



AUDIT

OF

UNDP Myanmar

Community Development in Remote Townships in Myanmar
(Directly Implemented Project No. 00063580)

Report No. 1061
Issue Date: 28 February 2013

Report on the audit of UNDP Myanmar - Community Development for Remote Townships in Myanmar (Project ID 63580) Executive Summary

From 29 August to 12 September 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through Lochan & Co (the audit firm), conducted an audit of Community Development for Remote Townships, Project ID 63580 (the Project), which is directly implemented and managed by the UNDP Country Office in Myanmar (the Office). The audit firm was under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

The Project reported expenditure totalling \$9.7 million during the period from 1 January to 31 December 2011. The following donors contributed to the Project: UNDP, Government of Sweden, Department for International Development, Government of Denmark, Government of Norway, Australian Agency for International development (AusAid), United Nations, Central Emergency Response Fund, New Zealand Aid, European Commission, Government of the United Kingdom, Government of Australia and UNOCHA.

Audit scope and objectives

The audit firm conducted a combined financial audit and the audit of internal controls and systems to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations, as well as assess compliance with UNDP regulations, rules, policies and procedures and donor agreements. The audit covered the review of the Project's Statement of Expenditure (Combined Delivery Report) for the period from 1 January 2011 to 31 December 2011 and Statement of Assets and Statement of Cash Position as of 31 December 2011. It also reviewed the relevant systems, procedures and practices in place as they relate to the Project, in the areas of: organization and staffing, project management, human resources management, financial and cash management, procurement, asset management, information systems; and general administration.

Scope limitation: The audit did not cover area of information systems as this was managed by the Office.

Audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, OAI assessed the management of the Project as **satisfactory**, which means "internal controls and risk management practices were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity". The details of the audit results are presented in Figures 1 and 2.

Figure 1: Summary results of the financial audit

Project Expenditure		Project Assets	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
9,702	Unqualified	1,036	Disclaimer

The audit firm issued a disclaimer on the project Statement of Assets and Equipment due to the following:

- The Statement of Assets and Equipment includes items whose acquisition dates and value cannot be determined as the related purchase orders and vouchers could not be traced.
- The Statement of Assets and Equipment includes items that were temporarily rented by the government. These should not have been included in the list of assets.

- iii. The Statement of Assets and Equipment includes items which were transferred from other UNDP projects and the Office. The life span of these assets and the relevant purchase orders and vouchers could not be determined.

Figure 2: Internal controls and systems audit ratings summary

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Organization and staffing				
2. Project management				
3. Human resources management				
4. Financial and cash management				
5. Procurement				
6. Asset Management				
7. Information systems				
8. General administration				

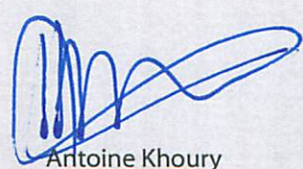
Key issues and recommendations

The audit raised **six** issues and resulted in six recommendations; all were ranked medium (important) priority, meaning "Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to address weak project oversight, use of unauthorized money changers, mismatch between final records and back-up data and incomplete statement of assets and equipment.

One issue (observation No. 5) relates to a similar observation made in the OAI audit report that covered the activities of the Office (OAI audit report No. 1059 issued on 20 December 2012). Due to the nature of the exchange rate system that used to prevail in Myanmar, the services of currency traders were used to convert US dollars to Kyats (the local currency). From July 2012 onwards the Office has been changing currency through licensed banks.

Management's comments

The Resident Representative accepted all the recommendations and is in the process of implementing them.



Antoine Khoury
Officer-in-Charge
Office of Audit and Investigations

United Nations Development Programme Myanmar



Financial Audit Report Community Development for Remote Townships in Myanmar

Project Id: 00063580

Audit Period: From 01 January 2011 to 31 December 2011

Lochan & Co.
Chartered Accountants

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UNDP MYANMAR Project ID 63580
Community Development in Remote townships

Certification for Statement of Expenditure

We have audited the accompanying Combined Delivery Report (“the statement”) of the UNDP project **00063580, Community Development for Remote Townships in Myanmar** for the period 01 January 2011 to 31 December 2011. The statement is the responsibility of the management of **Community Development for Remote Townships** project. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached statement of expenditure presents fairly, in all material respects, the expenditure of \$ **9,701,789.16** incurred by the project “Community Development for Remote Townships” for the period 01 January 2011 to 31 December 2011 in accordance with the accounting policies set out in the note to the statement. The expenditures incurred were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents



Rajeev Lochan FCA
Partner
Lochan & Co
Chartered Accountants

Date: 25th February 2013
Place: New Delhi

UNDP MYANMAR Project ID 63580
Community Development in Remote townships

Certification for Statement of Assets and Equipment

We have audited the accompanying schedule of assets (“the schedule”) of the UNDP project number **00063580, Community Development for Remote Townships in Myanmar** for the period 01 January 2011 to 31 December 2011. This schedule is the responsibility of the management of the project. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule. We believe that our audit provides a reasonable basis for our opinion.

The project has not provided certified schedule of assets. A list of assets is provided which includes:

1. items which do not belong to UNDP since as per the country’s practice those are temporarily hired from the government,
2. items which were transferred from other project of UNDP and their life span, Purchase Order and voucher could not be identified,
3. items which were owned by UNDP and temporarily supported by Country Office Team and to be returned if no longer required at project office,
4. items, the acquisition date of which is not mentioned because of which life span, Purchase Order and Voucher could not be traced and so valuation for these items was not possible,
5. items, which were purchased over a number of years in currencies other than \$: Myanmar Kyats (MMK), Thai Bhat (THB) and Japanese Yen (JPY). However, the values of these assets were converted to \$ at the conversion rate applicable as on 31 December 2011. The converted values of these items are \$ 207,069.26 (MMK 167,208,427.09), \$ 121,026.05 (JPY 9,415,826.40) and \$ 17,307.46 (THB 549,858.00). These values may not represent the actual \$ values at the time of purchase as some of these were purchased as far back as 2002.

Because of the significance of the matter described in **paragraphs 1 to 5** above, we were unable to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, we are unable to express an opinion on the schedule of assets of **\$ 1,036,490.23** incurred by the project and audited by us as at 31 December 2011.



Rajeev Lochan FCA

Partner

Lochan & Co
Chartered Accountants

Dated: 25th February 2013

Place: New Delhi

Project ID 63580
Community Development for Remote Townships
Project ID 63580

Statement of Assets and Equipment
As at 31 December 2011

S. No.	Asset Category	Amount in MMK	Amount in JPY	Amount in THB	Amount in \$	Total Amount in \$	Number of assets not having values
1	Electrical	39,509,400	-	-	140,735	189,662.60	183
2	Field Equipment	1,956,631	-	-	15,827	18,250.07	112
3	Furniture	14,210,874	-	-	6,015	23,613.68	613
4	IT	37,587,336	-	-	77,164	123,711.96	315
5	Office Equipment	30,495,000	-	-	128,634	166,399.08	274
6	Vehicle	43,449,186	9,415,826	549,858	322,712	514,852.84	31
	Total	167,208,427	9,415,826	549,858	691,087	1,036,490.23	1,528

- The above Statement of assets and equipment has been prepared from the detail of assets of the project for the period as reported above.
- Some assets were purchased in currency other than \$. The values of these assets were converted from other currency i.e. MMK, JPY, THB to \$ at the conversion rate applicable as on 31 December 2011, as the purchase of these assets were spread across a number of years and the values of these assets were not available in \$ on date of their purchases.

Note: The following exchange rates were used as at 31 December 2011:

1 \$= MMK 807.5

1 \$=JPY 77.8

1 \$= THB 31.8

UNDP MYANMAR Project ID 63580
Community Development in Remote townships

Statement of Cash Position
As at 31 December 2011

Since the project does not maintain a separate bank account, certification on Statement of Cash Position is not applicable.



Rajeev Lochan FCA
Partner

Lochan & Co
Chartered Accountants

Dated: 25th February 2013
Place: New Delhi

Annexure 001

Annexure 001



UN Development Programme
Report ID: ungl143a

Combined Delivery Report With Encumbrance

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Selection Criteria :

Business Unit : MMR10
Period : Jan-Dec (2011)
Selected Award Id : 00051177
Selected Fund Code : 04000,04120,11888,26931,30000,30079,43020,54050

Award Id : 00051177 Community Development for Remo	Period : Jan-Dec (2011)
Project # : 00063580 Community Development for Remo	Impl. Partner : 99999 UNDP
	Location : UNDP-Myanmar

Fund : 04000 (TRAC (Lines 1.1.1 and 1.1.2))

61105 - Salaries - NP Staff	0.00	13,678.55	0.00	0.00	13,678.55
61305 - Salaries - IP Staff	0.00	110,277.55	0.00	0.00	110,277.55
61310 - Post Adjustment - IP Staff	0.00	55,098.70	0.00	0.00	55,098.70
62105 - Dependency Allowance-NP Staff	0.00	118.44	0.00	0.00	118.44
62110 - Contrib Joint Staff Pension-NP	0.00	2,668.46	0.00	0.00	2,668.46
62115 - Contrib to Med,SocIns-NP Staff	0.00	476.69	0.00	0.00	476.69
62305 - Dependency Allowances-IP Staff	0.00	6,302.28	0.00	0.00	6,302.28
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	33,101.95	0.00	0.00	33,101.95
62315 - Contrib. to medical, social in	0.00	1,215.46	0.00	0.00	1,215.46
62320 - Mobility, Hardship, Non-remova	0.00	32,802.10	0.00	0.00	32,802.10
62330 - Rental Supplements - IP Staff	0.00	8,632.60	0.00	0.00	8,632.60
63330 - Ed Grl Incl Trvl&Allow-IP Stf	0.00	8,374.01	0.00	0.00	8,374.01
63335 - Home Leave Trvl & Allow-IP Stf	0.00	25,138.39	0.00	0.00	25,138.39
63530 - Contribution to Separations	0.00	4,641.68	0.00	0.00	4,641.68
63535 - Contribution to Security	0.00	7,426.69	0.00	0.00	7,426.69
63540 - Contribution to Training	0.00	4,299.72	0.00	0.00	4,299.72
64305 - Appointments - IP Staff	0.00	-19,793.53	0.00	0.00	-19,793.53
65115 - Contributions to ASHI Reserve	0.00	9,283.38	0.00	0.00	9,283.38
65135 - Payroll Mgt Cost Recovery ATIA	0.00	1,104.36	0.00	0.00	1,104.36
66105 - Overtime & Night Differential	0.00	37.08	0.00	0.00	37.08
71205 - Intl Consultants-Sht Term-Tech	0.00	10,000.00	0.00	0.00	10,000.00
71210 - Intl Consultants-Sht Term-Supp	0.00	1,350.00	0.00	-1,350.00	0.00
71305 - Local Consult-Sht Term-Tech	0.00	19,436.50	0.00	-2,245.00	17,191.50
71310 - Local Consult-Short Term-Supp	0.00	229.00	0.00	0.00	229.00
71405 - Service Contracts-Individuals	0.00	2,067,183.24	0.00	0.00	2,067,183.24
71605 - Travel Tickets-International	0.00	4,130.46	0.00	223.00	4,353.46
71610 - Travel Tickets-Local	0.00	37,100.98	0.00	0.00	37,100.98
71615 - Daily Subsistence Allow-Intl	0.00	10,787.87	0.00	0.00	10,787.87
71620 - Daily Subsistence Allow-Local	0.00	159,679.72	0.00	0.00	159,679.72
71625 - Daily Subsist Allow-Mtg Partic	0.00	3,051.48	0.00	0.00	3,051.48
71635 - Travel - Other	0.00	1,363.70	0.00	0.00	1,363.70
72105 - Svc Co-Construction & Engineer	0.00	1,627.23	0.00	0.00	1,627.23
72115 - Svc Co-Natural Resources & Env	0.00	1,361.08	0.00	0.00	1,361.08
72120 - Svc Co-Trade and Business Serv	0.00	8,897.43	0.00	4,974.87	13,872.30
72135 - Svc Co-Communications Service	0.00	6,471.94	0.00	0.00	6,471.94
72145 - Svc Co-Training and Educ Serv	0.00	79,858.46	0.00	0.00	79,858.46
72170 - Svc Co-Humanitarian Aid & Relf	0.00	-72.25	0.00	0.00	-72.25
72205 - Office Machinery	0.00	13,153.90	0.00	0.00	13,153.90
72210 - Machinery and Equipment	0.00	6,493.16	0.00	0.00	6,493.16
72220 - Furniture	0.00	394.09	0.00	0.00	394.09
72225 - Sale of Equip & Furniture	0.00	-2,697.93	0.00	0.00	-2,697.93
72311 - Fuel, petroleum and other oils	0.00	1,837.82	0.00	0.00	1,837.82
72330 - Medical Products	0.00	400.00	0.00	0.00	400.00
72370 - Security related goods and mat	0.00	330.70	0.00	0.00	330.70
72399 - Other Materials and Goods	0.00	2,400.41	0.00	0.00	2,400.41
72405 - Acquisition of Communic Equip	0.00	4,034.60	0.00	110.00	4,144.60
72410 - Acquisition of Audio Visual Eq	0.00	2,102.88	0.00	0.00	2,102.88
72415 - Courier Charges	0.00	556.74	0.00	0.00	556.74
72420 - Land Telephone Charges	0.00	28,465.45	0.00	0.00	28,465.45
72425 - Mobile Telephone Charges	0.00	19,349.21	0.00	0.00	19,349.21
72430 - Postage and Pouch	0.00	2,750.60	0.00	180.00	2,930.60
72435 - E-mail-Subscription	0.00	88.13	0.00	0.00	88.13
72440 - Connectivity Charges	0.00	19,597.71	0.00	2,640.00	22,237.71
72505 - Stationery & other Office Supp	0.00	24,367.22	0.00	0.00	24,367.22
72605 - Grants to Instit & other Benef	0.00	3,905.13	0.00	0.00	3,905.13
72610 - Micro Capital Grants-Credit	0.00	149.32	0.00	0.00	149.32



Signature



UN Development Programme
Report ID: ungl143a

Combined Delivery Report With Encumbrance

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Award Id : 00051477: Community Development for Remo	Period : Jan-Dec (2011)				
Project # : 00063580: Community Development for Remo	Impl. Partner : 99999 UNDP				
	Location : UNDP-Myanmar				
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
72615 - Micro Capital Grants-Other	0.00	395,447.87	0.00	0.00	395,447.87
72620 - Joint Programming Expenditure	0.00	1,812.49	0.00	0.00	1,812.49
72625 - Capital Grants - Financial Ser	0.00	0.00	0.00	0.00	0.00
72805 - Acquis of Computer Hardware	0.00	1,989.31	0.00	32,271.46	34,260.77
72815 - Inform Technology Supplies	0.00	765.75	0.00	0.00	765.75
73105 - Rent	0.00	74,329.45	0.00	384.00	74,713.45
73110 - Custodial & Cleaning Services	0.00	524.11	0.00	0.00	524.11
73115 - Moving Expenses	0.00	1,123.19	0.00	0.00	1,123.19
73125 - Common Services-Premises	0.00	2,685.15	0.00	0.00	2,685.15
73305 - Maint & Licensing of Hardware	0.00	4,699.29	0.00	0.00	4,699.29
73405 - Rental & Maint-Other Office Eq	0.00	50,610.99	0.00	0.00	50,610.99
73410 - Maint, Oper of Transport Equip	0.00	108,821.18	0.00	4,185.76	113,006.94
73505 - Reimb to UNDP for Supp Srvs	0.00	238.21	0.00	0.00	238.21
73510 - Reimb to UN for Supp Srvs	0.00	72.76	0.00	0.00	72.76
74210 - Printing and Publications	0.00	3,650.09	0.00	-472.39	3,177.70
74505 - Insurance	0.00	17,544.13	0.00	0.00	17,544.13
74510 - Bank Charges	0.00	4,904.75	0.00	0.00	4,904.75
74525 - Sundry	0.00	49,253.61	0.00	0.00	49,253.61
74720 - Distribution Cost	0.00	0.00	0.00	0.00	0.00
75705 - Learning costs	0.00	22,810.71	0.00	625.00	23,435.71
75706 - Learning - ticket costs	0.00	9,353.33	0.00	462.50	9,815.83
75707 - Learning - subsistence allowan	0.00	30,389.41	0.00	0.00	30,389.41
76125 - Realized Loss	0.00	43,006.51	0.00	0.00	43,006.51
76135 - Realized Gain	0.00	-6,347.17	0.00	0.00	-6,347.17
77260 - Other payroll costs GS-TA	0.00	597.13	0.00	0.00	597.13
77310 - Post Adjustment - IP Staff-TA	0.00	18,685.97	0.00	0.00	18,685.97
77320 - Assg hardship & mob allow-TA	0.00	6,806.64	0.00	0.00	6,806.64
77345 - Dep Allowances-IP Staff-TA	0.00	3,896.94	0.00	0.00	3,896.94
77375 - Contrib-Jt Staff Pens Fd-IP-TA	0.00	610.45	0.00	0.00	610.45
Total for Fund 04000	0.00	3,693,302.79	0.00	41,989.20	3,735,291.99
Fund : 04120 (TRAC3 - Response)					
71305 - Local Consult.-Sht Term-Tech	0.00	2,869.00	0.00	-7,059.00	-4,200.00
71405 - Service Contracts-individuals	0.00	13,070.42	0.00	0.00	13,070.42
71810 - Travel Tickets-Local	0.00	2,542.24	0.00	0.00	2,542.24
72120 - Svc Co-Trade and Business Serv	0.00	-474.20	0.00	0.00	-474.20
72205 - Office Machinery	0.00	0.00	0.00	-1,119.86	-1,119.86
72615 - Micro Capital Grants-Other	0.00	-1,410.11	0.00	0.00	-1,410.11
73104 - Leased Building	0.00	2,469.14	0.00	0.00	2,469.14
73410 - Maint, Oper of Transport Equip	0.00	2,056.40	0.00	0.00	2,056.40
73420 - Leased Vehicles	0.00	0.00	0.00	0.00	0.00
76125 - Realized Loss	0.00	98.76	0.00	0.00	98.76
Total for Fund 04120	0.00	21,211.65	0.00	-8,178.86	13,032.79
Fund : 11888 (Country Co-Financing CS)					
72415 - Courier Charges	0.00	153.00	0.00	-528.00	-375.00
72505 - Stationery & other Office Supp	0.00	273.00	0.00	-273.00	0.00
Total for Fund 11888	0.00	426.00	0.00	-801.00	-375.00
Fund : 30000 (Programme Cost Sharing)					
61305 - Salaries - IP Staff	0.00	6,613.21	0.00	0.00	6,613.21
61310 - Post Adjustment - IP Staff	0.00	340.76	0.00	0.00	340.76
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	2,392.62	0.00	0.00	2,392.62
63330 - Ed Gnt Incl Trvl&Allow-IP Stf	0.00	0.00	0.00	0.00	0.00
63405 - Learning Costs	0.00	-0.01	0.00	0.00	-0.01
71130 - Mission Allowance - ALD	0.00	-0.03	0.00	0.00	-0.03
71205 - Intl Consultants-Sht Term-Tech	0.00	6,869.09	0.00	0.00	6,869.09
71305 - Local Consult.-Sht Term-Tech	0.00	1,877.00	0.00	864.00	2,741.00



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UN Development Programme
Report ID: ungl143a

Combined Delivery Report With Encumbrance

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Award Id: 00051177: Community Development for Remo		Period:		Jan-Dec (2011)	
Project #: 00063580: Community Development for Remo		Impl. Partner:		99999 UNDP	
		Location:		UNDP-Myanmar	
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
71405 - Service Contracts-Individuals	0.00	335,664.62	0.00	0.00	335,664.62
71610 - Travel Tickets-Local	0.00	42,874.27	0.00	0.00	42,874.27
71615 - Daily Subsistence Allow-Intl	0.00	0.00	0.00	0.00	0.00
71620 - Daily Subsistence Allow-Local	0.00	172,325.41	0.00	0.00	172,325.41
71625 - Daily Subsist Allow-Mtg Partic	0.00	631.16	0.00	0.00	631.16
71635 - Travel - Other	0.00	656.79	0.00	0.00	656.79
72145 - Svc Co-Training and Educ Serv	0.00	424,895.38	0.00	0.00	424,895.38
72185 - Svc Co-Social Svcs, Social Sci	0.00	115.68	0.00	0.00	115.68
72205 - Office Machinery	0.00	1,234.63	0.00	0.00	1,234.63
72210 - Machinery and Equipment	0.00	1,691.40	0.00	18,745.00	20,436.40
72215 - Transportation Equipment	0.00	503.10	0.00	0.00	503.10
72220 - Furniture	0.00	334.58	0.00	0.00	334.58
72311 - Fuel, petroleum and other oils	0.00	0.00	0.00	0.00	0.00
72350 - Medical Kits	0.00	3,102.51	0.00	0.00	3,102.51
72370 - Security related goods and mat	0.00	828.57	0.00	0.00	828.57
72399 - Other Materials and Goods	0.00	13,871.70	0.00	0.00	13,871.70
72405 - Acquisition of Communic Equip	0.00	2,759.90	0.00	0.00	2,759.90
72406 - Security communication equipme	0.00	11,295.10	0.00	0.00	11,295.10
72410 - Acquisition of Audio Visual Eq	0.00	-979.26	0.00	0.00	-979.26
72415 - Courier Charges	0.00	-155.16	0.00	0.00	-155.16
72420 - Land Telephone Charges	0.00	15,119.52	0.00	0.00	15,119.52
72425 - Mobile Telephone Charges	0.00	3,586.17	0.00	0.00	3,586.17
72430 - Postage and Pouch	0.00	1,019.78	0.00	0.00	1,019.78
72435 - E-mail-Subscription	0.00	20.32	0.00	0.00	20.32
72440 - Connectivity Chargee	0.00	5,340.01	0.00	0.00	5,340.01
72505 - Stationery & other Office Supp	0.00	7,252.05	0.00	3,773.32	11,025.37
72510 - Publications	0.00	723.35	0.00	0.00	723.35
72605 - Grants to Instit & other Benef	0.00	825,726.95	0.00	0.00	825,726.95
72610 - Micro Capital Grants-Credit	0.00	34,945.46	0.00	0.00	34,945.46
72615 - Micro Capital Grants-Other	0.00	2,599,350.17	0.00	0.00	2,599,350.17
72620 - Joint Programming Expenditure	0.00	0.00	0.00	0.00	0.00
72705 - Hospitality-Special Events	0.00	132.85	0.00	0.00	132.85
72805 - Acquis of Computer Hardware	0.00	7.54	0.00	226.63	234.17
72815 - Inform Technology Supplies	0.00	96.08	0.00	286.07	382.15
73104 - Leased Building	0.00	4,197.54	0.00	0.00	4,197.54
73105 - Rent	0.00	26,901.66	0.00	0.00	26,901.66
73107 - Rent - Meeting Rooms	0.00	2,749.68	0.00	0.00	2,749.68
73115 - Moving Expenses	0.00	2,159.08	0.00	0.00	2,159.08
73125 - Common Services-Premises	0.00	1,257.76	0.00	0.00	1,257.76
73305 - Maint & Licensing of Hardware	0.00	1,089.79	0.00	0.00	1,089.79
73405 - Rental & Maint-Other Office Eq	0.00	20,856.35	0.00	0.00	20,856.35
73410 - Maint, Oper of Transport Equip	0.00	43,361.82	0.00	512.69	43,874.51
73505 - Reimb to UNDP for Supp Svcs	0.00	2.53	0.00	0.00	2.53
74210 - Printing and Publications	0.00	15,398.36	0.00	-11,526.42	3,871.94
74215 - Promotional Materials and Dist	0.00	5,132.74	0.00	0.00	5,132.74
74510 - Bank Charges	0.00	5,672.89	0.00	0.00	5,672.89
74525 - Sundry	0.00	20,502.71	0.00	0.00	20,502.71
75105 - Facilities & Admin - Implement	0.00	313,044.49	0.00	0.00	313,044.49
75115 - Facilities & Admin - OH & Ind	0.00	-22,956.31	0.00	0.00	-22,956.31
75705 - Learning costs	0.00	8,650.91	0.00	0.00	8,650.91
75706 - Learning - ticket costs	0.00	4,838.29	0.00	0.00	4,838.29
75707 - Learning - subsistence allowan	0.00	17,060.73	0.00	0.00	17,060.73
76125 - Realized Loss	0.00	1,377.91	0.00	0.00	1,377.91
76135 - Realized Gain	0.00	-909.90	0.00	0.00	-909.90
77270 - Overtime & Night Diff-GS-TA	0.00	4,023.79	0.00	0.00	4,023.79
Total for Fund 30000	0.00	4,997,476.09	0.00	12,881.29	5,010,357.38
Fund : 43020 (EE MMRPRCMAEDUCAVIANINF)					
71305 - Local Consult.-Sht Term-Tech	0.00	334.73	0.00	0.00	334.73
71610 - Travel Tickets-Local	0.00	2,802.47	0.00	0.00	2,802.47
71620 - Daily Subsistence Allow-Local	0.00	850.91	0.00	0.00	850.91
71635 - Travel - Other	0.00	149.94	0.00	0.00	149.94



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UN Development Programme
Report ID: ungl143a

Combined Delivery Report With Encumbrance

Page 4 of 7
Run Time: 21-03-2012 06:03:49

Award Id : 00051177 Community Development for Remo	Period : Jan-Dec (2011)
Project # : 00063580 Community Development for Remo	Impl. Partner : 99999 UNDP
	Location : UNDP-Myanmar

	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
72110 - Svc Co-Agricultural Management	0.00	3,000.00	0.00	0.00	3,000.00
72125 - Svc Co-Studies & Research Serv	0.00	10,090.89	0.00	0.00	10,090.89
72145 - Svc Co-Training and Educ Serv	0.00	113,229.18	0.00	0.00	113,229.18
72415 - Courier Charges	0.00	4,990.40	0.00	0.00	4,990.40
74210 - Printing and Publications	0.00	65,477.45	0.00	0.00	65,477.45
74525 - Sundry	0.00	97.44	0.00	0.00	97.44
74720 - Distribution Cost	0.00	2,606.06	0.00	0.00	2,606.06
75105 - Facilities & Admin - Implement	0.00	15,342.18	0.00	0.00	15,342.18
75705 - Learning costs	0.00	4,181.45	0.00	0.00	4,181.45
75706 - Learning - ticket costs	0.00	3,944.26	0.00	0.00	3,944.26
75707 - Learning - subsistence allowan	0.00	7,418.99	0.00	0.00	7,418.99
76125 - Realized Loss	0.00	261.72	0.00	0.00	261.72
76135 - Realized Gain	0.00	-72.41	0.00	0.00	-72.41
Total for Fund 43020	0.00	234,705.66	0.00	0.00	234,705.66
Fund : 54050 (SIDA TF UNDP Sepcific Actv)					
71405 - Service Contracts-Individuals	0.00	74,624.39	0.00	0.00	74,624.39
71610 - Travel Tickets-Local	0.00	2,565.19	0.00	0.00	2,565.19
71620 - Daily Subsistence Allow-Local	0.00	6,546.02	0.00	0.00	6,546.02
72145 - Svc Co-Training and Educ Serv	0.00	-0.01	0.00	0.00	-0.01
72165 - Svc Co-Social Svcs, Social Sci	0.00	0.00	0.00	0.00	0.00
72605 - Grants to Instit & other Benef	0.00	89,599.10	0.00	0.00	89,599.10
72615 - Micro Capital Grants-Other	0.00	486,462.42	0.00	0.00	486,462.42
75105 - Facilities & Admin - Implement	0.00	46,185.78	0.00	0.00	46,185.78
75705 - Learning costs	0.00	843.87	0.00	0.00	843.87
75707 - Learning - subsistence allowan	0.00	2,024.62	0.00	0.00	2,024.62
76125 - Realized Loss	0.00	0.04	0.00	0.00	0.04
76135 - Realized Gain	0.00	-75.08	0.00	0.00	-75.08
Total for Fund 54050	0.00	708,776.34	0.00	0.00	708,776.34
Total for Project : 00063580	0.00	9,655,898.53	0.00	45,890.63	9,701,789.16

Project # : 00075607 Emergency Coord.Resp.NRS Flood	Impl. Partner : None
	Location : UNDP-Myanmar

Fund : 04120 (TRAC3 - Response)					
71310 - Local Consult.-Short Term-Supp	0.00	342.00	0.00	-368.00	-26.00
Total for Fund 04120	0.00	342.00	0.00	-368.00	-26.00
Fund : 26931 (CPR TTF - Disaster)					
71305 - Local Consult.-Shi Term-Tech	0.00	34,175.00	0.00	-562.00	33,593.00
71405 - Service Contracts-Individuals	0.00	56,204.83	0.00	-5,935.00	50,269.83
71610 - Travel Tickets-Local	0.00	17,310.09	0.00	0.00	17,310.09
71620 - Daily Subsistence Allow-Local	0.00	33,379.31	0.00	0.00	33,379.31
71625 - Daily Subsid Allow-Mtg Partic	0.00	742.66	0.00	0.00	742.66
72120 - Svc Co-Trade and Business Serv	0.00	474.20	0.00	0.00	474.20
72145 - Svc Co-Training and Educ Serv	0.00	2,889.96	0.00	0.00	2,889.96
72205 - Office Machinery	0.00	293.77	0.00	0.00	293.77
72440 - Connectivity Charges	0.00	611.05	0.00	0.00	611.05
72505 - Stationery & other Office Supp	0.00	1,629.09	0.00	0.00	1,629.09
72605 - Grants to Instit & other Benef	0.00	62,098.14	0.00	0.00	62,098.14
72615 - Micro Capital Grants-Other	0.00	138,388.20	0.00	0.00	138,388.20
73105 - Rent	0.00	5,720.60	0.00	0.00	5,720.60
73410 - Maint. Oper of Transport Equip	0.00	946.50	0.00	0.00	946.50
74510 - Bank Charges	0.00	219.78	0.00	0.00	219.78
74526 - Sundry	0.00	1,260.00	0.00	0.00	1,260.00

Partner
Lochan & Co.
Chartered Accountants
New Delhi



Lochan & Co.
Chartered Accountants

United Nations Development Programme Myanmar



Management Letter

Community Development in Remote Townships in Myanmar

Project Id: 00063580

Audit period: From 01 January 2011 to 31 December 2011

Lochan & Co.
Chartered Accountants

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SECTION – I

1.0 Executive Summary

We have been engaged by the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) to conduct audit of the project **Community Development for Remote Townships (CDRT) Project in Myanmar, [Project Id: 00063580, Award Id: 00051177] (the project)** directly implemented by UNDP Myanmar. The audit was conducted from 29 August 2012 to 12 September 2012.

The purpose of the audit was to provide reasonable assurance with regard to the following areas: reliability and integrity of Project financial and operational information; effectiveness and efficiency of Project operations; safeguarding of assets and compliance with legislative mandates, regulations and rules, policies and procedures, as well as donor agreements.

The audit scope included the following aspects of the Project:

- I. Reviewing the Combined Delivery Reports of the Project for the period from 01 January 2011 to 31 December 2011 and
- II. Reviewing the Statement of Assets and Equipment held by the Project as at 31 December 2011.

The audit covered programme and operations, and other relevant activities of the Project undertaken by management during the period from 1 January 2011 to 31 December 2011 at the UNDP Country Office in Myanmar. During the period reviewed, the Project recorded expenditures totalling US\$ 9.7 million.

1.1 Audit rating:

Audit assessed the Project Office as **Satisfactory**, which means that “internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.”

1.2 Key issues and recommendations:

The audit raised six (6) issues, which were mainly caused by inadequate planning and inadequate guidance or supervision at the Country Office level. To address these issues, six recommendations were made, of which all were ranked **Medium (Important) priority**.

We wish to express our appreciation to the management and staff of UNDP Myanmar for the assistance and cooperation extended to the audit team.



Rajeev Lochan FCA
Partner

Lochan & Co
Chartered Accountants

Date: 1st February 2013

Place: New Delhi (India)

Rating Summary

In our opinion, the overall level of internal control with respect to the project (Community Development for Remote Townships in Myanmar – Project Id: 00063580) is considered to be **Satisfactory**.

Area	Rating	Unsatisfactory	Partially Satisfactory	Satisfactory
Organization and Staffing	Satisfactory			
Project Management	Partially Satisfactory			
Human Resources	Satisfactory			
Finance and Cash Management	Satisfactory			
Procurement	Satisfactory			
Assets Management	Unsatisfactory			
General Administration	Satisfactory			
Follow up on Previous Audit	Not Applicable			

SECTION – II

2.0 Audit Objectives, Scope and Operational Overview

2.1 Audit Objectives and Scope

The overall objectives and scope of the audit are detailed below:

2.1.1 Audit Objectives

The purpose of the audit undertaken by Lochan and Co was to:

- Provide an assurance that there exists an adequate operational and internal control systems to ensure that the projects are properly managed in accordance with the policies and procedures of UNDP for the achievement of their objectives with due regard for economy and efficiency.
- Express an opinion on whether the expenditure incurred and recorded in the Combined Delivery Reports of the Project for the period from 01 January 2011 to 31 December 2011 present fairly the expenditure incurred on the projects and whether the expenditure were incurred according to the approved budgets, for the approved purposes of the project and were incurred according to the UNDP policies and guidelines and were supported by properly approved vouchers and invoices; and
- Express an opinion on the Statement of Assets and Equipment held by the Project as at 31 December 2011 whether the statements of inventory present fairly the balance of the inventory of the projects in all material respects.

The overall objective of the audit is to assess the management of the project operations with the view of obtaining reasonable assurance towards the achievement of the project objectives. The areas of focus include:

- a) reliability and integrity of project financial and operational information;
- b) effectiveness and efficiency of project operations;
- c) safeguarding of assets; and
- d) Compliance with legislative mandates, regulations and rules, policies and procedures, as well as donor agreements.

2.1.2 Audit Scope

The audit reviewed the operations for one year period (January-December 2011) covering the following areas:

- Overall Organization and Staffing
- Donors' Arrangements
- Project Management
- Human Resources
- Finance and Cash Management
- Procurement
- Assets Management
- Information System
- General Administration and
- Follow up of Previous Audits

The audit was carried out in accordance with the International Standards on Auditing. This includes an approved planning memorandum and risk assessment exercise carried out prior to the audit, based on information provided by UNDP Myanmar. Relevant samples of documents and transactions for the period of audit were reviewed. Discussions were held with UNDP Myanmar staff and in the field throughout the audit.

2.1.3 Project Audit Visit Data

The audit was carried out at the UNDP CO, Myanmar during the period 29 August 2012 to 12 September 2012. The debriefing meeting was held on 12 September 2012 to discuss the key issues/ observations noticed during the audit. The preliminary audit findings were communicated to the project on 14 September 2012. Management responses to our findings were received on 19 September 2012. The management responses have been taken into consideration in finalising this audit report.

2.1.4 Good Practices Observed:

During the audit visit, the audit firm has observed certain good practices followed by the Project Management listed below:

- Systematic maintenance of physical records;
- Proper filing and certification of supporting documents for payment vouchers;
- At the township level bank balances are split and earmarked for the activities for which the balance is kept;

- Bank Transfer to townships (Bank transfer to field offices in Myanmar is not common practice. Generally funds to field offices are transferred in cash) and
- Activity wise tracking

2.2 Operational Overview

2.2.1 Project Background

The Community Development for Remote Townships Project (CDRT) follows an integrated multi-sectoral community development approach. The CDRT project operates in the border states of Rakhine, Mon & Kayin, Chin and Kachin. Strong emphasis is given to training programmes (vocational, skills based, social and educational programmes that raise awareness and empower) and linking the community organizations and self-help groups to local support networks. The Project is an integral part of UNDP Myanmar's Human Development Initiative (HDI) and financed by UNDP on cost sharing basis. The key donors for the project includes TRAC, AUSAID WASH, DFID, CERF-CHIN, CERF-NRS, DANIDA, NOR DRR, NOR, HSTF, EUCOMM Norway (HDI), AUL NZAID, and SIDA. The organizational structure for the Project comprises one project manager, one project coordinator & two technical specialists at project office level, one area coordinator & assistant area coordinator for each area office, one township coordinator, four township facilitators and six community facilitators for each township.

Management

The project is implemented through the DIM modality by UNDP Myanmar in consultation with its partners.

Project operations

The Project is managed by a Project Manager recruited by UNDP. The Project Manager is responsible for day-to-day management and decision-making for the project, as well as ensuring that the project produces the results specified in the project document, to the required standard of quality and within the specified constraints of time and cost. The Project Manager is assisted by an administrative team.

Monitoring and Evaluation

The HDI M&E system comprises of four components: Outcome / Impact Assessments, Purposive studies, Implementation Monitoring and Community feedback & learning.

2.2.2 Brief Overview of the Project

Audit period	January 2011 to December 2011
Budget during the audit period i.e. year 2011	US\$ 9,815,382.77
Expenditure during the audit period i.e. year 2011	US\$ 9,701,789.16
Percentage Utilisation	98.84%

SECTION – III

3.0 Detailed Audit Observations

3.1 Organization and Staffing

Satisfactory

The audit firm has reviewed the organization structure, institutional arrangement of the Project, staffing arrangement & the Job Description of the key staff and concluded that there were no reportable observations noted.

3.2 Project Management

Partially Satisfactory

Observation No. 1 :

1.1 Township budget not revised

For effective implementation of the annual work plan (AWP) and budget, it is imperative to split the plan into different townships to be covered and regular updating of the same.

- Initial township activity budget was based on the detailed township activity budget. The detailed activity budget matched with ATLAS budget. During the year, the AWP was revised several times in ATLAS.
- The audit team noted that **at the time of revising the AWP and budget during the year, the detailed township budget was not revised**. There are substantial changes in the activity code in ATLAS. For example, two activities were, originally, planned for education (activity 3.3 for US\$ 164,200) and for health (activity 3.4 for US\$ 194,096), but later on, these activities were changed to activity 22 and activity 24 respectively. Other similar changes were also noted.
- The audit team was originally provided the activity budget in excel sheet, which created lot of confusion in matching it with the ATLAS budget.
- Management explained that the revised budgets were monitored in detail from Yangon (project and programme level). Changes were communicated to the townships, however not fully adjusted in the respective townships work plans, but nevertheless correctly charged based on the Yangon level guidance in the new ATLAS activity. The CO will enhance its monitoring system to assure that TSP activity plans are fully matched with ATLAS throughout the year.

From the above, it is concluded that on revision of AWP and budget, the detailed activity budget for townships are not reworked / revised so that both budgets are aligned.

1.2 Recording of expenditure in wrong activity

- The activity wise budget is defined in AWP and Budget and accordingly uploaded in ATLAS. So, expenditure should also be recorded in the activity, in which it was budgeted.
- The activity wise expenditure report uploaded from ATLAS was reflecting booking of the expenditure of some of the Activity which was not defined in AWP and Budget. For example the Activity 1 is reflecting the expenditure of **US\$ 89,460**, while there is no budget for this activity.
- Project management explained that during 2010, there was Activity 1 in the AWP which was removed in 2011 AWP. The project staffs at township continue to record the expenditure in Activity 1. Some the entries were transferred to respective activities through GLJE, but the remaining amount of US\$ 89,460 could not be identified.
- Further, in some cases, it is noted that the activities were not planned in the AWP / ATLAS budget; however the amount of recovery or the reversal of the expenditure in those activities was recorded in the CDRT Project. Such instances are listed below:

(Amount in US\$)

Row Labels	Activity Description	Budget	Actual Expenditure
Activity 1.6	CoV services	-	(1,423)
Activity 15	Project Management (NZE)	-	(13,270)
Activity 17	Enhancing FS in Chin	-	(3,674)
Activity 18	Disaster Risk reduction	-	(6,246)
Activity 30	NOR for HDI	-	(2,207)
Activity 4	Community Infrastructure	-	(7,626)
	Total		(34,446)

- Project management explained that there were several communications from Yangon to Township

Finance Assistants for no longer using Activity 1 for 2011 work plan. GLJE was applied to correct wrong charges throughout the year. For 2012 ATLAS activity1 (as well as other activities not in use) were deactivated.

- From the above facts, audit has concluded that the expenditure is recorded in ATLAS in wrong account activity which was generating the Atlas reports accordingly.

Risk	Programmatic / Financial
-------------	--------------------------

Priority	Medium (Important)
-----------------	--------------------

Impact :

- Monitoring of activity / expenditure as per revised ATLAS budget (AWP) will not be effective without revision of detailed township budget.
- Recording the expenditure in wrong accounting codes affects the budgetary control mechanism and reporting to management.

Recommendation :

- The programme management team should ensure that whenever there is revision in the AWP, the township detailed activity budget should also be revised for effective monitoring of the activities at township level.
- The programme management team should ensure that expenditure is recorded under correct activity, in which the budget for the same is created. Further, if the expenditure is recorded in wrong activity, the rectification should also be done from the same activity, in which it was wrongly recorded.

Management Comments :

- The Programme takes note of the recommendation and the Programme Management Team will ensure that all township budgets will be in future revised according to the ATLAS work plan work through enhancing and streamlining communication with TSP staff and respective follow up monitoring.
- Furthermore, the Management will also aim to communicate with donors for harmonisation of financial reporting formats with UNDP ATLAS system reports. (Similar initiatives are suggested to be followed up at UNDP Corporate level.)
- The recommendation is noted and accepted. Correct account code, donor code and activity code are important for budgetary control. ATLAS orientation and hand on training was provided by finance staff during spot checks in year 2012. Management will arrange regarding future standard programme / project management training for project finance assistants to include enhanced financial management modules.

Responsible Manager :

Programme unit, data unit, project units and finance unit

Expected Completion Date :

Ongoing

Status of Recommendation :

Observation No. 2 : Weak Project Oversight

2.1 Field visits not undertaken by M&E Sectoral Specialist s

As per the Terms of Reference of Sectoral Specialist for the Monitoring and Evaluation Unit, they should spend approximately 40% of their time to travel in project areas.

- As per proposed ICDP / CDRT project's M&E Plan for 2011, M&E Sectoral Specialist should have visited project areas 22 times.
- The audit noted that no one from M&E unit visited project areas. All the M&E reports were prepared based on the data collection from project staff. Further, no travel plan was prepared by M&E unit to visit townships.
- There was the travel budget for US\$ 28,440 for M&E unit. Under this budget, the travel cost of field visits of project manager and other project staff were recorded.

- Management explained that M&E was performed at different levels within the project and not only by the M&E Unit. The DEX Service Centre team performs spot checks on operational areas and MPP completions and reports were shared with the Project Manager. In order to be able to handle 11 donors' reporting duties in 2011, the travel time of M&E personnel from Yangon, through this transition phase, was reduced. Further, project explained that in 2012, M&E staff started the field visits. Field visit plans are being prepared on a quarterly basis.
- From the above facts, it may be concluded that during the 2011, the M&E unit did not conduct field visits.

2.2 Project Board

- The CDRT project is directly implemented by UNDP Country Office, which will be held accountable for all aspects of management of the Project.
- There should be a project board for both management and strategic decision- making about the project and its implementation.
- The audit team noted that project board is not in existence for CDRT Project. It has been explained that program staff meetings are held on regular basis. For strategic decision, the matters are discussed in Executive Management Meeting of the country office.
- Management explained that the absence of a project board was due to the long running nature of the CDRT project (present project phase started in 2002/2003) and due to the specific mandate restriction. With the upcoming new Country Programme (2013 – 2015) and under a regular UNDP programme, project boards as well as outcome boards are foreseen to be established.

Risk

Programmatic

Priority

Medium (Important)

Impact :

- Without the field visits, M& E function will not be effective.
- In absence of Project Board, the decision making on project implementation may be delayed.

Recommendation :

- The monitoring and evaluation team should ensure that M&E Sectoral Specialists visit the project areas as per the M&E plan.
- Further, it should be ensured that proper travel plans are prepared for M&E.
- The Programme management team should create project board for managerial and strategic decisions of project implementation.

Management Comments 2.1:

- It should be noted that there exist a variety of monitoring mechanism within the project and that monitoring is not the sole function of the M&E unit, but that monitoring and proper project oversight is performed by several members of the project management team. Specifically, the Project Manager, the National Project Coordinator, the TSP manager as well as the Area Managers (for oversight, monitoring and reporting on area level results), and the Programme unit of the CO have a strong monitoring and oversight function. These members have been traveling and visiting the areas for monitoring and project oversight purposes regularly in year 2011. Thus, while the not regular field visits by the M&E unit are noted rightly, overall the monitoring and oversight system of the Project has been in right place and was fully operational.
- Specifically, on the M&E unit, it should be noted that the unit in its present form was established at the end of year 2010. It was equipped in year 2011 by 3 SC staff (and 1 IC on a temporary basis) servicing not only the CDRT, but also the ICPD Project within total about 50 TSP locations.
- In the course of year 2011 and based on introducing a new and harmonized overall results frame for CDRT and ICDP, a new and comprehensive M&E system was put in place, and a strong effort was made to foster results based monitoring and reporting and change from the previous activity based monitoring and reporting. Thus, indeed in year 2011, the project oversight system has been systematically strengthened to be able to report on results and not only track activities.
- The M&E unit in year 2011 focused on making the new results based system work, including through staff training during staff Workshop in Yangon and gave focus on producing monthly and quarterly (results based) reports by collecting the field data through the TSP and area offices. In addition, the same unit was also responsible for drafting all donor reports for CDRT and ICDP. (CDRT alone had 11 different donors in year 2011, ICDP a similar number of donors reports.)

- In order to be able to handle these tasks timely and due to the multiple donor reporting duties, the travel time of M&E personnel from Yangon, through this transition phase, was reduced. However, the Project could rely at any time on the established MPP system for tracking all project activities at the village level as well as on the field reports and oversight exercised by the other project and program personal, as described above.
- Starting from year 2012, M&E and with the new system in place, the staff has been visiting regularly townships for the purpose of spot checks, revisiting the monitoring system as well as for field staff training on M&E.

Management Comments 2.2:

- The absence of the project board is to be explained with the specific mandate restriction of UNDP, Myanmar in the past as well as by the long running nature of the Project (as above). Formation of project boards is, however, foreseen as a standard approach under the new UNDP Myanmar Country Programme (2013-2015).

Responsible Manager :

Project Manager (for M&E related observation) and programme management team (for project boards)

Expected Completion Date:

As far as applicable (M&E unit) immediately and subsequently under new CP 2013 (project board)

Status of Recommendation :

Observation No. 3 : Non implementation of some of the Micro Project Proposals (MPPs) and Training Proposals (TPs)

- Training Proposals (TPs) were approved under MPP Review Committee (MRC) 58, 63 & 68 for Waingmaw Township in 2011.
- During 2011, some of Training Proposals (TPs) were not implemented in a timely manner in Waingmaw Township.
- For implementation of activities, funds were transferred to townships based on the approved MRC, MPP and TP.
- The audit team noted that funds transferred by UNDP to the township for activities were not utilized till the end of December 2011. At the end of year 2011, the funds were lying in the bank account of township. Some of the examples are shown below:

S. No.	TSP	TP	Amount (in MMK)	Idle from	Idle till	Idle month
1	WAI	Awareness Raising of Land System and Land Use rights in Myanmar Past and Present	720,000	Jun-11	Dec-11	6
2	WAI	AEW Training	1,375,300	Jun-11	Dec-11	6
3	WAI	Post Harvest Handling and Storage Training	800,250	Jun-11	Dec-11	6
4	WAI	Bamboo product making training (chair)	1,310,300	Jun-11	Dec-11	6
5	WAI	Traditional snack making and food processing training	1,060,150	Jun-11	Dec-11	6
6	WAI	Project Management Training (CBO)	987,500	Jun-11	Dec-11	6
7	WAI	CBO cluster level workshop	902,550	Jun-11	Dec-11	6
8	WAI	CBO resource persons training on Concept + Book keeping	1,324,750	Jun-11	Dec-11	6
9	WAI	CBO Auditor Training	345,800	Jun-11	Dec-11	6
10	WAI	VVW Refresher Training Cum Workshop	233,438	Jul-11	Dec-11	5
11	WAI	LEW Refresher Training	622,235	Jan-11	Dec-11	12
12	WAI	SRG Resource Person Training (Concept)	250,175	Jan-11	Dec-11	12

13	WAI	SRG Resource Person Training (Book Keeping)	247,550	Jan-11	Dec-11	12
Total			10,179,998			

- Management explained that this had occurred as a result of the armed conflict between Kachin Army and Myanmar government Army starting from June 2011 in Kachin State. As the security situation was quite fluid over the year, some TSP managers were requesting the funds not to be offset as they were still trying to find dates and venues for the training till late 2011.

From the above, it is concluded that the requisite activities were not performed in time and the funds were lying with townships.

Risk	Operational / Programmatic
Priority	Medium (Important)

Impact :

Non implementation of Micro Project Proposals (MPPs) and Training Proposals (TPs) will affect the programme delivery and the funds were lying idle at townships.

Recommendation :

- Approved budget for the Micro Project Plans (MPP) and Training Programs (TP) should be used for the same activities in the Township areas as per approved MPP Review Committee (MRC).
- Training Proposals (TPs) should be implemented for planned activities as per the approved MRC within the considered time frame in the Township area.
- Further, if the activities cannot be implemented as planned, the project work plan / budget should be revised to consider actual implementation of the activities.

Management Comments :

- The Management comment is as above. It should be added that use for same activities in the TSPs was not possible as the whole TSPs were conflict affected and as the training were targeting specific groups of pre-selected trainees. At the same time and in the immediate aftermath of the conflict, there was the assumption that a ceasefire / peace accord was in close reach, thus, TSP Manager was hoping still to be able to use the funds approved for training (TPs) for the targeted groups.
Most funds allocated through MPPs were reallocated timely after the occurrence of the conflict, including redeployment of some staff from conflict areas to other areas to assist in implementation.
- The recommendation is noted and if such cases, due to conflict, occur in future, it will be ensured that funds for training proposals will be faster offset and redeployed.

Responsible Manager :

Project Manager

Expected Completion Date:

Not Applicable

Status of Recommendation:

Not Applicable

Observation No. 4 : Mismatch between final records and back up data

- From a control perspective, the data available at different places should be updated and match with the final data.
- During the audit, the Project provided different data sheets supporting the final data entered in ATLAS or final reports for different purposes. However, these were not matching with ATLAS transactions or reports.
- It was further noted that the data available in the soft form was not matching with the documents available in the hard files.
- Some of such cases are mentioned below:
 - Project provided excel sheets for monthly Global Payroll Detail Report and Final Payroll Sheet from ATLAS. It was noted that the data of monthly Global Payroll Detail Report does not match with Final Payroll Sheet from ATLAS. There were 19 employees in CDRT Yangon Office, whose salary was charged to the Project from January 2011 to December 2011 in ATLAS, while in the

monthly Global Payroll Detail Report, only 2 staff salaries were recorded under CDRT Yangon Office from May 2011 onwards to December 2011.

2. Organogram of the Project provided does not match with the staff list provided. During the audit, the Organogram has been changed a number of times so as to match it with the staff list.
3. Some of the assets which were recorded in asset register (hard copy) were not recorded in the asset register provided on Excel Sheet.
4. There was mismatch between the activity budget provided in Excel Sheet and activity budget in ATLAS.

• **Management has provided the following explanations:**

1. There are SCs in Yangon whose salaries are partially or fully funded by the CDRT Project in year 2011. There are some separation and replacements during the year, but the number of staff is not significantly different throughout the year.
 2. Staff list is maintained by DEX Service Centre HR and Organogram is prepared by Project, which created the mismatch. However, with effect from September 2012, Organogram will be maintained and updated by DEX Service Centre HR.
 3. Because of software installation time in Yangon (ICT unit), some of items bought in December 2011 did not arrive in the township during this period.
 4. Some activities in work plan are separated according to the donor requirement in ATLAS.
- It is concluded that management explanation may be correct, but the back up data available with programme management does not match with final reports.

Risk	Operational
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Priority	Medium (Important)
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Impact :

If different versions of data are available at different levels, the risk of using wrong data increases and which may result in creation of wrong reports.

Recommendation :

Project management should ensure that final data sheets match with the back up data. When final data sheets are amended, the back-up data sheets should also be amended. Particularly when data is provided to auditors, the correct data should be provided.

Management Comments :

- To avoid discrepancies in future, all data regarding to head count, remuneration will be tallied between GP Reports, Excel Spreadsheet and HR staff data.
- The organogram is now updated on a monthly basis by DSC HR Unit to ensure the information is updated and correct. This organogram will be provided to the Project upon each request to ensure that there is uniformity in data.

Responsible Manager:

Finance Analyst and Operations Analyst

Expected Completion Date:

January 2012

Status of Recommendation :

3.3 Human Resources

Satisfactory

No observation

3.4 Finance and Cash Management

Satisfactory

Observation No. 5 : US\$ to Kyats conversion through unauthorized money changers

- For local currency payments, the foreign exchange should be made through authorized dealers. Most of the expenditure at Country Office is incurred in Kyats such as salary of service contract personnel, direct expenditure related to project activities etc. For this purpose, the country office

converts US\$ to Kyats on a monthly basis.

- The audit noted that the country office utilizes unauthorized money changers for the conversion of US\$ into Kyats.
- The country office explained that some private banks do offer such services; however the CO is observing the market and will utilize private banks when it is favourable.
- Management explained that starting from July 2012, all conversions from US\$ to Kyats were done with licensed banks. For conversion of staff salaries, DEX Service Centre started using services of private banks from June 2012.
- It is concluded that the purchase of currency from unauthorized money changers is risky with respect to financial value of local currency in terms of US\$.

No recommendation is required as project management from July 2012 has started to get the conversion of US\$ to Kyats from licensed banks only.

Risk	Financial
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Priority	Medium (Important)
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Impact :

Due to reason of exchange of US\$ to Kyats through unauthorized money changers, Kyats may be offered by unauthorized money changers at lower rates.

Management Comments:

UNDP is converting US\$ to Kyat with licensed private banks since June / July 2012.

Responsible Manager :

Finance Analyst

Expected Completion Date :

June 2012

Status of Recommendation:

Not Applicable

3.5 Procurement

Satisfactory

No observation

3.6 Asset Management

Unsatisfactory

Observation No. 6 : Incomplete Statement of Assets and Equipments

- The Project was started in year 2002. The assets are located in 34 locations including in Yangon Country Office, townships and regional area offices. Separate assets register is maintained for each location in excel sheet.
- The audit firm noted the following shortcomings in the 'Statement of Assets and Equipment' provided by project office:
 - There are various items for which value of items; date of procurement and other information were not recorded in the asset statement.
 - Similarly, the value of various items was recorded in other currencies (Kyat and Japanese Yen) not in US\$.
- Management provided the following explanations in this regard:
 - DEX Service Center was established with effect from April 2009 after UNDP took over the operations from UNOPS. Therefore, we have some issues in identifying the acquisition dates for some items, resulting in these not having a valuation.
 - The phone lines in Myanmar are rented / hired by the Ministry of Posts and Telecoms and therefore, phones do not belong to UNDP/Project and there was no valuation.
 - Based on above explanations from project, audit firm concluded that the project has included items of phone lines in the asset statement although these items do not belong to UNDP.

Risk	Operational
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Priority	Medium (Important)
Impact : Due to the missing information of assets, the value of assets available as on 31 December 2011 can not be determined in US\$.	
Recommendation : Programme Management should determine the value of assets, whose values are not mentioned in assets register. For assets having value in currency other than US\$, the value should be converted in US\$ while applying the UN Exchange Rate prevailing on the month of purchase of assets.	
Management Comments : <ul style="list-style-type: none"> In order to safeguard to Project / UNDP equipments, all office equipments / items were registered under the Asset / Inventory file in Excel sheets. For easy reference, the assets (above US\$ 500) will be separately recorded and the items below US\$ 500 will be recorded under office inventory. With effect from year 2012, all assets are recorded and capitalised in the ATLAS, which eliminated the missing of currency and amount. 	
Responsible Manager : Operations Analyst	
Expected Completion Date : Year 2012	
Status of Recommendation :	

3.7 General Administration

Satisfactory

No observation

SECTION – IV

4.1 Categorization of audit findings by priorities

The audit recommendations are categorized according to priority, as a further guide to UNDP management in addressing the issues. The following categories are used:

High (Critical) 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 and may affect the organization at the global level.

Medium (Important) Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP.

Low Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.

4.2 Definition of Standard Audit Ratings

Within the operational audit context, performance refers to the economy, efficiency, and effectiveness of operations under management's control. Operational audits assess the extent to which resources are acquired and utilized with due regard to economy and efficiency and whether management has put in place mechanisms to accurately monitor and assess whether the programs are meeting planned objectives. Operational audits do not report on the achievement of results.

Performance also refers to the manner in which activities are conducted – i.e. whether they are conducted in accordance with UNDP values. UNDP values encompass the notions of prudence and probity, as well as the necessity of taking acceptable risks.

Standard Rating	Definition
Satisfactory	Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
Partially Satisfactory	Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
Unsatisfactory	Internal controls, governance and risk management processes were either not established or not functioning well. The issues identified were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

4.3 Project Organisation Structure



Glossary

APM	Audit Planning Memo
AWP	Annual Work Plan
BCPR	Bureau for Crisis Prevention and Recovery
CBO	Community Based Organization
CDR	Combined Delivery Report
CDRT	Community Development for Remote Townships Project
CO	Country Office
COV	Community Volunteers
DER	Detailed Expenditure Report
DEX	Direct Execution
DIM	Direct Implementation
DRR	Disaster Risk Reduction
DSA	Daily Subsistence Allowances
FAO	Food and Agriculture Organization
HDI	Human Development Initiative
HQ	Headquarters
HR	Human Resource
ICDP	Integrated Community Development Project
M&E	Monitoring and Evaluation
MPP	Micro Project Proposal
MRC	MPP Review Committee
NGO	Non-governmental Organization
NIM	National Implementation
NOR	Norway
NP	National Programme
OAI	Office of Audit and Investigations
O&M	Operation and Maintenance
PBB	Project Budget Balance
PM	Project Manager
RR	Resident Representative
SC	Service Contract
SRG	Self-Reliance Group
ToR	Terms of Reference
TP	Training Proposal
TPM	Township Project Manager
TSP	Township

UN	United Nations
UNHSTF	United Nations Trust Fund for Human Security
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations International Children's Emergency Fund
US\$	United States Dollar
WAI	Waingmaw

