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UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

INTERNAL AUDIT REPORT

5 July 2019

PROJECT NAME:	**GFATM-PR-TB-MYANMAR**
PROJECT NUMBER:	**20864-002 (WORK PACKAGE ID 20864-002-08)**
COUNTRY:	**MYANMAR**
AUDITOR:	**BDO LLP**
PERIOD SUBJECT TO AUDIT:	**1 JANUARY TO 31 DECEMBER 2018**

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Acronyms and abbreviations

GFATM	The Global Fund to fight AIDS, Tuberculosis and Malaria
HIV	Human Immunodeficiency Virus
IAIG	Internal Audit and Investigations Group
IPSAS	International Public Sector Accounting Standards
PC	Project Centre
PR	Principal Recipient
RO	Regional Office
SR	Sub-recipient
TB	Tuberculosis
UNOPS	United Nations Office for Project Services
US$	United States Dollars

Executive summary

The engagement context

The Internal Audit and Investigations Group (IAIG) of the United Nations Office for Project Services (UNOPS), through BDO LLP ("the audit firm"), conducted an audit of the Principal Recipient of the project 'GFATM-PR-TB-Myanmar' (oneUNOPS project ID 20864-002, work package ID 20864-002-08), ("the project"), which is implemented and managed by UNOPS Myanmar.

The project reported expenditure incurred by the PR amounting to US$ 2,787,093 during the period from 1 January to 31 December 2018.

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, we 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

We 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 we 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.
GFATM-PR-TB-Myanmar		1 January to 31 December 2018	20864-002 (work package ID 20864-002-08)
Financial statement		**Statement of non-expendable property**	
Amount US$	**Opinion**	**Amount US$**	**Opinion**
2,787,093	Unmodified	56,283	Unmodified

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	
Overall rating of internal control	**Satisfactory**	

Key issues and recommendations

No audit issues or recommendations have been raised.

Signed:

Mark Henderson

Partner

BDO LLP

5 July 2019

Operational overview

The Global Fund provides financing for TB, HIV and Malaria activities in Myanmar, for the total value of US$ 154 million for 2018-2020 through UNOPS in Myanmar as a Principal Recipient (PR).

UNOPS has evolved a cascading model approach for implementing the activities in the programme. Under this model funds are received centrally by UNOPS, as PR, activities are undertaken by the PR and Sub-Recipients (SR) in close association with the PR, while funding for the activities is handled by UNOPS.

The audit team extends its appreciation to the management and staff members of UNOPS office in Myanmar for their full cooperation during the audit.

Annex I - Definitions

Standard audit ratings for overall performance of internal control system

Effective 1 January 2017, the internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP adopted harmonized audit rating definitions, as described below. IAIG assesses the entity under review as a whole as well as the specific audit areas within the audited entity:

(a) satisfactory (effective),

(b) partially satisfactory (some improvement needed),

(c) partially satisfactory (major improvement needed), and

(c) unsatisfactory (ineffective).

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	The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
Partially satisfactory (some improvement needed)	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.
Partially satisfactory (major improvement needed)	The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
Unsatisfactory	The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity.

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 required to ensure that UNOPS is not exposed to high risks. Failure to take action could result in major negative consequences for UNOPS.
Medium	Action required to ensure that UNOPS is not exposed to risks. Failure to take action could result in negative consequences for UNOPS.
Low	Action is desirable and should result in enhanced control or better value for money. Low Priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.

Possible causes

The following categories of **possible causes** are used:

- **Guidelines**: absence of written procedures to guide staff in performing their functions;
  - o Lack of or inadequate corporate policies or procedures
  - o Lack of or inadequate RO/OC/PC policies or procedures
  - o Inadequate planning
  - o Inadequate risk management processes
  - o Inadequate management structure
- **Guidance**: inadequate or lack of supervision by supervisors;
  - o Lack of or inadequate guidance or supervision at the RO/OC/PC level
  - o Inadequate oversight by Headquarters
- **Resources**: insufficient resources (funds, skill, staff) to carry out an activity or function;
  - o Lack of or insufficient resources (financial, human, or technical resources)
  - o 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.