



INTERNAL AUDIT AND INVESTIGATIONS GROUP

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

INTERNAL AUDIT REPORT

PROJECT NAME:	SMALL GRANTS PROGRAMME (SGP) – OPERATIONAL PHASE 5
ATLAS PROJECT NUMBER:	00078681
ONEUNOPS WORK PACKAGE:	10175-001-03
COUNTRY:	ERITREA
AUDITOR:	MOORE STEPHENS LLP
PERIOD SUBJECT TO AUDIT:	1 JANUARY 2011 TO 30 SEPTEMBER 2016

Contents

Acronyms and abbreviations	3
Executive summary	4
The engagement context	4
Audit objectives	4
Audit scope	4
Audit rating	5
Key issues and recommendations	5
Detailed assessment	7
Annex I - Definitions	34
Annex II – Asset listing	36

Acronyms and abbreviations

AI	Administrative Instructions
BU	Business Unit
CBA	Community-based Adaptation
CBO	Community-based Organisation
CD	Country Director
CO	Country Office
COA	Chart of Account (Atlas)
COB	Country Operating Budget
CPMT	Central Programme Management Team
CPS	Country Programme Strategy
DCD	Deputy Country Director
DOA	Delegation of Authority
ERP	Enterprise Resource Planning (Atlas)
FTA	Fixed-Term Appointments
GEF	Global Environment Facility
GLA	General Ledger Account
GLJE	General Ledger Journal Entry
GPSO	(UNOPS) Global Portfolio Services Office
ICF	Internal Control Framework
IPSAS	International Public Sector Accounting Standards
LOA	Letter of Agreement
MOA	Memorandum of Agreement
MOSS	Minimum Operating Security Standards
MOU	Memorandum of Understanding
NC	National Coordinator
NFP	National Focal Person
NGO	Non-governmental Organisation
NHI	National Host Institution
NSC	National Steering Committee
OD	Organisational Directive
OP	Operational Phase
PA	Programme Assistant
PO	Purchase Order (Atlas)
PRINCE2	Projects in Controlled Environments 2
REQ	Requisition (Atlas)
RFP	Request for Payment
RR (Res. Rep.)	Resident Representative
SC	Service Contracts
SGC	Small Grants Cluster (The UNOPS SGP team)
SGP	GEF Small Grants Programme
SOP	Standard Operating Procedures
TOR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Programme
UNDSS	United Nations Department of Safety and Security
UNOPS	United Nations Office for Project Services

Executive summary

The engagement context

From 30 January to 4 February 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 Small Grants Programme (SGP), Operational Phase 5 (OP5) in Eritrea, (Atlas Project ID 78681, OneUNOPS Work Package 10175-001-03) (“the project”), which is implemented and managed by UNDP SGP Office in Eritrea on behalf of the Global Environment Facility (GEF). 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 1,391,632 during the period from 1 January 2011 to 30 September 2016. This project was funded by the Global Environment Facility (GEF).

The UNOPS-Small Grants Cluster (SGC), in conjunction with the Central Programme Management Team (CPMT), adopted a risk-based approach to form the audit plan, through which the SGP Eritrea programme was selected to be audited.

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.
Small Grants Programme – Operational Phase 5, Eritrea		1 January 2011 – 30 September 2016	78681/ 10175-001-03
Financial statement		Asset listing ¹	
Amount USD	Opinion	Amount USD	Opinion
1,391,632	Unqualified	14,880	n/a

Table 2: Internal control rating summary for project

Rating summary by functional area		
Functional area	Rating	
Grant management	Partially satisfactory	
Financial Monitoring and Processes	Satisfactory	
oneUNOPS (previously Atlas) processes	Partially satisfactory	
Document Management – Filing and Archiving	Satisfactory	
Asset Management	Partially satisfactory	
Overall rating of internal control	Partially satisfactory	

Key issues and recommendations

There are ten recommendations, of which two are ranked high priority and eight medium.

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

¹ All assets procured under the SGP programme are fully expensed at the time of purchase. They do not, therefore, appear on a separate statement of non-expendable property and an audit opinion is not required. The asset listing is provided as Annex II of this report.

Table 3: Summary of audit findings

No.	Functional area	Audit finding title	Priority rating (high / medium / low)	Financial impact (USD)
1	Grant Management	Potential conflicts of interest are not sufficiently mitigated	High	-
2	Grant Management	Operational guidelines for NSC not always followed	Medium	-
3	Grant Management	Open call for proposals not sufficiently documented or transparent	Medium	-
4	Grant Management	Grant reports not produced in correct format	Medium	-
5	Grant Management	MOAs not amended as a result of project delays	Medium	-
6	Financial Monitoring and Processes	Expenses charged to incorrect budget line	Medium	-
7	Financial Monitoring and Processes	Database is not correctly updated for financial data quality	Medium	-
8	OneUNOPS (previously Atlas) Processes	Expenditure omitted from the financial statements	High	-
9	Document Management – Filing and Archiving	Weaknesses in grant documentation filing system	Medium	-
10	Asset Management	Asset management procedures inadequate	Medium	-
Total				-

Detailed assessment

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: Grant Management				
1	<p>Title</p> <p>Potential conflicts of interest are not sufficiently mitigated</p> <p>Comparison criteria</p> <p>Section 7.4 of the SOP states that:</p> <p style="padding-left: 40px;">Due to the importance of this subject it is required that a continuous discussion on potential conflict of interest situations and the UN ethical standards is initiated within the NSC. Sensitivity toward this subject is crucial. This should ensure that any arrangements involving potential conflict of interest exposure or unethical conduct are immediately detected and reported.</p> <p>Section 38 of the Operational Guidelines states that:</p> <p style="padding-left: 40px;">The objectivity, transparency and credibility of the NSC is of paramount importance to the success of the country programme, and to maintaining good relations among stakeholders. As a general rule, country programmes</p>	<p>A clear and mandatory conflict of interest policy should be put in place as soon as possible. This should require all members to sign a declaration on an annual basis.</p> <p>Reviewing conflicts of interest should be made a formal part of the meeting agenda before approval of disbursements.</p>	<p>NC comments:</p> <p>Although the NSC members did not sign, all NSC members were sensitized about the consequences of conflict of interest. And at no time did it appear as an issue in the NSC meetings.</p> <p>Management action Plan: In the interest of avoiding potential risk on this, special orientation of NSC members will be arranged and will introduce conflict of interest discussion as part of standing agenda item in all NSC meetings.</p> <p>UNOPS-SGC comments:</p> <p>The NC is advised to request the NSC members to sign the NSC Conflict of Interest Statement. The</p>	<p>Responsible manager: NC</p> <p>Due date: Immediately</p> <p>Priority: High</p>

	<p>cannot consider proposals associated with organizations of sitting NSC members.</p> <p>Facts / observation</p> <p>We noted that the NSC committee members do not sign or declare their interests in a formal manner. An internal document regarding the duties of the NSC includes a section on conflicts of interest, however this document is not used or signed by the committee members. The NSC meeting minutes do not cover any discussion of potential conflicts as an agenda point.</p> <p>Impact</p> <p>The objectivity, transparency and credibility of the NSC is of paramount importance to the success of the country programme, and to maintaining good relations among stakeholders.</p> <p>Cause</p> <p>Guidelines:</p> <ul style="list-style-type: none"> • Absence of written procedures to guide staff in performing their functions; • Lack of or inadequate corporate policies or procedures; 		<p>template is available in the SOP section 2.2.1.</p> <p>Additionally, the NSC member should declare at the outset each meeting should they have conflict interest.</p>	
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#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: Grant Management				
2	<p>Title</p> <p>Operational guidelines for NSC not always followed</p> <p>Comparison criteria</p> <p>Section 31 and 32 of the Operational Guidelines states that:</p> <p style="padding-left: 40px;">The selection of NSC members is normally done by the NC in consultation with the UNDP RR... The composition of a newly established NSC is subject to ratification by the SGP Global Manager while subsequent appointments can be ratified by the responsible CPMT Regional Focal Point...The UNDP RR provides the appointment letter on behalf of the SGP.</p> <p>Section 33 of the Operational Guidelines states that:</p> <p style="padding-left: 40px;">NSC members usually serve for a period of three years. Each country or sub-regional programme must decide whether this term is renewable, and how eligibility for renewal is determined. In general, periodically inviting new members is a sound and healthy policy that brings new ideas and expertise to programme implementation, and roughly one quarter of NSC members may rotate in any given year. Changing the entire membership at one time should be avoided.</p>	<p>The appointment of NSC Members should follow the recommended procedures stated in the Operational Guidelines, in order to ensure impartiality in the selection of grant awards.</p> <p>The basis of appointments to the NSC should be retained and available for inspection.</p> <p>NSC members should be rotated on a pre-determined and justifiable basis to bring new ideas and expertise to the programme.</p> <p>An accurate record of those present at every NSC meeting should be</p>	<p>NC comments:</p> <p>Agreed. However, a formal process of appointing the NSC members was in place.</p> <p>The first batch of NSC members were drawn from four ministries, three NGOs and one from Academia and selection criteria was their background on environment and related disciplines to environment. These NSC members were formed towards mid of 2009 when Eritrea became eligible for SGP and as OP4 was phased out, these NSC members were only one and half years old; and as OP5 came in the programme faced a stalemate for almost 2 years. A negotiated agreement was reached to continue the programme using an intermediary NGO, and the NSCs continued along.</p> <p>No rotation was necessary at the time as they were not 3 years old then.</p>	<p>Responsible manager: NC</p> <p>Due date: Ongoing</p> <p>Priority: Medium</p>

<p>Section 36 of the Operational Guidelines states that:</p> <p>The NC usually convenes the NSC and functions as its secretariat, including preparing minutes of meetings and maintaining a historical record of programme decisions and implementation.</p> <p>Section 37 of the Operational Guidelines states that:</p> <p>In as wide a consultation as possible with country stakeholders, the NC shall prepare a long list of possible volunteers to the NSC. From this, the NC in consultation with the UNDP RR prepares the list of NSC members to be nominated for approval by the SGP Global Manager by considering both the expertise and qualifications of the individual candidates, and the overall composition and balance of the committee.</p> <p>Facts / observation</p> <p>The audit team observed that the appointment of NSC Members has not consistently followed the stated procedures.</p> <p>We noted that members have not been rotated systematically, and instead remain on the committee indefinitely, unless they resign due to retirement or ill health. There were 10 NSC members, of which all but one have been members since the beginning of SGP Eritrea in 2009.</p> <p>We also note that the list of NSC meeting attendees is not updated at each meeting, a standard list is used. As a result there are discrepancies between the attendees of the meetings, as</p>	<p>documented in the minutes.</p>	<p>Later, as OP6 started replacements were made through a formal process for members who retired from their work and who got sick.</p> <p>Further clarification is that the period between 2011 and 2013 was a tense period of relationship between the UN and Government of Eritrea when government expressed discomfort working with international organizations, particularly NGOs were asked to leave the country.</p> <p>NSC comments:</p> <p>The NSC also noted the recommendation, and will comply. However, there is a document management in place for the NSC meeting minutes, and it will be further improved. The supporting documents will be provided in Team Central.</p> <p>UNOPS-SGC comments:</p> <p>The NC has taken note of the audit recommendation. He further noted that the NSC members were rotated. The supporting documents were will be provided through Team Central.</p>	
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	<p>documented in the meeting minutes, and the signatures approving the allocation of grants during the same meeting.</p> <p>Impact</p> <p>The objectivity, transparency and credibility of the NSC is of paramount importance to the success of the country programme, and to maintaining good relations among stakeholders.</p> <p>Cause</p> <p>Other: factors beyond the control of UNOPS</p>		<p>Further, the NC is advised to document all the NSC meeting minutes and relevant decisions. The NSC member should also be requested to duly sign all meeting minutes. The SOP section 2.6 Record Retention Policy and Archiving can be consulted for more information.</p>	
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#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: Grant Management				
3	<p>Title</p> <p>Open call for proposals not sufficiently documented or transparent</p> <p>Comparison criteria</p> <p>Section 46 of the Operational Guidelines states that:</p> <p>Each SGP country programme should, after adopting or revising its CPS, prepare and issue an SGP programme announcement. Information in the call for proposals should clearly state that the SGP makes grants to eligible CSOs, with priority for supporting poor and vulnerable communities in the GEF focal areas, with a maximum grant amount for a project of US\$50,000. The subsequent process of developing an SGP project should then take place in a transparent manner covering the: (i) project preparation guidelines setting forth the eligibility criteria; (ii) application/proposal review process and calendar; (iii) formats for project concept and proposal development, and; (iv) co-financing requirements in cash and/or in-kind.</p> <p>Facts / observation</p> <p>We identified a number of issues within the open call procedures undertaken by the NC / PA, as follows:</p>	<p>A clear audit trail should be maintained showing all the applications, the reasoning behind their ineligibility and ultimately the final list of awards.</p> <p>A register should be maintained of all proposals received.</p>	<p>NC comments:</p> <p>There was a prolonged period of government discomfort in working with NGOs and CBOs and until now, Government does not allow Open call for proposal on the media. In all cases, the call for proposals made for OP5 projects were all transparent and has been disseminated in a workshop organized for SGP stakeholders including the CBOs / NGOs and government stakeholders.</p> <p>Management action plan: Discussion with government to allow Open Call for Proposals in the media for wider audience.</p> <p>UNOPS-SGC comments:</p> <p>Given the political nature of the issue, the NC is advised to work close with the government counterparts, and keep CPMT and UNOPS appraised on the developments.</p>	<p>Responsible manager: NC</p> <p>Due date: Immediate</p> <p>Priority: Medium</p>

	<ul style="list-style-type: none"> • The call for proposal did not include a deadline cut-off time; • The call for proposal document did not state that the maximum grant amount is USD 50,000; • Proposals were not collated centrally, as they were submitted either to the UNDP/SGP office or to the intermediary NGO; • No receipt is provided to the application on submission of the proposal; • The pre-screening process was not sufficiently documented by the NC or PA. A full list of all applicants and the reason for the exclusion of specific projects prior to their review by the NSC should be maintained. <p>Impact</p> <p>The lack of a clearly documented process between applications, (with receipts provided to applicants), the screening list and ultimate approval jeopardises the traceability and transparency of the process. This risk is further compounded with the lack of specific conflict of interest declarations throughout the process.</p> <p>Cause</p> <p>Guidelines: Absence of written procedures to guide staff in performing their functions; Lack of or inadequate corporate policies or procedures;</p>		<p>Should there be a need for the SGP Global Manager to intervene and discuss with UNDP management and GEF focal point – the NC should inform the Global Manager accordingly.</p>	
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#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: Grant Management				
4	<p>Title</p> <p>Grant reports not produced in the correct format</p> <p>Comparison criteria</p> <p>Section 4.1.4 of the SOP states that:</p> <p style="padding-left: 20px;">As stated in the UNOPS PO notification, the NC certifies that the progress/financial reports submitted by the grantee are in line with the MOA. The NC submits the necessary supporting documents (invoice, reports, etc.) to the UNDP CO for release of the next grant instalment.</p> <p>Section 4.4.2 of the SOP states that:</p> <p style="padding-left: 20px;">Grant Release: Prior to the release of every grant disbursement from an already authorized Atlas Purchase Order, the NC is responsible for the written certification of all Progress/Financial Reports (including invoices, receipts, etc.) being in line with the MOA and the approved grant proposal.</p> <p>Section 4.1 of the MOA states:</p>	<p>The NC should ensure that reports are received before paying grant disbursements.</p> <p>This includes producing the reports in the correct template, which will improve consistent and detailed information.</p> <p>The responsibilities of the intermediary NGO should be clarified, and reports should be provided in English.</p>	<p>NC comments:</p> <p>Agreed. We will work with the grantees to standardise the reporting requirements, and also advise the intermediary NGOs to comply with the reporting requirements.</p> <p>UNOPS-SGC comments:</p> <p>We agree with the recommendation. The NC has already prepared an action plan to implement the audit recommendation.</p>	<p>Responsible manager:</p> <p>NC</p> <p>Due date:</p> <p>31 December 2017</p> <p>Priority:</p> <p>Medium</p>

<p>UNOPS shall provide funds to the Local NGO/CBO in an amount of...subject to the Local CBO's submission of timely and accurate expense reports.</p> <p>Section 5.3 of the MOA states:</p> <p>Within sixty days after completion of the Project, the Local NGO/CBO shall provide UNOPS with a final report on the project in the form set out in Annex E, indicating the progress made toward the goals of the activities undertaken, together with a final report in the form set out in Annex F with respect to all expenditures made from such funds (including salaries, travel and supplies).</p> <p>Facts / observation</p> <p>We noted that the required format of grant reporting is not followed. As a result, the information contained within the reports is inconsistent in both content and quality.</p> <p>It is our understanding that the reports should also be submitted in English by the intermediary NGO, after receiving them in Tigirinya from the grantees. This has not been the case, with English reports either a number of months late or not provided at all.</p> <p>Despite the aforementioned shortfalls with grantee reporting, grant disbursements are still being issued. We identified the following projects for which reports were neither in English nor did they follow the required format:</p> <p><u>Progress Reports</u></p>			
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Project number	Organisation name	Date of MOA	Report date
ERI/SGP/OP5/Y2/C ORE/LD/12/08	Galaneffi Development Committee	26-12-13	None
ERI/SGP/OP5/Y3/C ORE/LD/14/15	Tokonda'e Development Committee	31-08-14	None
ERI/SGP/OP5/Y3/C ORE/LD/14/17	Keih-Kor Development Committee	22-06-14	None
ERI/SGP/OP5/Y3/C ORE/LD/14/18	Qhayto Development Committee	22-06-14	None
ERI/SGP/OP5/Y3/C ORE/LD/14/16	Tala Community Development	22-06-14	None
ERI/SGP/OP5/Y2/C ORE/CC/12/07	Qnafna Community Development	24-11-12	None

Final Reports

Project number	Organisation name	Date of MOA	Final report date	Final payment date
ERI/SGP/OP5/Y1/CO RE/LD/11/01	Hamelmallo Agricultural College	28-12-13	None	25-03-15
ERI/SGP/OP5/Y2/CO RE/LD/12/08	Galaneffi Development Committee	26-12-13	None	14-07-15
ERI/SGP/OP5/Y2/CO RE/LD/12/03	Serejeka Development Committee	26-12-13	None	15-12-15
ERI/SGP/OP5/Y2/CO RE/LD/12/12	Azien-Quazien Community Development	26-12-13	None	15-12-15
ERI/SGP/OP5/Y2/CO RE/LD/12/11	Weki Zagir Community Development	26-12-13	None	15-12-15
ERI/SGP/OP5/Y3/CO RE/LD/14/15	Tokonda'e Development Committee	31-08-14	None	26-08-15

ERI/SGP/OP5/Y2/CO RE/LD/12/04	National Union Of Eritrean Women – Maekel Region	28-12-13	None	20-08-15
ERI/SGP/OP5/Y3/CO RE/LD/14/18	Quhayto Development Committee	31-08-14	None	14-12-15
ERI/SGP/OP5/Y2/CO RE/LD/12/02	National Union Of Eritrean Women – Anseba Region	28-12-13	None	20-08-15
ERI/SGP/OP5/Y3/CO RE/LD/14/17	Keih-Kor Development Committee	31-08-14	None	15-12-15
ERI/SGP/OP5/Y3/CO RE/LD/14/18	Quhayto Development Committee	31-08-14	None	15-12-15
ERI/SGP/OP5/Y3/CO RE/LD/14/16	Tala Community Development	31-08-14	None	15-12-15
ERI/SGP/OP5/Y3/CO RE/LD/14/19	Emnehaili Community Development	15-12-14	None	24-08-15
<p>Impact</p> <p>Continuing to pay grantees without translating and retaining the progress and final reports increases the risk that grantees are not spending funds for the intended purpose. Without requiring reports to be submitted for further tranches to be released, the programme does not incentivise grantees to report on time.</p> <p>Cause</p> <ul style="list-style-type: none"> • Guidelines: <ul style="list-style-type: none"> • Absence of written procedures to guide staff in performing their functions; • Lack of or inadequate corporate policies or procedures; 				

	<ul style="list-style-type: none"> • Resources: <ul style="list-style-type: none"> • Insufficient resources (funds, skill, staff) to carry out an activity or function; • Lack of or insufficient resources (financial, human, or technical resources); • Inadequate training; and • Human error: Un-intentional mistakes committed by staff entrusted to perform assigned functions. 			
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#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: Grant Management				
5	<p>Title</p> <p>MOAs not amended as a result of project delays</p> <p>Comparison criteria</p> <p>Section 4.1.2 of the SOP states that:</p> <p>MOA Amendments become necessary for the following <u>finance-related</u> reasons:</p> <ul style="list-style-type: none"> • The total amount of the MOA increases or decreases during the grant project cycle. • The individual grant payment installments increase or decrease during the grant project cycle. • The project work plan becomes altered for whatever reason and therefore alters the entire grant project's duration and/or payment schedule. <p>Facts / observation</p> <p>We identified the following projects where the MoA had expired and final payment had not been disbursed due to project delays:</p>	<p>Amendments should be issued to the MOAs and the final tranches disbursed, subject to the appropriate documentation being obtained from the grantees.</p>	<p>NC comments:</p> <p>Agreed. We will ensure to process the amendments of expired MOAs in time. Notwithstanding the government intricacies, we will also ensure to timely process the grant payments, and receive all the relevant supporting documentations – i.e. progress reports from grantees.</p> <p>UNOPS-SGC comments:</p> <p>Further to the NC comments, the expired MOAs should be amended in time to reflect the revised project end dates as agreed with the grantees.</p> <p>The database should also reflect this change, and the same is true for the Purchase Orders – to reflect the revised grant project date under Purchase Order delivery date.</p>	<p>Responsible manager:</p> <p>NC</p> <p>Due date:</p> <p>31 December 2017</p> <p>Priority:</p> <p>Medium</p>

Project Number	Project Title	MOA signature date	Expiry date
ERI/SGP/OP5/Y3/CO RE/LD/14/20	Berik Development Committee	31-08-2014	31-08-2015
ERI/SGP/OP5/Y2/CO RE/LD/12/10	Geleb Community Development	26-12-2013	31-12-2015
ERI/SGP/OP5/Y2/CO RE/CC/12/07	Qnafna Community Development	26-12-2013	15-09-2015
ERI/SGP/OP5/Y2/CO RE/LD/12/06	National Union Eritrean Women- Gash Barka	28-12-2013	01-04-2016
ERI/SGP/OP5/Y2/CO RE/LD/12/09	National Union Of Eritrean Women – Northern Red Sea Region	27-12-2012	31-12-2014
ERI/SGP/OP5/Y4/CO RE/CC/15/22	Renewable Energy Center	20-08-2015	30-09-2016
ERI/SGP/OP5/Y3/CO RE/LD/14/14	Kelhamet Community Development	15-12-2014	31-12-2015

Impact

Missing final payments to grantees as a result of expiry of the MOA may jeopardise the intended outcome of the project and the sustainability of the grantee organisations.

Cause

Guidelines: Inadequate planning.
Other: Factors beyond the control of UNOPS.

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: Financial Management and Processes				
6	<p>Title</p> <p>Expenses charged to incorrect budget line</p> <p>Comparison criteria</p> <p>Section 4.5.2 of the SOP states that:</p> <p style="padding-left: 40px;">It is the NC/PA's responsibility to ensure that the proper Atlas accounts are used at all times. The NC/PA needs to review the ATLAS financial records on a regular basis in order to "catch" mistakes and to avoid unnecessary reconciliation exercises with the UNDP CO Finance and UNOPS.</p> <p>Section 4.4.3 of the SOP states that:</p> <p style="padding-left: 40px;">The review of supporting documentation for admin POs is done by the local UNDP CO in accordance with their procedures and oversight.</p> <p>Facts / observation</p> <p>We noted a number of instances where expenses were charged to an incorrect budget line. The details are presented below:</p>	<p>Transactions should be reviewed prior to authorisation to ensure that they are charged to the correct budget line.</p>	<p>NC comments:</p> <p>As all SGP admin POs are created by sourcing from the UNOPS approved requisition and the PV is sourced from the approved PO and requisition. SGP has followed the approved requisition budget line while processing admin PO payments.</p> <p>UNOPS-SGC comments:</p> <p>The SOP section 4.5.2 is superseded by the new revised SOP chapter Financial Resources Management.</p> <p>NC is advised to consult the referenced SOP chapter.</p>	<p>Responsible manager:</p> <p>NC / PA</p> <p>Due date:</p> <p>Ongoing</p> <p>Priority:</p> <p>Medium</p>

Fiscal Year	Vendor ID	Vendor name	Budget line	Amount (USD)	Actual budget line
2011	0000012519	UNDP	Sundry	1,956.00	Building Maintenance
2015	0000092461	[T.D.]	Learning costs	1,376.00	Travel
2014	0000092461	[T.D.]	Learning costs	750.60	Travel
2015	0000172954	[H Restaurant]	Bank charges	556.67	Restaurant
2014	0000153069	[SG Restaurant]	Printing and Publications	826.20	Restaurant

Impact

Financial information and analysis based directly on Atlas / OneUNOPS records may not be in line with the actual expenditure, because costs have been incorrectly allocated. Financial reporting could be misleading or inaccurate.

Cause

Human error: Un-intentional mistakes committed by staff entrusted to perform assigned functions.

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority				
Functional Area: Financial Monitoring and Processes								
7	<p>Title</p> <p>Database is not correctly updated for financial data quality</p> <p>Comparison criteria</p> <p>Section 4.1.2. of the SOP states that:</p> <p style="padding-left: 40px;">Since July 2007, UNOPS made it mandatory for all new grant MOAs to properly have its financial data (including the planned disbursement dates and amounts) entered into the SGP Database.</p> <p>Facts / observation</p> <p>We found a number of errors within the grant database. These errors were in two main categories:</p> <ol style="list-style-type: none"> 1. Scheduled payment amounts per the MOA were not input into the database, even though payments had been made; 2. Payment dates were included incorrectly for tranches which had been disbursed; <p>We identified the following projects which included both of the above errors:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Project number</th> <th style="width: 50%;">Organisation name</th> </tr> </thead> <tbody> <tr> <td>ERI/SGP/OP5/Y1/CORE/LD/11/01</td> <td>Hamelmallo Agricultural College</td> </tr> </tbody> </table>	Project number	Organisation name	ERI/SGP/OP5/Y1/CORE/LD/11/01	Hamelmallo Agricultural College	<p>The SGP Database should be updated frequently and it should reflect the correct information as per the MoA and the current status of projects.</p>	<p>UNOPS-SGC comments:</p> <p>The NC and PA are advised to correct the incorrect records in the database, provide the missing disbursement information, and update project status.</p>	<p>Responsible manager: NC</p> <p>Due date: Immediately</p> <p>Priority: Medium</p>
Project number	Organisation name							
ERI/SGP/OP5/Y1/CORE/LD/11/01	Hamelmallo Agricultural College							

ERI/SGP/OP5/Y2/CORE/LD/12/08	Galanefhi Development Committee									
ERI/SGP/OP5/Y2/CORE/LD/12/03	Serejeka Development Committee									
ERI/SGP/OP5/Y2/CORE/LD/12/09	National Union Of Eritrean Women – Northern Red Sea Region									
ERI/SGP/OP5/Y2/CORE/LD/12/12	Azien-Quazien Community Development									
ERI/SGP/OP5/Y2/CORE/LD/12/11	Weki Zagir Community Development									
ERI/SGP/OP5/Y3/CORE/LD/14/15	Tokonda'e Development Committee									
ERI/SGP/OP5/Y2/CORE/LD/12/04	National Union Of Eritrean Women – Maekel Region									
ERI/SGP/OP5/Y3/CORE/LD/14/18	Quhayto Development Committee									
ERI/SGP/OP5/Y2/CORE/LD/12/02	National Union Of Eritrean Women – Anseba Region									
ERI/SGP/OP5/Y3/CORE/LD/14/20	Berik Development Committee									
ERI/SGP/OP5/Y3/CORE/LD/14/17	Keih-Kor Development Committee									
ERI/SGP/OP5/Y3/CORE/LD/14/18	Quhayto Development Committee									
ERI/SGP/OP5/Y3/CORE/LD/14/16	Tala Community Development									
ERI/SGP/OP5/Y3/CORE/LD/14/19	Emnehaili Community Development									
ERI/SGP/OP5/Y3/CORE/LD/14/20	Berik Development Committee									
ERI/SGP/OP5/Y2/CORE/LD/12/10	Geleb Community Development									
ERI/SGP/OP5/Y4/CORE/CC/15/22	Renewable Energy Center									
ERI/SGP/OP5/Y3/CORE/LD/14/14	Kelhamet Community Development									
<p>In one further case the information had not been updated for project status.</p> <table border="1"> <thead> <tr> <th>Project number</th> <th>Organisation name</th> <th>Status</th> </tr> </thead> <tbody> <tr> <td>ERI/SGP/OP5/Y3/CORE/LD/14/15</td> <td>Tokond'e Community Based watershed management</td> <td>Project has been completed however the status on the Database is "Currently under execution"</td> </tr> </tbody> </table>					Project number	Organisation name	Status	ERI/SGP/OP5/Y3/CORE/LD/14/15	Tokond'e Community Based watershed management	Project has been completed however the status on the Database is "Currently under execution"
Project number	Organisation name	Status								
ERI/SGP/OP5/Y3/CORE/LD/14/15	Tokond'e Community Based watershed management	Project has been completed however the status on the Database is "Currently under execution"								

	<p>Impact</p> <p>Inaccurate information published on the database may mislead its readers. If the database figures are used to evaluate the total commitments of the SGP programme, these commitments could be over-estimated in the cases where payments to grantees have not been recognised.</p> <p>Cause</p> <p>Guidance: Lack of or inadequate guidance or supervision at the RO/OC/PC level; and Human error: Unintentional mistakes committed by staff entrusted to perform assigned functions.</p>			
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#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority																					
Functional Area: OneUNOPS (previously Atlas) Processes																									
8	<p>Title</p> <p>Expenditure omitted from the financial statements</p> <p>Comparison criteria</p> <p>Section 4.5.2 of the SOP states that:</p> <p style="padding-left: 40px;">It is the NC/PA's responsibility to ensure that the proper Atlas accounts are used at all times. The NC/PA needs to review the ATLAS financial records on a regular basis in order to "catch" mistakes and to avoid unnecessary reconciliation exercises with the UNDP CO Finance and UNOPS.</p> <p>Facts / observation</p> <p>During our review of the project financial statement, we noted that some costs in respect of 2016 had been omitted. We present the COB expenditure as it was declared within the project financial statement in the table below:</p> <p style="text-align: center;"><u>Annual COB Expenditure</u></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th colspan="6" style="text-align: center;">Actuals included in financial statement</th> </tr> <tr> <th style="text-align: center;">Year</th> <th style="text-align: center;">2011</th> <th style="text-align: center;">2012</th> <th style="text-align: center;">2013</th> <th style="text-align: center;">2014</th> <th style="text-align: center;">2015</th> <th style="text-align: center;">2016</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Amount</td> <td style="text-align: center;">3,281</td> <td style="text-align: center;">6,900</td> <td style="text-align: center;">13,601</td> <td style="text-align: center;">16,511</td> <td style="text-align: center;">9,805</td> <td style="text-align: center;">- 6,334</td> </tr> </tbody> </table>		Actuals included in financial statement						Year	2011	2012	2013	2014	2015	2016	Amount	3,281	6,900	13,601	16,511	9,805	- 6,334	<p>The transactions recorded in oneUNOPS are reviewed for completeness on a periodic basis.</p>	<p>UNOPS-SGC comments:</p> <p>The NC is advised to ensure the completeness of the supporting documents before they are uploaded to PO or RFP.</p> <p>Also, the invoices and grant progress reports are to be signed by the NC as proof that the NC has reviewed the supporting documents.</p>	<p>Responsible manager:</p> <p>NC and UNOPS-SGC</p> <p>Due date:</p> <p>Ongoing</p> <p>Priority:</p> <p>High</p>
	Actuals included in financial statement																								
Year	2011	2012	2013	2014	2015	2016																			
Amount	3,281	6,900	13,601	16,511	9,805	- 6,334																			

Although the expenditure for each year for the COB has fluctuated, it is clear that the transactions for 2016 have not been correctly accounted for. The average COB expenditure for the years 2011-2015 was \$10,020

It should also be noted that the central payroll personnel costs for 2016 have not been included in the project financial statement. The costs identified within the financial statement are presented below. The average personnel costs for the years 2011-2015 was \$35,453.

Annual Personnel Costs

	2012 actuals	2013 actuals	2014 actuals	2015 actuals	2016 actuals
Personnel costs	32,965	36,039	34,075	38,733	-

At the time of this report, the correct amount is still not known and we have been unable to quantify this finding. However, an estimated value of expenditure omitted from the project financial statement is calculated below:

	Average of 2011-2015	2016 actual	Estimated difference (being 9/12 of average cost in years 2011-2015, less the actual amount reported in 2016)
COB Expenditure	10,020	- 6,334	13,848.70
Personnel costs	35,453	-	26,589.75
Total:			40,438.45

	<p>Impact</p> <p>The project financial statement presents an estimated understatement of expenditure amounting to USD 40,438.45.</p> <p>Cause</p> <p>Guidance: Inadequate oversight by Headquarters</p>			
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#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional Area: Document Management – Filing and Archiving				
9	<p>Title</p> <p>Weaknesses in grant documentation filing system</p> <p>Comparison criteria</p> <p>Section 4.4.6. of the Standard Operating Procedures (SOP) states that:</p> <p style="padding-left: 40px;">The NC/PA is responsible for the proper and correct archiving of all SGP related documentation. While it is advisable to maintain hard copy originals, it is also recommended to establish scanned versions (electronic archives) to be saved on CD ROM.</p> <p>The ‘Document Management – Filing and Archiving section of ‘Audit Parameters’ states that:</p> <p style="padding-left: 40px;">Grants project files are up to date and complete (including MOA copies/amendments, corresponding annexes, progress and final reports, disbursement records, and related correspondences.</p>	<p>The NC should ensure that all necessary grant documentation, namely the MoA plus any amendments, proposal documents, NSC and other approval documents, progress and final reports, Atlas and other financial information, supporting invoices or similar and any correspondence with the grantees is maintained in both hard and soft copy for each grant.</p> <p>This may be facilitated through the introduction of a standardised filing system (i.e. numbered sections which would apply to both hard and</p>	<p>NC comments:</p> <p>Agreed. We will improve the grant documentation filing system.</p> <p>Also, there is two-way filing system whereby all original grant documents are kept by intermediary NGO and transfer to SGP happens only after auditing is performed on the grant locally by government.</p> <p>In addition, a few non-easily trackable files to be kept in hard copies using the standard SGP filing system till the end of February 2017.</p> <p>UNOPS-SGC comments:</p> <p>The guidance on record retention and archiving is updated in the recent SOP revision. The NC and PA are advised consult SOP section 2.6, and update the project files accordingly.</p>	<p>Responsible manager:</p> <p>NC / PA</p> <p>Due date:</p> <p>Immediate</p> <p>Priority:</p> <p>Medium</p>

<p>Facts / observation</p> <p>The audit team noted that grant documentation was poorly filed. Documents that were not in some of the files we reviewed were:</p> <ul style="list-style-type: none"> • Approval of the grant payment by the NC, • Evidence of the disbursement of specific grant tranches (payment vouchers and bank confirmations), • Progress and final financial and narrative reports, • Evidence to support expenditure utilised for payment, • MOAs and correspondence with grantees. • Some site visit reports were written or filed for some projects. <p>Some of the documents were not found and / or not obtained initially from the grantees (refer to other findings noted), and MOAs were filed separately to the grant files. It was evident that the files were not reviewed for completeness on a periodic basis. Some of the key project documents were not maintained at the SGP office, but by the intermediary NGO.</p> <p>The absence of a standardised filing procedure renders the process of a completeness check more difficult and time-consuming.</p> <p>Impact</p> <p>Without an orderly structured file, it is more likely that important documents are omitted, thereby resulting in the potential delay of project implementation or inaccurate information being presented to the beneficiary or SGP stakeholders.</p> <p>Without sufficient backups there is a significant risk that documents will be misplaced and not retained according to UNOPS policy and available for later verification.</p>	<p>soft copies), and a summary checklist front sheet indicating the contents.</p> <p>The NC and / or PA should periodically perform spot checks on the files to ensure completeness.</p>		
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	Cause Guidance: inadequate or lack of supervision by supervisors. Human error: Un-intentional mistakes committed by staff entrusted to perform assigned functions.			
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#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional Area: Asset Management				
10	<p>Title</p> <p>Asset management procedures inadequate</p> <p>Comparison criteria</p> <p>Section 6.1.4 of the SOP states that:</p> <p>The NC/PA is responsible for maintaining an equipment inventory database in the prescribed format which should be submitted to UNOPS upon request. Project assets should be assigned an ID number and bear the SGP Logo on it.</p> <p>The inventory list should be reviewed and the status of working condition and life expectancy shall be updated periodically.</p> <p>Facts / observation</p> <p>The audit team noted that the asset register is not maintained in the prescribed format. The register does not include the following details: asset cost, date of purchase, life expectancy or net book value.</p>	<p>The asset register should be in the prescribed format and contain all relevant details as required by the SOP.</p> <p>It should be reviewed regularly and details of assets should be updated as appropriate.</p>	<p>UNOPS-SGC comments:</p> <p>The NC and PA are advised to update the asset inventory by consulting SOP section 2.5.</p> <p>In addition, in a recent Global email, it was requested that all physical assets should be reported online in UNOPS SGP intranet site.</p>	<p>Responsible manager:</p> <p>NC / PA</p> <p>Due date:</p> <p>Immediate</p> <p>Priority:</p> <p>Medium</p>

	<p>Following our audit, the assets have been recorded in a register which was submitted for our review.</p> <p>Impact</p> <p>Without maintaining the asset register in the prescribed format, there is a risk that obsolete assets are still being accounted for by the SGP office and not de-recognised.</p> <p>Cause</p> <p>Human error: Un-intentional mistakes committed by staff entrusted to perform assigned functions;</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
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.

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:

- Grant Management
- Financial Monitoring and Processes
- OneUNOPS (previously Atlas) processes
- Document Management – Filing and Archiving
- Asset Management

Annex II – Asset listing