

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**  
  
**OF**  
  
**UNDP MYANMAR**

**Improved Livelihoods & Social Cohesion**  
**(Directly Implemented Project No. 74124, Output No. 86669)**

**Report No. 1470**  
**Issue Date: 14 September 2015**

**Report on the Audit of UNDP Myanmar  
Improved Livelihoods & Social Cohesion, Project No. 74124, Output No. 86669  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), conducted from 13 to 24 August 2015 an audit of Improved Livelihoods & Social Cohesion (Project No. 74124, Output No. 86669) (the Project), which is directly implemented and managed by the UNDP Country Office in Myanmar (the Office). The last audit of the project was conducted by OAI in 2014 and covered project expenditure from 1 January to 31 December 2013.

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit covered the Project's Combined Delivery Report, which includes expenditure for the period from 1 January to 31 December 2014 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2014 as well as Statement of Assets as of 31 December 2014. The audit did not include activities and expenses incurred or undertaken at the "responsible party" level, or expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). The audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

### Audit results

Based on the audit report and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenditure*		Project Assets	
Amount (in \$'000)	Opinion	Amount (in \$'000)	Opinion
6,400	Unqualified	149	Unqualified

\*Expenditure recorded in the Combined Delivery Report was \$7.5 million. Excluded from the audit scope were transactions that relate to expenditures processed and approved by other UNDP offices outside of the country (\$1.1 million).

**Key recommendations:** Total = 2, high priority = 1

The audit raised two recommendations that aim to ensure compliance with legislative mandates, regulations and rules, policies and procedures.

The medium priority recommendation aims to address weaknesses in project monitoring of micro capital grants.

<sup>1</sup> The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) depreciated fixed assets used at the project level; (c) Inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendation is presented below:

Weaknesses in the evaluation for proposals for micro capital grants (Issue 1)

There were weaknesses in the evaluation of proposals received for micro capital grants, such as proposals received that did not meet the selection criteria, and lack of a minimum eligibility score.

Recommendation: The review of proposals should include a documented assessment of compliance with the terms of the call for proposals, consequences of non-compliance should be standardized, evaluation criteria and a minimum score should be established, and all procedures should be standardized and documented so that all implementing partners are treated equally and the evaluation process is transparent.

**Implementation status of previous OAI audit recommendations:** Report No. 1391, 15 August 2014.

Total recommendations: 6

Implemented: 3

In progress: 3

The three pending recommendations pertain to lack of supporting documentation for payments, recognition of micro capital grant expenditure prior to payments (corporate recommendation), and weaknesses in the evaluation procedures for call for proposals. Implementation of all three recommendations is in progress.

**Management comments and action plan**

The Resident Representative accepted both recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.



Helge S. Ostveiten  
Director  
Office of Audit and Investigations