
</tr>
</thead>
</table>
Equal purchase orders are supposed to be created within 30 days after an MOA is signed, which was not achieved for the following projects:

<table>
<thead>
<tr>
<th>Project number</th>
<th>MOA date</th>
<th>PO creation date</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDI/SGP/OP5/CORE/LD/11/02</td>
<td>09/04/2012</td>
<td>23/05/2012</td>
</tr>
<tr>
<td>BDI/SGP/OP5/CORE/CC/11/08</td>
<td>09/04/2012</td>
<td>23/05/2012</td>
</tr>
<tr>
<td>BDI/SGP/OP5/CORE/CC/11/11</td>
<td>09/04/2012</td>
<td>22/05/2012</td>
</tr>
<tr>
<td>BDI/SGP/OP5/CORE/CC/11/05</td>
<td>16/04/2012</td>
<td>13/06/2012</td>
</tr>
</tbody>
</table>

Moreover, most of the POs for the second payment instalments were created in Atlas before progress/financial reports were submitted as required by the MOA.

<table>
<thead>
<tr>
<th>Project number</th>
<th>Progress/financial report date</th>
<th>PO creation date</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDI/SGP/OP5/CORE/BD/11/01</td>
<td>10/12/2012</td>
<td>22/05/2012</td>
</tr>
<tr>
<td>BDI/SGP/OP5/CORE/LD/11/04</td>
<td>20/11/2012</td>
<td>31/05/2012</td>
</tr>
<tr>
<td>BDI/SGP/OP5/CORE/CC/2012/01</td>
<td>12/06/2013</td>
<td>23/05/2013</td>
</tr>
<tr>
<td>BDI/SGP/OP5/CORE/LD/11/03</td>
<td>28/11/2012</td>
<td>13/06/2012</td>
</tr>
<tr>
<td>BDI/SGP/OP5/CORE/BD/11/06</td>
<td>26/11/2012</td>
<td>23/05/2012</td>
</tr>
</tbody>
</table>

SGC Comments:
The NC is advised to register the grantees as vendor as soon as the NSC has approved the grantee proposals.

The grant POs are to be created once the grant MOA is counter-signed.

The POs should include all grant disbursement due in a fiscal year (from 1st Jan to 31 Dec).
<table>
<thead>
<tr>
<th>Code</th>
<th>Date</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDI/SGP/OP5/STAR/BD/2013/01</td>
<td>08/08/2014</td>
<td>26/03/2014</td>
</tr>
<tr>
<td>BDI/SGP/OP5/STAR/LD/2013/02</td>
<td>12/08/2014</td>
<td>26/03/2014</td>
</tr>
<tr>
<td>BDI/SGP/OP5/STAR/CC/2013/05</td>
<td>07/07/2014</td>
<td>26/03/2014</td>
</tr>
<tr>
<td>BDI/SGP/OP5/STAR/BD/2013/13</td>
<td>31/07/2014</td>
<td>26/03/2014</td>
</tr>
</tbody>
</table>

**Impact**

Creating a vendor without there being a contractual relationship risks payments being made to these vendors before they are eligible.

Secondly, delays in the creation of the vendor ID or PO may lead to delays in the implementation of project activities.

**Cause**

Lack of or inadequate guidance or supervision at the RO/OC/PC level.
### Functional Area: Finance management

<table>
<thead>
<tr>
<th>#</th>
<th>Observation</th>
<th>Recommendation</th>
<th>Management comment and action plan</th>
<th>Responsible manager / due date / priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td><strong>Title</strong>&lt;br&gt;Incorrect classification of COB expenditure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Comparison criteria</strong>&lt;br&gt;N/a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Facts / observation</strong>&lt;br&gt;Two cases were identified of expenses recorded in the wrong activity code for the COB.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Voucher ID</th>
<th>Group Activity per report</th>
<th>Correct Group Activity</th>
<th>Amount USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>00004738</td>
<td>ACTIVITY06</td>
<td>ACTIVITY 09</td>
<td>2,445.47</td>
</tr>
<tr>
<td>00004739</td>
<td>ACTIVITY04</td>
<td>ACTIVITY 09</td>
<td>1,586.25</td>
</tr>
</tbody>
</table>

**Impact**<br>Misclassification of expenses risks incorrect financial reporting and reduces the effectiveness of budget monitoring.

**Cause**<br>Un-intentional mistakes committed by staff entrusted to perform assigned functions.

The NC should ensure that all expenditure has been correctly allocated within the Atlas system.

**NC comments:** A budget revision was requested and authorized.

**SGC Comments**<br>The audit recommendation is duly noted. This is a rare occurrence where an activity emerges which is not planned at the start of the year with the COB budgets are approved. Therefore, the NC by request the UNOPS PM can still proceed to undertake the activity, and utilize the funds available in the in “other” COB budget lines.

The NC is advised to take due care for future references.
<table>
<thead>
<tr>
<th>#</th>
<th>Observation</th>
<th>Recommendation</th>
<th>Management comment and action plan</th>
<th>Responsible manager / due date / priority</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Functional Area: Finance management</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td><strong>Title</strong> Absence of regular petty cash reconciliations</td>
<td>The NC should ensure that petty cash reconciliations are performed regularly.</td>
<td>SGC comments</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Comparison criteria</strong></td>
<td>Two signatures should be provided on the form so as to demonstrate segregation</td>
<td>The audit recommendation is duly noted and NC</td>
<td>Responsible manager: NC</td>
</tr>
<tr>
<td></td>
<td><em>(The revised SOP, in application since late 2014, states under section 4.2.5.1:)</em></td>
<td>of duties.</td>
<td>will adhere to the SOP guidance on regular cash</td>
<td>Due date: 31 December 2015</td>
</tr>
<tr>
<td></td>
<td>“The petty cash account is monitored though random monthly review of petty</td>
<td></td>
<td>reconciliation.</td>
<td>Priority: Medium</td>
</tr>
<tr>
<td></td>
<td>cash ledgers and surprise cash counts. At end of the year, the petty cash</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>must be reconciled and a copy of certified ledger will be sent to UNOPS GPSO</td>
<td></td>
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</tr>
<tr>
<td></td>
<td><strong>Facts / observation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The audit team noted that petty cash reconciliations are not performed on a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>regular basis.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Impact</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Failure to monitor and reconcile the petty cash balance increases the risk of</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>cash being misappropriated or ineligible expenses being charged to the project.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Cause</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lack of or inadequate corporate policies or procedures.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>#</td>
<td>Observation</td>
<td>Recommendation</td>
<td>Management comment and action plan</td>
<td>Responsible manager / due date / priority</td>
</tr>
<tr>
<td>---</td>
<td>------------------------------------------------------------------------------</td>
<td>----------------</td>
<td>----------------------------------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>Functional area: Document and asset management</td>
<td><strong>Title</strong>&lt;br&gt;Weaknesses in asset monitoring and reporting</td>
<td>The NC should ensure that a stock count is carried out regularly so that the results are reconciled with the content of the assets register. The assets register should contain all necessary information such as value and condition. In addition to the individual(s) conducting the count the results should be signed off by another so as to achieve segregation of duties.</td>
<td>NC Comments: In response to the audit observation, the asset register was completed with requested information about the asset value or its condition. SGC Comments: The audit recommendation is duly noted. The NC is advised to maintain the asset register up to date, and follow the SOP guidance on asset records maintenance</td>
<td>Responsible manager: NC&lt;br&gt;Due date: 31 December 2015&lt;br&gt;Priority: Medium</td>
</tr>
</tbody>
</table>
### Impact

In the absence of a regular stock count, there is an increased risk of misappropriation of project equipment.

### Cause

Lack of or inadequate guidance or supervision at the RO/OC/PC level.
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:

<table>
<thead>
<tr>
<th>Standard Rating</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory</td>
<td>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.</td>
</tr>
<tr>
<td>Partially Satisfactory</td>
<td>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.</td>
</tr>
<tr>
<td>Unsatisfactory</td>
<td>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.</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Categories</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>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).</td>
</tr>
<tr>
<td>Medium</td>
<td>Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).</td>
</tr>
<tr>
<td>Low</td>
<td>Action is considered desirable and should result in enhanced control or better value for money.</td>
</tr>
</tbody>
</table>
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