

Assisting People with Disabilities through Cash Transfers and Training Project (Dirisawiya) 2013.

The audit of financial statements of the Assisting People with Disabilities through Cash Transfer and Training Project for the first accounting year ended 31 December 2013 was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 2.06(b) of the Article II of the Grant Agreement No. TF 013135-LK dated 30 November 2012 entered into between the Democratic Socialist Republic of Sri Lanka (GOSL) and the International Development Association (IDA).

1.2 Implementation, Objectives , Funding and Duration of the Project

According to the Grant Agreement of the Project, the Ministry of Social Services is the Executing Agency and the Implementing Agency of the Project. The objective of the Project is to targeted cash transfer and training for persons with disabilities in nine Northern districts in Sri Lanka as part of Government of Sri Lanka's effort to improve the livelihoods of disabled persons. The Project consisted of two components i.e, cash allowance for vulnerable persons with disabilities and vocational training and skills development pilot program. According to the Grant Agreement, the total estimated cost of the Project is USD 2,590,000 and the full amount was agreed to be financed by the International Development Association (IDA). The Project commenced its activities on 30 November 2012 and was scheduled to be completed by 31 March 2015.

1.3 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting estimates.

2. Scope of Audit and Basis of Opinion

My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide and audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting policies used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a

reasonable basis for my opinion. The examination also included such test of systems and controls, transaction assets and liabilities as deemed necessary to assess the followings.

- (a) Whether the systems and controls were adequate from the point of view of internal controls so as to ensure a satisfactory control over Project management and the reliability of books, records etc. relating to the operations of the Project,
- (b) Whether adequate accounting records were maintained on a continuing basis to show the expenditure of the Project from the funds of the Government of Sri Lanka and the Lending Agency, the progress of the Project in financial and physical terms,
- (c) Whether withdrawals under the Grant had been made in accordance with the specifications laid down in the Grant Agreement,
- (d) Whether the funds, materials and equipment supplied under the Grant had been utilized for the purposes of the Project,
- (e) Whether the expenditure had been correctly identified according to the classification adopted for the implementation of the Project,
- (f) Whether the financial statements had been prepared on the basis of Generally Accepted Accounting Principles and
- (g) Whether the financial covenants laid down in the Grant Agreement had been complied with.

3. 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 the paragraph 5 of this report, I am of opinion that,

- (a) the Project had maintained proper accounting records for the year ended 31 December 2013 and the Financial Statements give a true and fair view of the state of affairs of the Project as at 31 December 2013 in accordance with Generally Accepted Accounting Principles,
- (b) the funds provided had been utilized for the purposes for which they were provided;
- (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 financial covenants laid down in the Grant Agreement had been complied with

4. Financial Statements

4.1 Financial Performance

According to the financial statements and information made available, the expenditure of the Project for the first accounting year ended 31 December 2013 amounted to Rs. 77,214,000 A summary of the expenditure of the Project for the year under review is given below.

Description	Expenditure for the year ended 31 December 2013
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	Rs
Cash allowance for vulnerable persons with disabilities	77,214,000

	77,214,000
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5. Audit Observations

The following observations are made.

- (a) Grants amounting to Rs. 121,485,296 received by the Central Bank to carry out the activities and expenses amounting to Rs. 77,214,000 incurred thereon had been accounted under the National Council for Persons with Disabilities. However, nature of the activities had not been disclosed in the financial statements of the Council.

- (b) According to Paragraph 6.5.1 of the Public Enterprises Circular No PED/12 of 02 June 2003 of the annual financial statement are required to be furnished for audit within 60 days after the end of the financial year. However, the financial statements of the Project for the year under review had been submitted for audit only on 18 June 2014.

6. Financial and Operating Review

6.1 Utilization of Funds

Certain significant statistics relating to the financing of funds, budgetary provisions for the year under review and utilization of funds during the year under review are shown below.

Source	Amount agreed to be financed		Allocation made in the Annual Budget	Amount utilized during the year under review	
	USD Mn	Rs Mn	Rs Mn	USD Mn	Rs Mn
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IDA	2.59	330.48	123.00	0.93	77.2
Total	<u>2.59</u>	<u>330.48</u>	<u>123.00</u>	<u>0.93</u>	<u>77.2</u>

The following observations are made.

- (a) The Payment of allowance to persons with disabilities had been commenced in April 2013 even though it was expected to be commenced in January 2013.
- (b) The proceeds of the Grant amounting to Rs 77.21 million, out of total proceeds amounting to Rs. 77.99 million received had been utilized for the cash allowance for vulnerable persons with disabilities under Component -01 of the Project whilst the balance amounting Rs. 785,994 remained unspent at the end of the year under review. Further any of activities on vocational training and skills development pilot program to be carried out under Component -02 of the Project had not been implemented during the year under review.
- (c) According to the information received 2963 persons with disabilities in nine Northern districts had been selected and paid the cash allowances amounting to 77.21 million directly through their Bank Accounts. However, the Project had not taken action to establish a mechanism to pay cash allowances for other 98 persons in six districts who were selected by the Project as vulnerable persons with disabilities, Further, the cash allowances aggregating Rs. 7,317,000 made through the Bank Accounts had been returned subsequently due to various reasons such as incorrect account code numbers, use of invalid Bank Accounts etc.