



INTERNAL AUDIT AND INVESTIGATIONS GROUP

# UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

## INTERNAL AUDIT REPORT

**2 September 2014**

<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 2013</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 23 May 2014, 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 4,301,713 during the period from 1 January to 31 December 2013.

### 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 2013	00077260
Financial statement		Statement of non-expendable property	
Amount USD	Opinion	Amount USD	Opinion
4,301,713	Unqualified	418,767	Unqualified

**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

There is one audit finding, which was noted not to be caused by factors beyond the control of UNOPS. There is one recommendation, which is ranked of 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	Errors in Progress Update and Disbursement Requests	Medium	-
<b>Total</b>				-

Signed:



Mark Henderson  
Partner  
Moore Stephens LLP

2 September 2014

### 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>Errors in Progress Update and Disbursement Requests</p> <p><b>Comparison criteria</b></p> <p>Standard Terms and Conditions of Program Grant Agreement</p> <p>Article 7 of the Standard Terms and Conditions states that “The Principal Recipient shall maintain Program accounts, books, records, and all other documents relating to the Program or maintained under the Agreement, adequate to show, without limitation, all costs incurred by the Principal Recipient under the Agreement and the overall progress toward completion of the Program (“Program books and records”).</p> <p><b>Facts / observation</b></p> <p>We observed a number of inaccuracies in the PUDRs as follows:</p> <p>Malaria</p> <p>(i) The comment provided by the PR on the PUDR in relation to the \$10,081 overspend on expenditure category “Infrastructure and Other Equipment” states “some equipment will be delivered only in Q1 2014”, which would explain an underspend rather than an overspend. Hence, no explanation for the overspend has been provided.</p> <p>TB</p>	<p>The UNOPS Myanmar Operations Centre (MMOC) should ensure that all information communicated to the Global Fund is reviewed prior to submission in order that errors and inaccuracies are picked up.</p>	<p>Management agrees with the recommendation and will take steps to correct the situation.</p>	<p><b>Responsible manager:</b></p> <p>Programme Support Advisor</p> <p><b>Due date:</b></p> <p>2014</p> <p><b>Priority:</b></p> <p>Medium</p>

	<p>(i)The comment against expenditure category “Health Products and Health Equipment” states that “Most of the products for 2014 were budgeted in 2014”, but it should read “budgeted in 2013”.</p> <p>HIV</p> <p>(i)The reported interest figure of \$515.60 on the PR_Cash Reconciliation_5A tab is reported as negative when it should be positive, and therefore the cash balance at the end of the period on this schedule is overstated by \$1,031.40.</p> <p><b>Impact</b></p> <p>Uncorrected errors or inaccurate statements may reduce the clarity with which the users absorb the information presented.</p> <p><b>Cause</b></p> <p>Lack of or inadequate OC policies or procedures</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