

Auditor General's Department  
306/72  
Polduwa Road  
Battaramulla

All Divisional Heads,  
Superintendents of Audit and Group officers,

**Audit of Foreign Funded Project**  
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Considering the national and donor requirements on audit of Foreign Funded Project, this Circular is issued to provide a guidance for preparation of audit reports of the Foreign Funded Projects by ensuring the basic requirement as per legal mandate, enhancing quality of the audit works and maintaining of main audit files to ensure the discharge of audit functions comprehensively. The instructions made in this Circular is expected to be followed in preparation of audit reports of the Foreign Funded Project for the year ended 31 December 2016 and onwards.

**1. Audit Reports**

**(a) Management Report**

It is expected to issue Management Reports which includes the audit findings along with the impacts, risk ratings, auditor's recommendations and managements responses for the purposes of improving the accounting and other policies, systems and procedures, mitigating risks on possible losses and uneconomic transactions etc, of the Project. The specimen of the Management Report is given in the Annex -01.

**(b) Audit Reports**

The audit reports for publications purposes are expected to be prepared in concise manner and include the observations in connection with financial statements

which relevant only for expressing an audit opinion and highlighting other major operational deficiencies. The specimen of the Publication Report is given in the Annex -02.

## 2. **Arrangement of Main Audit File**

The audit files are required to be arranged to ensure the all necessary information in respect of the current year audit and should contain documents as follows.

- (a) **A copy of the financial statements** for the year under review which is signed by the Secretary of the Line Ministry or Chairman of the Implementing Agency, Project Director and the Chief Financial Officer.
- (b) **Management Assertion Letter** which is the statement for undertaking of the responsibility of the management relating to the preparation of the financial statements and providing of necessary information to the auditor to carry out the audit works effectively. The Specimen for the Management Assertion Letter is given in the Annex -03.
- (c) **Project Profile Statement** prepared by the Superintendent of Audit is expected affixed at the inside of the front cover of the audit file as enable to understand the nature of the Project to the reviewers of the audit reports. The Specimen for the Project Profile Statement is given in the Annex -04.
- (d) **Minimum Audit Programme** and Completion Checklist which is to be completed by the Superintendent of Audit and the Divisional Head to prove the audit works carried out comprehensively by ensuring the quality aspects.

**3. Timing of submission of Audit Reports**

The time table for issuing of audit report should be as follows.

<b>Donor Agency</b>	<b>Management Report</b>	<b>Audit Reports</b>	
		<b>Draft</b>	<b>Final</b>
-----	-----	-----	-----
Asian Development Bank	31 May	10 June	30 June
International Development Agency / World Bank	31 May	10 June	30 June
Japan International Co-operation Agency	30 June	15 July	31 July
UN/ Global Fund/Saudi/Chinese funded Projects and all other foreign funded Projects	As specified by the Project Agreements / MOUs / TORs etc		

**4. Audit Manual**

The Audit Manual containing all the matters related to audit of financial statements of the Foreign Funded Projects will be issued in due course.



Gamini Wijesinghe

Auditor General

**Specimen for Management Report**

My No:

Date

The Secretary

Ministry of -----

**Management Report of the Auditor General on the Financial Statements of the (Name of the Project) Project for the year ended 31 December 20 (Year)-**

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The audit of financial statements of the (Name of the Project) Project for the year ended 31 December 20---- 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 Article --- of the Loan/Grant Agreement No. ---- dated ----- entered into between the Democratic Socialist Republic of Sri Lanka and the -----(*Name of the Donor Agency*). This report consists of the matters observed during the course of audit and submitted for the consideration of the Executing and Implementing Agencies of the Project .

**1.2 Implementation, Objectives, Funding and Duration of the Project**

According to the Loan/Grant Agreement of the Project the Ministry of -----is the Execution Agency and (*Name of the Implementing Agency*) is the Implementation Agency of the Project. The objectives of the Project are ----- . As per the Loan/Credit/Grant Agreement, the estimated total cost of the Project was US\$ ----- -- million equivalent to Rs -----million and out of that US\$ ----- million equivalent to Rs -----million was agreed to be financed by (*Name of the Donor Agency*). The Project had commenced its activities on----- (Date) and scheduled to be completed by -----(Date) However, the date of completion of the activities of the Project had been extended up to ( Date)\*\*

### **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 Accounting Standards/Generally Accepted Accounting Principles/Sri Lanka Public Sector Accounting Standards (*as the case may be*) and for such internal control as the management determines as necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

*\*\*if relevant*

### **1.4 Scope of Audit**

The scope and extent of such review and tests were such as to enable as wide an 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 of financial statement. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. The examination also included such tests of systems and controls, transactions, assets, liabilities and accounting records 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 Lending / 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 Loan/Grant, etc.

- (d) Whether the withdrawals under the Loan /Grant had been made in accordance with the specifications laid down in the Loan/Grant Agreement,
- (e) Whether the funds, materials and equipment supplied under the Loan/ 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 Accounting Standards/Generally Accepted Accounting Principles/Sri Lanka Public Sector Accounting Standards (*as the case may be*),
- (h) Whether the Initial deposit/opening and closing balances, withdrawals from and replenishments to the Special (Dollar) Account/ Imprest Fund had been truly and fairly disclosed in the books and records maintained by the Project and the balance as at 31 December 2013 had been satisfactorily reconciled with the accounting records of the Central Bank of Sri Lanka (CBSL) as at that date,
- (i) Whether satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
- (j) Whether the financial covenants laid down in the Loan/ Grant Agreement had been complied with.

## 2. **Financial Statements**

### 2.1 **Sources of Funds**

Source of Fund	Donor Agency	Percentage	Initial Allocation as per Loan / Grant Agreement		Revised Allocation		Allocation made in the Annual Budget Estimate
			US\$	SLRs	US\$	SLRs	SLRs
Loan							
Grant							

## 2.2 Utilization of Funds- Component wise Analysis

Components as per Loan/ Grant Agreement	Allocation according to the Loan, Grant Agreement		Allocation for the year under review		Amount utilized			
					during the year under review		As at 31 December	
	US\$	SLRs	US\$	SLRs	US\$	SLRs	US\$	SLRs

## 2.3 Utilization of Funds –Disbursement Analysis

Disbursement Method		Amount utilized			
		During the year under review		As at 31 December	
		US\$	SLRs	US\$	SLRs
Reimbursement-SOE Procedure					
Imprest Fund					
Direct Payments					
Commitment Procedure					
Total Amount Disbursed	A				
Total Expenditure incurred in cash	B				
Less: Expenditure not yet claimed	C				
Less: GOSL Contribution	D				
Total Eligible Expenditure (B-C-D=E=A)	E				
Auditors Comments on delays in submission of reimbursement claims:					

## 2.4 Imprest Fund Account/ Special Dollar A/C

	US\$	SLRs
Opening Balance as at 01 January 20-----		
Add Replenishment received		

Exchange Gain		
Less	-----	-----
Withdrawals		
Exchange Loss		
	-----	-----
Closing Balance as at 31 December 20----		
	=====	=====

## 2.5 Cash Flow for the year under review

	SLRs	SLRs
Opening Cash/ Bank Balance as at 01 January 20-----		
<b>Financing Activities</b>		
Funds received from ADB/IDA/JICA		
Funds received from GOSL		
<b>Total Funds received</b>		
<b>Investing Activities</b>		
Civil works		
Property Plant and Equipment (exclude Depreciation)		
Consultancy		
Others		
<b>Total investments</b>		
<b>Operating Activities</b>		
Operational Cost( exclude Depreciation)		
Changes in the Working capital		
<b>Total operational cost</b>		
<b>Closing Cash/ Bank Balance as at 31 December 20-----</b>		



### 3. Comments on Financial Statements

#### 3.1 Accounting Deficiencies

No	Accounting Deficiency / Audit Issue	Amount Rs	Impact	Risk Rating
				<i>Low/ Medium / High</i>
Auditors Recommendation				
Response of the Management				

#### 3.2 Unsettled Balances

No	Ledger Account	Amount Rs	Period unsettled	Risk Rating	Impact
				<i>Low/ Medium / High</i>	
Auditors Recommendation					
Response of the Management					

#### 3.3 Non Compliance with Laws, Rules and Regulations

No	Reference to the Laws Rules and Regulations	Non Compliance/Audit Issue	Risk Rating	Impact
			<i>Low/ Medium / High</i>	
Auditor's Recommendation				
Response of the Management				

**3.4 Delays in submission of Withdrawal Applications**

No	No. of the WA	Period	Date of submission	Delay	Risk rating	Impact	Auditor's Recommendations	Response of the Management

**4. Physical Performance**

**4.1 Physical and Financial Progress of the activities of the Project**

No	Component /Sub Component	As at 31 December 20----				Delay / Audit Issue	Risk Rating	Impact	Auditor's Recommendations	Response of the Management
		Expected physical performance	Performance achieved	Expected financial performance	Financial progress					
							<i>Low/ Medium / High</i>			

**4.2 Delays in commencing / implementation of activities of the Project**

No	Activity	Date scheduled to be commenced/ implement	Date of commencement/ implementation	Delay	Risk rating	Impact	Auditor's Recommendations	Response of the Management
					<i>Low/ Medium / High</i>			

**4.3 Contract Administration**

No	Audit Issue	Risk Rating	Impact	Auditor's Recommendations	Response of the Management
		<i>Low/ Medium / High</i>			

**4.4 Observations made on site visits**

No	Audit Issue	Risk Rating	Impact	Auditor's Recommendations	Response of the Management
		<i>Low/ Medium / High</i>			

**4.5 Extraneous Activities/Payments made out of Project Objectives**

No	Audit Issue	Risk Rating	Impact	Auditor's Recommendations	Response of the Management
		<i>Low/ Medium / High</i>			

**4.6 Idle/ Unutilized/ Underutilized Resources**

No	Audit Issue	Risk Rating	Impact	Auditor's Recommendations	Response of the Management
		<i>Low/ Medium / High</i>			

**4.7 Matters in Contentious Nature**

No	Audit Issue	Risk Rating	Impact	Auditor's Recommendations	Response of the Management
		<i>Low/ Medium / High</i>			

**4.8 Issues related to the Environmental Matters**

No	Audit Issue	Risk Rating	Impact	Auditor's Recommendations	Response of the Management
		<i>Low/ Medium / High</i>			

**4.9 Issues Related to Human Resources Management**

No	Audit Issue	Risk Rating	Impact	Auditor's Recommendations	Response of the Management
		<i>Low/ Medium / High</i>			

**4.10 System and Controls**

No	Audit Issue	Risk Rating	Impact	Auditor's Recommendations	Response of the Management
		<i>Low/ Medium / High</i>			

**4.10 Matters pointed out in Previous Audit Reports which remained unresolved**

No	Audit Issue	Risk Rating	Impact	Auditor's Recommendations	Response of the Management
		<i>Low/ Medium / High</i>			

Assistant/ Deputy Auditor General  
for Auditor General

**Specimen for Final Report**

My No:

Date

The Secretary

Ministry of ----

**Report of the Auditor General on the Financial Statements of the-----  
Project for the year ended 31 December 2014**

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The audit of financial statements of the -----Project for the year ended 31 December 20--- 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 Article----- of Loan/ Grant Agreement No. ----- dated----- entered into between the Democratic Socialist Republic of Sri Lanka (GOSL) and the -----(*Name of the Donor Agency*) .

**1.2 Implementation, Objectives, Funding and Duration of the Project**

According to the Loan/ Grant Agreement of the Project, the Ministry ----- the Executing Agency and -----is the Implementing Agency of the Project. The objectives of the Project are ----- . As per the Loan/ Grant Agreement, the estimated total cost of the Project was US\$ ----- million equivalent to Rs ----- million and out of that US\$ ----- million equivalent to Rs ----- million was agreed to be provided by the ----- ( Donor) The Project commenced its activities on ----- and scheduled to be completed by -----.

**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 Accounting Standards/ Generally Accepted Accounting Principles/Sri Lanka Public Sector Accounting Standards (*as the case may be*) 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 Lending / 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 Loan/Grant, etc.

- (d) Whether the withdrawals under the Loan/ Grant had been made in accordance with the specifications laid down in the Loan/Grant Agreement,
- (e) Whether the funds, materials and equipment supplied under the Loan/ 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 Accounting Standards/ Generally Accepted Accounting Principles/Sri Lanka Public Sector Accounting Standards (*as the case may be*),
- (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 Loan/ Grant Agreement had been complied with.

**1.5 \* Basis for Qualified Audit Opinion**

*My opinion is qualified based on the matters described in paragraph 2.2 of this report.*

**2. Financial Statements**

**2.1 \*\*Opinion**

**Unqualified 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 20--- and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 20-- in accordance with Sri Lanka Accounting Standards /Generally Accepted Accounting Principles /Sri Lanka Public Sector Accounting Standards (as the case may be).*



- (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 Loan/ 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 Loan / Grant Agreement had been complied with.*

**Except for 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 2.2 of this report. I am of opinion that,*

- (a) the Project had maintained proper accounting records for the year ended 31 December 20--- and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 20-- in accordance with Sri Lanka Accounting Standards/ Generally Accepted Accounting Principles / Sri Lanka Public Sector Accounting Standards (as the case may be).*
- (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 Loan/ 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 Loan / Grant Agreement had been complied with.*

- 2.2 **Comments on Financial Statements**
  - 2.2.1 **Accounting Deficiencies**
  - 2.2.2 **Un-reconciled Balances**
  - 2.2.3 **Non - Compliance with Laws, Rules and Regulations**
  - 2.2.4 **Fund utilized outside the Project Purposes**
  - 2.2.5 **Issues related to SOE Procedures**
  - 2.2.6 **Unsettled Audit Issues Highlighted in the Previous Audit**
  - 2.2.7 **Financial Covenants not complied with**

3. **Financial and Physical Performance**

3.1 **Utilization of Funds**

Certain significant statistics relating to the financing, budgetary provision for the year under review and the utilization of funds during the year under review and up to 31 December 20-- are shown below.

Source	Amount agreed for financing in the Grant /Loan Agreement		Allocation made in the Budget Estimate for the year under review	Funds utilized			
				during the year under review		as at 31 December 20--	
-----	-----		-----	-----		-----	
	US\$ million	Rs. million	Rs. million	US\$ million	Rs. million	US\$ million	Rs. million
Donor Agency GOSL							
	-----	-----	-----	-----	-----	-----	-----
	=====	=====	=====	=====	=====	=====	=====

The following observations are made. ( Observations on utilizations of funds if any)

- 3.2 **Physical Progress**
- 3.3 **Contract Administration**
- 3.4 **Matters in Contentious Nature**
- 3.5 **Extraneous Activities**
- 3.6 **Idle / Under utilized Assets**
- 3.6 **Issues on Financial Control**

**Specimen for Management Assertion Letter**

Auditor General  
Auditor General's Department  
No. 306/72 Polduwa Road  
Battaramulla

**Financial Statements of the -----Project for the year ended 31 December 20--**

-----  
This refers to the financial statements of the -----Project for the year ended 31 December 20--- presented herewith in terms of Section ----- of the Loan Agreement No.----- dated ----- for audit purposes.

We acknowledge our responsibility for the fair presentation of the financial statements in accordance with Sri Lanka Accounting Standards / Generally Accepted Accounting Principles /Sri Lanka Public Sector Accounting Standards (*as the case may be*) and we confirm that to the best of our knowledge and belief , the following representations made to you for audit of above mentioned financial statements.

- (a) The financial statements of the ----- Project for the year ended 31December 20--- are free of material misstatements including omissions
- (b) The funds provided by the Lending / Donor Agency have been used for the purposes foe which they were provided.
- (c) The expenditure of the Project are eligible for financing under the Loan / Credit / Grant Agreement.
- (d) The management or employees who have a significant role in internal control and made a material effect on the financial statements of the Project have not involved in any irregular activities
- (e) All books of accounts, supporting documents and other necessary information requested by your staff are made available to complete the audit timely.
- (f) The Project has complied with the condition of all relevant legal requirements including Loan/ Credit/Grant Agreements, Project Appraisal Documents, Minutes of Discussion and the Borrowers Project Implementation Plans.

-----  
Project Director/ Chief Executing Officer  
Officer

-----  
Project Accountant/ Chief Finance

**Profile of the Project**

- (a) Name of the Project:
- (b) Whether is it Foreign Loan/ Grant
- (c) Lending / Donor Agency(s)
- (d) Implementing Agency:
- (e) Executing Agency:
- (f) Total cost of Project:
- (g) Details of the Loan / Grant Agreement
  - (i) Agreement No and Date:
  - (ii) Amount agreed to be provided: US\$/EURO/Japan Yen: Equivalent value of Rs;  
( Conversion rate applied : )
- (h) Subsidiary Loan Agreement if any
  - (i) Agreement No and Date:
  - (ii) Amount agreed to be provided: US\$/EURO/Japan Yen: Equivalent value of Rs;  
( Conversion rate applied : )
- (i) Objectives of the Project (as mentioned in the Agreement)
- (j) Component of the Project:

Component	Allocation		Reallocation( if any)	
	US\$	Rs	US\$	Rs

- (k) Disbursement method applied:
- (l) Activities of the Project
  - (i) Duration of the Project
  - (ii) Date Project activities commenced
  - (iii) Date of Project activities expected to be completed/ completed
  - (iv) Extension of Time
    - First Extension
    - Second Extension

(m) Funds Utilization( Foreign)

	Year 1		Year 2		Year3	
	US\$ million	RS million	US\$ million	RS million	US\$ million	RS million
Donor Agency						

(n) Funds Utilization (Local)

	<u>Year 1</u> <u>(Rs million)</u>	<u>Year 2</u> <u>(Rs million)</u>	<u>Year3</u> <u>(Rs million)</u>
Allocation made under Annual Estimate			
Funds received from GOSL			

(m) Date of Foreign mission visits

(n) Cost incurred by the Project and Materiality Levels

<b>Component</b>	<b>Cost incurred during the Year</b>	<b>Basis for the Materiality Level</b>	<b>Materiality Level</b>
	<b>Rs</b>	<b>%</b>	<b>Rs</b>

**Specimen for the Minimum Audit Programme and Completion Checklist**

Understanding of the Project Environment and Project Monitoring Unit				
		Yes/ No		Page No
(i)	The Organization Chart of the PMU is available		Copy attached in permanent Audit File	
(ii)	The approval for the cadre of the Project from the Department of Management services is available		-do-	
(iii)	Actual cadre of the Project is duly filled		-do-	
(iv)	All books and records are duly kept at the PMU			
(v)	The periodical reports / requested by the Donor Agency / Line Ministry is submitted timely			
(vi)	The PMU/ Sub Offices/ site offices are duly located as enable to supervise the activities of the Project			
(vii)	The stores/metal quarries etc maintained properly as enable to ensure the quality and environmental matters			
(viii)	The information requested by the auditor are promptly provided by the PMU			

**ASSESSMENT OF INTERNAL CONTROLS**

To ensure that proceeds of the Loans/ Grant were utilized for the purposes specified and were properly accounted for.				
		Yes/ No		Page No
(i)	The financial and decision making powers and responsibilities are delegated among the staff to ensure the internal checks		Copy attached in permanent Audit File	
(ii)	Whether the comprehensive detail action plan for the entire Project period had been prepared		- do-	

(ii)	Action plans for the year under review are prepared in financial and physical terms as enable to evaluate the progress in monthly, quarterly and annually basis		- do-	
(iii)	Whether the financial and physical progress report are prepared on the basis of action plan to compare and evaluate the performance			
(iv)	Books and records are maintained properly enable to evaluate the physical and financial progress including Contract Registers, Advance Register, Fixed Assets Register, SOE Register, Minuets of progress reviews/missions and registers for public complain			
(v)	Procedures are established to record all the payments /transactions/ disbursements etc.,			
(vi)	Adequacy of the accounting systems and procedure generally to support the preparation of financial statements/ reports			
(vii)	Records of reimbursement and SOEs are timely reconciled with the records with the Line Ministry/ Treasury and CBSL			
(viii)	Adequacy of the procedure for Processing and maintaining documents in supports of Expenditure claimed under SOE's etc.			
(ix)	Availability of effective internal audit by the Line Ministry			

**Civil works and Procurement of Goods and Services**

		Yes/No
(i)	General guidelines of the respective Lending Agencies are followed for selections for contractors for civil works, procurement of goods and services	
(ii)	Checked BOQs, Specifications and other condition of contracts according to the nature of the procurement	



(iii)	Checked the fairness of the rates applied for BOQ items compared with the ICTAD/BSR rates etc.	
(iv)	Adequate fair and equal opportunities are given to competitors for procurements.	
(v)	Audit tests were carried out to examine to ensure that one of the following procedures are followed.	
	* International Competitive bidding	
	* International Shopping	
	* Local Competitive Bidding	
	* Direct purchase / negotiations	
	* Limited tendering / Repeat order	
(vi)	Determined the accuracy of the value of civil works, equipment, materials, procured during the year under review.	
(vii)	Examined the physical verification reports and ascertain existence, ownership and valuations of :	
	* Fixed Assets	
	* Stock and Stores	
(viii)	Checked interim payment certificates on Civil Works, Work-in-progress etc.	
(ix)	Checked mobilization and other advances paid / recovered during the year and performance bonds etc, thereon	
(x)	Checked whether the time extensions had been granted with reasonable evidence	
(xi)	Check whether the liquidity damages had been recovered as per the conditions stipulated in the agreement (If not, reasons for waive off of liquidity damages should be explained.	
(xii)	Check whether the liquidity damages recovered had been repaid( If so genuine procedure had been applied for justification of repayments	
(xiii)	Carried out site/ physical inspections to verify the physical progress	

**STATEMENT OF EXPENDITURE (SOE's)**

		Yes/No
(i)	Checked the supporting documents submitted for the claims made during the year under review on	
	* Contracts	
	* Letter of Credit	
	* Suppliers Invoices	

	*	Contractors Invoices / Certificates	
	*	Receipt of goods	
	*	Evidence of payments etc.	
(ii)		Examined authorization, approval and certification of payments made during the year	
(iii)		Verified that the expenditure are eligible for reimbursement and are keeping with the loan agreement.	
(iv)		Checked the arithmetical accuracy of the SOE's	
(v)		Checked accuracy of the percentages used to determine the lending institutions share of the total disbursement.	
(vi)		Checked the source documents to ensure that the proper amounts were included in the reimbursement claims.	

**SPECIAL (DOLLAR) Imprest Fund / ACCOUNT**

		Yes/No
(i)	Examined initial, deposits in the Special (Dollar) Account along with the withdrawal application, Central Bank Advice etc. and also ensure that the opening balance shown in the account at the beginning of the year is correct.	
(ii)	Checked withdrawals application along with the Summary Sheet/ SOE's to ensure withdrawal are made for eligible expenditure.	
(iii)	Examined Reimbursement application and the supporting documents and SOE's	
(iv)	Ensured that percentage of expenses claimed in the Reimbursement claims etc. are in keeping with the agreement reached with the lending institutions.	
(v)	Examined that the exchange revaluation surplus / deficit is recorded correctly.	
(vi)	Ensured that Special (Dollar) Account balances tally with the records in the Central Bank.	

**FINANCIAL STATEMENTS**

		Yes/No
(i)	Checked opening balances, and other ledger postings from the previous year audited accounts	
(ii)	Examined the accuracy of the classification of accounts in keeping with Project documents.	
(iii)	Examine the accuracy of the bank balances with confirmations directly received	

	from banks.	
(iv)	Ensured expenditure on Foreign Aid Loans and grants brought to account have been reconciled with the amounts shown in the Appropriation Accounts of the relevant Ministry / Depts. Under	
	* Consolidated Fund	
	* Foreign Aid Loans	
	* Foreign Aid Grants	
	* Reimbursable Foreign Aid Loans	
	* Reimbursable Foreign Aid Grants	
	* Counterpart Funds	
(v)	Checked that all accrued expenses and accrued income, if any had been brought to account	
(vi)	Ensured that all advances remained unsettled are accounted for correctly	
(vii)	Examine the accuracy of the Ledger Accounts of the Implementing Agencies.	
(viii)	Check summarized accounts of the Project, connected schedules and its presentation.	

**REVIEW ( To be completed by the Divisional Head)**

		Yes/ No
(i)	Obtained copies of progress reports of the Review Missions, Review Reports prepared by the Project etc.	
(ii)	Verified the accuracy of the figures contained in the audit reports	
(iii)	Identified idle/ Under- utilized of assets and other resources of the Project are confirmed by the Project Office	
(iv)	Compared the financial and physical progress and ascertain percentage achievement, failure etc.	
(v)	Evaluated overall performance of the Project to ascertain to what extent Project Objectives have been achieved and comments included in the audit reports prepared.	
(vi)	Ensure the appropriate format had been used for the submission of audit report	