

Local Level Nutrition Interventions for Northern Province 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 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 Generally Accepted Accounting Principles.
- (b) the funds provided had been utilized for the purpose 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) satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
- (e) 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 for audit, the expenditure on the Project for the year ended 31 December 2012, amounted to Rs. 166,993,180 and the cumulative expenditure as at 31 December 2012 amounted to Rs. 191,834,422. A summary of the expenditure for the year under review, for the preceding year and the cumulative expenditure as at 31 December 2012 is given below.

<u>Item of Expenditure</u>	<u>Expenditure for the year ended 31 December 2012.</u>	<u>Expenditure for the year ended 31 December 2011.</u>	<u>Cumulative expenditure as at 31 December 2012</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
<u>Component – 01</u>			
Supply of Supplementary Food Rations	96,080,089	150,000	96,230,089
<u>Component – 02</u>			
Capacity building and community mobilization	32,044,875	2,525,747	34,570,622
<u>Component – 03</u>			
Community Based Nutrition Intervention	36,697,964	22,027,729	58,725,693
<u>Component – 04</u>			
Project supervision monitoring Evaluation and Advocacy	2,170,252	137,766	2,308,018
	166,993,180	24,841,242	191,834,422

2.2 Imprest Fund Account.

 According to the Financial Statements and information made available, the operations of the Imprest Fund Account during the year 2012 and the balance available in that account as at that date are given below.

	<u>US \$</u>	<u>Rs.</u>
Balance as at 01 January 2012	226,682	25,819,392
Add: Replenishments	1,700,000	220,190,600
Foreign Exchange loss		(789,677)
	1,926,682	245,220,315
Less: Withdrawals	1,158,151	147,493,283
Balance as at 31 December 2012	768,531	97,727,032

3. Audit Observations

Accounting Deficiencies

Following observations are made.

- (a) Basis of preparation of financial statements and accounting policies adopted had not been disclosed in the financial statements.
- (b) Corresponding figures of the previous accounting period had not been shown in the financial statements.
- (c) A fixed assets register had not been maintained by the Project in terms of Treasury Circular No.842 of 16 June 1989. Further a fixed assets register for computers, Accessories and software also had not been maintained. in terms of Treasury Circular No. IAJ/2002/02 of 28 November 2002.

3.1 Lack of Evidence for Audit

- (a) The following items shown in the financial statements could not be satisfactorily vouched in audit due to the absence of evidence indicated against each item.

Items	Value Rs.	Evidence not made available.
Local Training	3,305,147	Evaluation Reports
Consultancy	654,600	Final reports.
	3,959,747	

3.2 Non Compliance with Laws, Rules and Regulations etc

- (a) A consultancy firm for the contract value of Rs. 2.5 Million had been selected without adopting procurement procedure in terms of Section 2.14 of the Procurement Guide Lines 2006. In this connection the Project Director had stated that the Health Promotion foundation is the only firm to consult the behavioral change communication. The firm has 15 years experience in the same field.

3.3 Commencement of the activities of the project

Although 48% of the project period was completed up to 31 December 2012, the under mentioned nine activities of the Project were not commenced up to 31 March 2013. In this connection reason for non-commencement of the under mentioned nine activities of the Project to the estimated value of Rs. 13,533,850 had not been furnished for audit.

Component – II

	Amount (Rs.)
Community advocacy and sensitization Meeting at District and MOH levels led by Deputy Provincial Director of Health.	169,070
Community Advocacy and sensitization meeting at Grama Niladari Division level led by Public Health Midwives and Community Health Facilitators	596,640
Identification consultation and strengthen of women's / Community groups	9,999,550
	10,765,260

Component III

Development Communication Specialist Nutrition Counselor	450,010
Nutrition Counselor	299,970
Home Gardening Techniques / Home Gardening for self – Reliance	418,550
	1,168,530

Component IV

Advocacy project supervision and monitoring and Evaluation consultant	299,970
Workshops on Monitoring and Evaluation Identification and agreement on indicators and Monitoring Mechanisms	250,030
Divisional level workshops	1,050,060
	1,600,060

3.4 Planning and Monitoring

A comprehensive detailed action plan mentioning available resources and to be achieved financial and physical targets with fixing responsibilities in monthly, quarterly biannually etc, for entire Project period should be prepared in terms of Paragraph 4 of the Grant

Agreement to ensure the achievement of project objectives within the specific project period. However, such a plan had not been prepared and implemented

4. Utilization of Funds

According to the Financial Statements and other information made available for audit, out of the funds amounting to Rs. 246,009,992 made available for the year, a sum of Rs. 147,493,283 only had been utilized for the activities of the project during the year under review which represents the 60 % of the allocated funds.

5. Performance Review

5.1 Food supply for targeted pregnant and lactating women and children under 2 years (Jeevapasa)

The following observations are made.

- a) Formats for request and receipt of supplementary food at district level with involvement of offices of the Regional Director of Health Services as recommended by the World Bank mission had not been followed. In this connection the Project Director had stated that although this was implemented it was suffer for reporting.
- b) Monitoring system with comprehension data base of supplementary feeding beneficiaries and their nutritional status since the beginning of supplementary feeding were not adopted by the Project. In this connection Project Director stated that “As the earlier format was inappropriate for monitoring, the format has been changed as per the discussion with M & E team members and currently new format is being used”

5.2 Consultancy Service to the Northern Province for Health Promotion – Rs. 654,600

Although additional sum of Rs. 2,523,000 had been allocated for the year 2012 for the above activity only Rs. 654,600 had been spent. In this regard the following observations are made.

- a) Training had not been carried out in terms of Annex ‘A’ of the Training Module.

- b) 4 meetings held for review of performance had not been participated by the consultants and exhibition as requested to be held in July 2012 had not been arranged.
- c) Payments had been made to the consultant without obtaining quarterly reports. One report only furnished by the consultant out of four quarterly reports to be furnished for the year under review as per Terms of Reference.
- d) Insurance coverage as stipulated in the contract agreement had not been furnished by the consultant.
- e) Field visits to the Mullaitivu and Kilinochchi Districts were not carried out by the consultant. In this connection the Project Director had stated that no Health Promotion Facilitators (HPF) were appointed by the consultant in the Mullaitivu and Kilinochchi Districts in order to shortage of relevant profession. Medical officer of Maternal and Child Health (MOMCH) and Medical officer of Health (MOH) are being fulfilled the task related to the Project in all five Districts.

5.3 Procurement procedure

- A) According to the letter No. JSDF/NUT/NP/GOOD/13 dated 13 December 2012 issued by the Secretary, Ministry of Health and Indigenous Medicine, Northern Provincial Council, several scales had not been transported up to 31 December 2012 and required installation was not done. As a result purpose of the above scales to the value of Rs. 6,645,532 had not yet been achieved. In this connection the Project Director had stated that the Height and weight measuring equipment were not transported within the time frame because of the space available in the target place and the unavailability of transport. At present the equipment were installed in the stipulated place with the supervision of Bio medical technician of the Ministry.
- b) The 06 numbers of Bajaj Discovery 150 and 02 numbers of TVS Scooty pept motor bikes had been procured to the value of Rs. 1,683,400 contrary to Section 2.14.1 of the Procurement Guide Lines 2006 as procurement decision were made based on three bids only instead of not less than five bids.

<u>Items</u>	<u>Value</u>
	<u>Rs.</u>
06 Nos Bajaj Discovery 150	1,287,600
02 Nos TVS Scooty pept	395,800
	1,683,400

- C) Although the World Bank had recommended to support to the mother clubs, none of the procurements to the mother clubs under component 3 had been provided.

5.4 Assets Management

100 numbers Weighting Scales for adult and 80 numbers for pediatric had been allowed to be idle since November 2012 at the offices of the Medical Officer of Health in the Northern Province due to non introducing the operating system up to 31 December 2012. At the time of audit inspection carried out on 22 February 2013 it was informed that above weighing scales will be distributed to the Officers of the Medical Officer of Health after the selection of beneficiaries. Details are given below.

<u>District</u>	<u>Adult</u>	<u>Paediatric</u>
Jaffna	17	14
Kilinochchi	24	18
Vavuniya	17	14
Mullaitivu	24	18
Mannar	18	16
	100	80

6. Systems and Controls

Special attention is needed for the following areas of control.

- a) Accounting
- b) Procurements
- c) Consultancy