



INTERNAL AUDIT AND INVESTIGATIONS GROUP

# UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

## INTERNAL AUDIT REPORT

17 July 2017

<b>PROJECT NAME:</b>	<b>PROJET D'APPUI A LA REHABILITATION ET RELANCE DU SECTEUR AGRICOLE (PARRSA)</b>
<b>PROJECT NUMBER:</b>	<b>00077040</b>
<b>COUNTRY:</b>	<b>DEMOCRATIC REPUBLIC OF CONGO</b>
<b>AUDITOR:</b>	<b>MOORE STEPHENS LLP</b>
<b>PERIOD:</b>	<b>1 JANUARY TO 31 DECEMBER 2016</b>

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## Acronyms and abbreviations

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

## Executive summary

### The engagement context

From 8 to 20 May 2017, 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 amounting to USD 5,896,371.22 during the period from 1 January to 31 December 2016. The following donor contributed to the project: World Bank, through a grant from the International Development Association (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 Internal Auditing and Assurance Standards Board 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.
Projet de Réhabilitation et de Relance du Secteur Agricole – PARRSA		1 January – 31 December 2016	00077040
Financial statement		Statement of non-expendable property	
Amount USD	Opinion	Amount USD	Opinion
5,896,371.22	Unqualified	235,771.37	Unqualified

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

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

## Key issues and recommendations

The internal audit report contains three findings which are all of medium priority.

Medium priority recommendations mean that action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).

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	Human Resources	Personnel files are not up to date	Medium	-
2	Procurement and supply chain	Issues noted during site visits	Medium	-

No.	Functional area	Audit finding title	Priority rating (high / medium)	Financial impact (USD)
3	General Administration	Issues relating to fixed asset management	Medium	-
<b>Total</b>				-



Signed:  
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17 July 2017

## Operational overview

The project 'Support for the Rehabilitation and Revival of the Agricultural Sector' (PARRSA) is financed by the World Bank through a donation of 120 million USD from International Development Association (IDA) to the Government of the Democratic Republic of Congo.

The objective of the implementation of PARRSA is to increase the agricultural productivity and to improve the commercialisation of vegetable and animal farming by small farmers based in the target areas. It covers the Equator Province in three districts of North Ubangi, South Ubangi and Mongala, as well as Pool Malebo in the province of Kinshasa.

PARRSA is made up of three components:

**Component 1:** Improvement of agricultural and animal production (49.42 million USD, including emergency funds): the objective of this component is to improve production capacity of households in the Equator Province and in Pool Malebo in the province of Kinshasa.

This component is divided into three sub-components : (i) improvement of production by providing improved food crops seeds and by dissemination of information; (ii) improvement of rice production through better water management at Pool Malebo ; and (iii) improvement of animal production (poultry and small ruminants).

**Component 2:** Improvement of market entry infrastructure (50.58 million USD, including emergency funds). The aim of this component is to establish a link between different farming areas, prioritising market access in the project target zones. This component consists of two sub-components: (i) reconstruction of agricultural access roads; (ii) improvement of market entry infrastructure in Equator.

**Component 3:** Strengthening the capacity of the Ministry of Agriculture, Fishing and Livestock and of the Ministry of Rural Development; Project Management and Monitoring and Evaluation (20 million USD, including emergency funds). This component consists of three sub-components: (i) institutional support of the Ministry of Agriculture; (ii) project management; (iii) monitoring and evaluation.

UNOPS was requested by the Government of the Democratic Republic of the Congo to be the delegated project manager for the implementation of Component 2 "Improvement of market entry infrastructure" and of sub-component 2 of Component 1 "Improvement of irrigation infrastructure at Pool Malebo in Kinshasa".

## Detailed assessment

#	Observation	Recommendation	Management Comments and Action Plan	Manager / Implementation Date / Priority
<b>Functional area: Human Resources</b>				
1.	<p><b><u>Title</u></b></p> <p>Personnel files are not up to date</p> <p><b><u>Comparison criterion</u></b></p> <p>Annex D1 of the UNOPS/PARRSA procedures manual presents the different sections and headings that should be present in the files of project personnel.</p> <p><b><u>Observations</u></b></p> <p>We found that the personnel (ICA) files were not organised according to the pre-established order described in Annex I of the project procedures manual, but according to the HR verification list at the start of each file. We also noted that the different sections of the files did not always correspond to the most recent version (2016). This was especially the case with payments, where the latest documents were from 2014 and the contracts from 2016.</p>	<p><b><u>Recommendation</u></b></p> <p>We recommend that :</p> <ul style="list-style-type: none"> <li>➤ Personnel files are updated with the most recent information and documentation in compliance with the requirements of the procedures manual; and</li> <li>➤ Appropriate proof of remuneration payment be filed for staff members working on the project.</li> </ul>	<p>Organisation of personnel files : PARRSA personnel files are organised according to the UNOPS checklist and in compliance with HR procedures. There was no mention of Annex D1 of the project procedures manual because personnel are under UNOPS supervision and therefore UNOPS rules and procedures are applicable.</p> <p>Salary payment is no longer done on the basis of a Certification of Payment as in previous years. UNOPS have implemented a new automated system for contract management, effective from January 2016. Salary payment is done via the ERP system OneUNOPS and payslips are sent directly to staff members. On a local level, there is a table for salary verification which includes all project personnel and is, therefore, not filed separately in each individual's personnel file.</p>	<p><b><u>Manager</u></b></p> <p>Head of HR for project</p> <p><b><u>Implementation date</u></b></p> <p>Immediate</p> <p><b><u>Priority</u></b></p> <p>Medium</p>



#	Observation	Recommendation	Management Comments and Action Plan	Manager / Implementation Date / Priority
Functional area: Human Resources				
	<p><b><u>Impact</u></b></p> <p>Inaccurate personnel information</p> <p><b><u>Cause</u></b></p> <p>Human error</p>			

#	Observation	Recommendation	Management Remarks and Action Plan	Manager Implementation Date / Priority
<b>Functional Area : Procurement and supply chain</b>				
2.	<p><b><u>Title</u></b></p> <p>Issues noted during site visits</p> <p><b><u>Comparison criterion</u></b></p> <ul style="list-style-type: none"> <li>➤ Best practice regarding public works;</li> <li>➤ Article 16 regarding road signing stipulates that as soon as the road is open, the contractor must place legible signs in the areas indicated by the Agency. The Agency will directly pay for any charges pertaining to the production of the signs, upon confirmation that the service has completed.</li> </ul> <p><b><u>Observations</u></b></p> <p>We visited sites where road maintenance and construction works had been carried out. The issues identified are listed below:</p> <p><b><u>Gemena</u></b></p> <p>We travelled 250km of the Kungu Dongo road and visited nine sections of road maintenance, 10 bridges and three culverts. We noticed that there were no visibility signs on three sections of the road (5, 6 and 9) or on any of the bridges or culverts.</p>	<p><b><u>Recommendation</u></b></p> <p>Not applicable</p>	<p>The project is not at fault for the issues noted. They are the result of vandalism (destroying the bridge guardrails and columns to extract the piping, stealing the road signs and visibility signs). This situation was communicated in writing to UNCP at the end of March 2017 in the form of a letter from the Agricultural Minister to the Governor of the North Ubangi Province. The situation has since worsened.</p> <p>Following the letter, it was decided that the Provincial Minister of infrastructure for North Ubangi would visit the Bili-Pandu road accompanied by the local authorities, to take necessary steps to prevent these practices. Similar vandalism also occurs in South Ubangi and Mongala although to a lesser extent. There, it consists mainly of work which has been completed.</p>	<p><b><u>Manager</u></b></p> <p>Not-applicable</p> <p><b><u>Implementation Date</u></b></p> <p>Not-applicable</p> <p><b><u>Priority</u></b></p> <p>Not-applicable</p>

#	Observation	Recommendation	Management Remarks and Action Plan	Manager Implementation Date / Priority
<b>Functional Area : Procurement and supply chain</b>				
	<p><u>Gbadolite</u></p> <p>We travelled 220km of the Pandu, Bili and Bosobolo roads. We visited 14 bridges and some road maintenance works and found that there were no visibility signs on any of the bridges.</p> <p>The main concern identified from these visits is that certain constructions had been damaged, notably the bridges.</p> <p><b><u>Impact</u></b></p> <ul style="list-style-type: none"> <li>➤ Difficulty in identifying the construction and maintenance works carried out by the contractors and the associated donors who financed them;</li> <li>➤ Risk of not achieving project objectives.</li> </ul> <p><b><u>Cause</u></b></p> <p>Other: Factors beyond the control of UNOPS</p>			

#	Observation	Recommendation	Management Remarks and Action Plan	Manager / Implementation Date / Priority
<b>Functional Area : General Administration</b>				
3.	<p><b><u>Title</u></b></p> <p>Issues relating to fixed asset management</p> <p><b><u>Comparison criterion</u></b></p> <p>Article 2.1.2 regarding physical management of fixed assets and project equipment stipulates that:</p> <ul style="list-style-type: none"> <li>➤ The Logistics co-ordinator of each project will establish a register of assets acquired with project funds specifying the following details: (i) ID code; (ii) Category; (iii) Useful life; Project ID; (iv) TAG number; (v) Serial number; (vi) Description of asset; (vii) Location; (v ii) Custodian; etc. Further information regarding this register can be found in Annex B1.</li> <li>➤ Each quarter, the PARRSA project Logistics co-ordinator will send the register to the CDOC Logistics co-ordinator for centralisation and verification in Kinshasa. At the end of each year, the CDOC Logistics co-ordinator will ensure the physical existence of assets on the register of each office through supervision and internal verification.</li> </ul> <p><b><u>Observations</u></b></p> <p>We received the stock count records of Gemana, Lisala, Gbadolite and Mobavi and noted that:</p>	<p><b><u>Recommendation</u></b></p> <p>We recommend that the procedures for fixed asset management as laid out in the project procedures manual are strictly adhered to.</p>	<p>The 3 motorbikes and 3 Thurayas which were seen at Gbadolite are in the inventory records of MOBAYI. For practical reasons linked to the team moving from Mobayi to Gbadolite (due to an internet issue) the 3 motorbikes and 3 Thurayas were taken to Gbadolite.</p> <p>We agree with the recommendation.</p>	<p><b><u>Manager</u></b></p> <p>Head of project; CDOH Logistics co-ordinator</p> <p><b><u>Implementation Date</u></b></p> <p>Immediate</p> <p><b><u>Priority</u></b></p> <p>Medium</p>

<ul style="list-style-type: none"> <li>➤ The stock count records of Gemena were not dated;</li> <li>➤ The stock count records of Lisala were dated March 2017;</li> <li>➤ The stock count records of Gbadolite and Moyabi are in Excel form and show neither the date nor the names of the people who counted the inventory;</li> <li>➤ The cost of equipment at acquisition is not presented in the inventory records.</li> </ul> <p>During our asset verification work at Gbadolite, we also noted three motorbikes and three Thuraya items (communications equipment) which were not recorded on their equipment register.</p> <p>In addition to this, the total gross and net values of fixed assets were not specified on the signed equipment register which was given to us.</p> <p><b><u>Impact</u></b></p> <p>Difficulty in assuring that fixed assets are appropriately monitored.</p> <p><b><u>Cause</u></b></p> <p>Guidance</p>			
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## 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 (effective)</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 (some improvement needed)</b>	The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
<b>Partially satisfactory (major improvement needed)</b>	The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
<b>Unsatisfactory (ineffective)</b>	The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity.

### 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. <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;
- **Guidance:** inadequate or lack of supervision by supervisors;
- **Human error:** Un-intentional mistakes committed by staff entrusted to perform assigned functions;
- **Resources:** insufficient resources (funds, skill, staff) to carry out an activity or function.

### 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)