

Government of the Republic of the Union of Myanmar
Office of the Auditor General of the Union

Note: The following is an unofficial translation of the financial audit report of the Myanmar National Community Driven Development Project. If divergences are identified in the text, the Myanmar language original prevails.

Letter: FG-3/ 5013 (451/ 2014)

Date: 2014 October 14

To

His Excellency Union Minister
Ministry of Livestock, Fisheries and Rural Development

Subject: **Audit Report**

Reference: Letter No. 1/2000(J)/NaPaTa/1000/1939 dated on 2014 July 7 of the Union
Ministry of Livestock, Fisheries and Rural Development

1. According to the request by the Office of the Union Minister for Livestock, Fisheries and Rural Development, the Office of Auditor General of the Union has audited the accounts of CDD Project, which was carried out from 2012 November to the 2013-2014 Fiscal Year by Department of Rural Development (Union) with the support of the World Bank, and reported it with this letter attached to the ministry for further tasks as required.
2. It is requested that the completion of the action related to the recommendations in the report shall be replied within 30 days of the report release.

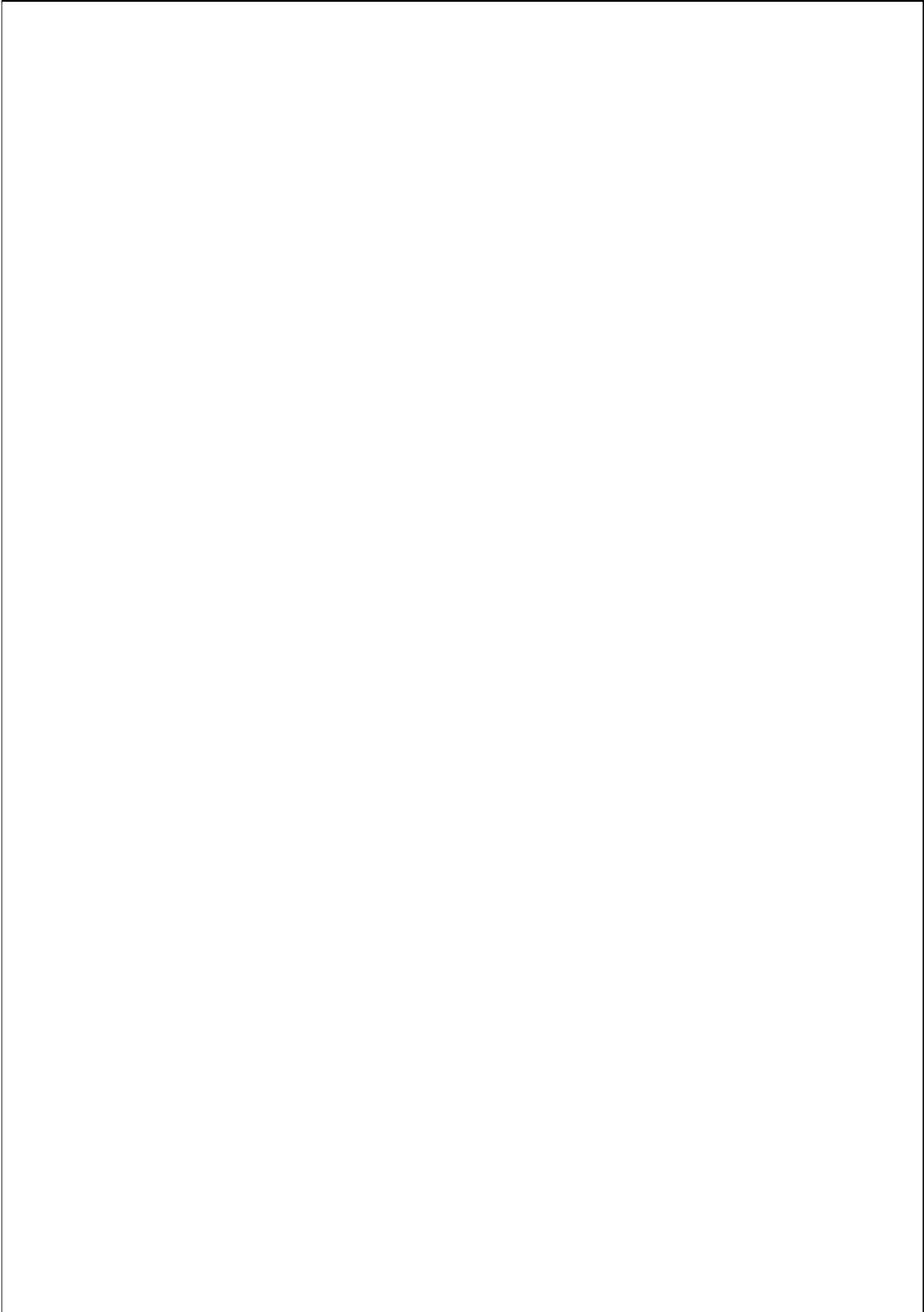
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Myo Myint

Deputy Auditor General
For Auditor General

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Inspection Report on accounts and works performed by the funding of Myanmar National Community Driven Development Project (NCDDP) cooperatively executed by Ministry of Livestock, Fisheries and Rural Development, Department of Rural Development and the World Bank

Introduction

1. This is an inspection report on the status of receipts and disbursements from 14-11-2012 to 31-3-2014 and performance and implementation of works in respective regions up to 31-8-2014 performed by the funding of Community Driven Development Project (CDD Project) cooperatively executive by Department of Rural Development (DRD) and the World Bank Group consistent with coordination of Ministry of Livestock, Fisheries and Rural Development.

Objectives

2. The development objective of project is to enable poor rural communities to benefit from improved access to and use of basic infrastructure and services through a people-centered approach and to enhance the government's capacity to respond promptly and effectively to an eligible crisis or emergency.

Implementation on the objectives

3. The objectives of the project shall be carried out as follow:
The objective will be achieved through:
 - (i) financing community-identified rural infrastructure investments;
 - (ii) strengthening the capacity of communities in partnership with local authorities to effectively identify, plan and implement their development priorities; and
 - (iii) facilitating the participation of the poor and vulnerable, both women and men, throughout the project cycle at the community level.

Support of Funds for the project activities

4. The Community Driven Development Project implemented by the Department of Rural Development with the assistance of the World Bank has been commenced starting from the fiscal year 2012-2013. During 6 year project term from November 2012 to January 2019, Project Cost US\$ 80 million shall be used for (5) components and funds appropriated for CDD Grant are under mentioned -

Sr	Particulars	Appropriation	
		Appropriated Amt	%
(a)	Community Block Grants	52.200	65
(b)	Facilitation and Capacity Development	14.200	18
(c)	Knowledge and learning	1.800	2
(d)	Implementation Support (Management)	11.800	15

(e)	Emergency Contingency Response	-	-
		80,000	100

- The project will finance three annual block grants of an average USD \$ 27,000 each to the selected townships. We have noticed that community block grants shall be 65% of the lump sum and 35% shall be used for the remaining sectors.

Flow of funds

- Two segregated designated accounts DA-A and DA-B were opened at the Central Bank of Myanmar dominated in Myanmar Kyat (MMK) with the purpose of transferring funds for the CDD project with the approval of the World Bank. The World Bank shall make direct payment for disbursements above USD\$ 50,000 and funds for the community block grant shall be deposited by the World Bank to the DA-A account from which funds shall be transferred to the relevant townships in the village groups.

With respect of any other kind of expenditures, the World Bank will directly deposit funds into DA-B account from which spending shall be committed by the Union level, and Township level.

- Community block grant shall be appropriated and allocated based on the population of the villages as follows –

Number of Population	Grants (in Kyat)
Below 3,000	18,000,000
Between 3,000 to 5,000	24,300,000
Above 5,000	30,600,000

- Funds to be allocated based on the list of village groups and population prepared and submitted from the selected townships in which projects are implemented. Then, funds are requested to the World Bank together with Withdrawal Application in written format. The World Bank will subsequently examine and transfer funds to the DA-A account at the Central Bank of Myanmar.
- When the village groups in the project implementing townships have opened accounts at the Myanmar Economic Banks of the relevant townships and specification to request Community Block Grants (opening of bank accounts, identifying and approving the sub-project activities, having accomplished relevant training courses) have been followed, the agreement for Community Block Grants concluded between Township DRD and the village groups shall be signed. This agreement shall be submitted to the Union DRD together with Withdrawal application for Community Block Grants. When funds requested from Townships shall be reviewed and after it has been confirmed to be applicable, it shall be submit to the Director General

through different levels of departments, funds from the DA-A shall be directly transferred to the bank accounts of the villages.

10. Withdrawal can be made from DA-B for other types of expenditures. Withdrawal application shall be submitted to the World Bank requesting for payment of USD\$ 50,000 and above. For USD payment, even though the payment is lower than fifty thousand USD, Withdrawal Application can be used. Then the World Bank shall review the application and make necessary payment directly. Expenditures for the Union Level project shall be presented to the Director General via different levels of government department, disbursements can be made out of DA-B accounts at the Central Bank once the approval is passed. Cash can be taken out of DA-B account for the expenditures of Township level project and transferred into the project bank accounts opened in respective townships. If remuneration of the advisory bodies of the Union Level and Township Level is required to pay in Myanmar Kyats, the required amount shall be withdrawn from DA-B account. If the payment shall be made in United State Dollars, the amount can be requested to the World Bank submitting Withdrawal Application. The amount of cash requested shall be reviewed by the World Bank and the Bank will directly deposit into the bank accounts of relevant companies of the advisory bodies.

Establishment of Working Committee

11. Ministry of Livestock, fisheries and rural development in order to implement CDD project with the support of World Bank, it was found that central international aids management committee were formed in township and village project support committee.

Selection of the Townships

12. In order to implement the project related activities, selection of townships can be performed based on the following factors –
 - (a) Data on status of poverty, GDP, Education Indicator, Health Indicator and lack of other assistance (or) availability of support below 50%
 - (b) Opinions and comments of the minister on implementation of the project by the organization at the township level and the conditions of the townships
 - (c) Compilation of economic and social data of the townships by the Department of Rural Development and relevant Regional departments, Consultation executed by relevant prime minister and initiation of meetings
 - (d) Picking out 3 townships which are the most appropriate to their selection process within the specified regions and states based on data at the meeting and submitting to the prime minister of relevant region/state.
 - (e) Compilation of data of 3 townships as priorities by the regional council of ministries together with their opinions and comments on each and submitting it to the Ministry of Livestock, Fisheries and Rural Development

- (f) Presentation to the Central Administration Committee on international assistance to select one of these three townships
- (g) Submitting the name of selected township to the World Bank and getting the approval letter

13.3 townships – Chin State (Kanpetlet Township), Tanintharyi Region (Kyunsu Township) and Shan State (Namhsan Township) were selected for the first year of project during the inspection period.

Receipts and Disbursements

14. Grant in USD 3,101,063.88 (3,082,632 million kyats) was funded by the World Bank for the NCDD. All statuses concerning receipts, disbursements and balance of funds, quarterly notifications by each financial year, financial statements on receipts and disbursements shall be prepared in accordance with the prescribe format by the Head Office of the World Bank and reported on a quarterly basis.

Receipts and disbursements conditions from November 2012 to 31-3-2014 inspected in compliance with financial reports quarterly prepared by the Department of Rural Development (Head Office) are as follow –

Table (1)

Receipts and Disbursements Conditions

(Million Kyats)

Sr	Particulars	2012-2013	2013-2014	Total
1	2	3	4	5
1	Opening Balance	-	743.796	
2	Receipt			
	- Receipts from the Central Bank	793.800	1622.294	2416.094
	- Receipts from the World Bank directly		666.538	666.538
	Total	793.800	2288.832	3082.632
3	Receipts			
	Expenditures			
	- Community Block Grant	-	1557.828	1557.828
	- Support and enhancement of capability	1.412	565.992	567.404
	- Knowledge and learning	-	11.279	11.279
	- Assistance to implementations	48.592	369.426	418.018
	Total	50.004	2504.525	2554.529
4	Bank Balance as at 31-3-2014	743.796	501.168	501.168
5	Prepayment balance as at 31-3-2014	-	16.935	16.935

15. The following facts are found out from the table –

- (a) Receipts from the Central Bank 2416.094 million kyats are respectively deposited into DA-A account (1566.108 million kyats) and into DA-B (849.986 million kyats).
- (b) Out of 666.538 million kyats directly received from the World Bank and equivalent to United State Dollars \$ 555480.84, 541.605 million kyats for remuneration and other expenditures of (12) persons including technical advisor, financial advisor and procurement advisors at the Union level, 121.132 million kyats for purchase of 4 motor vehicles and 3.101 million kyats for purchase of accounting software are respectively withdrawn as direct payments for the aforesaid materials without depositing any money into bank accounts of the Central Bank. Remuneration and expenditures of advisors appointed by the World Bank are 21.20% on 2554.529 million kyats.
- (c) Total expenditures up to 31-3-2014 are 2554.529 million kyats out of which Community Block Grant is 1557.828 million kyats, 61 in percentage, assistance and enhancement of capability is 567.404 million kyats, 22 in percentage, knowledge and learning is 11.279 million kyats, 1 in percentage and assistance to implementation is 418.018, 16 in percentage respectively.
- (d) The wrong figures of 567.404 million kyats were stated instead of 566.396 as consolidated statements of the fourth quarter according to the findings under the title of assistance and enhancement of capability, it caused a surplus of 1.008 million kyats.
- (e) The wrong figures of 418.018 million kyats were stated instead of 419.026 as consolidated statements of the fourth quarter according to the findings under the title of assistance for implementation, it caused a deficit of 1.008 million kyats.
- (f) The bank balance of 511.155 million kyats at the Central Bank and that of 0.013 at DA-B accounts from 3 project implementing townships combine a balance of 511.168 million kyats as at 31-3-2014.
- (g) Out of prepaid money 16.935 million kyats, prepayment of 16.036 million kyats was taken by Department of Rural Development (Head Office) to spend when responsible persons of the project pay an on-site visit within the region; prepayment of 0.025 million kyats for purchase of furniture in Kanpetlet Township; prepayment of 0.874 million kyats for purchase of furniture at Namhsan Township and temporary payment of remuneration for the organizer. These prepayments are cleared in the months of April and May 2014 respectively. However, the process of clearance on prepayments is hindered as follow:

Sr	Particulars	Amount (kyats)	Date of Issue	Date of Clearance	Period of delay
1	Prepayment for field visit to Namhsan, Kanpetlet	1,528,000	26-11-2013	23-4-2014	4 months 26 days
2	2,340,000	31-11-2013	23-4-2014	4 months 22 days

3	Capability enhancement training at Kanpetlet	1,748,000	31-11-2013	23-4-2014	4 months 22 days
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16. Although the Central Bank has received 3082.632 million kyats for the CDD Project of Department of Rural Development, the budgetary statements reveal that 50.004 million kyats in the 2012-2013 financial year and 2521.473 million kyats for the 2013-2014 financial year are respectively documented in the receipt and disbursement statements concerning international assistance (grants) for CDD project. Therefore, a total amount of 2571.477 was already recorded in the financial budget statements.
17. Quarterly notifications, receipts and disbursements statements which were submitted to the World Bank were found to be prepared in accordance with the prescribed format of the World Bank (Head Office). However, during the implementation period of CDD Project, it was found that control and monitoring is essential to ensure uniformity and accuracy as the annual budget and actual receipts and disbursements are not comparably examined while evaluating the table showing budget allocation and actual spending (Statement of Sources and Uses of Funds) and figures of budget and actual receipt and disbursements.

Status of receipts, disbursement and balance of funds to the withdrawal accounts of the Central Bank

18. Status of receipts, disbursement and balance of funds withdrawn from the Central Bank and deposited into the DA-A and DA-B accounts from November 2012 to 31-3-2014 can be expressed as follow by the World Bank –

Sr	Financial Year	Account Number	US\$	Million Kyats
1	Receipt			
	2012-2013	DA-B	900,000	793.800
	2013-2014	DA-A	1,587,877.30	1,566.108
		DA-B	57,705.74	56.186
		Total	2,545,583.04	2,416.094
2	Disbursements			
	2013-2014	DA-A	-	1,557.828
	2012-2013	DA-B	-	50.004
	2013-2014	DA-B	-	297.107
		Total	-	1914.939
3	Balance as at 31-3-2014	DA-A	-	8.280
		DA-B	-	502.875
		Total	-	511.155

19. Direct grants of 1557.828 million kyats from the DA-A account to the townships and 53.652 million kyats were respectively sent to the regional office of Auditor General

within the project area to get inspected. The remaining amount of DA-B 293.459 million kyats spent by the head office and the amount 666.538 directly paid by the World Bank shall be stated as follow –

Spending committed by the Head Office –

Sr	Particulars	Million Kyats
1.	Expenses to make an occasion to select the townships	21.443
2.	Purchase of materials necessary for the CDD Project and supportive items	133.943
3	Taking the video, getting translations, building the websites and purchase of software	36.334
4	Press and media, advertising expenses, travelling expenses, purchase of stationery and diesel	101.739
Total		293.459

Spending directly made
Million Kyats

1.	Purchase of 2 Station Wagons and 2 Pick-up (4x4)	121.132
2	Purchase of Accounting Software	3.801
3	Payment of remuneration for technical adviser at the Union level and expenditures	541.605
Total		666.538

20. According to the inspection on disbursements, extra amount of withdrawal 1,902.900 kyats as expenditures of the Department (Head Office) for occasions of selecting townships was deposited into bank account number MD-012467 of Department of Rural Development. 732.869 kyats as tax amount of 2% on the lump sum was already paid to the Tax Office in Nay Pyi Taw.

Sr	Particulars	Amount (kyats)	Ref: No: / Date of payment
1.	Expenditures for occasions of selecting townships	1,377,500	203/14-8-2014
2.	Travelling expenses and accommodation charges	37,900	140/19-9-2014
3.	Taxation 2%	732,869	243-248/4-12-2013
4.	Late fees as per the conditions of agreement	487,500	18/18-8-2014
Total		2,635,769	

Audit of DA-A account
Opening of bank account in townships

21. Bank accounts are opened in the Myanmar Economic Bank in respective townships where Community Driven Development Project is implemented and any withdrawal can be made for the projective requirement using signatures of 2 persons out of 3 members – the Chairman of the Committee, the Financial Manager and Committee member. Current account was initially opened by the public contributions in some villages of Namhsan Township.

Performance of the townships and receipt of the money transferred

22. In the 3 townships implementing the project, the following works are completed as the year 1 activities up to 31-3-2014.

Sr	Township	Group of villages	Number of works	Value of works Million Kyats
1.	Kanpetlet	26	97	469.080
2.	Kyunsu	20	143	547.128
3.	Namhsan	26	117	541.620
				1557.828

23. The status of receipts transferred by the World Bank into DA-A accounts at the Central Bank for Community Driven Development Project is 1,381.860 million kyats in January 2014 and 184.248 million kyats in 3/2014 combining in the total amount of 1566.108. The amount directly transferred from DA-A account at the Central Bank to the villages in respective townships in March 2014 is 1557.828 million kyats altogether and the balance of DA-A is 8.280 million kyats. This is the amount to be transferred to Kanpetlet Township and that transfer was updated in the accounts of the Central Bank on 26-4-2014. Total amount of cash approved for the works in Kanpetlet Township up to 31-8-2014 is 477.360 million kyats.

24. Although the project began in November 2012, the money allocated was transferred to the project implementing villages by the Department of Rural Development only in March 2014.

Community Block Grant, budget approved, money spent and the status of balance

25. Block grants, amount spent and balance as of 31-8-2014 which were directly transferred from the World Bank to the local community in the townships are described as follow :

Table (2)

The budget approved, spent and status of balance

Sr	Township	Opening Balance	Budget Approved	Total	Amount Spent	Balance as at 31-8-2014		
						Bank	Cash	Total
1	2	3	4	5	6	7	8	9
1	Kanpetlet	0.026	477.360	477.386	457.131	20.255	-	20.255
2	Kyunsu	-	547.128	547.128	521.846	12.872	12.410	25.282
3	Namhsan	0.134	541.620	541.754	500.237	39.817	1.700	41.517
	TOTAL	0.160	1566.108	1566.268	1479.214	72.944	14.110	87.054

26. Findings in respect of Community Block Grants described in the above table are described by individual township as follow:

Kanpetlet Township

27. Out of the budget approved 477.360 million kyats granted by the World Bank for 97 projects to be implemented in 99 villages of 26 groups of villages within Kanpetlet Township, the amount 457.131 million withdrawn up to 31-8-2014 was already spent and it was found that no balance is left in hand at the Village Committees.

28. The Inspection Committee has performed on-site inspection on 10 projects implemented in 10 villages of 3 village groups and the following facts are found to be necessary to carry out.

It was found that works carried out in the villages are really essential for the local people and they were planned based on public opinion. Works remaining to be carried out can be described as follow –

(a) According to the budgeted plans, construction of a 1500-gallon-reservior and a 1000-gallon-reservior included painting and fixing the gutters along the edge of the roof. However, in performing on-site inspection on the project supplying clean and sufficient water in Ye Laung Pan Village, this is found to be undone.

(b) Although the budgeted plans of constructions of 8'x10'x4' reservoir included fixing of the gutters along the edge of the roof and getting it painted for making drinking water accessible to the village people.

(c) Although fixing of the gutters along the edge of the roof of the lake was mentioned in the budgeted plans to make drinking water accessible at Maw Chaung Village, it was found to be undone according to the on-site inspection.

29. There were caused by certain obstacles or hindrances for the reason that most of the villagers are cultivators and they are not very capable of monitoring and supervision whether the works are carried out in accordance with the quality and quantity

prescribed in the budgeted plans, and the Committee members are hardly ever literates and due to variety of accounts format to be compiled, difficult transportation, appointment of only one accountant, scarcity of labors during the season of cultivating and difficulties to hold meetings.

30. In order to complete works consistent with prescribed standards and specifications after the inspection, it is found that chief organizers of local communities require to give certain supports and assistances to provide training and give instructions on technology to the local community, to fulfill supervisory requirement of assistant technical trainers and to carry out in a timely manner for documentation of expenditures spent and the minutes.

Kyunsu Township

31. Budget approved for 143 projects implemented in 143 villages of 20 village groups in Kyunsu Township was 547.128 million kyats, out of which, 521.846 million kyat was spent up to 31-8-2014 and 12.410 million kyats was remained in hand as shown below :

- (a) The balance amount of 12.410 million kyats as at 31-8-2014 maintained in Kyunsu Township include balance for procurement 10.901 million kyats and balance for administration expense 1.509 million kyats. Balance for procurement 10.901 was still remained in 19 village groups. According to the inspection having carried out up to 12-9-2014, it was found that 7.909 million kyats from 15 village groups were deposited back into bank current accounts of relevant village groups but 2.992 million kyats have not been deposited into current accounts opened at the banks of 4 relevant village groups.

- (b) Balance of administration expenses 1.509 million kyats were remained by 9 village groups. According to the inspection having carried out up to 12-9-2014, it was found that 1.361 million kyats from 7 village groups were deposited back into bank current accounts of relevant village groups but 0.148 million kyats have not been deposited into current accounts opened at the banks of 2 relevant village groups.

- (c) Although spending made from the budgeted expenditures approved in Kyunsu Township was 521.846 million kyats, it was found that contribution made by the locals from 62 villages was 17.132 million kyats and operational expenses were 538.978 altogether.

32. According to their on-site visit, the inspection Committee has observed that projects implemented in 15 villages including 3 projects for road works, construction of 8 schools, 1 project for electricity supply, 1 project for dykes embankments against salty sea water, 1 project for water supply and 1 project for construction of the bridge

joining two villages are found to be very efficient and reliable for the local people. As regards construction project of a 3200-gallon-brick tank in Maung Hlaw A Paw Village from which water can be distributed to all households in the neighbouring areas, pipe works are still remained to be carried out. As these pipes are required to get fixed crossing the fields, the works can be performed only after the harvest season and it is recently found that 150 pieces of 1" pipes and pipe accessories were already bought.

33. Although 15 organizers were appointed for supervisory purposes by each village, they do not perform regular inspection or on-site visits to the villages. Hence, inability to report financial statements is found as common weaknesses. 4 public technical officers are appointed to prepare budgeted accounts of the projects but discrepancies are encountered, in practice, due to lacking of on-site inspection.

Namhsan

34. Budget approved for 117 kinds of works in 26 village groups of Namhsan Township was 541.620 million kyats out of which 500.238 million kyats were spent up to 31-8-2014. The inspection committee has paid an on-site visit to 10 villages checking 17.09% of 20 projects.

(a) Out of 1.700 million kyats remained as balance in Namhsan Township, 1.392 million kyats were deposited into the current account at the bank of the relevant village group but the remaining 0.308 million kyats have not been deposited from 2 village groups to the current accounts at the bank of relevant village groups.

(b) Although some differences are found between budgeted plans and actual operational activities physically implemented, nothing was underserved and things were greatly performed even more than expected. Although some operational activities have varied due to physical condition, this does not harm the outcome. The following activities of the villages are still left to be carried out –

(1) Concrete plastering for 463 feet of drain construction works is left to be done after completion of 1769-feet- drain construction in the Man Pan Village of Pha Yar Gyi village group

(2) Completion of drain construction work along the roads in the Zae Tone Hone Village is only 571'x1'x5.5" and the intended measurements of the drain is 2800'x1'x4.5" according to the budgeted plans, plastering of cement is only half completed 100'x1'x55", cement plastering required to be completed despite of completion of brick laying works 390'x1'x55", spreading cement concrete at the bottom of drain without laying bricks on it 275'x1'x5.5", total 1336'x1'x5.5"

35. As stated by the village community, it is inspected that the projects implemented has fulfilled to provide services on transportation, education, healthcare, water supply and

access to electricity, which are necessary factors for their village. Therefore, these projects generate positive impacts directly on the locals. In checking invoices for all the disbursements made for Community Driven Development Projects implemented in 26 village groups of Namhsan Township, 7.434 million kyat was found to be overspent more than the reasonable price of the region; 0.264 was found as under spending ; overestimated amount (more than the standard rate) was 18.465 million kyats; underestimated amount (less than the standard rate) was 5.655 million kyats; overestimated amount due to error was 1.543 million kyats and underestimated amount due to error was 0.481 million kyats.

36. This is mainly because the period of implementing the projects is in the harvest season for green tea leaf in addition to certain reasons such as scarcity of labours, difficulties in transportations during the rainy season, higher costs for loading and unloading, and delivery, exclusion of courier charges to the village due to counting on price rates used in the townships while calculating the budgeted costs, higher expenses because of using manpower and mules for carrying materials to the village, excessive amount of transportation charges while materials are delivered to subprojects performed in the remote areas and many difficulties according to their reports. To provide employment opportunities to the local people is the priority and letting them work for the projects lead to lacking of proficiency and waste coming out undesirably, according to the explanation of the department.
37. Apart from some gaps in accounting such as incomplete drawing of budgeted accounts for the transformation of the projects, the rest are caused by lack of ability of the local community regarding financial statements, lack of general knowledge and lack of experiences. Participation of the local communities was obviously found in implementation of the projects. They have well-wishing attitude and served more than the prescribed volume of work while actually carrying out project related activities and Included quality products and materials with the purpose of making their works better despite the fact that these are not mentioned in the budgeted plans.
38. In checking Community Driven Development Projects, some inconsistencies were found against financial procedures such as incompleteness of personal data by the travelers in the application form for travelling allowance such as name, date and other requirements, discrepancies between the value stated on the payment invoices and actual spending and incomplete documentation of buying and using conditions of the fuel.

Inspection on DA-B Account

39. 347.110 million kyats withdrawn from DA-B account at the Central Bank supported by the World Bank as grants 293.459 million kyats was spent by the Head Office and 53.652 million kyat was transferred to the three townships. The actual amount received by three of project implementing townships was 52.801 million kyats only

and 0.851 was found as the difference. But, this difference was due to direct spending of some amount transferred in order to buy some furniture in Kyunsu Township. According to current accounts at the township banks, receipts, disbursements and balance of DA-B accounts are described as follow –

Table (3)

Receipt/Disbursement Statement as per transferred amount from DA-B account to (3) project implementing townships

(million
kyats)

Sr	Particulars	F-12 Current account of Kanpetlet	F12 Current Account of Kyunsu	F12 Current account of Namhsan	Total
1	2	3	4	5	
1	Opening Balance	0.001	-	0.010	0.011
2	Receipt	16.575	20.700	17.226	54.501
	Transfer	16.575	20.200	16.026	52.801
	Deposit (Paid back)	0	0.500	1.200	1.700
3	Disbursements	16.565	20.699	17.225	54.489
	- Purchase of furniture and materials for office use	2.125	1.266	3.000	6.391
	- Paid rental/ travelling allowance	4.040	15.934	4.220	24.194
	- Fuels and medical equipment	8.014	0.847	5.783	14.644
	- Making the mail box	1.300	1.467	1.650	4.417
	- Photocopying charges and miscellaneous	1.086	1.185	0.772	3.043
	- Prepayment by 3 organizers	-	-	0.800	1.800
4	Balance as at 31-3-2014	0.011	0.001	0.011	0.023
5	Actual balance at DA-B account	0.011	0.001	0.001	0.013

40. The following factors were found out in inspecting the abovementioned expenditures of DA-B –

Kanpetlet Township

41. According to inspection performed on expenditures spent from the DA-B account in Kanpetlet Township –

- (a) incomplete record of invoice number in monthly payment invoices and incomplete documentation on details of rental of training classroom, expenditures in relation to refreshments offered at the training
- (b) recording of uses of fuel for the motor vehicles and receipts in the registration book only by pencil, not in ink; procurements cannot be checked and balanced with payment invoices ; receipts and disbursements statement is not systematically prepared; incomplete documentations of travelling information on exact date, reason of travelling and regions;
- (c) According to the inspection performed in the office of Department of Rural Development, budget approved for purchase of furniture was 1,375,000 kyats but actually spending was made 1,400,000 kyats. So, over spending of 25,000 kyats was found as at 15-5-2014. When prepayment of fuel expenses were given for the motorcycles to be used by the advisory committee cooperatively working together with the department, refund of 500,000 kyats and 363,700 kyats were paid back into F12 current accounts on 28-4-2014 and 26-6-2014 respectively.

Kyunsu Township

42. Actual receipts by Kyunsu Township were 20.200 million kyats out of which spending was made 20.699 and the rest were paid pack into bank accounts. According to inspection made in the office of the Department of Rural Development, money was paid back into the bank account as follow:
- (a) 500,000 kyats were paid back into F12 bank account as refund of travelling expenses by 2 staff of Department of Rural Development to attend the accounting training at Nay Pyi Taw and 4 organizers
 - (b) The bank balance as at 31-3-2014 is 755 kkyat and amount receivable is 229,400 kyats and prepayment of travelling expenses 5,795,000 kyats were not yet clarified in March 2014. Impermissible Telephone charges 6,900 kyats of an organizer and the balance amount of 222,500 kyats were already deposited into F12 current account with voucher number (3) as at 23-5-2014.
 - (c) prepayment of 5,797,000 taken by an organizer and public technical office who are still remaining to make clearance for March 2014 was cleared in May 2014. Here, actual spending was 5,173,200 kyats and the balance of 623,800 kyats were deposited into F12 bank account with voucher number (37) as at 5-5-2014

Namhsan Township

43. According to inspection made for expenditures of DA-B account in Namhsan Township, the following factors were found –
- (a) Requirement to claim the approval to all levels of responsible persons and maintain all invoice vouchers as total issued amount was 17,224,600 kyats and evidence or invoice vouchers for only 16,226,480 kyats could be submitted and those for the remaining 998,120 kyats cannot be submitted, according to clearance

of the bank statement of DA-B accounts of Township Department of Rural Development

- (b) Lack of document submission on evidence of approval for rental of motorcycles, records of travelling, record of performance during field visit or on-site inspection, specified rates of rental, travelling memos in terms of fuel usage, performance and receipts and usage of fuel.

Inspection on lists of Office Assets

44. Money withdrawn from DA-B account and paid directly from the World Bank for CDD project was used for purchase of the following office assets

Table (4)

Office Assets purchased for the CDD Project

Sr	Commodities	Unit	Quantity	Value (Kyats)
1	2	3	4	5
1	Server	set	2	5,356,800
2	NB- Note Book Computer	set	20	16,929,040
3	DVD Communication Equipment	set	4	5,800,000
4	Still Communication Equipment	set	8	3,720,000
5	Fax	set	2	388,800
6	Colour Laser Printer	set	4	776,660
7	BW Laser Printer	set	8	2,306,600
8	Motorcycle	unit	57	43,800,000
9	Chair	unit	35	630,000
10	Projector Screen	set	4	4,311,936
11	Photocopier	piece	2	3,628,800
12	Desktop Computer	set	16	10,772,560
13	Scanner	set	1	69,120
14	Long Term UPS	set	6	2,040,000
15	Mobile Hard Disk	set	8	588,000
16	Conference Room Table	piece	1	341,500
17	Office Table	piece	25	1,193,750
18	Cabinet	piece	5	550,000
19	Book Case	piece	10	1,450,000
20	2 Station Wagon and 2 (4x4) Pick-ups	-	4	121,132,000
21	Office Furniture	-		3,052,600
22	Powered Schooner (Kyunsu Township)	Unit	5	16,250,000
23	TV, Refrigerator, water cooler, heater	Set	4	1,811,000

24	Canon Fax Machine 4750	Set	3	324,000
25	Canon Image	Set	3	5,462,000
26	Generator 110 kw Dynamo, 3 k battery, and generator stool	Set	2	2,390,000
Total				255,075,166

45. In checking lists of assets sent to the above project areas from the abovementioned assets in relevant townships, some differences were found as follow in some other townships except Kyunsu township. But, in checking at the Department (Head Office) for the remaining assets, it is consistent with the lists.

Table 5
Physical check on the assets sent to three project townships from head quarter

No	Items	Unit	Account	Actual	Increase/ Decrease	Remark
1	2	3	4	5	6	7
Kanpetlet						
1	Canon MS 4950 Fax Machine	item	1	-	(-) 1	
2	Desktop Computer	item	2	1	(-)1	Damaged and sent back to HQ
Nant San						
1	Bookshelf	item	1	-	(-)1	
2	3KV Battery	item	1	-	(-)1	
3	DVD Communication	item	1	-	(-)1	
4	Still Communication	item	2	-	(-)2	
5	Long term UPS	item	1	2	(+)1	received 5/2014
6	Motorbike	item	21	21	-	
7	Generator (10KW Dynamo)	item	1	1	-	Only 5KW Dynamo received

Difficulties reported by the village community

46. The following difficulties have been found through discussion with village community and the reports and suggestions by the community polls in Kanpetlet Township.

- (a) Since the people are not familiar with the shopping method, it takes time and is costly in travelling for purchasing goods. So it is suggested that it would be better if there is a phone communication for inquiring the market price.
- (b) It is suggested that two accountants should be stationed here and community organizers should come once a week or two, so that the works can be implemented in line with the standards and the accounts can be kept in relevant forms.

- (c) With the highest education level of the Complaint-solving committee members at grade 5 and the lowest at grade 3, very few villagers are literate that they find it so difficult to fill in the forms. And there are so many forms to be filled in and there is only one accountant to do it monthly.
- (d) Public polls suggested that fund should be increased.

Actions to be taken

47. According to the findings from the works and accounts of CDD Project, which is carried out within 2013-2014 Fiscal Year with the help of World Bank, the following actions are required to be taken.

(a) Union

- (1) Quarterly financial reports should be written regularly. [Report clause: 15(e)(f)]
- (2) Advanced money should be settled immediately. [Report clause: 15(g)]
- (3) Quarterly and annual budget should be set. [Report clause: 17]
- (4) Refund is required to give back to DA-B account. But it has been returned to Rural Development Department (HQ), resulting in decreasing the expenditure of DA-B account. [Report clause-20]

(b) Kanpetlet Township

- (1) Work could not be done within certain fiscal year as the remittance was made in 2013 March and 2014 April. [Report clause: 23, 24]
- (2) Of the works in the project, field works are required to be carried out quickly. [Report clause: 28(a)(b)(c)]
- (3) Technical Assistants are required to supervise for necessary technical trainings so that works can be implemented in its standards, and community organizers are required to outdo so that community can fill in the forms of expenditures and meeting minutes completely. [Report clause: 30]
- (4) With no complete receipts for expenses from DA-B account, it is required to fill in the form for fuel use for vehicles. [Report clause: 41 (a) (b)]
- (5) Assets from Union are required to be sent completely. [Report clause: 45, Table (5)]
- (6) Difficulties reported by the community of Kanpetlet Township are required to be taken action. [Report clause: 46 (a) (b)]

(c) Kyunsu Township

(1) Cash in hand is required to put quickly back to the relevant bank accounts.
[Report clause: 31 (a) (b)]

(2) Plumbing works in process are required to be completed the soonest.
[Report clause: 32]

(3) Although 15 community organizers are employed to supervise in each village and they are weak to do field works to the villages. And although four community technical trainers are employed, they are weak to carry out field works. Therefore, it is required to supervise by reviewing it.
[Report clause: 33]

(d) Namhsan Township

(1) Cash in hand is required to put quickly back to the relevant bank accounts.
[Report clause: 34 (a)]

(2) Field works are required to be carried out completely.
[Report clause: 34 (b) (1) (2)]

(3) Pricing should be in line with the actual market price, since it is found that there are differences in price and rates between them when project works are audited. So, it is required to get it return at actual rate and price.
[Report clause: 35, 36]

(4) Receipts for travelling cost, expenses and fuel uses are required to be in line with the financial regulation.
[Report clause: 38]

(5) It is required to attach expenditures receipt of DA-B account and it should be approved by different levels of responsible persons.
[Report clause: 43 (a)]

(6) It is required to present the rate for motorbike rental and trip reports for fuel uses.
[Report clause: 43 (b)]

(7) Assets from Union are required to be sent completely. Of the motorbikes, the three damaged ones are required to be changed with new ones by the buyer. And for the generator, the 5 KW Dynamos should be replaced with 10 KW Dynamo.
[Report clause: 45, Table (5)]

Auditor's Opinion

48. The balance for funds and expenditures within the first year (from 14 November 2011 to 31 March 2014) of the CDD Project, which is cooperated by the Department of Rural Development and the World Bank, was drawn by the World Bank.

49. Although we have worked with necessary documents and records as of 31 March 2014, we could not make it to audit in some townships because of their remote locations, bad transportation and unfavorable climate condition. Therefore, we could do the fieldworks between 10 % and 17.09 %.

50. In terms of the findings on the funds, goods and accounts of the project implementation, we assume the works and accounts, except the Report clauses: 15 (e) (f), 17, 20, 28 (a) (b) (c), 30, 31 (a) (b), 32, 34 (a) (b), 35, 36, 41 (a) (b), are reasonable.

[Signature]
Naing Thet Oo
Director General

Date: 2014 October