



INTERNAL AUDIT AND INVESTIGATIONS GROUP

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

INTERNAL AUDIT REPORT

2 August 2016

PROJECT NAME:	GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA (GFATM) PRINCIPAL RECIPIENT - MYANMAR - PRINCIPAL RECIPIENT - UNOPS
PROJECT NUMBER:	00077260
COUNTRY:	MYANMAR
AUDITOR:	MOORE STEPHENS LLP
PERIOD SUBJECT TO AUDIT:	1 JANUARY TO 31 DECEMBER 2015

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Acronyms and abbreviations

GF	Global Fund
GFATM	The Global Fund to Fight Aids, Tuberculosis and Malaria
EFR	Enhanced Financial Reporting
IAIG	Internal Audit and Investigations Group
IPSAS	International Public Sector Accounting Standards
LFA	Local Fund Agent
MMOH	Myanmar Operations Hub
NAP	National AIDS Programme
NTP	National Tuberculosis Programme
OC	Operations Centre
PC	Project Centre
PR	Principal Recipient
PUDR	Progress Update Disbursement Request
RO	Regional Office
SR	Sub-recipient
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 9 to 26 May 2016, 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 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 4,966,437 during the period from 1 January to 31 December 2015.

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 2015	00077260
Financial statement		Statement of non-expendable property	
Amount USD	Opinion	Amount USD	Opinion
4,966,437	Unqualified	273,406	Unqualified

Table 2: Internal control rating summary for project

Rating summary by functional area		
Functional area	Rating	
Programme 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

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	Programme management	Late reporting of Progress Update and Disbursement Requests	Medium	-
Total				-

Signed:



Mark Henderson
Partner
Moore Stephens LLP

2 August 2016

Detailed assessment

#	Observation	Recommendation	Management comments and action plan	Responsible Manager / Due Date / Priority
Functional Area: Programme management				
1	<p>Title Late reporting of Progress Update and Disbursement Requests</p> <p>Comparison criteria Annex A , Section D of the Grant Agreement states that: “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: “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 & 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>On 16 January 2016 the Global Fund issued a notification of changes to the PUDR reporting template to be applied both going forwards and retrospectively for the reporting period July to December 2015. As a result, the reporting deadline was extended by Global Fund to 15 April 2016.</p> <p>Facts / observation As illustrated below, the submission of all PUDRs was delayed.</p>	<p>The UNOPS PR GFATM should ensure that reports required by donors are submitted to them within the timeframes specified in the project documents.</p>	<p>Timely submission of grant consolidated PU/DRs by UNOPS PR is entirely dependent on timely receipt and clearance of the last SR report under the respective grant.</p> <p>UNOPS manages to meet the formal GF reporting deadlines should the timeliness be measured from the date of the last SR report receipt / acceptance.</p> <p>The Global Fund is aware of this challenge and while GF was not able to grant UNOPS exception from the official reporting deadlines, the delay in submission of the consolidated reports per grant have never had an impact on the</p>	<p>Responsible manager: Programme Director</p> <p>Due date: August 2016</p> <p>Priority: Medium</p>

Contract reference	Period	PUDR due date	Date delivered (signed version)	No. of days late		
MYN-H-UNOPS	1 January to 30 June 2015	14 August 2015	28 August 2015	14		
MYN-H-UNOPS	1 July to 31 December 2015	15 April 2016	16 May 2016	31		
MYN-T-UNOPS	1 January to 30 June 2015	14 August 2015	28 August 2015	14		
MYN-T-UNOPS	1 July to 31 December 2015	15 April 2016	16 May 2016	31		
MYN-M-UNOPS	1 January to 30 June 2015	14 August 2015	28 August 2015	14		
MYN-M-UNOPS	1 July to 31 December 2015	15 April 2016	16 May 2016	31		
Impact Late reporting may delay the disbursement of funds and consequently jeopardise program activities.						
Cause Other: Factors beyond the control of UNOPS.						
						<p>timely fund disbursement to PR from the GF and subsequently from UNOPS PR to SRs.</p> <p>The PR will continue to implement its capacity building and training activities to improve reporting timelines 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.</p>

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
Satisfactory	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.
Partially satisfactory	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.
Unsatisfactory	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
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.

List of functional areas

The following categories of **functional areas** are used:

- Programme management,
- Finance,
- Human resources,
- Procurement and supply chain,
- General administration (which includes asset management), and
- Information and communications technology.