



INTERNAL AUDIT AND INVESTIGATIONS GROUP

**UNITED NATIONS OFFICE FOR PROJECT SERVICES
(UNOPS) IN CAMBODIA
(PRINCIPAL RECIPIENT)**

INTERNAL AUDIT REPORT

23 October 2017

PROJECT NAME:	TOWARDS ELIMINATION OF ARTEMISININ - RESISTANT PARASITES OF PLASMODIUM FALCIPARUM MALARIA (NFM MALARIA GRANT)
PROJECT NUMBER:	00096054
COUNTRY:	CAMBODIA
AUDITOR:	MOORE STEPHENS LLP
PERIOD SUBJECT TO AUDIT:	1 JULY 2015 TO 31 DECEMBER 2016

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Acronyms and abbreviations

CNM	National Centre for Parasitology, Entomology and Malaria Control
FB	Fund Board
FMO	Fund Manager's Office
GFATM	The Global Fund to fight AIDS, Tuberculosis and Malaria
IAIG	Internal Audit and Investigations Group
IPSAS	International Public Sector Accounting Standards
LLIN	Long Lasting Insecticidal Nets
KHOC	Cambodia Operations Centre
NFM	New Funding Model
PC	Project Centre
PR	Principal Recipient
PUDR	Progress Update and Disbursement Request
RO	Regional Office
SR	Sub-recipient
SSF	Single Stream of Funding
TOR	Terms of Reference
UNOPS	United Nations Office for Project Services
USD	United States Dollars

Executive summary

The engagement context

From 6 to 21 April 2017, Moore Stephens LLP (“the audit firm”), conducted an audit of the Principal Recipient of the project ‘Towards Elimination of Artemisinin - Resistant Parasites of Plasmodium Falciparum Malaria (NFM Malaria grant)’ (OneUNOPS project ID 00096054), (“the project”), which is implemented and managed by the UNOPS Operations Centre in Cambodia.

The project reported PR expenditure amounting to USD 4,110,432 during the period from 1 July 2015 to 31 December 2016.

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, we 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

We 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 we 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.
Regional Artemisinin Resistance Initiative		1 July 2015 – 31 December 2016	00096054
Financial statement		Statement of non-expendable property	
Amount USD	Opinion	Amount USD	Opinion
4,110,432	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	
Overall rating of internal control	Satisfactory	

Key issues and recommendations

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	Delays in reporting	Medium	-
Total				-

Signed:



Mark Henderson
Partner
Moore Stephens LLP

23 October 2017

Detailed assessment

#	Observation	Recommendation	Management comment and Action Plan	Responsible Manager / Due Date / Priority						
Functional Area: Project Management										
1	<p>Title</p> <p>Delays in reporting</p> <p>Comparison criteria</p> <p>Part D of Annex A to the Programme Agreement with Global Fund.</p> <p>Articles on 'Reporting obligations' as set out in the individual Sub-recipient Agreements.</p> <p>Facts / observation</p> <p>The Sub-recipient Agreements set out the reporting obligations of the SRs which require submission of quarterly reports to the PR within 15 days after the end of the quarter (20 days in the case of CNM).</p> <p>The Programme Agreement with Global Fund requires the submission of the PUDR to the Global Fund on a biannual basis within 45 days following the end of the semester.</p> <p>The SRs did not consistently report on time with delays noted for reporting period as set out below:</p> <table border="1"> <thead> <tr> <th>Reporting period</th> <th>No. of delayed reports</th> </tr> </thead> <tbody> <tr> <td>31 December 2015</td> <td>3 out of 4 SRs</td> </tr> <tr> <td>30 June 2016</td> <td>2 out of 5 SRs</td> </tr> </tbody> </table>	Reporting period	No. of delayed reports	31 December 2015	3 out of 4 SRs	30 June 2016	2 out of 5 SRs	<p>The UNOPS Cambodia Operations Centre (KHOC) should continue to remind the SRs of their responsibility to submit the reports by the due date. Such reminders should be sent well in advance of the submission date so as to allow time for the reports to be prepared.</p> <p>It is also important for KHOC to comply with the requirements of the agreement with Global Fund and management should make every effort to meet the reporting deadlines set out in the agreement.</p> <p>We note that in this cycle of reporting, proportionally fewer SRs had been delayed in</p>	<p>PR UNOPS is continuing to encourage SRs to submit the reports. There are two reminders sent out; the first by the programme team and the second by the finance team.</p> <p>Agreed. PR UNOPS has progressed well in the recent past with regards to the reporting deadlines.</p> <p>Meeting the deadline for reporting has been incorporated in the performance framework for the Programme and finance support officer.</p>	<p>Responsible manager:</p> <p>Financial Management Officer</p> <p>Due date:</p> <p>Ongoing</p> <p>Priority:</p> <p>Medium</p>
Reporting period	No. of delayed reports									
31 December 2015	3 out of 4 SRs									
30 June 2016	2 out of 5 SRs									

31 December 2016	1 out of 5 SRs	submitting reports then in previously audited periods of Global Fund programmes. We also acknowledge that some of the circumstances causing delays are those on which the PR has little or no influence, but we encourage the PR to continue working on capacity building and regular monitoring of SRs.													
The delays in the SR reporting have resulted in delayed submission of the PUDR to the Global Fund for each of the reporting periods within our audited period as follows:															
<table border="1"> <thead> <tr> <th>Reporting period</th> <th>Due date</th> <th>Submission date</th> </tr> </thead> <tbody> <tr> <td>31 December 2015</td> <td>14 February 2016</td> <td>08 April 2016</td> </tr> <tr> <td>30 June 2016</td> <td>14 August 2016</td> <td>17 August 2016</td> </tr> <tr> <td>31 December 2016</td> <td>14 February 2017</td> <td>27 April 2017</td> </tr> </tbody> </table>	Reporting period	Due date	Submission date	31 December 2015	14 February 2016	08 April 2016	30 June 2016	14 August 2016	17 August 2016	31 December 2016	14 February 2017	27 April 2017			
Reporting period	Due date	Submission date													
31 December 2015	14 February 2016	08 April 2016													
30 June 2016	14 August 2016	17 August 2016													
31 December 2016	14 February 2017	27 April 2017													
Impact															
Delays in the submission of SR reports to the PR impact on the ability of the PR to report to the Global Fund by the deadlines set out in the Programme Agreement.															
Delays in submitting the PUDR to the Global Fund is an issue of non-compliance with the requirements of the Programme Agreement and may damage the reputation of UNOPS as PR with the Global Fund.															
Cause															
Lack of or inadequate guidance or supervision at the OC level															
Lack of or insufficient resources (financial, human, or technical resources)															

Annex I - Definitions

Standard audit ratings for overall performance of internal control system

Effective 1 January 2017, the internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP adopted harmonized audit rating definitions, as described below. IAIG assesses the entity under review as a whole as well as the specific audit areas within the audited entity:

Standard rating	Definition
Satisfactory	The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
Partially satisfactory (Some improvement needed)	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.
Partially satisfactory (Major improvement needed)	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.
Unsatisfactory	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
High	Prompt action is required to ensure that UNOPS is not exposed to high risks. Failure to take action could result in major negative consequences for UNOPS.
Medium	Action required to ensure that UNOPS is not exposed to risks. Failure to take action could result in negative consequences for UNOPS.
Low	Action is desirable and should result in enhanced control or better value for money. Low Priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.

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