

FINANCIAL MANAGEMENT ASSESSMENT

A. Introduction

1. The Financial Management Assessment (FMA) has been performed for Yangon City Development Committee (YCDC) of Myanmar for the proposed Yangon City Water Resilience Project. The primary objective of the assessment is to gain confidence that the YCDC has adequate financial management system to properly manage and control the program as the implementing agency (IA).

2. The FMA has been prepared in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects (2005), the Financial Due Diligence - a Methodology Note (2009) and the Financial Management Technical Guidance Note (2015).¹ This FMA incorporates the Financial Management Internal Control and Risk Management Assessment required by the Guidelines. The process is designed to assess (i) fund-flow arrangement, (ii) staffing, (iii) accounting and financial reporting system, (iv) financial information system, and (v) internal and external audit arrangements, in order to estimate the potential risk in each category. It also includes provision of risk mitigation solution for the identified risk factors. The assessment was based on the results of the FMA questionnaires, discussions with officers from the YCDC and information available through various reports.

B. Project Description

3. The project will address urgent water infrastructure needs associated with bulk water supply in Yangon City. It will support the government's strategies to make its cities more livable through the provision of better and more widespread urban water services. The project will (i) construct a new intake infrastructure at Ngamoeyeik reservoir with about 818 million liters per day (MLD) capacity, a pumping station, and a dedicated bulk water conveyance pipeline of about 34 kilometers (km) from Ngamoeyeik reservoir to Nyaungnhapin WTP to facilitate transfer of bulk water to Yangon City; and (ii) strengthen institutional capacity to operate and manage water services to reinforce Yangon City's water supply security and directly benefit about 800,000 people. The project is the first of a series of phased interventions to deliver a water-secure future for Yangon City.

C. Country and Sector Financial Management Issues

4. ADB's Myanmar Country Partnership Strategy (CPS)² for 2017-2021 notes that while the Government of Myanmar (GOM) in recent years has improved public financial management (PFM), it remains characterized by weaknesses in institutional structures, aggregate fiscal discipline, allocation of resources, and service delivery.

5. The country PFM arrangements were assessed in May 2013 by the World Bank,³ using the Public Expenditure Financial Accountability's (PEFA's) Performance Measurement Framework. This was the first comprehensive review of Myanmar's PFM. The assessment suggests that Myanmar's fiscal system is facing a substantial fiscal risk. The internal central PFM

¹ ADB. 2005. *Financial Management and Analysis of Projects*. Manila.

ADB. 2009. *Financial Due diligence: A Methodology Note*. Manila.

ADB. 2015. *Financial Management Technical Guidance Note*. Manila.

² ADB. 2017. *Country Partnership Strategy, Myanmar 2017-2021*. Manila.

³ World Bank. 2013. *Republic of the Union of Myanmar – Public Financial Management Performance Report*. Report No. 77728 v2, May.

environment is relatively weak, and the central oversight function is narrow and underdeveloped. There is a lack of strategic approach to PFM with the central oversight agency focusing more on low value processes than on analysis of results and impact of spending. Public fiscal information in Myanmar is also quite limited. The weak control environment combined with limited budget comprehensiveness and transparency suggest a system that is open to fiduciary risk.

6. The PEFA assessment also indicates that Myanmar's PFM system is highly informal, which means there is lack of foundational legal underpinnings and it is not fully clear which regulations are legally in force. Significant changes in PFM practices are being made without updating the governing rules and regulations. Significant leeway has been given to agencies to determine policy implementation. This has made the current PFM system under-regulated and largely practice-based.

7. In common with many DMCs, Myanmar has a shortage of skills in general management, financial management, financial analysis, and management accounting. In particular, few accounts staff possess practical skills beyond basic book-keeping. The accounting and financial reporting system is still largely manual and paper-based, which delays the production of final reports. However, the reconciliation processes are mostly well documented, appear adequate, and are applied with sufficient rigor to provide some confidence in the accuracy of the reports.

8. The budget classification was not consistent with international standards, and the information provided in the annual budget documentation was not comprehensive. A large share of extra-budgetary expenditure as well as data on donor-funded projects was not included in fiscal reports. The inter-governmental fiscal transfer system had insufficient transparency regarding applied rules for resource allocation, and information on transfers to states/regions was provided very late in the process. The Ministry of Planning and Finance's (MOPF) fiscal risk oversight of state economic enterprises was limited. While transparency had increased, for example with the publication of an annual budget summary, public access to key fiscal information was generally very limited.

9. The GOM's PFM reform framework focuses on enhancing transparency and accountability as well as strengthening systems for oversight and control of spending, revenue collection, institutional restructuring, clarification of roles and responsibilities, and building capacity. It covers a 12-year period and is based on a phased approach. An action plan has not been prepared and the GOM instead collaborates with the World Bank and other development partners to implement the 'Modernization of PFM' project (2015-2019), which functions as a de facto action plan. The approach is understandable from a practical perspective, but also means that elements not covered by the project (e.g. internal audit) lack a formalized focus. The MOPF in November 2016 prepared a draft update 'PFM System Reform Strategy' that aims to address a number of issues, including the amendment of financial rules and regulations, development of a Public Finance Law, and further implementation of the MTFF. Overall, it appears that the MOPF is committed to and has a strong ownership of the GOM's PFM reform initiatives. A number of bilateral and multilateral development partners, including ADB, as well as some national and international non-government organizations provide support to the GOM for PFM reform.

10. ADB's draft 2017 Governance Risk Assessment (GRA) for Myanmar⁴ notes that since 2011 there has been progress in PFM reform, but that considerable room for improvement remains. The GRA concurs with the findings of other international agencies that the PFM system has only recently begun adopting international best practices. However, the GOM in 2012-2013

⁴ ADB. 2017. Country Governance Risk Assessment – Myanmar. Manila.

notably collaborated with the World Bank in conducting the country's first-ever PFM review to establish a baseline for reform. On that basis, the GOM in 2013 developed a PFM reform strategy that, over three phases from 2013 to 2019, focuses on modernizing the PFM system by developing the capacities of different entities, including the MOPF and the Office of the Auditor General (OAG). These developments are significant and the initial steps in an improvement process that will take some years to complete.

D. Project Financial Management System

11. **Fund flow arrangements.** ADB will provide United States dollar loans to the GOM through MOPF, which will on-lend to YCDC. Direct payment procedures will generally be used for civil works, equipment contracts and consulting service contracts. As existing Official Development Assistance (ODA) fund is disbursed only in direct payments, it's noted that the YCDC has no experience in managing imprest account.

12. **Staff.** Most of the staff in finance division are qualified to perform general accounting work and currently, eight staff are working for other ODA projects with Japan International Cooperation Agency (JICA) and the World Bank. Finance division plans to allocate 2 personnel for ADB project, however, they have no experience with ADB financial management policies and implementation procedures, and staff capability is not sufficient to meet the international standards.

13. **Accounting policies and procedures.** The YCDC prepares financial statements in accordance with Myanmar Accounting Standard and follows Government Accounting Procedure prescribed by MOPF that the government agencies are obliged to adopt. It mainly uses cash-basis single-entry accounting system that is based on practices and accounting manuals established in the 1960s. The YCDC maintains chart of account and reconciles the general ledger with subsidiary ledgers regularly, but it has very low levels of computerization with an accounting system still entirely paper-based and few computers in use for spreadsheet analysis and reporting. The YCDC retains the accounting and supporting documents for 10 years. The YCDC is developing the accounting guideline together with JICA under one of the capacity building programs. The draft guideline will be submitted by end of 2020 and disseminated to the staff accordingly.

14. **Segregation of duties.** The organizational system of the YCDC ensures adequate segregation of duties. All the divisions are allowed to place orders, the support division is responsible for receiving, head of budget and accounts department has authorization of payment and the expense management unit under finance section is responsible for accounting. All the important activities such as authorization, recording, payment and reconciliations are segregated and carried out by different officers.

15. **Budgeting and variance management.** The YCDC has formal budget formulation processes. The YCDC takes guidance from the Yangon Regional Government (YRG) on the overall budget envelope, and then prepares initial work programs and associated budgets. These are reviewed and approved by the YRG, which then submits a consolidated budget for the region to the Ministry of Finance and Planning, which in turn forwards them to parliament through the President's Office for approval. While budget statements are prepared on a monthly basis, they are rudimentary. Monitoring of budgets is limited by the low level of computerization that makes it difficult to produce meaningful financial reports. Together with an absence of modern management practices, budget monitoring is not used as a meaningful management tool. Variance analyses are prepared on a monthly basis; but are also done in a simplistic manner.

Under the new Budget Law issued in 2013, loaned funds may be required to be included in the municipal budget.

16. **Payment.** The YCDC makes payments against invoices and other supporting documents submitted for payments to the accounts division. As Engineering Department (Water Supply and Sanitation) (EDWS) does not have independent treasury function, all payments are required to get approval from the YCDC's budget and account department. The payment procedure is regulated by the standard operating procedure issued in 2019.

17. **Cash and bank.** The YCDC generally makes payment via cheque or electronic transfer. YCDC's authorized signatories for bank accounts are the head of budget and accounts department and the head of administration department. Bank and cash are reconciled on a monthly basis by the accounts division.

18. **Safeguards over assets.** The YCDC takes physical inventories and examines fixed assets and stocks periodically and reconciles at year-end. Any discrepancies identified between the physical inventory and the records are reported. The YCDC doesn't have insurance coverage for its assets.

19. **Internal audit.** The YCDC has an internal Audit Office under the supervision of the Budget and Accounts Department. This organizational arrangement is not sound since it doesn't guarantee the independence to monitor the line department in unconstrained manner. However, it is acknowledged that this internal audit office is separately located in the city hall where only high-level management offices are located and there is proper procedure in place where internal auditor can report the findings to the management directly and independently. Internal audit is conducted regularly on 20 divisions on rotation basis.

20. **External audit.** Entity financial statement of the YCDC is audited by the Yangon Regional Office of the Auditor's General in accordance with Myanmar Standards on Auditing. Normally external auditing is done on yearly basis and the audit report is issued within 3 months after the final accounts are received. In the context of the project, the project PMU's consolidated financial statements will be audited by the Auditor General. However, the audit general is not aware of audit procedure and requirements of ADB project financial statement audit, which is required to be in accordance with international standards on auditing.

21. **Reporting and monitoring.** The YCDC's financial performance, including budget disbursement status, is required to be reported in regular basis. The YCDC prepares monthly financial statement in accordance with Myanmar Accounting Standard issued by Union Budget Department. However, all bookkeeping tasks are done manually using ledgers and other paper-based records. While reporting is done on a monthly, quarterly and annual bases, the lack of computerization means that the processes of aggregation and reconciliation can take up to three months. This significantly delays the production of reports, and as a consequence limited analysis is undertaken that weakens the usefulness of reports for management.

22. **Information system.** The YCDC has not adopted any Financial Management Information System (FMIS). Accounting software is not available in the finance & administration department. All the financial information is generated on manual basis and retained in paper format. In 2019, ICT expert was hired to improve IT environment of the company and is assigned to design the road map for the implementation and utilization of the accounting software. The pilot program will launch in 2020.

E. Risk Description and Rating

23. The FMA reviewed two types of risks (i) inherent risks, i.e., risks outside the direct control of the entity's financial management, and (ii) control risk, i.e., risks concerning the internal functioning and control of the entity's accounts division. The following key risks have been identified. Based on the assessment, it is concluded that the overall project financial management risk, pre-mitigation, is *Significant*. The result of risk management assessment is summarized in Table 1.

Table 1: Risk Management Assessment

Risk type	Risk Rating	Risk Description	Mitigation Measures
A. Inherent Risk			
1. Country-Specific Risks	H	<ul style="list-style-type: none"> • PFM system is underregulated and largely practice-based • Weak management skills and capacity • Budget allocation is not transparent, inconsistent and not predictable • Internal control environment is relatively weak • International accounting standards are not fully adopted • Accounting and financial reporting system is still largely manual and paper-based 	<ul style="list-style-type: none"> • Various ADB TAs are in place to provide capacity building to strengthen PFM arrangements, including raising public accounting and auditing to international standards • Other development partners are also pursuing PFM reforms in budgeting, public expenditure and PFM systems
2. Entity-Specific Risks	S	<ul style="list-style-type: none"> • Due to current organization restructuring, large number of employees is shuffled and take a new role • Entity doesn't have experience of ADB project. 	<ul style="list-style-type: none"> • Entity status will be closely monitored and discussed • Specific terms of reference will be developed for PMU staff and for the design and supervision consultants • Intensive training will be provided to strengthen the capacity
Overall Inherent Risk		<i>Significant</i>	
B. Control Risk			
1. Implementing Entity	M	<ul style="list-style-type: none"> • While the YCDC is currently implementing JICA financed project and has handled several other ODA programs, institutional and staff capacity to implement and monitor donor-funded projects is moderate • Fundamental problem such as lack of policies, outdated guidelines, non-computerized system is the risk area where comprehensive institutional effort is required on long-term basis. 	<ul style="list-style-type: none"> • A project accounting system incorporating international accounting standards with increased focus on control functions will be installed at the PMU. • A stand-alone accounting software is recommended which will be complemented by recruiting a national consultant with good accounting background • Hands-on training and supervision will also be provided by international FM specialist

Risk type	Risk Rating	Risk Description	Mitigation Measures
2. Funds Flow	S	<ul style="list-style-type: none"> Insufficient experience in managing imprest account and unawareness of ADB disbursement policy may cause delay in fund flow and may be prone to errors in recording the transactions. 	<ul style="list-style-type: none"> Regular training on ADB's disbursement policies will be provided. EA/IA to liaise regularly with ADB to ensure that ADB guidelines are followed.
3. Staffing	S	<ul style="list-style-type: none"> The finance/accounting staff of the YCDC has insufficient knowledge and experience with the FM requirements and procedures of ADB projects 	<ul style="list-style-type: none"> International FM Specialist will train the PMU local staff on accounts recording and preparation of financial reports in accordance with ADB FM requirements. The PMU will be supported by a dedicated accountant who will be complemented by a national consultant with sufficient accounting background and experience.
4. Accounting Policies and Procedures	S	<ul style="list-style-type: none"> The capacity of YCDC staff to manage ADB funds and financial reporting in accordance with international standards is weak. 	<ul style="list-style-type: none"> Develop a project-specific financial management manual for the PMU and provide financial management training to the YCDC.
5. Internal Audit	S	<ul style="list-style-type: none"> Locating the Internal Audit Division under the Budget and Accounts Department created structural weaknesses in the YCDC's internal audit system. 	<ul style="list-style-type: none"> Capacity building will include a program to strengthen the internal audit function.
6. External Audit	S	<ul style="list-style-type: none"> The coverage and timeliness of the Yangon Region auditor general's project audit are deficient. 	<ul style="list-style-type: none"> ADB-endorsed audit TOR, scope, and requirement will be shared with the Yangon Region Auditor General in advance for the project financial statement audit. Detailed requirements will be discussed between YCDC, OAG and ADB.
7. Reporting and Monitoring	S	<ul style="list-style-type: none"> While reporting is done on a monthly, quarterly and annual bases, the lack of computerization means the processes of aggregation and reconciliation can take up to three months and is prone to inaccuracies. It also significantly delays the production of reports and leaves limited time for analysis, which weakens the usefulness of reports for management 	<ul style="list-style-type: none"> Mid/long term road map for ICT strategy in implementing and utilizing technology to strengthen operation and management quality will be designed. The project will support the installation of financial management information system software and training in its use.
8. Information Systems	H	<ul style="list-style-type: none"> FM is almost exclusively done manually, The YCDC has no computerized FMIS 	

Risk type	Risk Rating	Risk Description	Mitigation Measures
		<ul style="list-style-type: none"> The excel-based accounting system in use by the YCDC leads to improper record-keeping and mistakes. 	
Overall Control Risk		<i>Significant</i>	

ADB = Asian Development Bank; EA = executing agency; FM = financial management; FMIS = Financial Management Information System; IA = implementing agency; ICT = information and communications technology; JICA = Japan International Cooperation Agency; PFM = public financial management; PMU = project management unit; TA = technical assistance; YCDC = Yangon City Development Committee
H=High, S=Significant, M=Moderate, L=Low.

F. Proposed Time-Bound Action Plan

24. The YCDC and ADB have agreed an action plan to address the following issues that the FMA identified. The financial management action plan is provided in Table 2.

Table 2: Risks and Mitigation Plan

Risk Description	Mitigation Actions	Responsibility	Timeframe
1. Fund Flow (S) The YCDC has no experience in managing imprest account and is not aware of ADB disbursement policy.	Training on ADB disbursement guideline will be provided	ADB/YCDC	Mar 2021
2. Staff (S) The finance/accounting staff of the YCDC has insufficient knowledge and experience with the FM requirements and procedures of ADB projects.	Training on ADB FM requirements will be provided	ADB/YCDC /PMU	Dec 2020
3. Accounting Policies and Procedures (S) The capacity of YCDC staff to manage ADB funds and financial reporting in accordance with international standards is weak.	Develop a project-specific financial management manual for the PMU and provide financial management training to the YCDC.	ADB/PMC	Mar 2021
4. Internal Audit (S) Locating the Internal Audit Division under the Budget and Accounts Department created structural weaknesses in the YCDC's internal audit system.	Provide a capacity-building program to strengthen the internal audit function.	ADB/YCDC	Jun 2021

Risk Description	Mitigation Actions	Responsibility	Timeframe
5. External Audit (S) The coverage and timeliness of the Yangon Region auditor general's project audit are deficient.	ADB-endorsed audit TOR, scope, and requirement will be shared with the Yangon Region Auditor General in advance for the project financial statement audit.	YCDC/OAG	Jun 2021
6. Reporting and Monitoring (S) Due to lack of FMIS, data aggregation and reconciliation take significant time, which leads delay in reporting and degrade of the reporting quality.	The YCDC will launch the pilot program in finance division utilizing IT system in operations.	YCDC	Mar 2021
7. Information Systems (H) The excel-based accounting system in use by the YCDC leads to improper record-keeping and mistakes.	The project will support the installation of financial management information system software and training in its use.	YCDC/PMC	Dec 2021

ADB = Asian Development Bank, FM = financial management, FMIS = financial management information system, IT = information technology, OAG = Office of Auditor General, PMU = project management unit, PMC = project management consultant, TOR = terms of reference, YCDC = Yangon City Development Committee.

**APPENDIX
FMA QUESTIONNAIRE**

Topic	Response	Remarks
1. Executing and Implementing Agencies		
1.1 What is the entity's legal status / registration?	The implementing agency (IA) for the project is Yangon City Development Committee (YCDC), established in 1985 as administrative body to maintain and develop the City of Yangon (33 townships, part of the Region of Yangon managed by the Yangon Regional Government), formerly the Rangoon Municipal Committee.	Institutional arrangements defined in the ADB Aide Memoire in May 2019.
1.2 Has the entity implemented an externally-financed project in the past (if so, please provide details)?	<p>Yes. EDWS as part of YCDC, started managing ODA loans in 1974 with the ADB's Phugyi Dam Water Supply Project. Since 2014, YCDC implements the JICA's Greater Yangon Water Supply Improvement Project (MY-P15 JPY24 billion or US\$222 million).</p> <p>In 2017, YCDC signed a new subsidiary loan agreement with the MOPF for the implementation of a second JICA loan dedicated to water sector (MY-19 including 3 phases for a total amount of JPY43 billion or JPY68 billion or US\$630 million).</p> <p>The same year, YCDC signed a first subsidiary loan agreement with the MOPF for a first World Bank loan (total amount: US\$95 million). Departments involved are the ED-Buildings and EDRB (Roads & Bridges).</p> <p>JICA and World Bank procedures are different: the WB loan requires more involvement from EDWS (Administration & Finance Division) in terms of fiduciary management than JICA whose financial management is under the tight control of JICA Myanmar Office. Both projects are supported by Project Implementation TA.</p>	

Topic	Response	Remarks
1.3 What are the statutory reporting requirements for the entity?	<p>EDWS provides monthly activity report. It plans and manages its own budget (estimates, midterm estimates, actual) in tight cooperation and under the control of the YCDC Mayor and Secretary, and of the Budget and Account Department (YCDC).</p> <p>YCDC itself submits its annual budget estimate to the Yangon Regional Government for approval and incorporation within the YRG Budget.</p>	Not sure.
1.4 Is the governing body (EA) for the project independent?	EA is Yangon Regional Government (YRG) which is the local government. Project will be operated by IA (YCDC) independently. However, the budget support is available from the YRG to YCDC according to the budget law effected from 2013.	
1.5 Is the organizational structure appropriate for the needs of the project?	<p>Yes. The line endorsed by YCDC regarding Project implementation is to make responsive regular divisions managers and other YCDC officials within project implementation, and to avoid structured PMU as separate entity of the existing organizational Chart. There are no additional wages paid to YCDC officials involved within projects implementation.</p> <p>The WB project involves directly the Secretary as Project Director supported by a Project Coordinator. Three international consultants (short-term) support project organization on procurement, financial management and safeguards.</p>	Set up and precise positioning of the ADB's PMU, and also ToRs of an international TA need to be discussed.

Topic	Response	Remarks
2. Funds Flow Arrangements		
2.1 Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers.	 <p>Conventional funds flow arrangements are proposed with direct payments and use of an advance account at the YCDC level.</p>	
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Planning & Finance Ministry) to the entity satisfactory?	<p>The conditions of the on-lending (subsidiary loan agreement) are partly unsuitable, due to the lack of currency edging set up by the MOPF.</p> <p>Most of the proceeds will be implemented through direct payments which is satisfactory.</p>	
2.3 What have been the major problems in the past in receipt of funds by the entity?	YCDC has not faced any major problems in receiving funds to meet its obligations.	Under Budget Law issued in 2013, funds would need to be included in YCDC's budget: Investment section and debt service.
2.4 In which bank will the Imprest Account be opened?	Myanmar Economic Bank (MEB)	
2.5 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	No direct experience of ADB, but experience on JICA and World Bank project procedures.	
2.7 Does the entity have/need a capacity to manage foreign exchange risks?	YCDC receives payment request from the MOPF in US\$. The MEB manages exchange rate by itself. Low capacity of anticipation on depreciation.	No specific exchange rate risk hedging instrument at the level of the loan managers.
2.8 How are the counterpart funds accessed?	Counterpart fund are for taxes and duties. They will be managed by the MOPF.	Financing of the land and other environmental and social safeguards to be clarified.
2.9 How are payments made from the counterpart funds?	See above.	

Topic	Response	Remarks
2.10 If part of the project is implemented by communities or NGOs, does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	NA	
2.11 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	NA	
3. Staffing		
3.1 What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	The existing ED-WS has its own Administrative & Finance Division (2 sections) with 161 staff (41 in the Finance section), who acts in cooperation with the YCDC Budget and Accounts Department as umbrella department. Most staff have bachelor's degree in accounting. Two loan Officers have been designated within ED-WS to manage JICA loans. The head of DBA and 6 other staffs are involved within the financial management of the WB loan.	This organization should not change with the new Water Authority to be set up before the next fiscal year.
3.2 Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	The Head of the Admin. & Fin. Division of the Water Authority plus an accountant. At the DBA level, the same organization would be required.	To be sized in accordance with the PPM which is reduced to one main civil works contract and consulting services.
3.3 Is the project finance and accounting function staffed adequately?	Yes	
3.4 Is the finance and accounts staff adequately qualified and experienced?	Most staff are qualified and experienced to perform accounting work	
3.5 Is the project accounts and finance staff trained in ADB procedures?	No	
3.6 What is the duration of the contract with the finance and accounts staff?	Most of the finance and accounting staff have long term appointments	
3.7 Indicate key positions not contracted yet, and the estimated date of appointment.	All key positions are filled	

Topic	Response	Remarks
3.10 Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	Still to be provided.	
3.11 At what frequency are personnel transferred?	Low frequency regarding Finance.	
3.12 What is training policy for the finance and accounting staff?	There is YCDC training center. The staff are trained in basic and advanced accounting.	The PIU staff assigned to the project will need to be trained by an International FM Specialist on ADB procedures
4. Accounting Policies and Procedures		
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	YCDC maintain the account in accordance with the Government Accounting Procedure prescribed by the Ministry of Finance.	The project will use the IC's accounting system. The PIUs will also have an accounting system that will be installed by the International FM Specialist, aligned with the IC's system
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes	The PIU's project accounting system will be designed to ensure that adequate controls are in place
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes, adequate for YCDC. Project activities will have to be recorded in Budget and Financial statements in capital sections and debt service.	A chart of accounts appropriate to the project will be established by the international FM Specialist for use by the PIUs.
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes	IC undertakes the work with support from PIUs. Cost allocation will follow the proposed allocations as indicated in the LIN cost estimate.
4.5 Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes	The two books must be reconciled and exactly in balance.

Topic	Response	Remarks
4.6 Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes, but most of them are not computerized and/or scanned which limits easy access and use.	Those documents will have to be provided to Auditors and also allow to provide regular progress reports all along the project implementation
<i>Segregation of Duties</i>		
4.7 Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	Yes	Separate persons will authorize, execute and record transactions. This will also be outlined in the LIN
4.8 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes	The project will have these functions segregated. These will be described in the LIN.
4.9 Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes, preparation and payment is done by different persons. Approval for payments require signature of project manager	Bank reconciliation and payments will be made by different persons in IC/PIUs
Budgeting System		
4.10 Do budgets include physical and financial targets?	Yes. The budgets are matched to physical deliveries.	
4.11 Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes	Budgets are prepared to provide information on components of projects and on a monthly basis to aid management, as will be indicated in the LIN.
4.12 Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Yes. YCDC revises its budget three times a year and prepare detailed financial statements.	A report on budget utilization will be provided, which will also be indicated in the LIN.
4.13 Are approvals for variations from the budget required in advance or after the fact?	Approvals for variations from the budget are done in advance. The approval process takes three months at least.	
4.14 Who is responsible for preparation and approval of budgets?	The Budget & Accounts Department prepares the YCDC Budget based on the requests of the different departments and the expected revenues, and submits it to the City Committee and Mayor, and then to the Regional Parliament for endorsement.	

Topic	Response	Remarks
4.15 Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Not yet	Detailed procedures will be developed as project preparation continues. The IC will be responsible for all project components, to be supported by the PIU.
4.16 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes	
Payments		
4.17 Do invoice-processing procedures provide for: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations?	Yes	Work section checked the vouchers and budget and account department approve.
4.18 Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes	
4.19 Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes	Under control of salaries and costs section.
Policies and Procedures		
4.20 What is the basis of accounting (e.g., cash, accrual)?	Accounting is on cash basis	
4.21 What accounting standards are followed?	Myanmar Accounting Standard issued by Union.	Accounts are maintained in accordance with the Government Accounting procedure as prescribed by the Ministry of Finance.
4.22 Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	Yes. YCDC has clear policies and procedures for its current system.	The Project will have policies and procedures for its use that meet ADB requirements. This will be incorporated in the LIN.

Topic	Response	Remarks
4.23 Is the accounting policy and procedure manual updated for the project activities?	Yes	The accounting policies and procedures will be updated whenever needed
4.24 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity?	Yes	Only Ministry of Finance can issue revisions in accounting policies and procedures. YCDC is not authorized to establish a new accounting principle.
4.25 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes	Specific policies and procedures will be prepared for the Project and included in the LIN
4.26 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes	These will be clearly set out in the LIN.
4.27 Are manuals distributed to appropriate personnel?	Yes	Guiding documents issued by relevant authorities are distributed to appropriate personnel.
Cash and Bank		
4.28 Indicate names and positions of authorized signatories in the bank accounts.	Head of department of Budget and Accounts Department (Daw Ni Ni Aye) and Administration Department (U Kyaw Min).	
4.29 Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes	In addition, there is a cash management meeting organized monthly
4.30 Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes	
4.31 Are bank and cash reconciled on a monthly basis?	Yes	
4.32 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Review and approve by head of department	Review and approve monthly bank's statement
4.33 Are all receipts deposited on a timely basis?	Yes	

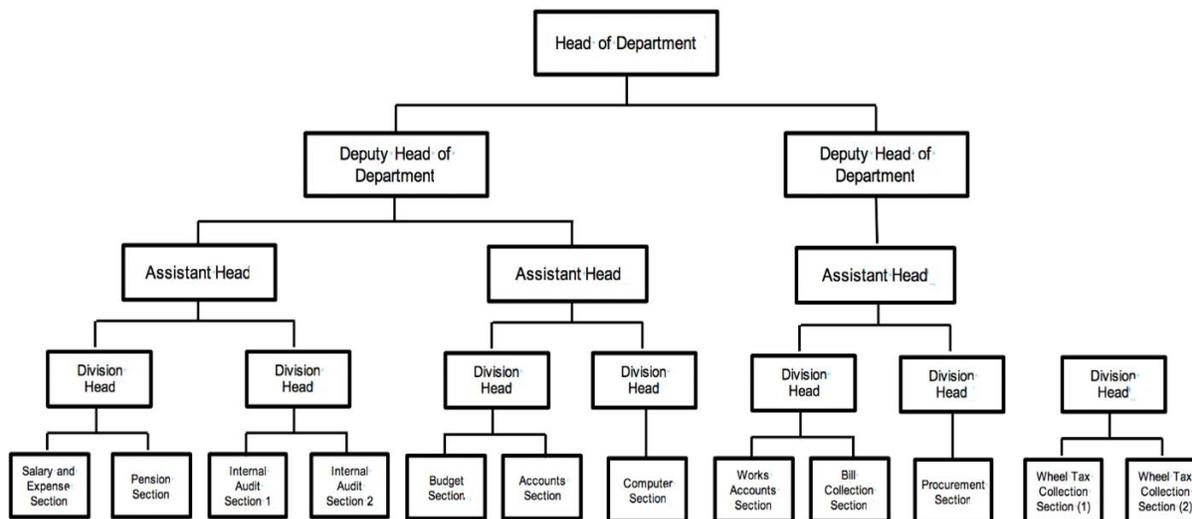
Topic	Response	Remarks
Safeguard over Assets		
4.34 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Yes. Record of asset and system.	There is annual Internal auditing and external auditing.
4.35 Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes. These are checked and reconciled quarterly and year-end. It is checked by internal Auditor yearly.	
4.36 Are there periodic physical inventories of fixed assets and stocks?	Yes. It is checked by Office of the Auditor General of the Union yearly.	
4.37 Are assets sufficiently covered by insurance policies?	No.	Only for vehicle
Other Offices and Implementing Entities		
4.38 Are there any other regional offices or executing entities participating in implementation?	No	EA and IA are assumed by YCDC.
4.39 Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?	NA	
4.40 Does information among the different offices/implementing agencies flow in an accurate and timely fashion?	NA	
4.41 Are periodic reconciliations performed among the different offices/implementing agencies?	NA	
Other		
4.42 Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	The PMU has not been established yet.	PMU staff will be advised
5. Internal Audit		
5.1 Is there an internal audit department in the entity?	Yes. Internal Auditor of YCDC under the supervision of the Budget and Accounts Department.	Yearly audit.
5.2 What are the qualifications and experience of audit department staff?	Some staff finished Bachelor of Commerce, Diploma in Accounting and some are not graduated.	
5.3 To whom does the internal auditor report?	Executive Committee of YCDC, Mayor	

Topic	Response	Remarks
5.4 Will the internal audit department include the project in its work program?	The Internal Audit Unit could include in their work program	However, the project will be separated from the accounts of YCDC. Specific request will be needed.
5.5 Are actions taken on the internal audit findings?	Yes.	follow up
6. External Audit		
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	It is undertaken by the Yangon Regional Office of the Auditor's General.	
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	Normally, external auditing is done yearly but sometimes it is done once in 1 ½ year. The audit report is issued within 3 months after the final Accounts provided.	
6.3 Is the audit of the entity conducted according to the International Standards on Auditing?	Follow guidelines of the Yangon Regional Office of the Auditor's General.	
6.4 Were there any major accountability issues brought out in the audit report of the past three years?	No. Only minor comments.	
6.5 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Yangon Region Auditor General may conduct the audit of the YCDC project account.	
6.6 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	YCDC take actions seriously upon each and every Audit Report.	
6.7 Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?	No	
6.8 Has the project prepared acceptable terms of reference for an annual project audit?	The TOR for the audit of the consolidated statements shall be prepared and will be part of the LIN.	
7. Reporting and Monitoring		
7.1 Are financial statements prepared for the entity? In accordance with which accounting standards?	Myanmar Accounting Standard issued by Union Budget Department	

Topic	Response	Remarks
7.2 Are financial statements prepared for the implementing unit?	Not yet.	The PMU will be preparing the projects financial statements.
7.3 What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	Annually, semi-annually, quarterly and monthly.	
7.4 Does the reporting system need to be adapted to report on the project components?	This will be determined during LIN preparation	The Project reporting will establish a reporting system which will be outlined in the LIN.
7.5 Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes.	The project's financial information should be linked with the physical progress
7.6 Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	Not Yet	The Project will establish a reporting system which will be outlined in the LIN.
7.7 Are financial management reports used by management?	Yes	
7.8 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes	
7.9 Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	YCDC uses spreadsheets. Financial reports are prepared manually with use of spreadsheets.	

Topic	Response	Remarks
8. Information Systems		
8.1 Is the financial management system computerized?	Not yet.	It is recommended that the PMU employs a stand-alone accounting software for efficient processing and preparation of financial report
8.2 Can the system produce the necessary project financial reports?	Not yet	The software should be able to do that.
8.3 Is the staff adequately trained to maintain the system?	Not yet	Counterpart staff from YCDC shall have the accounting skills and the use of the software should not be that difficult. Hands-on training will also be provided to facilitate learning on the use of the software.
8.4 Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	Not yet.	Improved data safeguarding and confidentiality will be implemented in the proposed accounting system.

Organization Chart – Budget and Accounts Department Yangon City Development Committee



Organization Chart – ED-WS Yangon City Development Committee

YCDC Committee Member in Charge of Infrastructure

HEAD OF DEPARTMENT								
DEPUTY HEAD 1			DEPUTY HEAD 2			DEPUTY HEAD 3		
Sections	Staff	Total staff	Sections	Staff	Total staff	Sections	Staff	Total staff
DEPARTMENT 1		642	DEPARTMENT 2		1365	DEPARTMENT 3		339
Reservoir Division	16	536	Electrical & Mechanical	73	146	Pipe Plant Division	1	2
4 Reservoir Sections	228		Electrical Section	9		Pipe Plant	1	1
4 Pumping Stations	115		Mechanical Section	14		Admin. & Finance Division	1	161
Ngamoeyeik WTP	110		Tube Wells Section	49		Administration Section		117
Electrical	15		Main store	1		Finance Section		43
Mechanical	52		Water Supply Division	1	1219	Sanitation Division	1	176
Design Section			Transmission Pipe 1	56		Sanitation 1		41
Support Division	2	88	Transmission Pipe 2	25		Sanitation 2		38
Research Section	18		Transmission Pipe 3	22		Compressor Section 1		26
Computer Section	14		Transmission Pipe 4	21		Compressor Section 2		35
Water Quality Monitoring	12		House connections	28		Waste WTP		35
Jica Advisor	8		North District	234		Office Section		
GIS Section	10		East District	273				
NRW	19		South District	251				
Customer Service	5		West District	219				
			Other lakes	30				
			Thae Phyu W/S	4				
			Laguin Pyin W/S	56				
			Koke Ko Wa					

Situation May 30, 2018

Total Staff: 2244

Of which Permanent Staff: 1020 Officer: 33

Of which Non-Permanent Staff: 1224 Flat with fix Salary: 330; Workers: 73; Daily wages: 21