UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

INTERNAL AUDIT REPORT

18 December 2020

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 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
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 “GFATM-PR-TB-Myanmar” (“the project”) (oneUNOPS project ID 20864-002-08), 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$ 2,787,093 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

<table>
<thead>
<tr>
<th>Project title</th>
<th>Period</th>
<th>Project no.</th>
</tr>
</thead>
<tbody>
<tr>
<td>GFATM-PR-TB-Myanmar</td>
<td>1 January to 31 December 2019</td>
<td>20864-002 (work package ID 20864-002-08)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial statement</th>
<th>Statement of non-expendable property</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount US$</td>
<td>Opinion</td>
</tr>
<tr>
<td>2,787,093</td>
<td>Unmodified</td>
</tr>
<tr>
<td></td>
<td>Amount US$</td>
</tr>
<tr>
<td></td>
<td>Opinion</td>
</tr>
<tr>
<td>34,502</td>
<td>Unmodified</td>
</tr>
</tbody>
</table>

Table 2: Internal control rating summary for project

<table>
<thead>
<tr>
<th>Functional area</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project management</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Finance</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Procurement and supply chain</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Human resources</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>General administration</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Overall rating of internal control</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

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)."
Below is a list of the audit findings, further details of which can be found in the detailed assessment section.

<table>
<thead>
<tr>
<th>No.</th>
<th>Functional area</th>
<th>Audit finding title</th>
<th>Priority rating (high / medium)</th>
<th>Financial impact (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Finance</td>
<td>Incorrect allocation of equipment costs</td>
<td>Medium</td>
<td>9,679</td>
</tr>
</tbody>
</table>

Total 9,679

**Management’s comments**
The Programme Support Officer at UNOPS Myanmar accepted the recommendation.

Signed:

[Signature]

Robert Waters  
Partner  
BDO LLP  
18 December 2020
Operational overview

The Global Fund provides financing for TB, HIV and Malaria activities in Myanmar, with a 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.
Detailed assessment

1. Title: Incorrect allocation of equipment costs

Functional area: Finance

Comparison criteria: Rule 116.04 of UNOPS Financial Regulations and Rules states that "Transfer of allocations between the budgets of different projects, whether or not such projects are funded by the same funding source, shall not be permitted without the prior written authorization of said funding source, unless stated otherwise in the project agreement."

Priority: Medium/Low

Cause: Guidance Lack of or inadequate guidance or supervision at the RO/OC/PC level

Responsible manager: [Redacted]

Due date: 31 December 2020

Financial impact: US$ 9,679

Facts / observation: We noted that the cost of five laptop computers distributed to staff members was allocated to the TB programme in error. The staff concerned did not work on the TB programme but on the RAI2E programme, therefore the costs of their IT equipment should also have been allocated to the RAI2E programme.

The detail of the relevant transaction is shown in the table below:

<table>
<thead>
<tr>
<th>Account description</th>
<th>PO number</th>
<th>Date</th>
<th>Amount (US$)</th>
<th>Project costs recorded against</th>
<th>Correct project costs for costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquis of Computer Hardware</td>
<td>3001195</td>
<td>01/08/2019</td>
<td>9,679</td>
<td>20864-002</td>
<td>20864-003</td>
</tr>
</tbody>
</table>

Impact: The expenditure in the financial statement relating to the TB programme is overstated by US$ 9,679. The expenditure in the financial statement relating to the RAI2E programme is understated by the same amount.

Recommendation: The PR should correct the misallocation of expenditure between the TB and RAI2E programmes. All equipment costs should be allocated to the correct programme on the basis of actual usage.

Management reply and action plan: As explained, PR believes that the ICT equipment that bought under PR budget and using by PR staff on the actual need basis. We have a lot of computers and it is not always easy to match exactly the computer budget allocation and the staff, knowing also that staff costs are allocated to our 2 or 3 GF grants. So it is possible that, during a period of time, a computer used by one staff (allocated to one GF project) was purchased with another GF grant.

However we are noting the auditor recommendation and we will reallocate to RAI2E grant these computers.
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
(d) 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:

<table>
<thead>
<tr>
<th>Standard rating</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory (effective)</td>
<td>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.</td>
</tr>
<tr>
<td>Partially satisfactory (some improvement needed)</td>
<td>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.</td>
</tr>
<tr>
<td>Partially satisfactory (major improvement needed)</td>
<td>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.</td>
</tr>
<tr>
<td>Unsatisfactory (ineffective)</td>
<td>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.</td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th>Categories</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>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).</td>
</tr>
<tr>
<td>Medium</td>
<td>Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).</td>
</tr>
<tr>
<td>Low</td>
<td>Action is considered desirable and should result in enhanced control or better value for money.</td>
</tr>
</tbody>
</table>

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.