



INTERNAL AUDIT AND INVESTIGATIONS GROUP

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

INTERNAL AUDIT REPORT

29 September 2020

PROJECT NAME:	LIVELIHOOD AND FOOD SECURITY TRUST FUND (LIFT)
PROJECT NUMBER:	70927
COUNTRY:	MYANMAR
AUDITOR:	BDO LLP
PERIOD SUBJECT TO AUDIT:	1 JANUARY TO 31 DECEMBER 2019

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Acronyms and abbreviations

IAASB	International Auditing and Assurance Standards Board
IAIG	Internal Audit and Investigations Group
IP	Implementing Partner
IPSAS	International Public Sector Accounting Standards
OC	Operations Centre
PC	Project Centre
PO	Purchase Order
RO	Regional Office
UNDP	United Nations Development Programme
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 project ‘Livelihood and Food Security Trust Fund (LIFT)’ (“the project”) (one UNOPS project ID 70927), which is implemented and managed by UNOPS 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\$ 64,460,104 during the period from 1 January to 31 December 2019.

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 IAASB 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.
Livelihood and Food Security Trust Fund (LIFT)		1 January to 31 December 2019	70927
Financial statement		Statement of non-expendable property	
Amount US\$	Opinion	Amount US\$	Opinion
64,460,104	Unmodified	14,258	Unmodified

Table 2: Internal control rating summary for project

Rating summary by functional area		
Functional area	Rating	
Project management	Partially satisfactory (some improvement needed)	
Finance	Satisfactory	
Procurement and supply chain	Satisfactory	
Human resources	Satisfactory	
General administration	Satisfactory	
Overall rating of internal control	Satisfactory	

Key issues and recommendations

The audit raised one issue. There is one recommendation, which is ranked medium priority, meaning “Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences)”.

Further details of the audit finding can be found in the detailed assessment section.

No.	Functional area	Audit finding title	Priority rating (high / medium)	Financial impact (US\$)
1	Project management	Weakness in reporting – programme management	Medium	-
Total				-

Management's comments

The Fund Director of UNOPS Myanmar accepted the recommendation.



Signed:

Robert Waters
Partner
BDO LLP

29 September 2020

Operational overview

LIFT is a multi-donor fund, established in 2009, to address food insecurity and income poverty in Myanmar. The current LIFT strategy covers the period 2019-2023. LIFT is currently funded by nine international donors. Since its inception, LIFT has received funding with a total value over US\$ 500m.

The overall goal of LIFT is to sustainably reduce the number of people in Myanmar living in poverty and hunger, and to ensure that Myanmar's rural transformation is inclusive.

Working through a trust fund modality, LIFT's purpose is to increase livelihoods' resilience and nutrition of poor people in Myanmar by focusing on interventions that increase income, food availability, utilization and stability of access to food.

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

Detailed assessment

1.	Title:	Weakness in reporting – programme management	
Functional area:	Programme management		
Comparison criteria:	<p>The 2019 Grant Arrangement signed between the Canadian Department of Foreign Affairs, Trade and Development, clause 7.2.1, states that 'The Organization will provide DFATD with the following reports: A cumulative results-based narrative report every April and September, from April 2019 until September 2022 including an interim financial report, which provides an evidence-based assessment of progress on or toward the achievement of expected outputs, outcomes and impact'.</p> <p>The 2019 LIFT Logframe has 63 indicators against which performance should be measured and reported in the LIFT Annual Report 2019.</p>		
Priority:	Medium		
Cause:	Other	Factors beyond the control of UNOPS	
Responsible manager:	Fund Director		
Due date:	31 December 2020		
Financial impact:	-		
Facts / observation:	<p>We observed that a significant proportion of reporting against the Fund's performance indicators relies on a Household Survey which is undertaken every two years. The most recent Household Survey was undertaken in 2017, but the survey for 2019 did not take place due to a change in survey methodology, delays in receiving the required government approvals, and the onset of COVID-19-related movement restrictions in early 2020.</p> <p>As a result, the LIFT Annual Report 2019 does not provide data against 21 out of a total of 63 performance indicators in the Logframe (33.3%). Of these, 11 are at the purpose level, whose indicators rely on Household Survey data and so were neither measured nor reported in 2019. The remaining 10 indicators are at the outcome level, from a total of 26 possible outcome-level indicators.</p> <p>The LIFT Annual Report 2019 outlines the issues encountered and lists the 21 indicators which are not measured or reported in 2019.</p>		
Impact:	<p>Due to the absence of a Household Survey, LIFT is unable to measure or report against a number of key indicators in the Logframe.</p> <p>Fund management and donors have reduced or inaccurate performance information on which to make decisions.</p>		

Recommendation:	<p>We acknowledge that the disruption of COVID-19 will continue to have an impact on performance reporting. However, when the situation allows, LIFT should seek to conduct a Household Survey.</p> <p>If this is not possible, management should review the affected indicators, consider the impact on the Logframe, and document the broader implications for LIFT monitoring and evaluation.</p>
Management reply and action plan:	<p>In 2019, the LIFT FMO reviewed the HHS to clarify focus and scope, methodology, survey and research products, data quality, data management and data protection. We took into consideration new and emerging processes by the Government for approval of the survey as well as the time needed before new programme village lists would be available. The Fund Director sent to the Fund Board on 6 Nov 2019 an update on the purpose, design and scope for the HHS for 2019-2023.</p> <p>LIFT worked within the Ministry of Health and Sports' ethical review board processes, within the Ministry of Investment and Foreign Economic Relations' approval processes and with the State Counsellor's Office. We secured approval from all required levels on 25 March, at the same time that the government put in place COVID-19 related movement restrictions. The HHS was therefore suspended. The Fund Director sent to the Fund Board on 4 May an update on the 2019 Household Survey, the data available and the data gaps and what measures could be taken going forward. As the audit notes, this had a significant impact on our ability to report to LIFT's donors for 2019.</p> <p>The FMO is now focused on undertaking a HHS in 2020 that will as far as possible help to fill some retrospective gaps and provide the baseline data needed for going forward. The procurement process is underway for the survey firm and we are requesting extensions of the government approvals previously secured (as it will not be possible to complete those in time anew). This comes at the same time, however, as a steep rise in COVID-19 cases and deaths in Myanmar and within a raft of new/renewed restrictions, including on movement.</p> <p>In order to deliver a 2020 report to LIFT's donors, we need the data collection to be underway in November. If this is not possible, due to COVID-19 restrictions, we will pursue alternative ways to gather data, such as telephone interviews. These will, of course, be less complete and certainly less robust than the Household data. The Fund Director will keep the Fund Board informed and seek guidance as needed.</p>

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.