

Ministry of Finance and Planning

REPUBLIC OF SOUTH SUDAN

INTERNAL AUDIT FINAL REPORT



for



**AUDIT OF ECRP II PROJECT AS
FROM 1st JULY 2022 TO 30th JUNE,
2023**

December, 2023

ASSIGNMENT CONTROL:

Draft report issued:	Days Planned: 14 days	Auditor (s) 1. Nancy Emmanuel Lita. 2. Joseph Majur Anyak.	Signature 
Final report issued:	Days Taken:	<i>Supervisor:</i> Peter Lai Aker	

Acknowledgement

We would like to thank the following staff for their time and co-operation:

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1. EXECUTIVE SUMMARY

We have completed the internal audit of Enhancing Community Resilience & Local Governance Project Phase 2 (ECRP II) for the period starting from July 1, 2022 to June 30, 2023.

The audit was carried out in accordance with the Internal Audit standards and other audit procedures as were deemed appropriate under the circumstances in order to obtain the evidence and make some recommendations on findings of the expenditure for the duration of the audit scope.

Based on the audit in respect of the audit objective. below are the summary of findings and recommendations.

<i>.SN</i>	<i>Finding</i>	<i>Recommendation</i>
2.1	All payments are within the relevant Grants received from World Bank.	All payments should be within the approved Budget activities.
2.2	All expenditures are properly incurred and approved according to Accounts procedures.	All the payments or expenditures must always follow the accounting procedures.
2.3	Payments are free from Fiduciary risk.	The funds should be used to utilize the project purposes in order to achieve the organization goal.
2.4	They are in Compliance with financial reporting, payment systems and internal controls are reliable.	The PMU Must continue with the accounts procedure for the effectiveness and efficiency of the project.



2 INTRODUCTIONS

2.1 Background

We have reviewed the internal control system including the payment system and carried out physical vouchering of all supporting documents relating to payments of the ECRP II for the one financial year as from July 2022 to June 2023.

The Total funds earned during the year against approved budget was USD 17,048,436.09 which includes USD 97,792.00 through Designated Project Account and USD 70,000 direct payment and USD 16,880,644 through UN advance. Among of the UN Advance, USD 16,650,567.00 was paid to IOM and USD 230,077.00 was advanced to UNOPS for the supply of project motor vehicles.

In the period of Audit, a project reported a total expenditure of USD 1,892,833.58. which include USD 62,661.11 from designated Account, USD 70,000 from direct payment and USD 1,760,172.47 from International Organization for Migration (IOM).

2.2 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Finance and Planning and the Local Government Board of the Republic of South Sudan.
Grant number	IDA Grant No. D980-SS
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> (i) Improving access to infrastructure for basic services (ii) Providing infrastructure that reduces flood risks (iii) Operations and maintenance (O&M) approaches are developed and deployed for each infrastructure sub-project to enhance the sustainability of ECRP-II subprojects (iv) Local institutions are Strengthened (v) County governments to fulfil their responsibilities for local service delivery and disaster risk management. (vi) County governments to fulfil their responsibilities for local service delivery and disaster risk management (vii) Strengthening the national government's capacity to oversee local institutions and their development initiatives in the areas of financial management (FM), procurement, project planning, monitoring and evaluation (M&E), community engagement methods, and safeguards.
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> (i) Support eligible investments in community-level infrastructure and

	<p>services.</p> <ul style="list-style-type: none"> (ii) Support Physical investments for flood risk reduction (iii) Setting up sustainable Operation and maintenance systems for the infrastructure built by the project (iv) Community institutions (BDCs and PDCs) are mobilized and capacitated to determine, lead, and sustain community development projects, in a gender and conflict-sensitive manner (v) Increasing the County government's capacity, skills, and knowledge to provide and support local service delivery and formulate disaster management plans (vi) Training the National and state governments to enable better support service delivery and have the capacities to prepare for and respond to disasters
Other important background information about the project	The total approved financing agreements amount to USD 150 Million. The amount is fully financed by the International Development Association by two Grants. US\$ 120 Million is Financed by Grant No IDA D980-SS) and US\$ 30 Million Financed by Grant No. IDA E2010. However, the Grant No. IDA E2010 is an additional financing that was not effective by the end of the reporting financial year.
	The project is being implemented by the Government of the Republic of South Sudan in partnership with the International Organization for Migration (IOM). Despite an initially slow start-up, it is making gradual progress towards achieving its development objective. The Project Management Unit (PMU) has been established under the two implementing ministries - the Ministry of Finance and Planning (MoFP) and the Local Government Board (LGB) - with key positions staffed (Project Manager, Financial Management Specialist, Procurement Specialist). Recruitment of nine other positions was still ongoing and expected to be completed early next financial year. The Output Agreement between the Government of the Republic of South Sudan and IOM, implementing Component 1 and 2 activities, was signed in January 2023.
Project duration	The project started on 13 th June 2022 and is expected to run until 31 st March 2027

2.3 Audit Objectives

The objective of our review was to assess whether existing controls provide reasonable assurance that the following audit objectives are being achieved:



- ❖ The objective is to ensure that all payments are within the relevant Grant cash received and Grants payment by World Bank.
- ❖ All expenditures are properly incurred and approved according to Accounts procedures.
- ❖ Payments must be free from Fiduciary risk, i.e., the risk of not utilizing funds for their intended purposes, not achieving value for money and or not properly accounted the expenditures.
- ❖ To get reasonable assurance that the financial statements are free of material misstatement.
- ❖ To check non – compliance with financial reporting, payment mechanisms, financial systems requirements and internal controls.

2.4 Scope of the Audit

The audit covered [ECRP II] for the period from **1st July-2022** to **30th June-2023**.

2.3 Audit Methodology

We have provided an explanation of the audit and reporting methodology at Appendix A.








3. FINDINGS AND RECOMMENDATIONS

Details of our findings are provided in the following tables:

3.1. Finding 1

Criteria/Requirement/Standard	All payments must be within the approved amount, receipted and accurately recorded as required by law.
Condition:	All payments are within the relevant Grants received from World Bank.
Cause:	Procedures are followed
Effect:	The project will achieve its goals.
Recommendation(s):	All payments have been within the approved Budget activities
Priority rating	Essential - action that we consider is imperative to ensure that the organisation is not exposed to high risks
Management Response	Auditor's recommendation is noted, PMU will continue to comply with the terms and conditions from the grants agreement.
Management Signature	

3.2. Finding 2

Criteria/Requirement/Standard	All expenditures must be properly incurred and approved according to Accounts procedures.
Condition:	All expenditures are properly incurred and approved according to Accounts procedures.
Cause:	Procedures followed.
Effect:	Value for money realized.
Recommendation(s):	All the payments or expenditures must always follow the accounting procedures.
Priority rating	Essential - action that we consider is imperative to ensure that the organisation is not exposed to high risks
Management Response	PMU concurs with Auditors advice, will continue to ensure all expenditures are properly incurred and approved according to Accounts procedures
Management Signature	 





3.3. Finding 3



Criteria/Requirement/Standard	All payments must be within the approved amount, receipted and accurately recorded as required by law
Condition:	Payments are free from Fiduciary risk.
Cause:	Funds are used for the intended purposes
Effect:	No diversion of funds
Recommendation(s):	The funds should be used to utilize the project purposes in order to achieve the organization goal.
Priority rating	Essential - action that we consider is imperative to ensure that the organisation is not exposed to high risks
Management Response	Auditor's recommendation is noted, PMU will continue to ensure all expenditures are properly incurred and approved according to Accounts procedures
Management Signature	 (ECRPII) 11 DEC 2023



4.4. Finding 4

Criteria/Requirement/Standard	All payments must be within the approved amount, received and accurately recorded as required by law.
Condition:	They are in Compliance with financial reporting, payment systems and internal controls are reliable.
Cause:	Procedures are followed
Effect:	Value for money realized
Recommendation(s):	The PMU Must continue with the account's procedure for the effectiveness and efficiency of the project.
Priority rating	Essential - action that we consider is imperative to ensure that the organisation is not exposed to high risks
Management Response	Auditors recommendation is note PMU will continue to Compliance with financial reporting, payment systems and internal controls are reliable as narrated in Project Implementation Manual (PIM).
Management Signature	 

APPENDIX A - METHODOLOGY

1. We performed this audit using systems auditing methodology. We identified the objectives of the system and control objectives.
2. Where we do not consider that a control objective is being efficiently achieved we have made recommendations that, if implemented, should ensure that the control objective is realised in future.
3. To assist management in the pursuit of value for money we have also drawn attention to points, identified during the review, which should help to improve the economic, efficient and effective use of the Ministry's resources.
4. As a result of the above work provided in section two a summary of findings relating to the audit objectives.
5. In the third section of this report, on Findings and Recommendations, we have operated a system of exception reporting. We have only referred to an audit objective if we do not consider that existing controls provide reasonable assurance that the objective will be achieved efficiently.
6. We have assigned the recommendations to one of the following priorities:

Essential

- action that we consider is imperative to ensure that the organisation is not exposed to high risks

Significant

- action that we consider is necessary to avoid exposure to significant risks

Advisable

- action that we consider is desirable and should result in enhanced control or better value for money.

7. We view risk as the chance, or probability, of one or more of the Ministry's objectives not being achieved. Risk refers both to unwanted outcomes that might arise, and to the potential failure to achieve desired results.

