



INTERNAL AUDIT AND INVESTIGATIONS GROUP

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

INTERNAL AUDIT REPORT

1 July 2015

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
PÉRIOD:	1 JANUARY TO 31 DECEMBER 2014

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	14

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 15 April to 8 May 2015, 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 16,909,043.09 during the period from 1 January to 31 December 2014. 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 2014	00077040
Financial statement		Statement of non-expendable property	
Amount USD	Opinion	Amount USD	Opinion
16,909,043.09	Unqualified	774,036.17	Unqualified

Table 2: Internal control rating summary for project

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

Key issues and recommendations

Of the seven audit findings, none were noted to be caused by factors beyond the control of UNOPS. There are seven 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	Omitted circular from CDOH Director	Medium	-
2	Project management	Lack of meetings of district and provincial technical steering groups	Medium	-
3	Project management	Weaknesses in control over fuel usage	Medium	-
4	Finance	Missing original invoice	Medium	-

No.	Functional area	Audit finding title	Priority rating (high / medium)	Financial impact (USD)
5	Finance	Lack of available USD note scanner	Medium	-
6	Finance	Failure to comply with contracts' guarantee clauses when making payments	Medium	-
7	Finance	Failure to comply with contractual clauses for APDEH and CARITAS	Medium	-
Total				-

Signed:



Mark Henderson
Partner

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

1 July 2015

Detailed assessment

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Operational Area: Project Management				
1	<p>Title: Omitted circular from CDOH Director</p> <p>Comparison criteria: According to point 2.1.1.6.2. of the Project Procedures Manual, the Director of CDOC/UNOPS must issue a circular at the beginning of the month of August of the current year containing budget instructions for the attention of the Project Manager, based on the guidelines laid down by the NPCU and the Steering Committee.</p> <p>Observation: We were not presented with the circular for the attention of the Project Manager containing instructions for preparation of the annual work plan and budget for the 2014 project year, the main objectives to be attained during the course of 2014 and the fund disbursement plan.</p> <p>Impact: Lack of</p> <p>Cause: Inadequate or lack of supervision by supervisors.</p>	<p>We recommend that the Director of the Operations Centre issue a circular for the attention of the Project Manager at the beginning of August each year, laying down the schedule for preparation of the annual work plan and budget, the main objectives to be attained during the course of the coming year and the fund disbursement plan, in accordance with the guidelines set out by the National Coordination Unit and the Steering Committee.</p>	<p>Although this circular is systematically sent out by the CDOH Programme Manager to all project managers, from now on this will be submitted for the Director's signature in the form of a memo addressed to the PARRSA project manager.</p>	<p>Responsible manager: Director of Operational Centre</p> <p>Due date: Next financial year</p> <p>Priority: Medium</p>

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Operational Area: Project Management				
2	<p>Title: Lack of meetings of district and provincial technical steering groups</p> <p>Comparison criteria: According to point 2.1.7.3. of the Project Procedures Manual, Provincial Technical Steering Group and District Technical Steering Group meetings must be held regularly (monthly for Districts and quarterly for the Province) and minutes must be taken of those meetings in order to record the progress made, the difficulties encountered and the outstanding challenges.</p> <p>Observation: We found, given the lack of minutes of meetings in all districts, that District Technical Steering Groups meetings are not held once a month to record the progress made, the difficulties encountered and the outstanding challenges. The same applies to the Provincial Technical Steering Group, which did not meet once a quarter.</p> <p>Impact: No evidence of attainment of project objectives.</p> <p>Cause: Inadequate or lack of supervision by supervisors</p>	<p>We recommend that the District Technical Steering Groups meet once a month and the Provincial Technical Steering Group meet once a quarter in order to record progress made, the difficulties encountered and the outstanding challenges.</p>	<p>In principle convening of both district and provincial level meetings is the responsibility of the National Coordination Unit of PARRSA (UNCP). UNOPS is invited to the meetings as the delegated project manager in charge of the infrastructure component of the Project. This point of the Procedures Manual will be reviewed and subject to approval of the NPCU and the World Bank.</p>	<p>Responsible manager: Project manager</p> <p>Due date: Immediate</p> <p>Priority: Medium</p>

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Operational Area: Project Management				
3	<p>Title: Weaknesses in control over fuel usage</p> <p>Comparison criteria: Need to control the intended purpose of fuel removed from the depot by the driver</p> <p>Observation: We found that fuel had been removed from the Mbandaka depot on several occasions without approval by the depot manager or authorization from the Project Manager.</p> <p>Impact: Risk of fuel being misappropriated.</p> <p>Cause: Human error</p>	<p>The project should ensure that all fuel removed from the Mbandaka depot be approved by the depot manager and authorized by the Project Manager.</p>	<p>There is already a register to monitor incoming and outgoing fuel, however this observation is still relevant. Fuel request forms will be prepared and signed by the requestor, then checked by the operations officer and approved by the project manager.</p>	<p>Responsible manager: Project manager</p> <p>Due date: Immediate</p> <p>Priority: Medium</p>

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Operational Area: Finance				
4	<p>Title: Missing original invoice</p> <p>Amount: USD 3,433</p> <p>Comparison criteria: Under point 2.1.8.2. of the Project Procedures Manual, financial transaction must be accompanied by supporting documentation (invoice, delivery note, receipt, order, airline ticket, boarding pass, mission report etc.). The project's Financial Assistant must not report any item without adequate or conclusive supporting documents.</p> <p>Observation: We found that expenditure incurred for the construction of a simple scupper pipe by the service provider Action Pour Le Developpement Integral Par La Construction Et Assainissement (ADICAS) was done so only on the basis of a photocopy of the invoice.</p> <p>Impact: Original invoice for USD 3,433 missing.</p> <p>Cause: Human error</p>	<p>We recommend that all payments be made on the basis of original invoices as opposed to photocopies, which are not supporting documents.</p>	<p>The original invoice is in the process of being located.</p>	<p>Responsible manager: Finance manager</p> <p>Due date: Immediate</p> <p>Priority: Medium</p>

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Operational Area: Finance				
5	<p>Title: Lack of available USD note scanner</p> <p>Comparison criteria: Under point 2.1.1.4.6. of the Project Procedures Manual, all USD notes must be scanned by the cashier in order to ensure they are genuine and UNOPS must provide a scanner for that purpose.</p> <p>Observation: We found that UNOPS has not provided the Technical Assistant responsible for petty cash funds in Mbandaka with a scanner.</p> <p>Impact: Risk of counterfeit notes in petty cash in hand.</p> <p>Cause: Inadequate or lack of supervision by supervisors</p>	<p>We recommend that UNOPS provide the Technical Assistant in Mbandaka with a scanner, so that they can check that the notes are genuine.</p>	<p>Notes (\$ 500 in small bills) are systematically scanned at the counter of the Bank in the presence of the Project Assistant.</p> <p>As a result the procedures manual will be revised to remove this requirement.</p>	<p>Responsible manager: Project manager</p> <p>Due date: Immediate</p> <p>Priority: Medium</p>

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Operational Area: Finance				
6	<p>Title: Failure to comply with contracts' guarantee clauses when making payments</p> <p>Comparison criteria: Contracts signed by service providers</p> <p>Observation: We found that the project only retains 5% of the amount invoiced (as a performance retainer), rather than 10% (5% performance retainer and 5% completion retainer) when paying invoices presented by certain service providers building scupper pipes and bridges.</p> <p>Impact: Risk of being unable to recover money in the event of poor workmanship.</p> <p>Cause: Human error</p>	<p>We recommend strict compliance with contract clauses during payment of service providers' invoices.</p>	<p>Recommendation accepted. The confusions stems from the difference in the rates applied in certain POs and those stipulated in the contracts.</p> <p>Steps will be taken to correct the retainer amounts so that they match what is in the contracts.</p>	<p>Responsible manager: Procurement manager</p> <p>Due date: Immediate</p> <p>Priority: Medium</p>

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Operational Area: Finance				
7	<p>Title: Failure to comply with contractual clauses for APDEH and CARITAS</p> <p>Comparison criteria: According to the letters of acceptance sent to APDEH and CARITAS for maintenance work on the Yakoma-Wapinda and Bangele-Nzobo roads in the District of Nord-Ubangi, a 5% retention will be applied to each payment for works as a performance bond.</p> <p>Observation: We found that the project did not retain the 5% referred to in the letters of acceptance on payment of invoices no. 02/01/APDEH/321/2014 for USD 5,465.00 raised by APDEH on 08/08/2014 or on invoice no. 01/CARITAS/354/2014 for USD 3,750.00 raised by CARITAS on 08/08/2014.</p> <p>Impact: Risk of being unable to recover money in the event of poor workmanship.</p> <p>Cause: Human error</p>	<p>We recommend strict compliance with contract clauses during payment of service providers' invoices.</p>	<p>This recommendation is relevant because the error lies in the contract and is about to be corrected.</p> <p>In the case of maintenance payments, these are monthly and do not include deductions. This guarantee clause will be removed from maintenance contracts.</p>	<p>Responsible manager: Procurement manager</p> <p>Due 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