

**Report of the Auditor General on the Financial Statements of the Local Level Nutrition Interventions for Northern Province Project for the first accounting period from 31 January to 31 December 2011.**

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**1. Opinion**

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So far as appears from my examination and to the best of my information and according to the explanation 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 year ended 31 December 2011 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2011 in accordance with Generally Accepted Accounting Principles.
- (b) the funds provided had been utilized for the purpose for which they were provided.
- (c) the initial deposit, withdrawals from the replenishments to the Special (Dollar) Account during the eleven months period ended 31 December 2011 had been truly and fairly disclosed in the books and records maintained by the Project and the balance as at 31 December 2011 had been satisfactorily reconciled with the accounting records of the Central Bank of Sri Lanka (CBSL) as at that date.
- (d) 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 period from 31 January to December 2011 amounted to Rs. 24,841,242. A summary of the expenditure of the period under review is given below.

<b>Item of Expenditure</b>	<b>Expenditure for the eleven months period ended 31 December 2011.</b>
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	Rs.
<u>Component – 01</u>	
Supply of Supplementary Food Rations	150,000
<u>Component – 02</u>	
Capacity building and community mobilization	2,525,747
<u>Component – 03</u>	
Community Based Nutrition Intervention	22,027,729
<u>Component – 04</u>	
Advocacy, Project supervision, monitoring and Evaluation	137,766
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	<b>24,841,242</b>
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## 2.2 **Special (Dollar) Account.**

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According to the financial statements and information made available, the operations of the Special (Dollar) Account during the period under review and the balance available in that account as at 31 December are given below.

	<b>US \$</b>	<b>Rs.</b>
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Initial Advance	454,545	49,821,409
Add: Revaluation Gain		997,982
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	454,545	50,819,391
Less: Withdrawals	227,863	24,999,999
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Balance as at 31 December 2011	<b>226,682</b>	<b>25,819,392</b>
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**3. Audit Observations.**

**3.1 Accounting Deficiencies**

Following observations are made.

- (a) Consultancy fees, Training expenses and Incremental and operating cost of amounting to Rs. 150,000, Rs.7,178,494 and Rs.519,320 respectively had been shown in the financial statements as other fixed assets instead of showing as non current assets under each component.
- (b) Statement of Expenditure (SOE) had not been separately shown in the financial statements.

**3.2 Non Compliance with Laws Rules and Regulations etc.**

**(a) Planning and Monitoring**

The following observations are made.

- i) Although fixed assets valued at Rs.16.99 million had been purchased by the Project during the period under review, a fixed asset register in terms of Treasury Circular No.842 of 16 June 1989 had not been maintained. Further a fixed asset register for computers, computer accessories and software in terms of Treasury Circular No. IAJ/2002/02 of 28 November 2002 had also not been maintained.
- ii) A comprehensive overall plan to cover the entire project period highlighting the anticipated financial and physical targets in monthly, quarterly and bi-annually should be prepared to ensure the successful implementation of the Project within the specific project period. However, no such plan had been prepared by the Project.

iii) An action plan clearly identifying the responsibilities of core - staff with target to be achieved and the 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 a view to achieve the objectives as set for.

### 3.3 Utilization of Funds

According to the Financial Statements and other information made available for audit, out of the funds amounting to Rs.300,000,000 made available for the period, a sum of Rs.24,841,242 only had been utilized for the activities of the project during the period under review. Details are given below.

Category	Descriptions	Budgeted Amount for the period	Actual amount Utilized	Unutilized amount	Percentage of utilization of funds
		Rs.	Rs.	Rs.	
01	Works	11,500,000	-	11,500,000	0
02	Fixed assets	248,000,000	16,993,428	231,006,572	07
03	Consultant service	11,000,000	150,000	10,850,000	01
04	Training	4,600,000	7,178,494	-	156
05	Operating cost	24,900,000	519,320	24,380,680	02
		300,000,000	24,841,242	277,737,252	8

A sum of Rs.2,578,493 had been over spent than the budgeted amount under training.

#### **4. System and Control.**

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

- (a) Accounting
- (b) Implementation of procurement plan
- (c) Payment for fixed assets and training