



**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:

- i. 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.
- ii. 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				

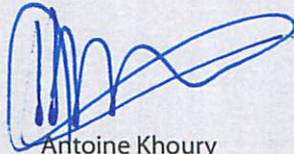
**Key issues and recommendations**

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.



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