



INTERNAL AUDIT AND INVESTIGATIONS GROUP

## UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

### INTERNAL AUDIT REPORT

**19 June 2015**

<b>PROJECT NAME:</b>	<b>GLOBAL FUND REGIONAL ARTEMISININ INITIATIVE (RAI) – MYANMAR - PRINCIPAL RECIPIENT - UNOPS</b>
<b>PROJECT NUMBER:</b>	<b>00089550</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 2014</b>

## Contents

<b>Acronyms and abbreviations .....</b>	<b>3</b>
<b>Executive summary .....</b>	<b>4</b>
The engagement context.....	4
Audit objectives .....	4
Audit scope .....	4
Audit rating.....	4
Key issues and recommendations .....	5
<b>Annex I - Definitions .....</b>	<b>9</b>

## Acronyms and abbreviations

FB	Fund Board
FMO	Fund Manager's Office
IPSAS	International Public Sector Accounting Standards
MMOH	Myanmar Operations Hub
NMCP	National Malaria Control Program
OC	Operations Centre
PC	Project Centre
RAI	Regional Artemisinin Initiative
RO	Regional Office
SR	Sub-recipient
TOR	Terms of Reference
UNOPS	United Nations Office for Project Services
USD	United States Dollars

## Executive summary

### The engagement context

From 4 to 22 May 2015, 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 Regional Artemisinin Initiative (RAI) Principal Recipient – Myanmar - Principal Recipient – UNOPS’ (Atlas project ID 00089550), (“the project”), which is implemented and managed by the UNOPS Operations Hub 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 832,380 during the period from 1 January to 31 December 2014.

### 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 Regional Artemisinin Initiative (RAI) – Myanmar - Principal Recipient – UNOPS		1 January – 31 December 2014	00089550
Financial statement		Statement of non-expendable property	
Amount USD	Opinion	Amount USD	Opinion
832,380	Unqualified	26,902	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	Late reporting of Progress Update and Disbursement Requests	Medium	-
<b>Total</b>				-

Signed:



Partner  
Moore Stephens LLP

19 June 2015

### 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>Late reporting of Progress Update and Disbursement Requests</p> <p><b>Comparison criteria</b></p> <p>Annex A , Section D of the Grant Agreement states that:</p> <p>“Not later than forty-five (45) days after the end of each semester of the Principal Recipient’s fiscal year, the Principal Recipient shall submit to the Global Fund a periodic report on the Program using the “On-going Progress Update and Disbursement Request”.</p> <p>The Operational Policy Manual also states:</p> <p>“The PR should complete the Enhanced Financial Reporting (EFR) template within 45 days of the end of the reporting period. It should be submitted to the LFA alongside the Progress Update &amp; Disbursement Request (PU/DR). In exceptional circumstances, if compilation of the financial information risks delaying the submission of the PU/DR, the PR may submit the EFR template separately from the PU/DR (but within a maximum of 60 days after the end of the reporting period).”</p> <p><b>Facts / observation</b></p> <p>As illustrated below, the submission of all PUDRs was delayed.</p>	<p>The UNOPS Myanmar Operations Hub (MMOH) should ensure that reports required by donors are submitted to them within the timeframes specified in the project documents.</p>	<p>The late reporting has been mainly due to late submission of reports and supporting documents by SRs and National Programme. The SRs and National Programme is constrained by the limited number of human resources, limited skills and the country context (poor road conditions, absence of internet connectivity, and security in some areas). UNOPS through its capacity building team and in collaboration with technical partners has been intervening and providing support to strengthen and improve the programmatic, management and</p>	<p><b>Responsible manager:</b></p> <p>Programme Director</p> <p><b>Due date:</b></p> <p>On-going</p> <p><b>Priority:</b></p> <p>Medium</p>

Contract reference	Period	PUDR due date	Date delivered	No. of days late
QMU-M-UNOPS	1 January to 30 June 2014	14/08/2014	04/09/2014	17
QMU-M-UNOPS	1 July to 31 December 2014	01/03/2015	02/04/2015	32

**Impact**

Late reporting may delay the disbursement of funds and consequently jeopardise program activities.

**Cause**

Other: Factors beyond the control of UNOPS.  
 Resources: Lack of or insufficient resources (financial, human, or technical resources)

reporting systems for the SRs and National Programmes. The general situation in the country is improving rapidly particularly the new investment in telecommunication and infrastructure. The PR will continue to implement its capacity building and training activities to improve reporting from SRs to the PR and PR to LFA. The trend is improving, delays are immaterial and reporting is by far more timely than international average in the GF programmes and the GF had never expressed any dissatisfaction with the timing of reports, nor it resulted in cash shortages with partners.



## 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