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**The Republic of the Union of Myanmar**  
**Office of the Auditor General of the Union**  
**Audit Department**

**Management Letter**

**on**

**financial statements of Myanmar Extractive Industries Transparency**

**Initiative (MEITI) Project**

**for the 6-month period from April to September 2018**

**funded by World Bank**

**implemented by**

**Budget Department, Ministry of Planning and Finance**

**Date; 14<sup>th</sup> May, 2019**

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Management letter on the financial statements of Myanmar Extractive Industries Transparency Initiative Project for 6-month period from April to September 2018 funded by World Bank, implemented by Budget Department, Ministry of Planning and Finance

**Introduction**

1. The financial statement of Myanmar Extractive Industries Transparency Initiative Project, for 6-month period from April to September 2018 funded by World Bank, implemented by Budget Department of Ministry of Planning and Finance which were prepared in accordance with Generally Accepted Accounting Principles (GAAP), have been audited in accordance with Generally Accepted Auditing Standards (GAAS).

**Audit Findings**

2. In order to strengthen the current internal control system and project implementation, the management should take necessary action to the following audit findings:

**(a) Consultants' Performance Process**

(1) **Audit findings:** It is found that at the time of auditing in March 2019, the consulting firms being hired as the Independent Administrators (IA) for the World Bank Grant funded Myanmar Extractive Industries Transparency Initiative (MEITI) Project were not able to perform their activities as per the timeframe set in the signed contracts as follows:

No.	Name of Consulting Firm	Activities Needed to perform	Submission Deadline as per the contract	Actual Completion date
1.	Moore Stephens (Forestry IA)	Draft EITI Report	26.2.18	30.4.18

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		Final Report	11.3.18	-
		Summary Report	31-3-18	-
2.	Pricewaterhouse Coopers Myanmar Co., Ltd	Draft Report	7.2.19	-

(2) **Criteria:** The criteria are as follows:

(aa) As per the ANNEX-B of the Consultants Reporting Obligations of the Contract No. MEITI-CS 002/2017 in Phase 5: Completion, the consultant is required to submit the Draft EITI Report on 26.2.18, Final Report on 11.3.18 and Summary Report on 31.3.18 respectively.

(bb) As per the ANNEX-B of the Consultants Reporting Obligations of the Contract No. MEITI-CS 003/2018 in Phase 4, the consultant is required to submit the Draft EITI Report on 7.2.2019.

(3) **Causes and conclusion:** We found these issues due to the following Causes:

It was stated in the contract that the IA has to prepare the second and third Myanmar EITI Reports in two languages in English and in Myanmar. The contracted IA was able to submit EITI Reports in English language to International EITI Secretariat on March 31, 2018. However, it was found that IA failed to complete translation work into Myanmar language of Myanmar EITI Reports.

Similarly, it was stated in the contract that the Forestry IA has to prepare the report in two languages in English and in Myanmar. The contracted IA

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was able to submit the report in English language to MSG on January 9, 2019. However, it was found that IA has failed to complete translation work of report into Myanmar language.

The Pricewaterhouse Coopers, Myanmar Co. Ltd. (PwC) was contracted to prepare and the 4<sup>th</sup> Myanmar EITI Report and the draft report was sent on February 11, 2019. The delay is due to updating the report for feedbacks and inputs received from the MSG members, International EITI Secretariat and concerned departments and organizations.

In this regard, the MEITI Unit of Budget Department and the National Coordination Secretariat for Myanmar Extractive Industries Transparency Initiative Project need to be worked in coordinated manner with concerned departments, organizations and as well with MSG members for timely completion of EITI Reports.

**(4) Recommendations:** It is needed the MEITI Unit of Budget Department and the National Coordination Secretariat who is taking technical responsibility work together prioritizing for IA's work to be completed as per the timeline of the contract by coordination with concerned departments for EITI Templates.

**(5) Management's Representation:** Through the manner submitting the cases to the MSG, the MEITI Unit of Budget Department will work with the National Coordination Secretariat of Myanmar EITI for coordination with concerned departments for completion of EITI Templates regarding IA's work to be completed as per the timeline of the contract in the future.

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### (b) Condition of grant's receiving and spending

(1) **Audit Findings:** During the period from April to September 2018, grant received from the World Bank into bank account OA-011953 was MMK 400.000 which is equivalent in USD 300,007.50 for implementation of work plan activities of Myanmar EITI Project and also received MMK 45.164 as redeposit for settlement of cash advances. During the reporting period from April to September 2018, receipt and payment of grant was as follow;

Sr.	Description	EDE-600011 (USD)	OA-011953 (MMK)
1	1-4-18 Opening Balance	66,894	57,522,889.89
2	Funds received during the year	-	445,163,852.49
3	Use of funds during the year	12,261	344,104,865.08
4	30-9-18 Closing Balance	54,633	158,581,877.30

During the year, the actual expenditures spent in foreign currency was USD 12,261 and it had been expended 18.33% of funds received from the Grant with remaining 81.67% remained as unspent balance. On the other hand, the actual expenditures in Myanmar Kyat was MMK 344,104,865.08 that is 68.45% utilization of funds received from the Grant and therefore, it was found that the 31.55% of funds remained as unspent balance.

(2) **Criteria:** As per best practices, grants are needed to spend timely.

(3) **Causes and Conclusion:** Due to incompleteness of works as described in signed contracts and due to the redeposit of unspent balances for the advances taken for project expenses, Payments for consultant services for

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Independence Administrators (IA) could not be made. It is needed to spend grant with closely estimated amount.

(4) **Recommendations:** It is needed that with the supervision of MSG, the MEITI Unit of Budget Department and the National Coordination Secretariat should manage and use the foreign assistance grant effectively.

(5) **Management's Representation:** Work plan activities for the Myanmar EITI Project are implemented as per the MSG's decision only. As such, under the MSG's leadership and with all possible efforts, the MEITI Unit will work together in coordinated manner with the National Coordination Secretariat of Myanmar EITI Project and with members of sub-committees and task teams who represented for three stakeholder constituencies to spend the grant timely and effectively.

### (c) Condition of Cash Advances received and payment

(1) **Audit Findings:** We found that estimation of cash advances for the implementation of EITI work plan activities were not closed enough to the actual expenditure amounts and also found that these cash advances were settled later after taken multiple times of cash advances as follow:

Sr.	Description	Cash Advance Date	Cash Advance Amount (MMK)	Actual Expense (MMK)	Percent age Utilization	Settlement Date
1	Work Plan and Governance Sub-Committee Meeting	4-4-18	712,000	211,150	29.65	10-5-18

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2	Technical and Reporting Sub-Committee Meeting	4-4-18	632,000	125,100	19.79	10-5-18
3	Communication and Outreach Sub-Committee Meeting	4-4-18	662,000	170,779	25.79	10-5-18
4	Beneficial Ownership Workshop (NPT)	24-4-18	580,000	340,200	58.67	30-5-18
5	Beneficial Ownership Workshop (YGN)	24-4-18	225,000	104,000	46.22	30-5-18
6	Technical and Reporting Sub-Committee Meeting	7-6-18	1,030,000	396,350	38.48	13-7-18
7	NCS Operation Cost (June & July)	22-6-18	8,154,000	4,401,407	53.98	31-8-18

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8	Pre Meeting for Press Conference	22-6-18	1,365,000	405,990	29.74	30-7-18
9	Selection Committee Expenses	5-7-18	586,000	108,500	18.51	24-7-18
10	Mining Cadastre Sub-Committee Meeting	17-7-18	1,380,000	485,800	35.20	6-8-18
11	Selection Sub- Committee Meeting	26-7-18	580,000	127,400	21.96	28-8-18
12	Selection Sub- Committee Meeting	16-8-18	586,000	119,500	20.39	19-9-18
13	Technical and Reporting Sub- Committee Meeting	16-8-18	685,000	55,000	8.03	19-9-18

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(2) **Criteria:** The criteria are as follows:

(aa) As per the generally accepted best practice, it is needed to withdraw cash advanced by calculating the nearest to the actual expenses.

(bb) Under the heading “Cash Advance for the Project Activities” of Myanmar EITI Project Implementation Manual, it was stated that “Cash Advances must not be made to personnel who have previously un-cleared cash advance”.

(3) **Causes and conclusion:** Due to cash advances for the expenses not withdrawn the nearest to the actual expenses, it is needed to withdraw the cash advances the nearest to the actual expenses

(4) **Recommendation:** It is needed that with the support of MSG, the responsible personnel at every level of Budget Department should scrutinize the requested cash advance amounts whether these amounts are being calculated on the basis of itemized cost estimates which are the nearest to the actual expense amounts.

(5) **Management’s Representation:** Work plan activities for the Myanmar EITI Project are implemented as per the guidance and decision of MSG. The National Coordination Secretariat (NCS) of Myanmar EITI Project and the MEITI Unit of Budget Department are doing Secretariat function by dividing the function of technical and external relation to be handled by the NCS and procurement and finance function to be done by the MEITI Unit of Budget Department. The National Coordination Secretariat (NCS) of Myanmar EITI Project calculates the cost estimates for cash advances

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for the implementation of EITI work plan activities such as for meetings, workshops and for events. In order to cash advance amounts to be the nearest to the actual expense amounts, the MEITI Unit of Budget Department will scrutinize the requests for cash advance disbursements by comparing with the corresponding historical actual expenses being made before by the MEITI Unit.

### **Miscellaneous**

3. This Management letter is intended to use as the internal information of the Myanmar Extractive Industries Transparency Initiative Project funded by World Bank implemented by the Budget Department of the Ministry of Planning and Finance.

(Signed)

Khine Khine Aung  
Director General

Date; 14<sup>th</sup> May, 2019

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