



INTERNAL AUDIT AND INVESTIGATIONS GROUP

**UNITED NATIONS OFFICE FOR PROJECT SERVICES  
(UNOPS)**

**DRAFT INTERNAL AUDIT REPORT**

**3 March 2016**

<b>PROJECT NAME:</b>	<b>MONROVIA POWER PROGRAM PART 1</b>
<b>PROJECT NUMBER:</b>	<b>00073388</b>
<b>COUNTRY:</b>	<b>KENYA</b>
<b>AUDITOR:</b>	<b>MOORE STEPHENS LLP</b>
<b>PERIOD SUBJECT TO AUDIT:</b>	<b>1 APRIL 2011 TO 30 SEPTEMBER 2015</b>

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## Acronyms and abbreviations

CSPG	Corporate Support Group
HQ	Head Quarters
IAIG	Internal Audit and Investigations Group
ID	Identification Number
IPSAS	International Public Sector Accounting Standards
IPAS	Integrated Practice Advice and Support
MPP	Monrovia Power Program Part 1
PO	Purchase Orders
TOR	Terms of Reference
UNOPS	United Nations Office for Project Services
USD	United States Dollars
USAID	United States Agency for International Development

## Executive summary

### The engagement context

From 12 October to 3 December 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 the project ‘The Monrovia Power Program Part 1’ (“the project”) (Atlas Project ID 00073388), which is implemented and managed by the UNOPS Operational Hub in Kenya. The audit firm was under the general supervision by IAIG in conformance with the International Standards for the Professional Practice of Internal Auditing.

The project reported expenditure amounting to USD 1,578,226.85 during the period from 1 April 2011 to 30 September 2015.

### 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 satisfactory which means “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”. 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.
The Monrovia Power Program Part 1		1 April – 30 September 2015	00073388 (Grant Number – 669-G-00-10-0053-00)
Financial statement		Statement of non-expendable property	
Amount USD	Opinion	Amount USD	Opinion
1,578,226.85	Unqualified	48,550.00	Unqualified

**Table 2: Internal control rating summary for project**

Rating summary by functional area		
Functional area	Rating	
Project management	Satisfactory	
Finance	Satisfactory	
Procurement and supply chain	Satisfactory	
Human resources	Satisfactory	
General administration	Satisfactory	
<b>Overall rating of internal control</b>	<b>Satisfactory</b>	

## Key issues and recommendations

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

There are two recommendations, both ranked as medium priority.

No.	Functional area	Audit finding title	Priority rating (high / medium)	Financial impact (USD)
1	Project management	Non-compliance with reporting requirements	Medium	-
2	General administration	Failure to submit schedule of non-expendable property	Medium	-

Signed:



Mark Henderson

Partner

Moore Stephens LLP

3 March 2016

### Detailed assessment

#	Observation	Recommendation (number and content of recommendation)	Management comment and Action Plan	Responsible Manager / Due Date / Priority
<b>Functional Area : Project Management</b>				
1	<p><b>Title</b></p> <p>Non-compliance with reporting requirements</p> <p><b>Comparison criteria</b></p> <p>Section A.5.2 (b) of the Award Agreement states that “The Grantee shall submit monthly program performance reports to USAID during the duration of the Grant. The original and one copy will be submitted to the AOTR and one copy will be submitted to the Agreement Officer. These reports will be submitted within 15 days following the end of the reporting period, and shall briefly present the following information:”</p> <p>Section 2 of the standard provisions of the Award Agreement states that “The grantee must submit an SF-425, Financial Status Report, quarterly, no later than 30 days after the end of the period, to the paying office specified in the grant letter. The report must show disbursements, advances received, and any cash remaining on hand for the period covered by the report. Within 90 days following the expiration of the grant, the grantee must submit an SF-425 showing total disbursements, total advances received, and any cash remaining on hand, which the grantee must refund to USAID.”</p>	<p>We recommend the grantee in future to ensure that all reports stipulated as per the award agreement are submitted within the specified period.</p>	<p>Pertaining to the Interim Report that was due on 28<sup>th</sup> Feb 2012:</p> <p>This delayed report pertained to closure of the project. Due to the nature of UNOPS financial systems, at the time, it was not possible to issue a report on cash balances within 90 days of expiration of the USAID grant.</p> <p>UNOPS has improved on this since 2011. Since 2012, we have put in controls to ensure that all Legal Agreements with Donors indicate financial reporting requirements by UNOPS to the Donor, which are achievable based on our systems constraints.</p> <p>The Liberia Office identified this gap and with the inception of Knowledge Transfer template all PMs leaving the organization are required to ensure that this is filled in and in addition also prepare hand over</p>	<p><b>Responsible Manager:</b> Project Manager</p> <p><b>Due Date:</b> Implemented</p> <p><b>Priority:</b> Medium</p>

<p><b>Facts / observation</b></p> <p>From a review of the monthly and quarterly financial and progress reports it was seen that the project team did not comply with required reporting timeframes.</p> <p>Details are shown in the table below:</p> <table border="1" data-bbox="280 547 999 716"> <thead> <tr> <th>Nature</th> <th>Reporting period</th> <th>Due date</th> <th>Date submitted</th> <th>Remarks</th> </tr> </thead> <tbody> <tr> <td>Interim</td> <td>16 February 2010 to 30 November 2011</td> <td>28 February 2012</td> <td>6 October 2015</td> <td>Submitted late</td> </tr> </tbody> </table> <p><b>Impact</b></p> <p>The failure to submit required reports within the specified timeframe reduces the accountability of project funds to donors.</p> <p><b>Cause</b></p> <p>Lack of or inadequate RO/OC/PC policies or procedures</p>	Nature	Reporting period	Due date	Date submitted	Remarks	Interim	16 February 2010 to 30 November 2011	28 February 2012	6 October 2015	Submitted late		<p>notes which will be discussed with the personnel taking over the project. Once this is discussed and agreed upon, then the final document is sent to his/her immediate supervisor outlining the outcome of the discussions.</p> <p>All outstanding tasks will therefore be implemented by the new task manager who in most instances will be responsible for the close out of the project.</p> <p>Secondly, we have improved our financial systems and processes, which now enable us to issue a closure financial report within 6 months of project closure.</p>	
Nature	Reporting period	Due date	Date submitted	Remarks									
Interim	16 February 2010 to 30 November 2011	28 February 2012	6 October 2015	Submitted late									

#	Observation	Recommendation (number and content of recommendation)	Management comment and Action Plan	Responsible Manager / Due Date / Priority
<b>Functional Area : General administration</b>				
<b>2</b>	<p><b>Title</b></p> <p>Failure to submit schedule of non-expendable property</p> <p><b>Comparison criteria</b></p> <p>According to the Award Agreement, 'Within 90 days after completion of this award, or at such other date as may be fixed by the Agreement Officer, the grantee shall submit an inventory schedule covering all items of equipment, materials, and supplies under the grantee's custody, title to which is in the cooperating country or public or private agency designated by the cooperating country, which have not been consumed in the performance of this award. The grantee shall also indicate what disposition has been made of such property.'</p> <p><b>Facts / observation</b></p> <p>From a review of the records for non-expendable property it was seen that there was no evidence of the project team having submitted an inventory schedule covering all equipment, materials and suppliers as required.</p> <p>The procurement officer indicated that there was a handover at the end of the project outlining the processes for disposal of the assets, but the actual report was not provided.</p>	<p>The project team should comply with the grant agreement conditions regarding preparation and submission of non-expendable property reports.</p>	<p>Once the procurement action was carried out, handover of IT equipment and furniture was handed over to the Liberia Electricity Corporation.</p> <p>UNOPS confirms that the handover of the non-expendable items was done however the relevant document cannot be traced.</p> <p>The Liberia Office will contact the Liberia Electricity Corporation and request them to share a copy of the hand over document. If this is not available, then the Liberia Office will request them to confirm that the items in the inventory list were handed over to them.</p>	<p><b>Responsible Manager:</b> Project Manager</p> <p><b>Due Date:</b> 31 March 2016</p> <p><b>Priority:</b> Medium</p>

<b>Impact</b> Non-compliance with the grant agreement.			
<b>Cause</b> Lack of or inadequate RO/OC/PC policies or procedures			

## 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
<b>Satisfactory</b>	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.
<b>Partially satisfactory</b>	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.
<b>Unsatisfactory</b>	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
<b>High</b>	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).
<b>Medium</b>	Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).
<b>Low</b>	Action is considered desirable and should result in enhanced control or better value for money.

### 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