



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:	00078649
ONEUNOPS WORK PACKAGE:	10175-008-03
COUNTRY:	BARBADOS
AUDITOR:	MOORE STEPHENS LLP
PERIOD SUBJECT TO AUDIT:	1 JANUARY 2011 TO 30 SEPTEMBER 2016

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Acronyms and abbreviations

AI	Administrative Instructions
BU	Business Unit
CBA	Community-based Adaptation
CBO	Community-based Organisation
CD	Country Director
DCD	Deputy Country Director
CO	Country Office
COA	Chart of Account (Atlas)
COB	Country Operating Budget
CPMT	Central Programme Management Team
CPS	Country Programme Strategy
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
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
GPSO	(UNOPS) Global Portfolio Services Office
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
SOP	Standard Operating Procedures
SGC	Small Grants Cluster (The UNOPS SGP team)
SGP	GEF Small Grants Programme
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
USD	United States Dollar

Executive summary

The engagement context

From 13 to 17 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 Barbados, (Atlas Project ID 00078649, oneUNOPS Work Package 10175-008-03) (“the project”), which is implemented and managed by UNDP SGP Office in Barbados 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 2,186,052 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 Barbados 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, Barbados		1 January 2011 – 30 September 2016	00078649 / 10175-008-03
Financial statement		Asset listing ¹	
Amount USD	Opinion	Amount USD	Opinion
2,186,052	Qualified	7,000	n/a

Table 2: Internal control rating summary for project

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

Key issues and recommendations

There are eight recommendations, of which five are ranked high priority and three 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	Project numbering format not followed	Medium	-
2	Financial Monitoring and Processes	Grant payments disbursed to grantees without required reports being submitted	High	-
3	Financial Monitoring and Processes	Final grant amount exceeded total reported project expenditure	High	41,957
4	Financial Monitoring and Processes	Expenditure claimed unsupported	High	36,265
5	OneUNOPS (previously Atlas) Processes	Disbursements in oneUNOPS do not match documentation in beneficiary's file.	High	- 26,057
6	OneUNOPS (previously Atlas) Processes	Expenditure omitted from the financial statements	High	-
7	OneUNOPS (previously Atlas) Processes	Grantee bank account details do not match the MOA	Medium	
8	Document management – filing and archiving	Lack of sufficient documentation for NSC approvals	Medium	-
Total				52,165

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: Grant Management				
1	<p>Title</p> <p>Project numbering format not followed</p> <p>Comparison criteria</p> <p>Section 4.1.2 of the SOP states that:</p> <p>It is absolutely important to properly assign each new grant project with a numbering sequence to serve as clear identification for that specific SGP grant project. It is even more important for the NC/PA to remain consistent in the manner in which s/he assigns these numbers to new grant projects. Please see the proper sequence below:</p> <p>Three-letter country code / the funding source (SGP) / the SGP operational phase / the allocation year of the OP / CORE or RAF or STAR / calendar year (reflecting date when NSC approved the project) / number project approved in that OP Year</p> <p>Facts / observation</p> <p>We noted that the numbering applied to each new grant project was not in line with the guidelines. For example, the correct numbering format should be BAR/SGP/OP5/Y3/CORE/14/02.</p> <p>Some examples of the grant numbers used are provided below:</p>	<p>The project numbering methodology outlined in the SOP should be followed.</p> <p>Project codes should be consistent between the MOA and the grant database.</p>	<p>UNOPS-SGC comments: The NC comments are noted on the lack guidance and unanimity on project numbering.</p> <p>The revised SOPs were released in January 2017, and the guidance on project numbering is strengthened.</p> <p>The NC/PA is advised to follow the SOP section 4.5, and correct the projects referenced under this audit observation.</p>	<p>Responsible manager: National Coordinator</p> <p>Responsible person: Programme Assistant: PA</p> <p>Due date: Correction Completed in the database.</p> <p>Priority: Medium</p>

<table border="1" data-bbox="409 331 994 647"> <thead> <tr> <th>Project number</th> </tr> </thead> <tbody> <tr> <td>BAR/SGP/OP5/YEAR3/STAR/LD/13/04</td> </tr> <tr> <td>BAR/SGP/OP5/YEAR3/CORE/LD/13/08</td> </tr> <tr> <td>BAR/SGP/OP5/Y3/AUSAID/CCCBA/14/01</td> </tr> <tr> <td>BAR/SGP/OP5/Y4/AUSAID/SIDSCBA/15/04</td> </tr> <tr> <td>BAR/SGP/OP5/YEAR3/STAR/LD/14/09</td> </tr> <tr> <td>BAR/SGP/OP5/YEAR3/CORE/CC/13/05</td> </tr> </tbody> </table> <p>The numbering format was therefore not uniformly followed.</p> <p>In addition, for project BAR/SGP/OP5/Y4/LD/16/02, the project code was listed in the MOA as BAR/SGP/OP5/Y4/CORE/LD/16/02.</p> <p>From discussion with the National Coordinator, and emails provided by him, it is clear that the changes in format used by the team were often implemented due to conflicting advice from their superiors at Headquarters, and not instigated by the Country Office itself.</p> <p>Impact</p> <p>While the project codes follow a clear sequence as requested, they are not presented in the correct format as required by the SOP. The grant numbers should be the same on the MOA as per the database listing in order to allow for easy referencing of projects.</p> <p>Cause</p> <p>Human error: Un-intentional mistakes committed by staff entrusted to perform assigned functions.</p>	Project number	BAR/SGP/OP5/YEAR3/STAR/LD/13/04	BAR/SGP/OP5/YEAR3/CORE/LD/13/08	BAR/SGP/OP5/Y3/AUSAID/CCCBA/14/01	BAR/SGP/OP5/Y4/AUSAID/SIDSCBA/15/04	BAR/SGP/OP5/YEAR3/STAR/LD/14/09	BAR/SGP/OP5/YEAR3/CORE/CC/13/05			
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BAR/SGP/OP5/YEAR3/CORE/CC/13/05										

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: Financial Monitoring and Processes				
2	<p>Title</p> <p>Grant payments disbursed to grantees without required reports being submitted</p> <p>Comparison criteria</p> <p>Section 4.1.4 of the SOP states that:</p> <p>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>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>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>The NC should ensure that all reports are received, reviewed and retained prior to subsequent tranches being disbursed to the grantees. Payments should not be processed without the documentation required by the SOP.</p>	<p>NC comments:</p> <p>Agreed. A note has been placed on the relevant files highlighted. All future final disbursements will require a hard copy of the final report placed on file unless an exception is provided by the Central Programme Management Team.</p> <p>UNOPS-SGC comments:</p> <p>Agreed. The guidance in the SOP is not clear on the final payment. The NC has exercised his judgement when the final payment was released before the final report was received.</p> <p>In the next SOP revision, guidance will be provided on the final payment requirements and final project report. The SGP grantees in some countries are too poor to complete the project activities without having received the funds. Until such guidance is in place,</p>	<p>Responsible manager:</p> <p>National Coordinator</p> <p>Due date:</p> <p>Completed, a note was placed on the relevant files.</p> <p>Priority:</p> <p>High</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>The SGC authorised payments in two instances where the final report from grantees had not been obtained and filed.</p> <p>Written certification of reports was not provided in the format required within the MOA, and no documentation was retained to show that the NC had reviewed any report or considered the amounts spent to date by the grantees.</p> <p>In order to authorise the payments, the NC / PA provides a signed PO to the UNDP CO at which point the payment would be authorised. These documents were provided to the CO, and payments were made, prior to reports being received.</p> <p>We summarise below the projects for which reports were missing. There is no evidence that these reports have ever been received and they are not filed within the grantee files.</p>		<p>the NC is requested to consult the UNOPS and CPMT focal persons.</p> <p>The MOA allows disbursement of the final instalment after receipt of the final progress report. The NC has to ensure that the final report is received within 60 days from disbursement of the final instalment, and that activities are duly completed.</p>	
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Project reference	Organisation name	Interim report submitted	Final report submitted and filed	Final payment disbursed
BAR/SGP/O P5/YEAR3/C ORE/CC/13/07	CARIBBEAN POLICY DEVELOPMENT CENTRE	Yes	No	Yes
BAR/SGP/O P5/YEAR3/C ORE/BD/13/01	The Barbados Institute of Environmental Professionals	Yes	No	Yes

In some instances, reports were eventually received but tranche payments were released prior to the date of the reports. We summarise these instances below, for both interim reports (reporting on the advanced first tranche) and the final reports (payable after the final report is received). The reports noted below were received and available for inspection within the individual grantee files. The NC notes that there were instances where submitted reports were returned for corrections, and disbursements were effected on the draft versions. A sufficient documentation trail should be retained in such instances to demonstrate the basis of payments made.

We summarise the projects below:

Project reference	Organisation name	Date of MOA signed	Interim Report date	Second payment date
BAR/SGP/O P5/YEAR3/S TAR/LD/13/04	THE BARBADOS VAGRANTS & HOMELESS SOCIETY	02/12/2013	18/08/2014	07/05/2014

BAR/SGP/O P5/YEAR3/S TAR/BD/14/O 2	Trekvoy Art and Literary Endowment for the Naturally Talented	26/06/2014	20/02/2015	05/11/2014			
<p>Impact</p> <p>Continuing to pay grantees without obtaining financial and progress reports increases the risk that grantees are not spending funds for their intended purpose. Without requiring reports to be submitted for further tranches to be released, the programme does not incentivise grantees to report on time. Furthermore, the NC is not able to ensure, and demonstrate through documentation, that grants are on track or that the programme as a whole is not delayed.</p> <p>Cause</p> <p>Intentional: intentional overriding of internal controls</p>							

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: Financial Monitoring and Processes				
3	<p>Title</p> <p>Final grant amount exceeded total reported project expenditure</p> <p>Financial impact</p> <p>US\$ 41,957</p> <p>Comparison criteria</p> <p>Section 4.4.2 of the SOP states that:</p> <p>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>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</p>	<p>Final payments should be adjusted in order to reimburse only the final amounts incurred by the grantee.</p> <p>Any funds received which remain unspent at the time of the final financial report should be returned.</p>	<p>NC comments:</p> <p>Agreed. Will comply with the audit recommendation in line with the SOP guidance.</p> <p>UNOPS-SGC comments:</p> <p>The SOP section 7.2.2 can be consulted for similar cases in future.</p> <p>The NC is advised to verify previous and newly incoming final reports and request unutilized funds to be returned from grantees.</p>	<p>Responsible manager:</p> <p>National Coordinator and Programme Assistant.</p> <p>Due date:</p> <p>Completed, request for funds to be returned have been made prior to the audit.</p> <p>Priority:</p> <p>High</p>

<p>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>Section 5.4 of the MOA states that:</p> <p>All funds which remain unutilized after completion of grant activities shall be promptly returned by the Local NGO/CBO to UNOPS, or to be otherwise disposed of in consultation with UNOPS.</p> <p>Facts / observation</p> <p>Final payments were made to grantees for amounts outlined in the original purchase orders and the MOA, rather than the final reported amounts. There were a number of instances where the final grantee reports submitted showed less expenditure than the total budget, and as a result they retained funds which should have been returned under the guidelines of the SOP. We did not identify any instances where unutilised funds had been returned.</p> <p>The projects outlined below all fall into this category, and we present both the total amount reported and the amount disbursed.</p>													
<table border="1"> <thead> <tr> <th>Project Number</th> <th>Organisation</th> <th>Total expenditure as per final report</th> <th>Total disbursed</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>BAR/SGP/O P5/YEAR3/S TAR/BD/14/0 2</td> <td>Trekvoy Art and Literary Endowment for the Naturally Talented</td> <td>36,699.37</td> <td>50,000</td> <td>13,300.63</td> </tr> </tbody> </table>	Project Number	Organisation	Total expenditure as per final report	Total disbursed	Difference	BAR/SGP/O P5/YEAR3/S TAR/BD/14/0 2	Trekvoy Art and Literary Endowment for the Naturally Talented	36,699.37	50,000	13,300.63			
Project Number	Organisation	Total expenditure as per final report	Total disbursed	Difference									
BAR/SGP/O P5/YEAR3/S TAR/BD/14/0 2	Trekvoy Art and Literary Endowment for the Naturally Talented	36,699.37	50,000	13,300.63									

BAR/SGP/O P5/Y4/AUSAI D/CCCBA/14 /01	St. George Farmers Marketing Cooperative	1,125.81	2,000	874.19			
Total				14,174.82			
<p>No documentation was provided to show that the SGP had discussed or made efforts to recuperate these funds. The final balance paid should have been adjusted to match the total expenditure wherever possible, to avoid such situations.</p> <p>In addition, the agreement with the Barbados Vagrants and Homeless Society was terminated after \$40,000 had been disbursed, but the last report received prior to termination showed expenditure of only \$12,218.</p> <p>Impact</p> <p>Grantees have maintained unutilised project funds and as a result available funds for further activities are reduced and the overall expenditure reported under the project is overstated.</p> <p>Cause</p> <p>Intentional: Intentional overriding of internal controls</p>							

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: Financial Monitoring and Processes				
4	<p>Title</p> <p>Expenditure claimed unsupported</p> <p>Financial impact</p> <p>US\$ 36,265</p> <p>Comparison criteria</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>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>All expenses claimed should be supported by relevant documentation, which is sufficiently referenced to allow for its easy retrieval.</p> <p>Only expenses related to the support of projects in Barbados should be included as expenditure.</p> <p>The NC should review the financial records on a regular basis in order to catch mistakes and avoid unnecessary</p>	<p>NC comments:</p> <p>These samples are not relevant to the SGP Barbados audit, as the NC has no direct control over payroll posting at the UNOPS HQ or UNDP CO level.</p> <p>UNOPS-SGC comments:</p> <p>The payroll charges are processed by UNOPS corporate (previously by UNDP CO when Atlas was the ERP system), therefore, the records may not be available with local SGP office.</p> <p>The expenditure in second table may be related to another SGP programme or even UNDP project in the Caribbean region and mistakenly attributed to the SGP Barbados. The UNDP CO in Barbados provides payment services to the entire Eastern Caribbean region normally. More details of the expenditures are needed in order to determine if the expenses</p>	<p>Responsible manager:</p> <p>NC and UNOPS-SGC RPA</p> <p>Due date:</p> <p>Immediate</p> <p>Priority:</p> <p>High</p>

<p>Facts / observation</p> <p>The following expenses selected for testing were not supported by documentation stored at the Country Office:</p> <table border="1" data-bbox="280 491 1122 842"> <thead> <tr> <th>Fiscal Year</th> <th>Activity</th> <th>Account</th> <th>Voucher ID</th> <th>Actuals USD</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td></td> <td></td> <td>100023036</td> <td>180.00</td> </tr> <tr> <td>2011</td> <td>ACTIVITY02</td> <td>Repat Grant -- NO</td> <td></td> <td>11,738.04</td> </tr> <tr> <td>2011</td> <td>ACTIVITY02</td> <td>Salaries - NP Staff</td> <td></td> <td>6,994.58</td> </tr> <tr> <td>2011</td> <td>ACTIVITY02</td> <td>Salaries - NP Staff</td> <td></td> <td>6,994.58</td> </tr> <tr> <td>2011</td> <td>ACTIVITY02</td> <td>Salaries - NP Staff</td> <td></td> <td>6,994.58</td> </tr> <tr> <td colspan="4" style="text-align: right;">Total:</td> <td>32,901.78</td> </tr> </tbody> </table> <p>The following transactions selected for testing were not related to activities relating to support of projects in Barbados, and had been included along with the Barbados expenses in error:</p> <table border="1" data-bbox="280 995 1122 1225"> <thead> <tr> <th>Fiscal Year</th> <th>Activity</th> <th>Account</th> <th>Voucher ID</th> <th>Actuals USD</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>BARBADOS</td> <td>Common Services - Premises</td> <td>01194133</td> <td>7,890.00</td> </tr> <tr> <td>2016</td> <td>10175-008-03-01</td> <td>Contracts</td> <td>300004188</td> <td>-4,527.26</td> </tr> <tr> <td colspan="4" style="text-align: right;">Total</td> <td>3,362.74</td> </tr> </tbody> </table> <p>Impact</p>	Fiscal Year	Activity	Account	Voucher ID	Actuals USD	2016			100023036	180.00	2011	ACTIVITY02	Repat Grant -- NO		11,738.04	2011	ACTIVITY02	Salaries - NP Staff		6,994.58	2011	ACTIVITY02	Salaries - NP Staff		6,994.58	2011	ACTIVITY02	Salaries - NP Staff		6,994.58	Total:				32,901.78	Fiscal Year	Activity	Account	Voucher ID	Actuals USD	2015	BARBADOS	Common Services - Premises	01194133	7,890.00	2016	10175-008-03-01	Contracts	300004188	-4,527.26	Total				3,362.74	<p>reconciliation exercises.</p>	<p>are related to SGP Barbados. The UNOPS-SGC RPA will work with the NC to rectify this.</p>	
Fiscal Year	Activity	Account	Voucher ID	Actuals USD																																																						
2016			100023036	180.00																																																						
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	<p>Without supporting documentation it is not possible to link these costs to programme activities, or to check that they have been correctly incurred.</p> <p>Cause</p> <p>Guidelines: absence of written procedures to guide staff in performing their functions.</p>			
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#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: OneUNOPS (previously Atlas) Processes				
5	<p>Title</p> <p>Disbursements in oneUNOPS do not match documentation in beneficiary's file.</p> <p>Financial impact:</p> <p>-US\$ 26,057</p> <p>Comparison criteria</p> <p>Section 4.4.1 of the SOP states that:</p> <p style="padding-left: 20px;">The budget owner [is responsible for]:</p> <ul style="list-style-type: none"> - Ensuring that grant commitments and planned disbursements are correctly reflected in the SGP database as well as ATLAS and are in line with the valid SGP Project Document - Ensuring that the total SGP budget structure and allocated amounts are correctly reflected in ATLAS and are in line with the SGP Project Document. <p>Facts / observation</p> <p>We noted that for two projects, the financial disbursements were not listed in oneUNOPS, despite the files containing documentation to demonstrate</p>	<p>All disbursement information should be added to One UNOPS in a timely manner, in order to ensure up to date financial reporting.</p>	<p>NC comments:</p> <p>Agreed. All disbursement now include the relevant information which are also uploaded to oneUNOPS.</p> <p>UNOPS-SGC comments:</p> <p>It is recommended that the expenditure reports prior to 2016 be checked first, and supporting documentation scan be provided by the NC. Otherwise, all new POs and RFPs include the complete set of required supporting documentations.</p> <p>The NC is requested to provide a copy of the missing supporting documents for the purposes of closing the audit recommendation.</p>	<p>Responsible manager:</p> <p>NC</p> <p>Due date:</p> <p>Ongoing</p> <p>Priority:</p> <p>High</p>

that amounts had been disbursed. The details of the projects are as follows:

Atlas/ oneUNOPS vendor number	Organisation name	Funds disbursed according to file	Funds disbursed according to oneUNOPS
BAR/SGP/OP5/Y 4/AUSAID/SIDS CBA/15/04	Caribbean Creative Cluster	21,757	0
BAR/SGP/OP5/Y 4/AUSAID/SIDS CBA/15/03	Caribbean Creative Cluster	4,300	0
Total:		26,057	

Impact

There is a risk that financial data will not be kept up to date, which may lead to confusion when distributing funds, or incorrect financial reporting.

Cause

Intentional: Intentional overriding of internal controls.

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority																					
Functional Area: OneUNOPS (previously Atlas) Processes																									
6	<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="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="7" 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;">8,207</td> <td style="text-align: center;">15,496</td> <td style="text-align: center;">21,870</td> <td style="text-align: center;">14,582</td> <td style="text-align: center;">40,030</td> <td style="text-align: center;">- 3,041</td> </tr> </tbody> </table>	Actuals included in financial statement							Year	2011	2012	2013	2014	2015	2016	Amount	8,207	15,496	21,870	14,582	40,030	- 3,041	<p>The transactions recorded in oneUNOPS are reviewed for completeness on a periodic basis.</p>	<p>UNOPS-SG comments:</p> <p>With the migration to oneUNOPS in 2016, there were many irregularities on expenditure data. This was mainly because of migration issues, changing ERP project IDs, Payments via UNDP SCA, etc. Payroll for UNDP Service Contracts was especially irregular given the dependence on UNDP COs reconciling to UNOPS FG and FG applying to the correct GLA in oneUNOPS. The issue was known to the project, but due to a lack in manpower it could not be addressed in a timely manner each month.</p> <p>The UNOPS FG is further working to automate the reconciliation of SCA account, which will avoid delays in financial reporting. Until then, the financial reports will be understated.</p>	<p>Responsible manager: NC and UNOPS-SGC</p> <p>Due date: Ongoing</p> <p>Priority: High</p>
Actuals included in financial statement																									
Year	2011	2012	2013	2014	2015	2016																			
Amount	8,207	15,496	21,870	14,582	40,030	- 3,041																			

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 \$20,037.

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:

Annual Personnel Costs

	Actuals included in financial statement					
Year	2011	2012	2013	2014	2015	2016
Personnel	84,260	44,227	100,979	138,479	124,066	29,522

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	20,037	- 3,041	18,069
Personnel costs	98,402	29,522	44,280
Total:			62,348

Impact

The project financial statement presents an estimated understatement of expenditure amounting to USD 62,348.

Cause

The SGC team will ensure to work closely with FG to reduce reconciliation time.

	Guidance: Inadequate oversight by Headquarters			
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#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority								
Functional area: OneUNOPS (previously Atlas) Processes												
7	<p>Title</p> <p>Grantee bank account details do not match the MOA</p> <p>Comparison criteria</p> <p>Section 7.1 of the SOP states that:</p> <p>In case the banking information of a grantee changes, no amendment is necessary. However, the grantee must send a letter informing UNOPS of the change of banking information. Due to the fact that the original banking information is indicated in the MOA, clear records of communication with the grantee needs to be on file (ATLAS vendor profile needs to be updated accordingly).</p> <p>Facts / observation</p> <p>We noted differences between the banking information contained within the vendor profile in oneUNOPS and the MOA for one grantee. There was no documentation filed to support the change.</p> <table border="1" data-bbox="280 1157 1137 1294"> <thead> <tr> <th>Atlas/ oneUNOPS vendor number</th> <th>Organisation name</th> <th>Bank Account details according to MOA</th> <th>Bank Account details according to vendor request form</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Atlas/ oneUNOPS vendor number	Organisation name	Bank Account details according to MOA	Bank Account details according to vendor request form					<p>Bank account changes need to be rigorously documented, with all correspondence authenticated and filed within the grantee file.</p>	<p>NC comments:</p> <p>This unintentional error did occur where the grantee changed their account details and the atlas vendor was created accordingly but the change was not documented in the project file.</p> <p>UNOPS-SGC comments:</p> <p>The NC is advised to keep documentation on file regarding any changes that may directly impact the relationship with the grantee. The SOP section 5.3 should be consulted for updating the grantee bank account or any other information.</p>	<p>Responsible manager: NC</p> <p>Due date: Completed</p> <p>Priority: Medium</p>
Atlas/ oneUNOPS vendor number	Organisation name	Bank Account details according to MOA	Bank Account details according to vendor request form									

0000150884	CARIBBEAN POLICY DEVELOPMENT CENTRE	102-019-7	300-348-0			
<p>Impact</p> <p>In the absence of accurate and up to date information, there is a risk that funds might be transferred to the wrong bank account.</p> <p>Cause</p> <p>Human error: Un-intentional mistakes committed by staff entrusted to perform assigned functions.</p>						

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
Functional area: Document Management – Filing and Archiving				
8	<p>Title</p> <p>Lack of sufficient documentation for NSC approvals</p> <p>Comparison criteria</p> <p>Section 36 of the Operational Guidelines states that:</p> <p>The NC serves ex officio on the NSC, participating in deliberations, but not in decisions in the project selection process. 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. A copy of NSC minutes, signed by the members, and other pertinent material should be filed at the UNDP CO.</p> <p>Section 4.1.1 of the Standard Operating Procedures (SOP) states that:</p> <p>Grant proposals that are approved by the NSC with conditions should remain the exception rather than the norm. Once the conditions for such cases are met, the grant proposal then becomes a fully approved project.</p> <p>The Document Management – Filing and Archiving section of 'Audit Parameters' states that:</p>	<p>Evidence of any communication regarding the acceptance of projects should be filed alongside the NSC minutes.</p> <p>Any communication regarding the acceptance of projects, including any changes made to proposals and subsequent discussions on those changes, should be recorded and filed in order to provide a clear trail of decision making for projects.</p>	<p>NC comments: Agreed. Will ensure to maintain the grant project files complete and up to date.</p> <p>UNOPS-SGC comments: The NC and PA are advised to ensure all grant project files complete, and the instances noted in the audit recommendations are to be implemented.</p>	<p>Responsible manager: NC & Sub-regional Programme Associate</p> <p>Due date: Ongoing</p> <p>Priority: Medium</p>

<p>NSC meeting decisions are recorded, and signed minutes are retained.</p> <p>Facts / observation</p> <p>The audit team noted that not all decisions to approve projects were documented clearly. Not all grants were confirmed in NSC meetings, due to the fact that the members of the NSC are frequently travelling, and so it is difficult to meet regularly face to face.</p> <p>Some decisions are therefore confirmed using “round robin” email chains, where proposals that had previously been deemed unsuitable but since been amended and revised are sent round to be approved by email by members of the committee. Any further points for discussion can then be raised.</p> <p>We found that some “round robin” email chains were printed and kept alongside the NSC meeting minutes to document approvals for projects, but some were not and were only kept in the grantees’ individual files.</p> <p>We also found that there were gaps of up to 9 months between NSC meetings. This applies to meetings held in both December 2014 and 2015, where subsequent meetings were not held until September of the following year. This increases the number of approvals which have to be completed remotely, and therefore the risk that approvals are not properly documented.</p> <p>For two projects (BAR/SGP/OP5/YEAR3/CORE/BD/13/01 and BAR/SGP/OP5/YEAR3/STAR/LD/13/03, there was evidence of them being discussed and rejected in their existing form at an NSC meeting. There was then documentation in the grantee files showing email approval from the NSC, without any additional documentation demonstrating that changes that had been made to make the projects</p>			
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<p>acceptable, and that these changes had been discussed by members of the NSC.</p> <p>A majority of projects approved by the NSC were approved with conditions. In many cases the evidence that the conditions had been met were not included in the grantee's file before the MOA was filed and signed.</p> <p>Impact</p> <p>Documenting the decisions and conversations that result in accepting a project is crucial to its transparency. All documents relating to project decisions should be retained, including those that demonstrate that project conditions have been met.</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. Inadequate risk management processes.</p> <p>Guidance: inadequate or lack of supervision by supervisors.</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