

Assisting People with Disabilities through Cash Transfers and Training Project (Dirisawiya) – 2014

The audit of financial statements of the Assisting People with Disabilities through Cash Transfer and Training Project for the year ended 31 December 2014 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, then the Ministry of Social Services presently , the Ministry of Social Services , Welfare and Livestock Development 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 districts in the North, North Central, North Western Provinces as part of the efforts of the Government of Sri Lanka to improve the livelihoods of disabled persons. The Project consisted with two components namely, cash allowance for vulnerable persons with disabilities and conducting vocational training and skills development pilot programs. As per the Grant Agreement, the total estimated cost of the Project is US\$ 2.59 equivalent to Rs.336.7 million and the total amount was agreed to be financed by the International Development Association (IDA). The Project commenced its activities on 30 November 2012 and 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 Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.4 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit involves performing procedures to obtain audit

evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Project's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. The examination also included such tests as deemed necessary to assess the following.

- (a) Whether the systems and controls were adequate from the point of view of internal control 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 the expenditure shown in the financial statements of the Project had been satisfactorily reconciled with the enhanced financial reports and progress reports maintained by the Project,
- (c) 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 Donor Agency, the progress of the Project in financial and physical terms, the assets and liabilities arising from the operations of the Project, the identifications of the purchases made out of the Grant, etc.
- (d) Whether the withdrawals under the Grant had been made in accordance with the specifications laid down in the Grant Agreement,
- (e) Whether the funds, materials and equipment supplied under the Grant had been utilized for the purposes of the Project,
- (f) Whether the expenditure had been correctly identified according to the classification adopted for the implementation of the Project,
- (g) Whether the financial statements had been prepared on the basis of Sri Lanka Public Sector Accounting Standards,
- (h) Whether satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and

- (i) Whether the financial covenants laid down in the Grant Agreement had been complied with.

2. Financial Statement

2.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me I am of opinion that,

- (a) the Project had maintained proper accounting records for the year ended 31 December 2014 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2014 in accordance with Sri Lanka Public Sector Accounting Standards.
- (b) the funds provided had been utilized for the purposes for which they were provided.
- (c) 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.
- (d) the 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.

3. Financial and Physical Performance

3.1 Utilization of funds

Certain Significant information relating to the financing, budgetary allocation and the utilization of funds during the year under review and as at 31 December 2014 is shown below.

Source	Amount Agreed for financing in the Grant Agreement		Allocation made in the Budget Estimate for the year under review		Funds utilized			
	US\$ million	RS million	US\$ million	RS million	During the year under review		as at 31 December 2014	
	US\$ million	RS million	US\$ million	RS million	US\$ million	RS million	US\$ million	RS million
Grant	2.59	336.70	1.18	155	1.15	150.9	1.74	228
	<u>2.59</u>	<u>336.70</u>	<u>1.18</u>	<u>155</u>	<u>1.15</u>	<u>150.9</u>	<u>1.74</u>	<u>228</u>

It was observed that out of the total allocation of grants of US\$ 2.59 million equivalent Rs. 336.7 million, only US\$ 1.74 million equivalent to Rs. 228 million representing 67 per cent had been utilized as at 31 December 2014. Therefore, use of grants of US\$ 0.85 million equivalent to Rs. 113.7 million effectively during the rest of period of 3 months of the Project cannot be ruled out in audit.

3.2 Physical Progress

The following observations are made in connection with the activities carried out under two main components of the Project of cash allowance for vulnerable persons with disabilities and conducting vocational training and skills development pilot programs.

- (a) According to the Action Plan of the Project, it was expected to provide financial aides for 4,505 disable persons selected from 09 districts in the Northern, North Central, and North Western provinces, the financial aides had been provided only for 4,434 beneficiaries at the end of the year under review.
- (b) It was observed that a sum of Rs. 2,901,000 allocated for financial aids had been returned to the Line Ministry during the year under review without being credited to the Bank Accounts of the beneficiaries due to several reasons such as incorrect account numbers, and bank code numbers etc. Further, it was observed in sample checks that financial aids aggregating Rs. 81,000 made to 05 beneficiaries were returned by the Banks continuously during the year under review. However, the reason for such rejections had not been investigated and explained for audit.
- (c) According to the Grant Agreement, the vocational training activities for the disable persons were scheduled to be commenced in January 2013. However, such training activities had been commenced in June 2014. As a result, a sum of Rs.10,819,680 representing 04 per cent of total allocation of Rs.228,193,680 for training purposes had only been spent as at 31 December 2014. Further, the 18 courses for 262 trainees had been conducted during the year under review even though it was targeted for 300 trainees.
- (e) According to the Agreements entered into with the Training Institutes, the monthly progress of training courses conducted and reports of expenditure incurred thereon should be submitted to the Project within 20 days of following month. However, such information had not been submitted by 06 Training Institutes even though advances amounting to Rs 4,157,384 had been granted to conduct training courses.