

Assisting People with Disabilities through Cash Transfers and Training Project (Dirisawiya) - 2015

The audit of financial statements of the Assisting People with Disabilities through Cash Transfer and Training Project for the year ended 31 December 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 2.06(b) of the Article II of the Grant Agreement No. TF 013135-LK dated 30 November 2012 entered into between the Democratic Socialist Republic of Sri Lanka (GOSL) and the International Development Association (IDA).

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Grant Agreement of the Project, then Ministry of Social Services presently, Ministry of Social Empowerment and Welfare is the Executing and Implementing Agency of the Project. The objective of the Project is to provide targeted cash transfer and training for persons with disabilities in nine districts in the North, North Central, North Western Provinces in Sri Lanka, as a part of Government of Sri Lanka's effort to improve the livelihoods of disabled persons. The activities of the Project consisted with 02 Components namely, cash allowance for vulnerable persons with disabilities and pilot program on vocational training and skills development. As per the Grant Agreement, the total estimated cost of the Project amounted to US\$ 2.59 million equivalent to Rs. 336.7 million and entire cost of the Project was agreed to be financed by the International Development Association. The Project commenced its activities on 30 November 2012 and scheduled to be completed by 31 March 2015. However, the financial statements had been presented for the year ended 31 December 2015.

1.3 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 Public Sector 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.

1.4 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 judgement, 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 Government of Sri Lanka and the Donor Agency, 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 opening and closing balances and withdrawals from and replenishments to the Imprest Fund Account had been truly and fairly disclosed in the books and records maintained by the Project and the balance as at 31 December 2015 had been satisfactorily reconciled with the accounting records of the Central Bank of Sri Lanka (CBSL) as at that date.
- (e) Whether the withdrawals under the Grant had been made in accordance with the specifications laid down in the Grant Agreement,
- (f) Whether the funds, materials and equipments supplied under the Grant had been utilized for the purposes of the Project,
- (g) Whether the expenditure had been correctly identified according to the classification adopted for the implementation of the Project,
- (h) Whether the financial statements had been prepared on the basis of Sri Lanka Public Sector Accounting Standards,
- (i) Whether satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
- (j) Whether the financial covenants laid down in the Grant Agreement had been complied with.

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, I am of opinion that,

- (a) the Project had maintained proper accounting records for the year ended 31 December 2015 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2015 in accordance with Sri Lanka Public Sector 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 opening and closing balances and withdrawals from and replenishments to the Imprest Fund Account had been truly and fairly disclosed in the books and records maintained by the Project and the balance as at 31 December 2015 had been satisfactorily reconciled with the accounting records of the Central Bank of Sri Lanka (CBSL) as at that date.
- (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.

3. Financial and Physical Performance

3.1 Utilization of Funds

Certain Significant information relating to the financing, budgetary allocation and the utilization of funds during the year under review and as at 31 December 2015 is 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 December 2015	
	US\$ million	Rs. million	Rs. million	US\$ million	Rs. million	US\$ million	Rs. million
Grant	2.59	336.70	110	0.72	92.8	2.47	321
	<u>2.59</u>	<u>336.70</u>	<u>110</u>	<u>0.72</u>	<u>92.8</u>	<u>2.47</u>	<u>321</u>

3.2 Physical Progress

The Project had involved with 02 main activities of providing cash allowance for vulnerable persons with disabilities and implementing of pilot program on vocational training and skills development of the disabled persons. Therefore, cash transfers aggregating to Rs. 275.67 million for 6,510 disabled persons and the trainings on vocational and skills development for 314 disabled persons and 401 field officers had been provided during the period of the Project. Out of the initial allocation amounting to Rs. 61 million made for vocational training activities, only Rs.45.53 million had been utilized during the period of the Project. Further, a sum of Rs. 12.87 million had been returned to the General Treasury at the end of the period of the Project.

3.3 Issues relating to the Financial Controls

The financial controls mechanism for the usage of allocation of funds to conduct regional training workshops was not satisfactorily implemented. As result, the details of the training workshops conducted at 18 Divisional Secretariats in 03 districts and actual expenses incurred out of the total allocation aggregating Rs 0.94 million thereon could not be readily made available for audit.