

Information and Communications Technology Regulatory Capacity Building Project- 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 ten months accounting period ended 31 October 2012 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 October 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 Special (Dollar) Account for the year under review had been truly and fairly disclosed in the books and records maintained by the Project and the balance as at 31 October 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) the 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 ten months accounting period ended 31 October 2012 amounted to Rs. 6,383,932 and the cumulative expenditure as at 31 October 2012 amounted to Rs. 37,898,657. A summary of the expenditure of the Project for the accounting period under review as compared with the previous year and the cumulative expenditure as at 31 October 2012 is given below.

Item of Expenditure	Expenditure for the ten months period ended 31 October 2012	Expenditure for the year ended 31 December 2011	Cumulative expenditure as at 31 October 2012
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	Rs.	Rs.	Rs.
Consultancy Services	-	21,097,012	25,583,658
Goods and Equipment	-	-	1,375,067
Training and Workshops	6,383,932	4,556,000	10,939,932
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Total	6,383,932	25,653,012	37,898,657
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2.2 Special (Dollar) Account

According to the financial statements and information made available, the operations of the Special (Dollar) Account during the ten months accounting period ended 31 October 2012 and the balance available in that account as at that date are given below.

	<u>US\$</u>	<u>Rs.</u>
Balance as at 01 January 2012	2,661	303,048
Add: Replenishments	75,000	9,579,615
Foreign Exchange Gain	-	199,323
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	77,661	10,081,986
Less: Withdrawals	(49,220)	(6,383,932)
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Balance as at 31 October 2012	28,441	3,698,054
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3. Audit Observations

The following observations are made.

3.1 Rendition of Financial Statements

According to Section 2.04 (C) of Article II of the Grant Agreement, the audited financial statements for each accounting period should be furnished to the World Bank not later than six months, after the end of each financial year. However, the financial statements for the ten months period ended 31 October 2012 had been submitted for audit only on 23 May 2013.

3.2 Accounting Deficiencies

The actual expenditure incurred for training and workshops during the ten months period ended 31 October 2012 amounting to Rs. 1,620,993 had been treated as prior year expenditure in the financial statements for the period under review.

3.3 Non-compliances with Laws, Rules and Regulations

According to Section 2.03 of Article II of the Grant Agreement, the implementing agency should monitor and evaluate the progress of the Project and prepare a Project report thereon after end of each financial year. However, such report had not been prepared by the Project for the period ended 31 October 2012 and the previous periods.

3.4 Planning and Monitoring

Following observations are made

- (i) A comprehensive overall plan to cover the entire project period highlighting the anticipated financial and physical targets in monthly, quarterly, by annually etc to be prepared to ensure the successful implementation of the Project within the specific project period. However, no such plan had been prepared and implemented by the Project.

- (ii) An action plan clearly identifying the responsibilities of core – staff with target to be achieved and budgetary allocation relating to the activities carried out during the period under review had not been prepared. Therefore the progress of the Project as a whole could not be properly evaluated in order to take corrective measures and to make necessary changes with the view to achieving the objectives as set for.

Although, these were brought to the notice of the Project management by my previous year report too, the necessary action had not been taken in this regard up to 31 May 2013.

3.5 Utilization of Funds

According to the Financial Statements and other information made available for audit, out of the funds of Rs. 52,854,276 (US\$ 472,634) allocated for the activities of the Project a sum of Rs. 37,898,657 (US\$ 330,767.3) had only been utilized at the end of the project period.

3.6 Performance review

- (i) Although a sum of US\$ 88,320 had been allocated for conducting Training and Workshops for the staff of the TRCSL and the stakeholders under Components 01 and 02 as referred to in paragraph 1.3 of this report, an expenditure amounting to Rs. 10,939,932 (US\$ 89,220) had been incurred for that purpose.

- (ii) No local workshop had been conducted by the Project up to 16 October 2012 to achieve the objective of the Project within the specific period.

- (iii) Even though a sum of US\$ 50,000 had been allocated for the purpose of purchasing of goods and equipment Rs. 1,375,067 (US\$ 11,547.3) only had been utilized for that purpose.