UNOPS

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

INTERNAL AUDIT REPORT

17 October 2019

PROJECT NAME:	**SCHOOL INFRASTRUCTURE WORKS IN PARTNERSHIP WITH WORLD VISION**
PROJECT NUMBER:	**20269-001**
COUNTRY:	**NEPAL**
AUDITOR:	**BDO LLP**
PERIOD SUBJECT TO AUDIT:	**1 JUNE 2016 TO 31 DECEMBER 2018**

UNOPS

INTERNAL AUDIT AND INVESTIGATIONS GROUP

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Acronyms and abbreviations

IAASB	International Auditing and Assurance Standards Board
IAIG	Internal Audit and Investigations Group
IPSAS	International Public Sector Accounting Standards
MOU	Memorandum of Understanding
OC	Operations Centre
PC	Project Centre
RO	Regional Office
UNDP	United Nations Development Programme
UNFPA	United Nations Fund for Population Activities
UNOPS	United Nations Office for Project Services
US$	United States Dollars
WASH	Water, Sanitation and Hygiene
WFP	World Food Programme
WVI	World Vision International

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Executive summary

The engagement context

From 18 June to 4 July 2019, the Internal Audit and Investigations Group (IAIG) of the United Nations Office for Project Services (UNOPS), through BDO LLP ("the audit firm"), conducted an audit of the project 'School Infrastructure Works in Partnership with World Vision' ("the project") (oneUNOPS project ID 20269-001), which is implemented and managed by UNOPS Nepal. The audit firm was under the general supervision by IAIG in conformance with the International Standards for the Professional Practice of Internal Auditing.

The project reported expenditure amounting to US$ 1,295,600 during the period from 1 June 2016 to 31 December 2018.

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 IAASB 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 satisfactory, which means, "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".

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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.
School Infrastructure Works in Partnership with World Vision		1 June 2016 to 31 December 2018	20269-001
Financial statement		**Statement of non-expendable property**	
Amount US$	**Opinion**	**Amount US$**	**Opinion**
1,295,600	Unmodified	-	Not applicable

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	
Procurement and supply chain	Satisfactory	
Human resources	Satisfactory	
General administration	Satisfactory	
Overall rating of internal control	**Satisfactory**	

Key issues and recommendations

The audit raised two issues. There are two recommendations, both of which are ranked medium priority, meaning "Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences)."

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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	Absence of agreement during project implementation period	Medium	-
2	Project Management	Quarterly progress reports not submitted	Medium	-
			Total	**-**

Management's comments

The Head of Office of UNOPS Nepal accepted all recommendations.

Signed:

Robert Waters
Partner
BDO LLP

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Operational overview

In line with the objectives of the MOU signed between UNOPS and World Vision International on 20 August 2015, UNOPS Nepal and World Vision International Nepal, entered into an agreement on 1 June 2016 to provide school construction and engineering services, and WASH expertise.

The project includes the design and construction of one school in the Gorkha district and two schools in the Sindhulpalchok district of Nepal.

The key activities under this agreement include:

- Designing and constructing schools in selected districts of Nepal;

- Surveys of existing facilities if any, and recommendation for reconstruction and/or refurbishing;

- Reviewing technical specifications, cost estimations and supervising construction works;

- Procurement of civil works, services and goods;

- Managing civil works contracts and quality assurance of the physical infrastructure works;

- Acceptance of works and certification of payments; and

- Support the capacity development of World Vision infrastructure team to manage, operate and maintain their infrastructure activities to the required standards.

The construction is currently ongoing and the expected project operational closure date is 31 May 2020.

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

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Detailed assessment

#	Observation	Recommendation	Management comments and action plan	Responsible manager / due date / priority
Functional Area: Project Management				
1	**Title** Absence of agreement during project implementation period **Comparison criteria** Section 2.31 of Project Agreement - General Conditions states 'any amendment of this agreement or of its annexes shall be effected by mutual agreement of the Parties in writing'. Project Agreement Amendment 2 states 'The term of this agreement shall commence on the effective date ……. The effective date of this amendment is the date on which it is signed by the respective parties. If the signing occurs on two different dates, this amendment shall take effect on the date of last signature.' **Facts / observation** We noted that Amendment 2 to the Project Agreement was signed 27 days after the expiry of the previous amendment. There was, therefore, a gap between the amendments when there was no contractual agreement in place, as shown in the table below:	The project team should amend the agreement before the original agreement expires, or ensure that the amendment agreed covers the period from the expiry of the previous agreement.	The Project Management team agree on the recommendation as suggested. However, we would like to bring to the attention of the auditor the efforts that the Project Management team has done to put in place the agreement in a timely manner.	**Responsible manager** Project Manager **Due date** Not Applicable **Priority** Medium

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Description	Agreement signing date	Agreement expiry date
Project Agreement	24 November 17	30 June 18
Amendment 2	28 July 18	31 December 18

Impact

In the absence of a signed agreement governing project activities, there is greater risk of disputes and inability to enforce necessary stipulations.

Cause

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

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#	Observation	Recommendation	Management comments and action plan	Responsible manager / due date / priority
Functional Area: Project Management				
2	**Title** Quarterly Progress Reports not submitted as per Project Agreement **Comparison criteria** Section 2.7: Reporting of the Project Agreement - General Conditions states that the UNOPS Nepal shall provide the funding source with the quarterly progress reports. **Facts / observation** We noted that quarterly progress reports were not submitted to the donor, World Vision International (WVI) Nepal. Although management submitted monthly instead of quarterly reports, no reports were submitted for the months of April, May and October 2018.**Impact** The project did not comply with the requirements of the project agreement. **Cause** Human error: un-intentional mistakes committed by staff entrusted to perform assigned functions	The project team should ensure to submit quarterly progress reports to the donor, as per the requirements of the agreement.	The management agrees with the audit observation. The Project Manager as part of his secondment to World Vision has submitted regular Monthly Management Reports (MMR) and these are shared with the audit team in google drive. Within WV these MMR's replaced quarterly reports. MMR's were shared with the Response Management Team in World Vision. PM	**Responsible manager** Project Manager **Due date** Immediate **Priority** Medium

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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
Satisfactory (effective)	The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
Partially satisfactory (some improvement needed)	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.
Partially satisfactory (major improvement needed)	The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
Unsatisfactory (ineffective)	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.

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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.

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