

Emergency Northern Recovery Project (AUSAID) (ENReP) for the seven months period ended 31 July 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 seven months period ended 31 July 2012 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 July 2012 in accordance with Generally Accepted Accounting Principles,
- (b) the funds provided had been utilized for the purpose for which they were provided,
- (c) the withdrawals from and replenishments to the Imprest Fund Account for the seven months period under review had been truly and fairly disclosed in the books and records maintained by the Project and the balance as at 31 July 2012 had been satisfactorily reconciled with the accounting records of the Central Bank of Sri Lanka (CBSL) as at that date,
- (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) satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
- (f) the financial covenants laid down in the Grant agreement had been complied with.

2. Financial Statements

2.1 Financial Performance

According to the financial statements and information made available, the expenditure of the Project for the seven months period ended 31 July 2012 amounted to Rs.7,399,560, and the cumulative expenditure as at 31 July 2012 Amounted to Rs 1,172,825,228. A summary of the expenditure of the Project for the period under review, expenditure for the preceding year and cumulative expenditure as at 31 July 2012 is given below.

Item of Expenditure	Expenditure for the seven months period ended 31 July 2012	Expenditure for the year ended 31 December 2011	Cumulative Expenditure as at 31 July 2012
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	Rs.	Rs.	Rs
<u>Part: B</u>			
Work – Fare (Cash for work)	7,399,560	319,695,607	1,172,825,228
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Total	<u>7,399,560</u>	<u>319,695,607</u>	<u>1,172,825,228</u>

2.2 Imprest Fund Account

According to the financial statements and information made available, the operations of the Imprest Fund Account for the seven months period under review and the balance as at 31 July 2012 is given below.

	<u>US\$</u>	<u>Rs.</u>
Balance as at 01 January 2012	170,908	19,466,687
Add: Replenishments	111,577	15,343
Foreign Exchange Loss		(15,565)
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	282,485	19,466,465
Less: Withdrawals	282,485	19,466,465
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Balance as at 31 July 2012	<u>Nil</u>	<u>Nil</u>

3. Audit Observations

3.1 Annual work plan and annual performance report

Following observations are made.

- (a) The work plan for the year under review had not been prepared.
- (b) Periodical Performance report for the seven months period under review had not been furnished for audit.

3.2 Utilization of Funds

- a) Although the allocation was provided in the Grant agreement for goods and consultant service under Category 1, no expenditure was incurred by the Project during the Project period whereas the expenditure under Category 2 was exceeded the allocation as per details given below.

Category	Amount of Grant allocated		Expenditure	Excess Expenditure	
	USD	SLRs		SLRs	%
Goods and consultant service of the Project for the cash for work programme	2,634,767	296,249,943	Nil	Nil	Nil
Payment made for the cash for work programme	7,904,303	888,750,057	1,172,825,228	284,075,171	32
	<u>10,539,070</u>	<u>1,185,000,000</u>	<u>1,172,825,228</u>	<u>284,075,171</u>	

3.2. Project Monitoring, Reporting and Evaluation

Adequate and systematic project monitoring, reporting and evaluation systems of cash for work as mentioned in Section 2.05 of Article I of the Grant agreement had not been carried out.

4. Systems and controls

Special attention is needed in respect of the following areas of control.

- a) Accounting
- b) Monitoring and Evaluation