UNOPS

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

INTERNAL AUDIT REPORT

8 September 2020

PROJECT NAME:	**THE GLOBAL FUND LFA SERVICES**
PROJECT NUMBER:	**88209**
COUNTRY:	**SWITZERLAND**
AUDITOR:	**BDO LLP**
PERIOD SUBJECT TO AUDIT:	**1 JANUARY TO 31 DECEMBER 2019**

Contents

Acronyms and abbreviations

GF	Global Fund
IAASB	International Auditing and Assurance Standards Board
IAIG	Internal Audit and Investigations Group
IPSAS	International Public Sector Accounting Standards
LFA	Local Fund Agent
OC	Operations Centre
PC	Project Centre
RO	Regional Office
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
US$	United States Dollars

Executive summary

The engagement context

From 27 to 31 July 2020, 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 'The Global Fund LFA Services' ("the project") (oneUNOPS project ID 88209), which is implemented and managed by UNOPS Geneva. 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$ 2,802,582 during the period from 1 January to 31 December 2019.

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.

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 (effective), 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". The details of the audit results are presented in Table 1.

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Table 1: 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	
Overall rating of internal control	**Satisfactory**	

Key issues and recommendations

The audit raised one issue. There is one recommendation, which is 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)."

Further details of the audit finding can be found in the detailed assessment section.

No.	Functional area	Audit finding title	Priority rating (High / Medium)	Financial impact (US$)
1	Human resources	Non-compliance with mandatory training requirements	Medium	-
Total				**-**

Management's comments

The Head of Office of UNOPS Geneva accepted the recommendation.

Signed:

Robert Waters
Partner
BDO LLP

8 September 2020

Operational overview

The Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund) does not have a country-level presence outside of its central Secretariat based in Geneva. Instead, it hires third party Local Fund Agents (LFAs) to oversee, verify and report on grant performance. LFAs are selected through a competitive bidding process.

UNOPS serves as Local Fund Agent (LFA) to the Global Fund in a number of countries in Asia, the Middle East, Europe and Central Asia. The LFA is a crucial part of the Global Fund's system of oversight and risk management.

The core role of the LFA is:

- To provide informed and independent professional advice about the capacity of fund/grant recipients to manage the implementation of activities funded by grant funds (including the recipient's capacity to oversee implementation of activities by implementing parties);

- To make recommendations concerning periodic disbursement of grant funds;

- To review grant performance when a grant is being considered for renewal; and

- To provide the donor on an on-going basis with relevant information on issues or risks which might affect grant performance.

The Global Fund has adopted an intensive risk management approach to services with enhanced effort toward in-depth verifications and reporting. The identification of financial, governance and programmatic risks with ongoing updates is provided to the donor with special attention to the overall context of the relevant diseases and grant implementation in the respective country.

In December 2017, UNOPS and the Global Fund signed a framework contract for Local Fund Agent (LFA) services for the period 1 January 2018 to 31 December 2023. UNOPS engages experts to carry out LFA services, such as expenditure verifications and financial spot checks. The project was managed in Kyiv, Ukraine, in 2019. Since 1 January 2020, the project has been fully managed from Geneva. There is a team leader for each country where LFA services are provided.

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

Detailed assessment

1.	Title:	Non-compliance with mandatory training requirements
Functional area:		**Human resources**

Comparison criteria:	All UNOPS personnel are required to share a common understanding of UNOPS and UN mandate, policies and activities. Therefore, all personnel must complete the following Mandatory Courses within the first 90 days at UNOPS:
	• Discover UNOPS;
	• Prevention of Sexual Exploitation and Abuse by UN Personnel;
	• I Know Gender;
	• Information Security Awareness Training;
	• Ethics and Integrity;
	• Working Together Harmoniously; and
	• BSAFE - replaces both Basic Security in the Field (BSITF) and Advanced Security in the Field (ASITF).
	Paragraph 7.1 of the Operational Instruction Ref. OI.PCG.2017.01 on personnel management framework also states, "UNOPS shall ensure that personnel are able to adapt to the changing business needs by establishing programs and arrangements for personnel learning and development."

Priority:	Medium	
Cause:	Guidance	Lack of or inadequate guidance or supervision
Responsible manager:	Project manager	
Due date:	30 September 2020	

Facts / observation:	We noted that 85% of LFA personnel had not completed all of the seven mandatory training modules as at 31 December 2019:

Description	No.	%
Total personnel	34	100%
Personnel who completed all seven mandatory training modules	5	15%
Personnel who partially completed the training modules	29	85%

We note that the majority of the remaining courses were completed during 2020, but this is outside of the required timeframe according to the UNOPS policy.

Description	No.	%
Total training courses	238	100%
Training courses completed in 2019	153	64%
Training courses completed in 2020	81	34%
Training courses yet to be completed (1 staff only)	4	2%

As such, the project has not been fully compliant with UNOPS rules and regulations regarding personnel learning and development.

Impact:	Non-compliance with mandatory training requirements. Lack of knowledge of UNOPS principles and procedures by the project staff.
Recommendation:	Project management and country team leaders should ensure compliance of LFA staff with mandatory learning requirements. This should include allocating sufficient time for staff members to complete these modules, monitoring their progress, and following up on any modules not completed. Staff members should check the requirements for mandatory training and ensure that their completion of training is in line with requirements.
Management reply and action plan:	The Project Management acknowledges the deficiency and notes that there has been improvement of the systems in 2020 that has strengthened and enforced adequate follow-up on mandatory courses among project personnel. The Project Manager will follow up with personnel to complete the 4 pending mandatory courses. The Project Manager and the Team Leaders will conduct close monitoring especially on the onboarding of newly recruited personnel to fulfil the corporate training requirements, in particular for the mandatory courses to be completed within the allotted 90 days period. Further, accountability for mandatory training compliance will be reinforced at all levels of the project. This responsibility will translate into a distinct item under the performance objectives of the Team Leaders and personnel in supervisory roles and reviewed during Performance Evaluation assessment. The Project Manager with support of the Human Resources will continue making sure that all project personnel are timely informed of the new training requirements, and take adequate measures for monitoring of completion status including through the extraction of data from corporate systems. Personnel will continue to be coached on the usage of the Learning Zone and ensure they receive appropriate support to timely complete the courses.

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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.

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.