



INTERNAL AUDIT AND INVESTIGATIONS GROUP

# UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

## INTERNAL AUDIT REPORT

**18 June 2018**

<b>PROJECT NAME:</b>	<b>PROJET D'APPUI A LA REHABILITATION ET RELANCE DU SECTEUR AGRICOLE (PARRSA)</b>
<b>PROJECT NUMBER:</b>	<b>77040</b>
<b>COUNTRY:</b>	<b>DEMOCRATIC REPUBLIC OF CONGO</b>
<b>AUDITOR:</b>	<b>MOORE STEPHENS LLP</b>
<b>PERIOD SUBJECT TO AUDIT:</b>	<b>1 JANUARY TO 30 NOVEMBER 2017</b>



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## Acronyms and abbreviations

AWPB	Annual Work Plan and Budget
CDOC	Operations Centre in Democratic Republic of Congo
DPM	Delegated Project Manager
IAASB	International Auditing and Assurance Standards Board
IAIG	Internal Audit and Investigations Group
IDA	International Development Association
IESBA	International Ethics Standards Board for Accountants
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
UNOPS	United Nations Office for Project Services
USD	United States Dollars

## Executive summary

### The engagement context

From 19 to 28 March 2018, the Internal Audit and Investigations Group (IAIG) of the United Nations Office for Project Services (UNOPS), through Moore Stephens LLP (“the audit firm”), conducted an audit of Projet d’Appui à la Réhabilitation et à la Relance du Secteur Agricole (PARRSA), (Project ID 77040), (“the project”), which is implemented and managed by the UNOPS Operations Centre in Democratic Republic of Congo. The audit firm was under the general supervision of IAIG in conformance with the International Standards for the Professional Practice of Internal Auditing.

The project reported expenditure amounting to USD 2,416,957 during the period from 1 January to 30 November 2017. The following donor contributed to the project: World Bank, through a grant from the International Development Association (IDA).

### Audit objectives

The overall objective of the audit was to assess the management of the project operations to obtain reasonable assurance towards the achievement of the project objectives.

The areas of focus included:

- a) Effective, efficient and economical use of resources;
- b) Reliability of reporting;
- c) Safeguarding of assets; and
- d) Compliance with applicable legislation.

The purpose of the audit was to provide reasonable assurance that:

- a) Client/donor contributions and project expenditure are properly accounted for;
- b) Project expenditure was incurred in accordance with the contribution agreement, and is supported by adequate documentation; and
- c) The related financial statements prepared by UNOPS for the year under review present a fair view of the operations.

In particular, the audit firm provided an overall assessment of the operational and internal control systems that are in place for the management of the project so that related transactions are processed in accordance with UNOPS policies and procedures to achieve the project’s objectives.

### Audit scope

The audit firm conducted the audit in accordance with International Standards on Auditing issued by the Internal Auditing and Assurance Standards Board and UNOPS internal audit practices, and in consideration of the requirements of International Public Sector Accounting Standards (IPSAS).

### Audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, IAIG assessed the management of the project as partially satisfactory (some improvement needed), which means, “The assessed governance arrangements, risk management practices and controls were generally established



and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area". The details of the audit results are presented in Tables 1 and 2.

**Table 1: Summary results of the financial audit**

Project title		Period	Project no.
Projet de Réhabilitation et de Relance du Secteur Agricole – PARRSA		1 January to 30 November 2017	77040
Financial statement		Statement of non-expendable property	
Amount USD	Opinion	Amount USD	Opinion
2,416,957	Unmodified	165,094	Unmodified

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

Rating summary by functional area		
Functional area	Rating	
Project management	Partially satisfactory (some improvement needed)	
Finance	Satisfactory	
Human resources	Satisfactory	
Procurement and supply chain	Satisfactory	
General administration	Satisfactory	
<b>Overall rating of internal control</b>	<b>Partially satisfactory (some improvement needed)</b>	

### Key issues and recommendations

The audit raised three issues. There are three recommendations, two of which are high priority and one is medium priority.

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 / low)	Financial impact (USD)
1	Project management	Weaknesses relating to monitoring of works	High	-
2	Project management	Inconsistent treatment of financial commitments	High	-
3	General administration	Inconsistencies found on equipment inventory statements	Medium	-
<b>Total</b>				-



**UNOPS**

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A handwritten signature in blue ink, appearing to read 'Mark Henderson'.

Signed:

Mark Henderson  
Partner  
Moore Stephens LLP

18 June 2018

## Operational overview

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

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

PARRSA is made up of three components:

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

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

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

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

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

At the request of the Government, and while waiting for the implementation of the additional financing project, the World Bank and the Government approved a second extension of the project until November 2017 at no additional cost for components executed by UNOPS.

The 2017 Annual Work Plan and Budget (AWPB) covered three parts of the project components:

- Subcomponent 2 of component 1 focused on infrastructure works in the Mikonga sector;
- Sub-component 1 of component 2: Improvement of agricultural feeder roads;
- Sub-component 2 of component 2: Improvement of marketing infrastructures.

The 2017 AWPB was subdivided into three parts :

- 1) Technical support of the CDOC to the project;
- 2) Operation of the project team;
- 3) Operational activities.

## Detailed assessment

#	Observation	Recommendation	Management comments and action plan	Responsible manager / Implementation Date / Priority
<b>Functional area: Project management</b>				
1.	<p><b><u>Title</u></b></p> <p>Weaknesses relating to monitoring of works</p> <p><b><u>Comparison criteria</u></b></p> <p>Article 9 of Contract No. 001/IDA/-DRC-H555ZR/2011/PARRSA stipulates that the DPM is evaluated on its ability to carry out concrete actions according to an established schedule: the DPM is entrusted with a delegated project management function and undertakes to ensure the proper implementation of the infrastructures referred to in sub-component 2 of the component 1 and in component 2 of the project, within the limits of the projected financial envelope allocated, and by ensuring the sound management of the funds.</p> <p><b><u>Observation</u></b></p> <p>We found that contract execution times had generally been significantly exceeded with regards to the start date and the final sign-off date of the works, as shown in the following examples:</p>	<p><b><u>Recommendation</u></b></p> <p>We recommend that the project team implements :</p> <ul style="list-style-type: none"> <li>➤ better follow-up in the time of execution of works;</li> <li>➤ late penalties when suppliers do not meet their obligations of timeframe;</li> <li>➤ updating the files in order to ensure that the project has obtained valid bank guarantees from suppliers.</li> </ul>	<p><b><u>Action plan</u></b></p> <p>The necessary measures will be taken to:</p> <ol style="list-style-type: none"> <li>1) Respect the required deadlines;</li> <li>2) Use monitoring tools at an early stage;</li> <li>3) Conduct joint missions;</li> <li>4) To reassure ourselves that the company contractor will respect the deadlines.</li> </ol>	<p><b><u>Responsible manager</u></b></p> <p>Head of project; Procurement; Senior Infrastructure Engineer; Finance services.</p> <p><b><u>Implementation date</u></b></p> <p>Immediate</p> <p><b><u>Priority</u></b></p> <p>High</p>

#	Observation	Recommendation	Management comments and action plan	Responsible manager / Implementation Date / Priority
<b>Functional area: Project management</b>				
	<ul style="list-style-type: none"> <li>➤ Contract with ██████ signed in December 2013 for a period of 10 months, which is still not finished and therefore not signed off;</li> <li>➤ Contract with ██████ signed in September 2017 (despite the World Bank's concerns of the company's ability to complete the works in time), for a period of two months, and which was not completed by 30 November 2017 and for which the bank guarantee expired in November 2017;</li> <li>➤ Works that are supposed to be completed since 2016 but for which final sign-offs have not yet been made (such as contracts with suppliers including ██████)</li> </ul> <p>We also noted that late penalty charges were generally not issued to those suppliers who had not met the deadlines.</p> <p><b><u>Impact</u></b></p> <p>Risk of not fully achieving the objectives within the set deadlines.</p> <p><b><u>Cause</u></b></p> <p>Guidance: inadequate or lack of supervision by supervisors</p>			

#	Observation	Recommendation	Management comments and action plan	Responsible manager / Implementation date / Priority
<b>Functional area: Project management</b>				
2.	<p><b><u>Title</u></b></p> <p>Inconsistent treatment of financial commitments</p> <p><b><u>Comparison criteria</u></b></p> <p>Article 2 of the third amended contract No. 001/IDA/-DRC-H555ZR/2011/PARRSA stipulates that, taking into account the need to complete the work in progress under the right conditions and avoid a prolonged shutdown of the infrastructure component likely to call into question the achievements of the project, the date of closure of the contract scheduled for September 30, 2017 has been postponed to November 30, 2017.</p> <p><b><u>Observation</u></b></p> <p>The project has received three amendments to the original contract, the last of which was signed in September 2017, confirming the extension of project activities until November 2017.</p> <p>The main purpose of this extension was to enable the project to complete all contract-related activities on time, but that was not achieved.</p>	<p><b><u>Recommendation</u></b></p> <p>We consider that the processing of outstanding amounts should be carried out consistently and that they are thus reported in the subsequent period, with any amount not utilised by 30 November 2017 being returned to the donor.</p> <p>We further recommend to carry out appropriate measures in order to improve the start-up, execution, interim and, most importantly, final delivery times for the additional phase.</p>	<p><b><u>Action plan</u></b></p> <p>At the financial and final closure of the project, all funds not disbursed will be refunded to the client.</p> <p>As part of the additional phase, the audit recommendations for improved work execution will be considered as lessons learned following to the initial project.</p>	<p><b><u>Responsible manager</u></b></p> <p>Head of project; Finance services; Senior Infrastructure Engineer.</p> <p><b><u>Implementation date</u></b></p> <p>Immediate</p> <p><b><u>Priority</u></b></p> <p>High</p>

#	Observation	Recommendation	Management comments and action plan	Responsible manager / Implementation date / Priority
<b>Functional area: Project management</b>				
	<p>We found that, despite this extension, the activities were still not completed. Several contracts were subject to provisional approval, but final sign off was not issued by 30 November 2017 (contract No. CDOH/15/77040/PARSSA/T/802/002/RJ and CDOC/13/77040/PARSSA/T/802/001/RJ with the company [REDACTED]). Nonetheless the retainer fees of the contract appear to have been paid over, as they do not appear on the statement of commitments.</p> <p>The project has drawn up a statement of these commitments which mentions the services not carried out and not paid by 30 November 2017, but the balances have not been treated consistently. In respect of [REDACTED], for example, which had two contracts in progress at the time of closure of the activities:</p> <ul style="list-style-type: none"> <li>➤ Contract N° CDOC/13/77040/PARRSA/T/261/004/BT, signed in 2013, was by 30 November 2017 approximately 90% complete in respect of lot 1 and 100% for lot 2, and in respect of which a commitment of USD 41,870 was reported in the financial statements;</li> <li>➤ Contract N° CDOH/17/77040/UNOPS/PARRSA/1081/003/FF, signed in 2017, was by 30 November 2017 approximately 80% complete for lot 1 and 47% for lot 2, but for which no commitment value has been reported.</li> </ul>			

#	Observation	Recommendation	Management comments and action plan	Responsible manager / Implementation date / Priority
<b>Functional area: Project management</b>				
	<p>As a result, all ongoing contracts still to be executed and closed after 30 November 2017 will need to have the associated costs reprogrammed from additional funding, and unutilised amounts will need to be returned to the donor.</p> <p><b><u>Impact</u></b></p> <p>Incorrect amount refunded to donor</p> <p><b><u>Cause</u></b></p> <p>Guidance</p>			

#	Observation	Recommendation	Management comments and action plan	Responsible manager / Implementation date / Priority
<b>Functional area: General administration</b>				
3.	<p><b><u>Title</u></b></p> <p>Inconsistencies found on equipment inventory statements</p> <p><b><u>Comparison criteria</u></b></p> <p>Article 2.1.2 regarding physical management of fixed assets and project equipment stipulates that:</p> <ul style="list-style-type: none"> <li>➤ The logistics coordinator of each project will establish a register of assets acquired with project funds specifying the following details: (i) ID code; (ii) Category; (iii) Useful life; Project ID; (iv) TAG number; (v) Serial number; (vi) Description of asset; (vii) Location; (v ii) Custodian; etc. Further information regarding this register can be found in Annex B1;</li> <li>➤ Each quarter, the PARRSA project Logistics co-ordinator will send the register to the CDOC Logistics co-ordinator for centralisation and verification in Kinshasa. At the end of each year, the CDOC Logistics co-ordinator will ensure the physical existence of assets on the register of each office through supervision and internal verification.</li> </ul>	<p><b><u>Recommendation</u></b></p> <p>We recommend that the procedures for fixed asset management as laid out in the project procedures manual are strictly adhered to.</p>	<p><b><u>Action plan</u></b></p> <ul style="list-style-type: none"> <li>➤ A focal point in charge of managing assets has been appointed within the Hub since October 2017, and all assets have been registered in our ERP. Since then, each asset is systematically added and tracked.</li> <li>➤ A complete SOP relating to the management of assets was released on April 20, 2018 and all field teams will be trained on this SOP.</li> <li>➤ Concerning the project assets, the errors have been corrected. An inventory mission will be sent to the field before the restart of the activities to validate these corrections and transfer the assets to the new project. The project will have to check whether the lists available in the system are correct and updated.</li> </ul>	<p><b><u>Responsible manager</u></b></p> <p>Head of project; CDOH Logistics co-ordinator</p> <p><b><u>Implementation date</u></b></p> <p>Immediate</p> <p><b><u>Priority</u></b></p> <p>Medium</p>

#	Observation	Recommendation	Management comments and action plan	Responsible manager / Implementation date / Priority
<b>Functional area: General administration</b>				
	<p><b><u>Observation</u></b></p> <p>We received inventory reports from North Ubangi, South Ubangi and Mongala and found that:</p> <ul style="list-style-type: none"> <li>➢ The vehicle Toyota Hilux 4x4 D / C TYPE LAN25L-PRMDEN U2 127IT023 double pickup is recorded on both the South Ubangi inventory list and Mongala inventory list;</li> <li>➢ Certain information was not provided (identification number, date of purchase, acquisition cost and status) for several items, as listed below:             <ul style="list-style-type: none"> <li>○ South Ubangi : laptop (C12BK32) ;</li> <li>○ North Ubangi : split ;</li> <li>○ Mongala : Moto Yamaha DT125 (77040COD4330, 77040COD4331...).</li> </ul> </li> </ul> <p><b><u>Impact</u></b></p> <p>Incomplete or inaccurate asset records increases the risk of their loss or misappropriation.</p> <p><b><u>Cause</u></b></p> <p>Guidance</p>			

## 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:

- (a) satisfactory (effective),
- (b) partially satisfactory (some minor improvement needed),
- (c) partially satisfactory (major improvement needed), and
- (c) unsatisfactory (ineffective).

The elements of the rating system take into account the audited office's internal control system, risk management practices, and their impact on the achievement of office objectives.

The definitions of the ratings are, as follows:

Standard rating	Definition
<b>Satisfactory (effective)</b>	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.
<b>Partially satisfactory (some improvement needed)</b>	The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
<b>Partially satisfactory (major improvement needed)</b>	The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
<b>Unsatisfactory (ineffective)</b>	The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity.

### Categories for priorities of audit recommendations

The audit observations are categorized according to the priority of the audit recommendations and the possible causes of the issues. The categorized audit observation provides a basis by which the UNOPS country office management is to address the issues.

The following categories of **priorities** are used:

Categories	Definition
<b>High</b>	Prompt action is considered imperative to ensure that UNOPS is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization).
<b>Medium</b>	Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).
<b>Low</b>	Action is considered desirable and should result in enhanced control or better value for money.

### 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.

### 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).