

Improving Connectivity to Support Livelihood and Gender Equity Project - 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 5 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 Generally Accepted Accounting Principles,
- (b) the funds provided had been utilized for the purposes for which they were provided,
- (c) the withdrawals from and replenishments to the Imprest Fund Account during the year ended 31 December 2012 had been truly and fairly disclosed in the books and records maintained by the Project and the balance as at 31 December 2012 had been satisfactorily reconciled with the accounting records of the Central Bank of Sri Lanka as at that date,
- (d) the statements of expenditure (SOEs) submitted could be fairly relied upon to support the applications for reimbursement in accordance with the requirements specified in the Grant Agreement,
- (e) satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
- (f) 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 the information made available, the Project expenditure for the year ended 31 December 2012 amounted to Rs. 205,098,202 and the cumulative expenditure as at 31 December 2012 amounted to Rs.359,333,782. A summary of the expenditure for the year under review, expenditure for the preceding year and the cumulative expenditure as at 31 December 2012 is given in the following statement.

Item of Expenditure	Expenditure for the year ended 31 December		Cumulative Expenditure as at 31 December 2012
	2012	2011	
	Rs.	Rs.	Rs.
Civil works	85,859,650	104,188,900	190,048,550
Equipment,Hardware and Materials	69,236,113	24,252,036	93,500,497
Incremental Management cost	8,925,776	7,886,807	22,179,754
Training , Workshops and Public Campaign	30,030,939	9,594,380	40,433,109
Consultancy Service	7,020,000	-	7,020,000
Other Input	4,025,724	2,126,148	6,151,872
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	205,098,202	148,048,271	359,333,782
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2.2 Imprest Fund Account

According to the financial statements and the information made available, the operations of the Imprest Fund Account for the year ended 31 December 2012 and the balance

available in that account as at that date is summarized below.

	US\$	Rs.
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Balance as at 01 January 2012	45,236.94	5,152,546
Add: Replenishments	1,421,103.05	179,423,956
Foreign Exchange Gain	-	1,030,795
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	1,466,339.99	185,607,297
Less: Withdrawals	1,465,882.48	185,549,120
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Balance as at 31 December 2012	457.51	58,177
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3. Audit Observations

Following observations are made.

(a) Achievement of Objectives of the Project

The estimated cost of the Project was US Dollar 3,429,056 and its progress as at 31 December 2012 is given below.

(I) Construction of Roads

Even though it was decided to reconstruct 250 km. of rural roads in selected 04 Districts in the North Central and Eastern Provinces according to the progress report it was revealed that 290 km. of rural roads had been reconstructed as at end of the project period.

(II) Training for Self Employment

A sum of Rs.44,091,600 (US\$ 367,430) had been allocated for the conducting for self employment training courses for 900 community members. According to the information furnished 2,134 community members had been trained by using Rs.44,244,000 (US\$ 368,700) including the additional fund of Rs.152,400 (US\$ 1,270).

(III) Beneficiaries Contribution

Although 2,340 beneficiaries had been expected to be deployed for civil work activities, 2,918 beneficiaries had been deployed and a sum of Rs.189,203,950 had been paid as allowances to them by paying Rs.500 each per working day. It was observed that value of labour contribution for the project had been identified as Rs.39,486,720 in the Grant Assistance Report. However, actual labour cost contributed by beneficiaries had not been ascertained and brought to accounts.

(b) Even though an internal audit should have been carried out to ensure the smooth function of internal control system of the Project in terms of Financial Regulations 133, no evidence were made available to prove that such audit had been carried out in the project activities.

(c) Following matters were observed at the physical audit inspection carried out on the construction and maintenance of rural roads of the Medirigiriya and Kanthale Pradesiya Sabha divisions.

(I) Medirigiriya Pradesiya Sabha

(i) Seven roads were inspected and all the roads were not properly maintained and drains were filled with soil and mud and both side of the roads were weeded except the front area of houses.

- (ii) Road maintenance was neglected due to non-awareness of the Community Based Organizations about the possibility of borrowing tools and equipment from the Pradesiya sabha that has been already handed over by the Project. Further the Pradesiya Sabha also had not encouraged the people to attend these road maintenance works.

(II) **Kanthale Pradesiya Sabha**

- (i) Two roads were inspected and only the road in front of houses have been cleaned. Drains had been filled with soil in front of few houses.
- (ii) Eight roads had been constructed in Kanthale Pradesiya Sabha Division. Although following tools had been provided to maintain of three roads, those had been retained with villagers instead of being handed over to the Pradesiya Sabha.

Tools	Number of Items
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Mamotee 9 x 9	24
Mamotee 8 x 10	19
Shovels	07
Concrete Pans	16
Wheal Barrow	06
Crowbar	07
Pick axe	07

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Auditor General.