

## **Local Level Nutrition Interventions to Improve Nutrition in Northern Province in Sri Lanka Project for the period of 13 months ended 31 January 2015**

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The audit of financial statements of the Local Level Nutrition Interventions to Improve Nutrition in Northern Province in Sri Lanka Project for the period of 13 months ended 31 January 2015 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 2.04(c) of Article II of Grant Agreement No. TF 097171 dated 31 January 2011 entered into between the Democratic Socialist Republic of Sri Lanka and the Japan Social Development Fund.

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

According to the Grant Agreement of the Project, the Ministry of Health and Indigenous Medicine of the Northern Province is the Execution and the Implementation Agency of the Project. The objective of the Project is to reduce the compounded effects of the global food and financial crises on the displaced population in the Northern Province of Sri Lanka, by reducing malnutrition rates among pregnant and lactating women and children below five years of age. As per the Grant Agreement, the estimated total cost of the Project is US\$ 2.7 million equivalent to Rs.300.5 million and the total cost of the Project was agreed to be financed by Japan Social Development Fund (JSDF). The Project commenced its activities on 31 January 2011 and was scheduled to be completed by 31 January 2015.

### **1.3 Activities of the Project**

#### **Part 1 Supply of Emergency Food Rations**

During the initial 6 months period of the Project, provision of emergency food rations to improve food energy and protein (rice and pulses) to the following groups, in villages in the Northern Provincial Council with returning internally displaced peoples and for those living with host families.

- i) Undernourished pregnant women and/or those not gaining adequate weight
- ii) Lactating mothers (until 6 months post delivery)
- iii) Vulnerable pregnant and lactating women living with host families
- iv) Children under 5 years old experiencing growth stagnation, faltering or classified as being undernourished and
- v) Vulnerable children living with host families.

## **Part 2 Capacity Building and Community Mobilization**

During the initial 6 months period of the Project:

- i) Recruitment and training of community volunteers, health workers and members of women's groups, in basic nutrition, nutrition behavior change and community mobilization to promote appropriate infant and young child feeding and caring practices, nutrition in pregnant women and intake of micronutrient supplements.
- ii) Supply of basic equipment for weighing posts (height and weight measuring equipment and growth monitoring charts) and carrying out of minor repairs and renovations of damaged weighing posts and sections of local clinics.
- iii) Development and printing of culturally appropriate Behavior Change Communication materials, and
- iv) Community mobilization to improve nutrition.

## **Part 3 Community – based Nutrition Interventions**

Provision through volunteers, public health midwives and/or local health staff in each district of the following:

- i) Intensive behavior change counseling to malnourished pregnant and lactating women
- ii) Growth monitoring and promotion for mothers and guardians of children under 5 years of age
- iii) Supplementary feeding and house visits to mothers and children at risk and
- iv) Organization of behavioral change sessions for pregnant women, and mothers of small children to promote appropriate nutrition practices and the importance of hygiene. These sessions will also be targeted at husbands, mothers in law and adolescent girls.

## **Part 4 Project Supervision, and Monitoring and Evaluation and Advocacy**

- i) Support to the Recipient in the areas of Project management, coordination and monitoring including supervisory visits from the Provincial level to the district and village levels, and
- ii) Support for advocacy and resource mobilization by the Provincial Councils for increased support for nutrition initiatives and a follow-on program of longer – term nutritional interventions.

#### **1.4 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 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.

#### **1.5 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 Japan Socio Development Fund, 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 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.

### **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**

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 January 2015 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 January 2015 in accordance with Sri Lanka 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.

### **2.2 Comments on Financial Statements**

#### **2.2.1 Non - Compliance with Laws, Rules and Regulations**

A separate Register of Fixed Assets had not been maintained to verify the physical existence of the fixed assets procured at a cost of Rs.61,517,143 by the Project in terms of Circular No.842 of 19 November 1979 and Circular No. IAJ/2002/02 of 28 November 2002 of the General Treasury.

### 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 period under review and up to 31 January 2015 are 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		during the year under review	as at 31 January 2015	
	US\$ million	Rs. million	Rs. million	Rs. million	US\$ million	Rs. million
Donor Agency	2.73	300.48	60	22.76	2.73	339.8
	<b>2.73</b>	<b>300.48</b>	<b>60</b>	<b>22.76</b>	<b>2.73</b>	<b>339.8</b>

#### 3.2 Physical Progress

The Project had involved in supplying of nutritional foods (Jeevaposha) for targets of 9,000 pregnant women and 5,000 lactating women and 11,000 children under the age of 5 years to achieve the objective of reducing malnutrition of displaced population in the Northern Province. Therefore, 6,084 pregnant women, 5,404 lactating women and 11,478 infants and children had been served under the Project.

The following observations are made.

- (a) According to the information received, the Project had decided at the later stages of the period of the Project to provide foods for children below 2 years of age only and as a result, children in the range of 2 - 5 years of age were not served by the Project.
- (b) It was observed that the Project had spent a sum of Rs 16.08 million for the purpose of procuring of motor vehicles and grinders and printing material etc during the year under review which were not included in the financing plan and also not directly related to the objectives of the Project.

### **3.3 Matters in Contentious Nature**

The following observations are made.

- (a) Although the vehicle fleet of the Office of the Provincial Health Ministry of the Northern Province was comprised with 08 motor vehicles, a van had also been procured at a cost of Rs.9.4 million on 30 June 2014, out of proceeds of the Grant allocated to improve nutrition intervention programmes.
- (b) A sum of Rs 1.39 million had been spent by the Project to supply, print and binding of envelopes for the use of drug issues eventhough the separate allocations were made available in the Budget Estimate of the Provincial Health Ministry to meet such expenses. However, information in connection with distribution of envelopes, and stocks in hand, etc had not made available for audit.

### **3.4 Idle / Underutilized Assets**

The following observations are made.

- (a) It was observed that 100 adult and 80 pediatric height and weight equipment procured at a cost of Rs. 6,65 million in 2012 were underutilized by the Offices of the Medical Officer of Health for over 02 years due to several reasons such as the respective machines were not calibrated by the Bio Medical Engineers and lack of familiarity of officer for the usage of such electronic equipment.
- (b) It was revealed at the audit inspections that 105 motor grinders procured at a cost of Rs.5.3 million and issued to 23 Offices of Medial Officer of Health during the year under review, were not used for intended purposes due to lack of supply of three phase electricity. Further, the availability of raw materials in the area for the purpose of processing of foods was not considered by the Project before procuring of such equipment.