INTERNAL AUDIT REPORT

3 November 2021

PROJECT NAME: GFATM-PR-REG TB-MYANMAR
PROJECT NUMBER: 20864-004 (Work Package 20864-004-06)
COUNTRY: MYANMAR
AUDITOR: BDO LLP
PERIOD SUBJECT TO AUDIT: 1 January to 31 December 2020
## 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

HIV Human Immunodeficiency Virus
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
PR Principal Recipient
RO Regional Office
SR Sub-Recipient
TB Tuberculosis
UNDP United Nations Development Programme
UNFPA United Nations Population Fund
UNICEF United Nations Children's Fund
UNOPS United Nations Office for Project Services
US$ United States Dollars
WFP World Food Programme
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-REG TB-Myanmar’ ("the project") (oneUNOPS project ID 20864-004, work package 20864-004-06), 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$ 312,458 during the period from 1 January to 31 December 2020.

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-Reg TB-Myanmar</td>
<td>1 January to 31 December 2020</td>
<td>20864-004 (work package 20864-004-06)</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>312,458</td>
<td>Unmodified</td>
</tr>
<tr>
<td>1,936</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><strong>Overall rating of internal control</strong></td>
<td><strong>Satisfactory</strong></td>
</tr>
</tbody>
</table>

**Key issues and recommendations**

No audit issues or recommendations have been raised.

Signed:

Robert Waters  
Partner  
BDO LLP

3 November 2021
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 the 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:

<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.