

Strengthening of Parliamentary Oversight Committees – 2011

1. 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 period 01 January 2011 to 31 July 2011 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 July 2011 in accordance with Generally Accepted Accounting Principles,
- (b) the funds provided had been utilized for the purposes for which they were provided,
- (c) the withdrawals from and replenishments to the Special (Dollar) Account during the period 01 January 2011 to 31 July 2011 had been truly and fairly disclosed in the books and records maintained by the Project and the balance as at 31 July 2011 had been satisfactorily reconciled with the accounting records of the Central Bank of Sri Lanka 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 to audit, the Project expenditure for the seventh month period under review amounted to Rs.908,297 and the cumulative expenditure as at 31 July 2011 amounted to Rs.15,642,617 A summary of the expenditure for the period under review, expenditure for the proceeding year and the cumulative expenditure as at 31 July 2011 is given below.

Activity	Expenditure for the period 01 January 2011 to 31 July 2011	Cumulative Expenditure as at 31 December 2010	Cumulative expenditure as at 31 July 2011
		Rs.	Rs.
Consultancy services	-	9,398,899	9,398,899
Goods	833,299	174,999	1,008,298
Training and workshops	<u>74,998</u>	<u>5,160,422</u>	<u>5,235,420</u>
Total	<u>908,297</u>	<u>14,734,320</u>	<u>15,642,617</u>

2:2 **Special (Dollar) Account**

According to the financial statements and the information made available, the operations of the Special (Dollar) Account during the seven-month period ended 31 July 2011 is given below.

	US \$	Rs.
Balance as at 01 January 2011	191,271.95	21,222,193
Less: Net Foreign Exchange loss	-	268,394

Withdrawals		908,298
Balance as at 31 July 2011	<u>191,271.95</u>	<u>20,045,501</u>

3. Audit Observations

Following observation are made

- a. Out of the allocation of Rs.15 Million made for the project a sum of Rs.0.91 Million only had been spent on the project while a substantial amount equivalent to 93.93 percent had not been utilized.
- b. The activities of the project was concluded on 14th July 2011. The relevant expenditure incurred on the project has been disclosed on 30 June 2011 through the Statement of the Uses of Funds by the Project. The actual expenditure according to the Statement of Uses of Funds amounted to Rs. 15,854,500 despite the fact that the balance sheet as at 31 July 2011 presented for audit disclosed a sum of Rs. 15,642,617 as the expenditure. Reconciliation of the above documents revealed an understatement of Rs. 211,883 in the balance sheet.
- c. According to the Project Agreement , the Project comprises four activities. Funds amounting to US \$ 284,000, US \$ 10,000 and US \$ 200,000 had been allocated for Consultancy Services, Goods and Training and Workshops respectively. Even though there was no supply of Consultancy Services since 1 June 2010 , no action had been taken to appoint Consultants. The World Bank Representative who had rejected a request made for an extension of project period recommended the conclusion of the project by 1 July 2011 as the project activities had not been carried out according to the Action Plan for the achievement of its objectives.

4. Financial and Operating Review

4.1 Utilization of funds

According to the statement of uses of funds by Project Activities, a sum of Rs.50,472,000 allocated to be spent for 4 components of the project for the period under review only Rs.15,854,500 or 31.41% of original allocation had been utilized by the Project. Details are given below.

	<u>Budget</u> Rs.(000)	<u>Actual</u> Rs.(000)	Rs.(000)	<u>Variance</u> %
Enhance the Capacity of the Committee Secretariat	24,704.4	9,079.6	15,624.8	66.27
Enhance the capacity of Committee Members	20,551.2	5,838.2	14,713.0	71.59
Enhance Public Access to Information about Parliamentary Oversight Committees	4,837.4	776.7	4,060.7	83.97
Project Management	379.0	160.0	219.0	57.78
Total Project Expenditure	50,472	15854.5*	38,579.1	76.44

- This amount differ from the amount shown in paragraph 4.1 of this report due to inclusion of adviser's salary.

4.2 Physical Performance

Although the Project had performed its activities under 04 major components details of achievement of targets under each component were not made available for audit.