

Information and Communications Technology Regulatory Capacity Building Project

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 2011 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2011 in accordance with Generally Accepted Accounting Principles,
- (b) the funds provided had been utilized for the purposes for which they were provided;
- (c) the initial deposit, withdrawals from and replenishments to the Special (Dollar) Account had been truly and fairly disclosed in the books and records maintained by the Project and the balance as at 31 December 2011 had been satisfactorily reconciled with the accounting records of the Central Bank of Sri Lanka (CBSL) 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) the 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 information made available, the expenditure of the Project for the year ended 31 December 2011 amounted to Rs. 24,032,018 and the cumulative expenditure as at 31 December 2011 amounted to Rs. 29,893,731. A summary of the expenditure of the Project for the year under review as compared to the previous eight months accounting period ended 31 December 2010 and the cumulative expenditure as at 31 December 2011 is given below.

Item of Expenditure	Expenditure for the year 2011	Expenditure for the eight months period ended 31 December 2010	Cumulative expenditure as at 31 December 2011
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	Rs.	Rs.	Rs.
Consultancy Services	21,097,012	4,486,646	25,583,658
Goods and Equipment	-	1,375,067	1,375,067
Training and Workshops	2,935,006	-	2,935,006
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Total	24,032,018	5,861,713	29,893,731
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2.2 Special (Dollar) Account

According to the financial statements and information made available, the operations of the Special (Dollar) Account during the year ended 31 December 2011 and the balance available in that account as at that date are given below.

Balance as at 01 January 2011	<u>US\$</u> 55,000	<u>Rs.</u> 6,102,437
Add: Replenishments	177,661	19,539,373
Foreign Exchange Gain	-	314,250
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	232,661	25,956,060

Less: Withdrawals	(230,000)	(25,653,012)
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Balance as at 31 December 2011	2,661	303,048
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3. **Audit Observations**

The following observations are made

3.1 **Accounting Deficiencies**

The following accounting deficiencies are made.

- (i) A difference of Rs. 288,676 had been observed between the expenditure for training and workshops shown in the paid vouchers and the accounts furnished for audit. The difference had not been reconciled and adjusted in the accounts.
- (ii) A sum of Rs. 1,620,993 had been shown in the account as unutilized cash balance as at 31 December 2011 held in a bank current account of the TRCSL. Nevertheless, this amount had been reflected in the Financial Statements of the TRCSL as at that date and the details in this regard was also not made available for audit.
- (iii) Out of amount of Rs. 3,321,245 paid to the Commonwealth Telecommunication Organization during the previous year for the procurement of publications from United Kingdom, the publications valued at Rs. 1,946,178 had not been received by the Project and subsequently this amount had been refunded to the Project on 21 October 2011. In the meantime, a provision in respect of goods not received had been made in the accounts for the year under review.

3.2 **Lack of Evidence for Audit**

The direct payments made to the consultants and suppliers aggregating Rs. 26,958,725 could not be satisfactorily vouched in audit due to non availability of paid vouchers, invoices, receipts, approval for final report furnished by the consultant and other supporting documents.

3.3 Non-compliances with Grant Agreement

According to Section 2.03 of Article II of the Grant Agreement, the implementing agency should monitor and evaluate the progress of the Project and prepare a Project report thereon after end of each financial year. However, such report had not been prepared by the Project for the year under review and the previous period.

3.4 Planning and Monitoring

The following observations are made

(a) A comprehensive overall plan to cover the entire project period highlighting the anticipated financial and physical targets in monthly, quarterly, by annually etc to be prepared to ensure the successful implementation of the Project within the specific project period. However, no such plan had been prepared and implemented by the Project. Although, the Project had agreed to provide such a plan, it had not been furnished to audit even up to 31 May 2012.

(b) An action plan clearly identifying the responsibilities of core – staff with targets to be achieved and the budgetary allocation relating to the activities carried out during the year under review had not been prepared. Therefore the progress of the Project as a whole could not be properly evaluated in order to take corrective measures and to make necessary changes with the view to achieve the objectives as set forth.

Although, these were brought to the notice of the Project management by my previous year report too, the corrective action in this regard had not been taken up to 31 May 2012.

3.5 Utilization of Funds

According to the Financial Statements and other information made available for audit, out of the fund of Rs. 52,854,276 (US\$ 472,634) allocated for the activities of the Project a sum of Rs. 29,893,731 (US\$ 267,316) only had been utilized up to end of the year under review.

3.6 Performance review

The following observations are made.

- (a) Although a sum of Rs. 10,059,763 (US\$ 88,320) had been allocated for conducting the Training and Workshops for the staff of the TRCSL and the stakeholders under Components 01 and 02 as referred to in paragraph 1.3 of this report, an expenditure amounting to Rs. 3,223,683 (US\$ 25,768) only had been incurred for six overseas training provided for 05 officers of the TRCSL during the year under review.
- (b) No any workshops had been conducted by the Project up to 31 March 2012 to achieve the objective of the Project in the specific period.
- (c) The financial and physical progress of the Project as at 31 December 2011 could not be ascertained due to lack of comprehensive plan. Therefore, it is in doubt whether the Project could be able to achieve the expected targets at the scheduled date of completion of the Project.