



INTERNAL AUDIT AND INVESTIGATIONS GROUP

# UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

## INTERNAL AUDIT REPORT

**Final**

**05 September 2018**

<b>PROJECT NAME:</b>	<b>TOWARDS ELIMINATION OF ARTEMISININ - RESISTANT PARASITES OF PLASMODIUM FALCIPARUM MALARIA (NFM MALARIA GRANT)</b>
<b>PROJECT NUMBER:</b>	<b>96054</b>
<b>COUNTRY:</b>	<b>CAMBODIA</b>
<b>AUDITOR:</b>	<b>MOORE STEPHENS LLP</b>
<b>PERIOD SUBJECT TO AUDIT:</b>	<b>1 JANUARY TO 31 DECEMBER 2017</b>

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## Acronyms and abbreviations

CNM	National Centre for Parasitology, Entomology and Malaria Control
GFATM	The Global Fund to Fight AIDS, Tuberculosis and Malaria
IAIG	Internal Audit and Investigations Group
INGO	International Non-Governmental Organisation
IPSAS	International Public Sector Accounting Standards
KHOH	UNOPS Cambodia Operations Hub
LNGO	Local Non-Government Organization
NFM	New Funding Model
NGO	Non-Governmental Organisation
PC	Project Centre
PR	Principal Recipient
PUDR	Progress Update and Disbursement Request
RO	Regional Office
SR	Sub-recipient
SSF	Single Stream of Funding
UNOPS	United Nations Office for Project Services
US\$	United States Dollars

## Executive summary

### The engagement context

From 14 to 25 May 2018, Moore Stephens LLP (“the audit firm”), conducted an audit of the Principal Recipient of the project ‘Towards Elimination of Artemisinin - Resistant Parasites of Plasmodium Falciparum Malaria (NFM Malaria grant)’ (oneUNOPS project ID 96054), (“the project”), which is implemented and managed by the UNOPS Operations Centre in Cambodia.

The project reported PR expenditure amounting to US\$ 6,586,263 during the period from 1 January to 31 December 2017.

### Audit objectives

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

The areas of focus included:

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

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

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

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

### Audit scope

We conducted the audit in accordance with International Standards on Auditing issued by the IASSB and UNOPS internal audit practices, and in consideration of the requirements of International Public Sector Accounting Standards (IPSAS).

### Audit rating

Based on the audit report and corresponding management letter we assessed the management of the project as satisfactory which means “Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly

affect the achievement of the objectives of the audited party”. The details of the audit results are presented in Tables 1 and 2.

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

Project title		Period	Project no.
Towards Elimination of Artemisinin - Resistant Parasites of Plasmodium Falciparum Malaria (NFM Malaria grant)		1 January to 31 December 2017	96054
Financial statement		Statement of non-expendable property	
Amount US\$	Opinion	Amount US\$	Opinion
6,586,263	Unmodified	63,254	Unmodified

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

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

### Key issues and recommendations

The audit raised one issue. There is one recommendation, which is ranked medium priority, meaning “action required to ensure that UNOPS is not exposed to risks. Failure to take action could result in negative consequences for UNOPS”.

The issue was noted to be caused by factors beyond the control of UNOPS.

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

No.	Functional area	Audit finding title	Priority rating (high / medium)	Financial impact (US\$)
1	Project management	Late reporting and submission of Progress Update and Disbursement Requests	Medium	-
<b>Total</b>				-

### Management's comments

The programme management accepted the recommendation and is in the process of implementing it.

Signed:



Mark Henderson

Partner

Moore Stephens LLP

05 September 2018

## Operational overview

In December 2012, UNOPS was selected by the Cambodia Country Coordinating Mechanism for The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) to become the Principal Recipient (PR) for the Single Stream of Funding (SSF) Malaria grant for Cambodia. The management responsibility for this grant was handed over to UNOPS on 1 April 2013. The program implementation period for the SSF grant was from 1 April 2013 to 30 June 2015. The New Funding Model grant was awarded in July 2015.

As the designated Principal Recipient for the GF's New Funding Model (NFM Malaria grant), UNOPS is responsible for the quality financial management, timely procurement of supplies and service delivery as well as efficient monitoring and evaluation of grant implementation activities. The NFM grant (KHM-M-UNOPS) is based on a strong national strategic plan to fight malaria, which formed the basis of the successful RAI proposal and an Elimination Action Framework for Malaria 2015 – 2019 ("Elimination Framework") which reflects the response to the emergence and changing landscape of artemisinin resistance, changed epidemiology and newly defined high risk groups.

The programme is being implemented through different types of SRs, including Ministries and their departments, international NGOs (INGO), multilateral organizations and local non-government organizations (LNGO). Each SR has different levels of experience and capacity in handling programmes of this size and magnitude. While developing systems for implementing this programme, it is necessary to incorporate certain standard procedures on financial accounting and funds flow management, so that all those dealing with the programme and with UNOPS are at the same level of understanding. Each SR is a distinct legal entity and has its own organizational set-up and has developed its own procedures.

The audit team extends its appreciation to the management and staff members of UNOPS office in Cambodia for their full cooperation during the audit.

## Detailed assessment

#	Observation	Recommendation	Management comments and action plan	Responsible manager / due date / priority																														
<b>Functional Area: Project Management</b>																																		
1	<p><b>Title</b></p> <p>Late reporting and submission of Progress Update and Disbursement Requests</p> <p><b>Comparison criteria</b></p> <p>Part D of Annex A to the Programme Agreement with Global Fund and GF Guidelines on PUDR. Articles on ‘Reporting obligations’ as set out in the individual Sub-recipient agreements and its amendments.</p> <p><b>Facts / observation</b></p> <p>The sub-recipient agreements set out the reporting obligations of the SRs. The SRs did not consistently submit final reports on time, with delays noted, as set out below:</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th>No.</th> <th>SR</th> <th>Q1 submission date</th> <th>Delay (days)</th> <th>Q2 submission date</th> <th>Delay (days)</th> <th>Q3 submission date</th> <th>Delay (days)</th> <th>Q4 submission date</th> <th>Delay (days)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>DDF</td> <td>24-Apr-17</td> <td>6</td> <td>14-Jul-17</td> <td>On time</td> <td>26-Oct-17</td> <td>9</td> <td>10-Jan-18</td> <td>On time</td> </tr> <tr> <td>2</td> <td>PSI</td> <td>25-Apr-17</td> <td>7</td> <td>19-Jul-17</td> <td>4</td> <td>17-Oct-17</td> <td>On time</td> <td>7-Feb-18</td> <td>23</td> </tr> </tbody> </table>	No.	SR	Q1 submission date	Delay (days)	Q2 submission date	Delay (days)	Q3 submission date	Delay (days)	Q4 submission date	Delay (days)	1	DDF	24-Apr-17	6	14-Jul-17	On time	26-Oct-17	9	10-Jan-18	On time	2	PSI	25-Apr-17	7	19-Jul-17	4	17-Oct-17	On time	7-Feb-18	23	<p>It is important for KHOH to comply with the requirements of the agreement with Global Fund and its guidelines. Management should make every effort to meet the reporting deadlines agreed.</p> <p>Although we acknowledge that UNOPS as the PR has limited influence over the circumstances causing delays, we encourage management, in addition to the reminders sent, to</p>	<p>With the approval from the GF team, new staff were recruited including one Risk and Compliance Officer and three Finance Associates to assist the reporting team for faster review and processing of the financial reports to the donor.</p> <p>Additionally, the PR will continue to implement its capacity building and training activities to improve reporting timelines from SRs to the PR</p>	<p><b>Responsible manager:</b></p> <p>Programme coordinator</p> <p><b>Due date:</b></p> <p>Ongoing</p> <p><b>Priority:</b></p> <p>Medium</p>
No.	SR	Q1 submission date	Delay (days)	Q2 submission date	Delay (days)	Q3 submission date	Delay (days)	Q4 submission date	Delay (days)																									
1	DDF	24-Apr-17	6	14-Jul-17	On time	26-Oct-17	9	10-Jan-18	On time																									
2	PSI	25-Apr-17	7	19-Jul-17	4	17-Oct-17	On time	7-Feb-18	23																									

3	CNM	27-Apr-17	7	17-Aug-17	28	26-Oct-17	6	28-Mar-18	67
4	HPA	21-Apr-17	3	4-Aug-17	20	2-Nov-17	16	9-Feb-18	25
5	WHO	19-Apr-17	1	10-Jul-17	On time	27-Nov-17	41	4-Jan-18	On time

Moreover, the cash reconciliation report, the certified financial report and the final audit for the SRs DDF and PSK which were due on 20 February 2018 had not been received at the time of our audit.

The delays in the SR reporting have resulted in delayed submission of the PUDR to the Global Fund for the year-end reporting period, as follows:

Reporting period	Due date of submission	Submission date	Delay (no. of days)
31 December 2017	1 March 2018	4 May 2018	64

**Impact**

Delays in the submission of SR reports to the PR impact the ability of the PR to report to the Global Fund by the deadlines set out in the Programme Agreement and its guidelines.

Delays in submitting the PUDR to the Global Fund is an issue of non-compliance with the requirements of the Programme Agreement and may damage the reputation of UNOPS as PR with the Global Fund.

**Cause**

Lack of or inadequate guidance or supervision at the OC level

Lack of or insufficient resources (financial, human, or technical resources)

carry-out closer follow-ups during the period prior to the due dates, to identify possible support needed and eventually assist the SRs in the resolution of the causes of the delays.

and PR to LFA and the GF team. The trend and data quality is improving.

## 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 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</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>	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.
<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</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 required to ensure that UNOPS is not exposed to high risks. Failure to take action could result in major negative consequences for UNOPS.
<b>Medium</b>	Action required to ensure that UNOPS is not exposed to risks. Failure to take action could result in negative consequences for UNOPS.
<b>Low</b>	Action is desirable and should result in enhanced control or better value for money. Low Priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.

### Possible causes

The following categories of **possible causes** are used:

- **Guidelines:** absence of written procedures to guide staff in performing their functions;
  - Lack of or inadequate corporate policies or procedures
  - Lack of or inadequate RO/OC/PC policies or procedures
  - Inadequate planning
  - Inadequate risk management processes
  - Inadequate management structure
- **Guidance:** inadequate or lack of supervision by supervisors;
  - Lack of or inadequate guidance or supervision at the RO/OC/PC level
  - Inadequate oversight by Headquarters
- **Resources:** insufficient resources (funds, skill, staff) to carry out an activity or function;
  - Lack of or insufficient resources (financial, human, or technical resources)
  - Inadequate training
- **Human error:** Un-intentional mistakes committed by staff entrusted to perform assigned functions;
- **Intentional:** intentional overriding of internal controls;
- **Other:** Factors beyond the control of UNOPS.