



INTERNAL AUDIT AND INVESTIGATIONS GROUP

# UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

## INTERNAL AUDIT REPORT

**25 NOVEMBER 2013**

<b>PROJECT NAME:</b>	<b>GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA (GFATM) PRINCIPAL RECIPIENT – MYANMAR - PRINCIPAL RECIPIENT - UNOPS</b>
<b>PROJECT NUMBER:</b>	<b>00077260</b>
<b>COUNTRY:</b>	<b>MYANMAR</b>
<b>AUDITOR:</b>	<b>MOORE STEPHENS LLP</b>
<b>PERIOD SUBJECT TO AUDIT:</b>	<b>1 JANUARY TO 31 DECEMBER 2012</b>

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## Acronyms and abbreviations

FB	Fund Board
FMO	Fund Manager's Office
IAIG	Internal Audit and Investigations Group
IP	Implementing Partner
IPSAS	International Public Sector Accounting Standards
MMOC	Myanmar Operations Centre
NAP	National AIDS Programme
NTP	National Tuberculosis Programme
OC	Operations Centre
PC	Project Centre
RO	Regional Office
TOR	Terms of Reference
UNOPS	United Nations Office for Project Services
USD	United States Dollars
VBDC	Vector Borne Disease Control

## Executive summary

### The engagement context

From 5 to 22 August 2013, 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 the project ‘Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) Principal Recipient – Myanmar - Principal Recipient – UNOPS’ (Atlas project ID 00077260), (“the project”), which is implemented and managed by the UNOPS Operations Centre in Myanmar. 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 USD 3,560,153 during the period from 1 January to 31 December 2012.

### 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 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 submitted by the audit firm, IAIG 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.
Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) Principal Recipient – Myanmar - Principal Recipient – UNOPS		1 January – 31 December 2012	00077260
Financial statement		Statement of non-expendable property	
Amount USD	Opinion	Amount USD	Opinion
3,560,153	Unqualified	468,063	Unqualified

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

Rating summary by functional area		
Functional area	Rating	
Project management	Partially 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 finding was not noted to be caused by factors beyond the control of UNOPS. There is one recommendation, ranked as 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)	Financial impact (USD)
1	Project management	Late submission of certified financial statements	Medium	-
<b>Total</b>				-
<b>Sub-total financial impact on financial statement</b>				-
<b>Sub-total financial impact on statement of non-expendable property</b>				-

### Detailed assessment

#	Observation	Recommendation	Management comment and action plan	Responsible manager / due date / priority
<b>Functional Area: Project management</b>				
1	<p><b>Title</b></p> <p>Late submission of certified financial statements</p> <p><b>Comparison criteria</b></p> <p>Standard Terms and Conditions of Program Grant Agreement</p> <p>Article 7.c of the Standard Terms and Conditions states that “Not later than 30 June each year, the PR shall submit to the Global Fund a statement, certified by the Comptroller of the PR, of income and expenditure of the Program during the preceding calendar year”.</p> <p><b>Facts / observation</b></p> <p>The financial statements for the period 1 January to 31 December 2012 were certified by UNOPS HQ and submitted on 16 August 2013.</p> <p>This was 47 days after the deadline.</p> <p>Although there were circumstances such as the change to annual rather than bi-annual Board of Auditor audits, the move to IPSAS, and changes within the units handling these tasks which may have challenged the deadline of 30 June, such circumstances should not have resulted in such a delay.</p>	<p>The UNOPS Myanmar Operations Centre (MMOC) should ensure that the certified financial statement is submitted within the designated timeframe, i.e. by 30 June in the year following the reporting period.</p> <p>Where factors come to light which may affect the capacity of the office to submit the reports either in compliance with the reporting framework or within the specified timeframe, these should be addressed straight away and a suitable resolution obtained so that the reporting requirements are met.</p>	<p>Management agrees with the recommendation and will implement it as per the grant agreement.</p>	<p><b>Responsible manager:</b></p> <p>Peter Onsongo</p> <p><b>Due date:</b></p> <p>31 December 2013</p> <p><b>Priority:</b></p> <p>Medium</p>

<p><b>Impact</b></p> <p>The late submission of Certified Financial Statements means that the donor is not provided with timely financial information concerning the project. This in turn may result in delayed decisions in response to the data contained therein, and is in any case a breach of the conditions of funding.</p> <p><b>Cause</b></p> <p>Guidelines: Inadequate planning</p>			
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## Annex I - Definitions

### Standard audit ratings for overall performance of internal control system

The harmonized rating system being applied by the internal audit services of UNICEF, UNFPA, WFP, UNDP and UNOPS effective 1 January 2010 is based on the following principles:

There are three categories:

- (a) satisfactory,
- (b) partially satisfactory, and
- (c) unsatisfactory.

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>	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.
<b>Partially satisfactory</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>Unsatisfactory</b>	Internal controls, governance and risk management processes were either not established or not functioning well. The issues identified were such that the overall objectives of the audited entity could be seriously compromised.

### 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;
- **Intentional:** intentional overriding of internal controls;
- **Other:** Factors beyond the control of UNOPS.

### 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)
- Information and communications technology