

Global Partnership on Output-Based Aid (GPOBA) 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 first accounting period 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 Financial reporting Standards and
- (b) the funds provided had been utilized for the purposes for which they were provided.

2. Financial Statements

2.1 Financial Performance

According to the financial statements and information made available, the expenditure of the Project for the first accounting period ended 31 December 2012 amounted to Rs. 4,078,820. A summary of the expenditure as at 31 December 2012 is given below.

<u>Item</u>	<u>Expenditure for the year ended</u> <u>31 December 2012</u>
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	Rs.
Furniture Equipment & Fitting	798,626
Work- in -Progress	3,280,194
Total	<u>4,078,820</u>

3. Audit Observations

3.1 Accounting Deficiencies

Cost incurred in connection with advertising, remuneration, vehicle hiring and other purposes aggregating Rs. 3,280,194 which were not directly related to improve sanitation services at household level under the Project had been shown as Work-in-Progress. Further, a sum of Rs.313,115 spent by the National Water Supply and Drainage Board during the months of November and December, 2011 had been treated as the expenses of the Project even though the Grant Agreement was signed and activities of the Project had been commenced officially on 27 December 2011.

3.2 Non-compliance with Rules and Regulations

The following instances of non – compliances were observed.

- (a) According to Section 2.07 (b) of the Article of the Grant Agreement, the unaudited interim financial reports of the Project should be prepared and furnished to the Donor

Agency not later than forty five days from the end of each calendar quarter and audited financial statements for each accounting period should be furnished to the Donor Agency not later than six months after the end of each financial year. However, the Project had not complied with that requirement and the financial statements for the year ended 31 December 2012 had been submitted for audit only on 17 February 2014.

- (b) According to the Paragraph 6.4 of the Project Implementation Manual, the Internal Audit Section of the National Water Supply and Drainage Board is required to carry out audit on transaction of the Project and submit project specific internal audit reports quarterly to the Chairman of the National Water Supply and Drainage Board with copies to the Donor Agency. However, no internal audit on transaction had been carried out during the year 2012.

4. Financial and Operating Review

4.1 Utilization of Funds

Certain significant information relating to financial and utilization of proceeds of Grant as at 31 December 2012 is given below.

	Amount agreed to be provided		Budgetary provision for the year 2012	Fund utilized during the year	Fund utilized up to 31 December 2012
	US\$ (million)	Rs. (million)	Rs. (million)	Rs. (million)	Rs. (million)
Grant	5.08	660.40	100	-	-
GOSL	3.24	421.20	50	2.70	3.06
Total	8.32	1081.60	150.00	2.70	3.06

4.2 Physical Performance

It was observed that any activity related to sewerage house connections to existing and new sewerage networks and improvement of on-site sanitation services to the household had not been carried out during the year under review. Further, the allocation amounting to Rs.100 million made in this connection in the Annual Estimate of the Ministry of Water Supply and Drainage had been transferred to other projects implemented by the Water Supply and Drainage Board.