

**UNITED NATIONS OFFICE FOR PROJECT SERVICES
(UNOPS)****INTERNAL AUDIT REPORT****28 August 2019**

PROJECT NAME:	JOINT PEACE FUND (JPF)
AWARD NUMBER:	97408
COUNTRY:	MYANMAR
AUDITOR:	BDO LLP
PERIOD SUBJECT TO AUDIT:	1 JANUARY TO 31 DECEMBER 2018

Contents

Acronyms and abbreviations	3
Executive summary	4
The engagement context	4
Audit objectives	4
Audit scope.....	4
Audit rating	4
Key issues and recommendations	5
Operational overview	6
Annex I - Definitions	7

Acronyms and abbreviations

FMO	Fund Management Office
JPF	Joint Peace Fund
IAIG	Internal Audit and Investigations Group
IPSAS	International Public Sector Accounting Standards
NIS	Nordic International Support Foundation
OC	Operations Centre
PC	Project Centre
RO	Regional Office
UNDP	United Nations Development Programme
UNFPA	The United Nations Population Fund
UNOPS	United Nations Office for Project Services
US\$	United States Dollars
WFP	World Food Program

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 project ‘Joint Peace Fund (JPF)’ (“the project”) (one UNOPS award ID 97408), which is implemented and managed by UNOPS 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 US\$ 17,147,409 during the period from 1 January to 31 December 2018. The following donors contributed to the project: Australia, Canada, Denmark, Finland, Italy, Japan, Norway, Switzerland, the UK, the US and the EU.

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 period 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, “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”. 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.
Joint Peace Fund (JPF)		1 January – 31 December 2018	97408
Financial statement		Statement of non-expendable property	
Amount US\$	Opinion	Amount US\$	Opinion
17,147,409	Unmodified	8,094	Unmodified

Table 2: Internal control rating summary for project

Rating summary by functional area		
Functional area	Rating	
Project management	Satisfactory	
Finance	Satisfactory	
Human resources	Satisfactory	
Procurement and supply chain	Satisfactory	
Asset management	Satisfactory	
General administration	Satisfactory	
Overall rating of internal control	Satisfactory	

Key issues and recommendations

No audit issues or recommendations have been raised.

Signed:



Robert Waters
Partner
BDO LLP

28 August 2019
UNOPS Internal Audit and Investigations Group
Internal audit report
JPF (97408), Myanmar
1 January to 31 December 2018

Operational overview

In 2016 the Joint Peace Fund (JPF) was set up by donor countries via a joint collaboration agreement. It establishes UNOPS as the Trustee and Contracts Manager and NIS, a partner organisation, as the Technical Secretariat. The purpose and scope of the Fund is to respond to the needs of the Myanmar peace process, as agreed between the parties (Government and Ethnic Armed Organisations), and with the broad participation of organisations in the Myanmar society. Donor countries are represented by the Fund Board, which governs the Fund, and include Australia, Canada, Denmark, Finland, Italy, Japan, Norway, Switzerland, the UK, the US and the EU.

The project's budget is based on 80 grants of US\$ 520,000, on average, provided to implementing partners during the period from 2016 to 2021.

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 (effective)	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)	The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
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 (ineffective)	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 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.