

Global Fund to Fight AIDS Tuberculosis and Malaria (GFATM) Project for round 09 of AIDS Component - 2012

1. Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, except for the effects of the adjustments arising from the matters referred to in paragraph 3 of this report, I am of opinion that,

- (a) the Project had maintained proper accounting records for the year ended 31 December 2012 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2012 in accordance with Sri Lanka Accounting Standards ,
- (b) the funds provided had been utilized for the purposes for which they were provided,
- (c) satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
- (d) the financial covenants laid down in the Grant Agreement had been complied with.

2. Financial Statements

2.1 Financial Performance

According to the financial statements and information made available, the expenditure of the Project for the year ended 31 December 2012 amounted Rs. 110,519,936 and the cumulative expenditure as at 31 December 2012 amounted Rs.264,207,735 . A summary of expenditure of the Project for the year under review, expenditure for the preceding year and cumulative expenditure as at 31 December 2012 is given below.

Category	Expenditure for the year ended 31 December		Cumulative Expenditure as at 31 December 2012
	2012	2011	
	Rs.	Rs.	Rs.
Property, Plant and Equipment	31,388,458	4,904,438	51,888,440
HIV/Aids control activities	79,131,478	47,129,044	212,319,295
	110,519,936	52,033,482	264,207,735

2.2 Cash Flow Statement

- (i) The corresponding figures relating to the year 2011 had not been shown in the Cash Flow Statement in terms of Sri Lanka Accounting Standards No. 07.
- (ii) As per the Financial Statements presented for the years 2011 and 2012, position of the Cash Flow Statement is given below.

Cash Flow from Operating Activities	<u>31.12.2012</u>	<u>31.12.2011</u>
	Rs	Rs
Cash received from Foreign Aid-Grant (Vote-13) and Foreign Aids related Domestic Funds- (Vote-17)	117,000,000	44,127,850
	10,000,000	872,150
Cash received from Tenders	55,500	86,000
Cash Paid for Programme	(79,131,477)	(47,129,044)
Advances Given (Net)	(6,860,451)	10,121,541
Decrease in Payables (WHT & Retention)	-	(247,327)
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Net Cash from Operating Activities	41,063,572	7,831,170
	=====	=====
Cash Flow from Investment Activities		
Fixed Assets	<u>(31,388,458)</u>	<u>(4,904,438)</u>
Net Cash used in Investment Activities	(31,388,458)	(4,904,438)
Cash Flow from Financing Activities		
Cash Refund to the line Ministry (Treasury)	(9,675,114)	(2,926,732)
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Net Increase in Cash	Nil	Nil
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3. Audit Observations

3.1 Non-compliance with Laws, Rules, Regulations etc.

Instances of non-compliance observed in audit are given below

Reference to Laws, Rules and Regulations

Non-compliance

(a) Financial Regulations (F.R)

(i) No 371(2) (c)

Even though advances obtained, should be settled immediately after the completion of the purpose for which its were granted, it was observed that advances totaling Rs.13,847,323 paid in 28 instances with a delay of period ranging from 02 to 10 months had been settled.

(ii) F. R. 756

Fixed Assets valued at Rs. 51,888,440 had not been physically verified for the year under review.

(b) Ministry of Finance and Planning
Circular No. MOFA/ERD/2007/02
dated 07 August 2007

Even though financial statements should be furnished to audit on or before 31 March in the ensuing year, the financial statements of the Project for the year under review had been furnished only on 25 June 2013.

3.2 Lack of Evidence for Audit

Formal request made by the hospital on the necessity of equipment had not been furnished with regard to the purchase of laboratory equipment valued at Rs.15,191,113

3.3 Management Inefficiencies

The following observations are made.

(a) The X-Ray machines purchased for Rs. 6,080,000 on 03 March 2012 had been delivered to the respective hospital after a period of one and half months. Even though one and half years had elapsed the said machines had not been utilized by the relevant hospitals even as at 31 August 2013.

- (b) Although the order for the purchase of 32 Single Channel Pipettes should be given for Rs. 460,160 , an amount of Rs.48,640 had been paid in excess due to the said order given for Rs. 508,800 .
- (c) Oder had been placed to purchase of CD₄ Count Reagent Kits valued Rs.2,227,456. It was observed that a period from 6 Months to 01 year had been delayed in receiving these equipment.
- (d) (i). Advances amounting to Rs.923,325 had been paid in 07 instances without furnishing proper estimates and out of that Rs.376,163 or 40 per cent only had been settled.
- (ii). Advances obtained amounting to Rs.554,176 had been settled after a period from 04 – 06 months without being used for the relevant purpose.
- (e) (i). Even though an agreement had been entered with the private institute, the agreement date had expired by 15 June 2010. The advance amounting to Rs.88,146 granted to the said institute had not been settled even by the month of October 2013.
- (ii). Even though the assets purchased from the said institute should be handed over to the Ministry at the expiry of the period of the agreement, furniture and computers valued at Rs.1,566,077 had not been handed over up to 31 October 2013.
- (f) An amount of Rs.9,675,114 had been returned to the Ministry of Finance at the end of the year without spending for the project activities.

3.4 Uneconomic Transaction

One hundred bottles of MB/Bact/MP/100/FLAcons valued at Rs.99,000 had been purchased in 2012. Although it was mentioned that these bottles were unnecessary for Angoda Base Hospital , while these bottles had expired by 29 January 2013.

4. Financial and Physical Performance

4.1 Utilization of Funds

The following Observations are made.

- (a) The total Budgetary Provisions of Rs. 3,950,166 made for 8 activities for the year under review, had not been utilized for the intended purposes.
- (b) A sum of Rs. 28,983,685 had been spent for more than budgetary provision for 12 activities without getting proper approval from the relevant authorities.
- (c) Although a sum of Rs. 89,915,206 had been allocated in the budget for 33 activities only Rs. 26,908,815 or 29% of total allocation had been utilized as at 31 December 2012.
- (d) A sum of Rs. 12,022,961 had been spent for 10 activities during the year under review without provision in the annual budget. Further ,proper approvals obtained for utilizing of these funds had not made available to audit.
- (e) Even though a sum of Rs. 4,604,790 had been allocated for World AIDS Day in the annual budget, the actual expenditure incurred was Rs. 760,189 only.

5. Internal Audit

Internal audit on the activities of the Project had not been carried out in terms of Financial Regulation 133.

6. Systems and Controls

Special attention is needed in respect of the following areas of control.

- a) Procurement of goods
- b) Stocks
- c) Utilization of funds
- d) Settlement of imprests and advances
- e) Accounting

