



INTERNAL AUDIT AND INVESTIGATIONS GROUP

# UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

## INTERNAL AUDIT REPORT

**20 October 2016**

<b>PROJECT NAME:</b>	<b>CONSTRUCTION OF OFFICE BUILDING FOR THE GOVERNMENT OF SOUTH SUDAN, MINISTRY OF ELECTRICITY AND DAMS</b>
<b>PROJECT NUMBER:</b>	<b>00083519</b>
<b>COUNTRY:</b>	<b>SOUTH SUDAN</b>
<b>AUDITOR:</b>	<b>MOORE STEPHENS LLP</b>
<b>PERIOD SUBJECT TO AUDIT:</b>	<b>15 NOVEMBER 2012 - 31 DECEMBER 2015</b>

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## Acronyms and abbreviations

DSA	Daily Subsistence Allowance
IAIG	Internal Audit and Investigations Group
IPSAS	International Public Sector Accounting Standards
OC	Operations Centre
SOP	Standard Operating Procedures
SSOC	South Sudan Operations Centre
UNOPS	United Nations Office for Project Services
USD	United States Dollars

## Executive summary

### The engagement context

From 27 June to 1 July 2016, 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 Construction of office building for the Government of South Sudan, Ministry of Electricity and Dams’ (“the project”) (Atlas award ID 00083519), which is implemented and managed by the UNOPS Operations Centre in Juba, South Sudan. 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 3,586,589 during the period from 15 November 2012 to 31 December 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 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.
The Construction of office building for the Government of South Sudan, Ministry of Electricity and Dams		15 November 2012 – 31 December 2015	00083519
Financial statement		Statement of non-expendable property	
Amount USD	Opinion	Amount USD	Opinion
3,586,589	Unqualified	N/A	N/A

**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	Partially satisfactory	
Human resources	Satisfactory	
General administration	Satisfactory	
<b>Overall rating of internal control</b>	<b>Partially 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.

The audit findings raised were not noted to be caused by factors beyond the control of UNOPS. There are four recommendations, two of which are ranked as high priority and two are medium.

No.	Functional area	Audit finding title	Priority rating (high / medium)	Financial impact (USD)
1	Finance	Insufficient documentation to support travel costs	High	28,130

No.	Functional area	Audit finding title	Priority rating (high / medium)	Financial impact (USD)
2	Finance	Lack of supporting documentation	High	33,739
3	Project Management	Weaknesses in project monitoring and evaluation procedures	Medium	-
4	Procurement and supply chain	No competitive procedures for the purchase of furniture and equipment	Medium	-
<b>Total</b>				<b>61,869</b>

Signed:



Mark Henderson  
 Partner  
 Moore Stephens LLP

20 October 2016

### Detailed assessment

#	Observation	Recommendation	Management comment and Action Plan	Responsible Manager / Due Date / Priority
<b>Functional Area: Finance</b>				
1	<p><b>Title</b></p> <p>Insufficient documentation to support travel costs</p> <p><b>Amount</b></p> <p>US\$ 28,130</p> <p><b>Comparison criteria</b></p> <p>Article 1.9.2 of the travel policy states that, HRPG may in exceptional cases determine that there is a need for UNOPS to make the travel arrangements for [a] staff member, in which case UNOPS shall pay for ticket cost / shipment directly to the travel agency / mover and shall only pay such expenses to the staff member to which the staff member is entitled according to the UN Staff Rules (DSA, terminal expenses, etc.)</p> <p>Article 1.10.1 also states that, when in receipt of a cash or lump sum payment in lieu of entitlement travel, the staff member is not normally required to submit an expense claim or documentary evidence that the travel took place as authorized. However, it is the responsibility of the staff member to retain their ticket stubs or boarding passes in the event that it becomes necessary to view this documentation.</p> <p>Article 1.10.2 also states that, notwithstanding the above paragraph, the traveller is required to complete an Expense Claim form within two weeks of completion of the travel in case of deviations or if the staff member is entitled to miscellaneous expenses and has incurred such while in travel status. Any</p>	<p>We recommend that efforts are made to locate the supporting documentation for the travel costs noted as lacking sufficient documentation. In future, Project Management should ensure that all supporting documentation is obtained and properly filed.</p>	<p>SSOC Management agrees and will implement the necessary travel authorization procedural improvements.</p>	<p><b>Responsible manager:</b></p> <p>Project Manager</p> <p><b>Due date:</b></p> <p>31 December 2016</p> <p><b>Priority:</b></p> <p>High</p>

<p>expense claim should be accompanied by original ticket stubs, boarding passes and if applicable, original invoices and/or receipts, to support the claim.</p> <p><b>Facts / observation</b></p> <p>We noted a lack of documentation to support travel costs of three staff members. The only documents available for our review were invoices from the travel agent, which is not sufficient evidence that the travel was made for project purposes.</p> <p>Staff should submit the following items of supporting documentation in order for the expense to be recognised in the accounting system:</p> <ul style="list-style-type: none"> <li>• activity reports summarising the objective and outcome of the assignment;</li> <li>• invoices and receipts for travel and subsistence costs; and</li> <li>• boarding passes</li> </ul> <p>List of travel costs with insufficient supporting documentation is included in Annex 1 of this report.</p> <p><b>Impact</b></p> <p>Where sufficient documentation supporting reported expenditure is not provided, there is limited evidence that such expenditure was incurred for project purposes.</p> <p><b>Cause</b></p> <p>Lack of or inadequate guidance or supervision at the RO/OC/PC level</p>			
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#	Observation	Recommendation	Management comment and Action Plan	Responsible Manager / Due Date / Priority										
<b>Functional Area: Finance</b>														
<b>2</b>	<p><b>Title</b> Lack of supporting documentation</p> <p><b>Amount</b> US\$ 33,739</p> <p><b>Comparison criteria</b> Article 19.1 of UNOPS financial rules and regulations requires that the Executive Director or his/her delegate shall: designate personnel to review all payments made on behalf of UNOPS, and ensure all payments are made on the basis of supporting vouchers and other documents which will ensure that the services or goods have been received in accordance with the contract, and that payments are outstanding and have not previously been made.</p> <p><b>Facts / observation</b> We noted unsupported costs, i.e. those for which sufficient, appropriate documentation was not provided, amounting to US\$ 33,739 as detailed below:</p> <table border="1"> <thead> <tr> <th>ACCOUNTING_DT</th> <th>ACTIVITY_ID</th> <th>ACTIVITY_DESCR</th> <th>VOUCHER_ID</th> <th>AMOUNT US\$</th> </tr> </thead> <tbody> <tr> <td>23/Apr/2013</td> <td>72100</td> <td>Svc Co-Construction &amp; Engineer</td> <td>AFOSD10420</td> <td>22,473.74</td> </tr> </tbody> </table>	ACCOUNTING_DT	ACTIVITY_ID	ACTIVITY_DESCR	VOUCHER_ID	AMOUNT US\$	23/Apr/2013	72100	Svc Co-Construction & Engineer	AFOSD10420	22,473.74	<p>The project should ensure that all supporting documentation in respect of project activities is obtained, maintained and appropriately filed.</p>	<p>SSOC Senior Management agrees and will perform the necessary improvements.</p>	<p><b>Responsible manager:</b> Project Manager</p> <p><b>Due date:</b> 31 December 2016</p> <p><b>Priority:</b> High</p>
ACCOUNTING_DT	ACTIVITY_ID	ACTIVITY_DESCR	VOUCHER_ID	AMOUNT US\$										
23/Apr/2013	72100	Svc Co-Construction & Engineer	AFOSD10420	22,473.74										

06/Jun/2013	72100	Svc Co-Construction & Engineer	AFOSD10434	9,326.26			
30/Jun/2013		Miscellaneous Expenses	AC13Q2UNOP	415.55			
17/Nov/2014		Audio Visual & Print Prod Costs	AP05710437	1,289.11			
17/Jun/2014		Miscellaneous Expenses	AP05499679	234.41			
<b>Total</b>				<b>33,739.07</b>			
<p><b>Impact</b> Where sufficient documentation supporting reported expenditure is not provided, there is reduced evidence that such expenditure was incurred for project purposes.</p> <p><b>Cause</b> Lack of or inadequate guidance or supervision at the RO/OC/PC level</p>							

#	Observation	Recommendation	Management comment and Action Plan	Responsible Manager / Due Date / Priority				
<b>Functional Area: Project Management</b>								
<b>3</b>	<p><b>Title</b></p> <p>Weaknesses in project monitoring and evaluation procedures</p> <p><b>Comparison criteria</b></p> <p>Annex 1 paragraph 6 - Monitoring and Evaluation, of the Agreement between the Norwegian Ministry of Foreign Affairs (MFA) and UNOPS states that UNOPS will establish a monitoring and evaluation framework, with monthly reporting provided through its partner center and that UNOPS will meet with the donor and other relevant stakeholders to determine indicators to be monitored, including those relevant to crosscutting issues, and an appropriate reporting framework.</p> <p><b>Facts / observation</b></p> <p>We noted that although a project board exists, the project board meetings were not held on a regular basis during the project period, contrary to the requirements stipulated in the agreement. Although the project started in November 2012, the first meeting was not held until April 2013. We also found that no meetings were held during the seven month periods between August 2013 and April 2014, and November 2014 and June 2015. Our review of the minutes of project board meetings indicated that these were held on seven occasions during the project period as follows:</p> <table border="1"> <thead> <tr> <th>Date meeting held</th> <th>Summary of agenda</th> </tr> </thead> <tbody> <tr> <td>12.04.2013</td> <td>Review of design</td> </tr> </tbody> </table>	Date meeting held	Summary of agenda	12.04.2013	Review of design	<p>We recommend that in future more robust mechanisms are put in place to enhance project monitoring, evaluations and consultations with stakeholders.</p> <p>This can be achieved by conducting monthly meetings of the project board / steering committee during the implementation of a project to adequately execute the mandate of the board and documenting the minutes and decisions reached.</p>	<p>SSOC management agrees and now has mechanisms in place to address the recommendation.</p> <p>SSOC Senior Management released the SOP #002 related to Project Boards (PBs) on 6 May 2015 with specific objectives that include SSOC PMs having a greater understanding of the roles and responsibilities of the PB during the implementation of projects.</p> <p>As well, under SSOC SOP #10 released on 1 May 2016, provides clear guidance on required project management</p>	<p><b>Responsible manager:</b></p> <p>Project Manager</p> <p><b>Due date:</b></p> <p>Immediate - ongoing</p> <p><b>Priority:</b></p> <p>Medium</p>
Date meeting held	Summary of agenda							
12.04.2013	Review of design							

29.08.2013	Review of TOR of the Board, Scope of project, Scope of works, Progress Report, Ground breaking ceremony		documentation that monitor project management performance evaluation.	
08.04.2014	Site meeting, Procurement and delivery of materials, Revised detailed work plan, Variation order preparation, Quality and construction methodology, Environmental and safety issues		Specific documentation requirements related to this audit recommendation include Stakeholder Engagement Strategy, Programme Communications Plan and stakeholder profiles at the SSOC Programme level and a communication management strategy at the project level which is tailored to specific project clients and donors.	
28.04.2014	MoED project completion			
21.05.2014	MoED status of shipment of finishing materials			
06.11.2014	Status update, Office furniture, Provision for handover of the building, Inauguration of facility			
02.06.2015	Obligations and Handover document, Water tank and Furniture			
<p>In addition, we were not provided with narrative or monitoring and evaluation reports by project management.</p>				
<p><b>Impact</b></p>				
<p>There were inadequate procedures for continuous monitoring and evaluation as well as for regular briefings and consultation with stakeholders on project progress which limits the opportunity for prompt identification of areas requiring remedial measures.</p>			Compliance with the SOP # 002 and #010 is verified by SSOC Senior Management during the quarterly Project Assurance process.	
<p><b>Cause</b></p>				
<p>Lack of or inadequate guidance or supervision at the RO/OC/PC level</p>				

#	Observation	Recommendation	Management comment and Action Plan	Responsible Manager / Due Date / Priority										
<b>Functional Area: Procurement and supply chain</b>														
4	<p><b>Title</b></p> <p>No competitive procedures for the purchase of furniture and equipment</p> <p><b>Comparison criteria</b></p> <p>Article 4.1.2 of the Procurement Manual states that a request for quotation must be used for purchases with a value of less than US\$ 50,000. At least three firms must be invited to quote (unless valid reasons exist for inviting a lesser number of firms) and a deadline for receiving quotations must be specified; however the PA may at his discretion accept quotations received after the deadline. Reasons for discretion must be recorded. In the event that less than three companies are invited, valid reasons must be provided in writing and kept in the procurement file.</p> <p><b>Facts / observation</b></p> <p>During the acquisition of office equipment and furniture, procurement staff did not use a competitive procurement process to get the best value for money from the lowest bidder, as required. Moreover, justification for single sourcing was not documented.</p> <p>The details of the transactions are as follows:</p> <table border="1"> <thead> <tr> <th>ACCOUNTING DATE</th> <th>ACTIVITY</th> <th>ACTIVITY DESC</th> <th>VOUCHER ID</th> <th>AMOUNT US\$</th> </tr> </thead> <tbody> <tr> <td>08/Jan/2014</td> <td>AP05256970</td> <td>Information Technology Equipment</td> <td>0000428086</td> <td>1,826.00</td> </tr> </tbody> </table>	ACCOUNTING DATE	ACTIVITY	ACTIVITY DESC	VOUCHER ID	AMOUNT US\$	08/Jan/2014	AP05256970	Information Technology Equipment	0000428086	1,826.00	<p>Project management should ensure that it applies competitive procurement procedures and retains supporting documents to evidence those procedures and the procurement decisions made.</p> <p>Management could do this by obtaining three quotations from different suppliers or a written justification where it is not possible to obtain three quotations.</p> <p>Such justifications should be approved before single sourcing is carried out.</p>	<p>SSOC management took note of the observation and agrees to strengthen the oversight performed on procurement procedures. SSOC will have the Procurement SOP completed by next week.</p> <p>The purpose of this SOP is to clarify the procurement roles at SSOC.</p> <p>We now have an International Procurement Officer, who is responsible for all requirements of Procurement. The Procurement Officer is to make sure that SSOC and all projects are in full compliance with UNOPS</p>	<p><b>Responsible manager:</b></p> <p>Project Manager</p> <p><b>Due date:</b></p> <p>31 October 2016</p> <p><b>Priority:</b></p> <p>Medium</p>
ACCOUNTING DATE	ACTIVITY	ACTIVITY DESC	VOUCHER ID	AMOUNT US\$										
08/Jan/2014	AP05256970	Information Technology Equipment	0000428086	1,826.00										

24/Sep/2013	AP05081492	Equipment and Furniture 2	0000407904	340.00	procurement procedures and documentation requirements.  SSOC Senior Management verifies the Procurement Office during the quarterly Project Assurance exercise.
24/Sep/2013	AP05081492	Equipment and Furniture	0000407904	3,000.00	
24/Sep/2013	AP05081492	Equipment and Furniture	0000407904	1,700.00	
24/Sep/2013	AP05081492	Equipment and Furniture	0000407904	1,000.00	
01/Jul/2014	AP05493191	Communic & Audio Visual Equip	AP05493191	2,814.52	
13/Jun/2013	AP04935545	Svc Co-Construction & Engineer	00848394	43,266.70	
<b>Impact</b> Lack of solicitation for bids may not result in the selection of the most economical bid or with value for money being achieved.					
<b>Cause</b> Lack of or inadequate guidance or supervision at the RO/OC/PC level					

## Annex I: Breakdown of travel costs with insufficient support documentation

ACCOUNTING_DT	ACTIVITY_ID	ACTIVITY_DESCR	VOUCHER_ID	AMOUNT US\$
23/Sep/2013	71600	Travel Tickets-International	00891234	3,740.00
10/Oct/2014	71600	Travel Tickets-International	01061048	2,800.00
14/May/2014	71600	Travel Tickets-International	00990914	2,800.00
22/Jul/2013	71600	Travel Tickets-International	00863390	3,810.00
15/Jan/2014	71600	Travel Tickets-International	00941220	2,868.00
16/Jan/2014	71600	Travel Tickets-International	00941612	2,277.00
16/Jan/2014	71600	Travel Tickets-International	00941607	2,277.00
04/Dec/2014	71600	Travel Tickets-International	01089410	2,030.00
18/Dec/2014	71600	Travel Tickets-International	01100733	4,138.00
30/Sep/2013	71600	Travel Tickets-International	00895317	1,390.00
			<b>Total</b>	<b>28,130.00</b>

## Annex II - 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