

Improving Poverty Estimation Project for the First Accounting Period from 24 March 2016 to 31 March 2017

The audit of financial statements of the Improving Poverty Estimation Project for the first accounting period from 24 March 2016 to 31 March 2017 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 2.05(c) of the Trust Fund for Statistical Capacity Building Grant No.TF018397 of 24 March 2016 entered into between with the Democratic Socialist Republic of Sri Lanka and the International Development Association.

1.2 Implementation, Objective, Funding and Duration of the Project

According to the Grant Agreement, the, Ministry of National Policies and Economic Affairs is the Executing Agency and the Department of Census and Statistic is the Implementing Agency of the Project. The objective of the Project are to improve the poverty measurement through piloting the use of technology to improve data collection, improve labour force, improve the sampling and questionnaire designs of the Labour Force Survey and Household Income and Expenditure Survey and update definitions of residential sectors. As per the Grant Agreement, the estimated total cost of the Project amounted to US\$ 160,000 equivalent to Rs. 23.91 million and International Development Association had agreed to provide entire cost of the Project. The Project commenced its activities on 24 March 2016 and scheduled to be completed by 31 December 2016. However, the period of the Project had been extended up to 31 March 2017.

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 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 judgment, 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 Special Dollar Account had been truly and fairly disclosed in the books and records maintained by the Project and the balance as at 31 March 2017 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 equipment 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 Accounting Standards, and
- (i) 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 period ended 31 March 2017 and the financial statements give a true and fair view of the state of the Project as at 31 March 2017 in accordance with Sri Lanka Accounting Standards,
- (b) the funds provided had been utilized for the purposes for which they were provided,

- (c) the Statement 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 financial covenants laid down in the Grant Agreement had been complied with.

3. Financial and Physical Performance

3.1 Utilization of Funds

Certain significant statistics relating to the financing, budgetary provision for the period under review and the utilization of funds upto 31 March 2017 are shown below.

Source	Amount agreed for financing in the Grant Agreement		Allocation made in the Budget Estimate for the period	Funds utilized as at 31 March 2017	
	US\$ million	Rs. million	Rs. million	US\$ million	Rs. million
IDA	0.16	23.91	23.56	0.15	22.58
Total	<u>0.16</u>	<u>23.91</u>	<u>23.56</u>	<u>0.15</u>	<u>22.58</u>

According to the above information, US\$ 151,217 equivalents to Rs. 22.58 million had only been utilized, out of the allocation of US\$ 160,000 equivalents to Rs.23.91 million. Further, unutilized proceeds of grant of US\$ 8,783 equivalents to Rs.1.33 million had been refunded to the Donor Agency on 22 May 2017.

3.2 Physical Progress

According to the Implementation Plan of the Project, the contracts had been awarded to obtain the consultancy services for technical assistance to access technology needs of the Department of Census and Statistics to implement pilot collection of data using computer assisted personal interviews, sampling and designs and updating definitions of residential sectors etc. According to the information received, the key deliverables could not be completed as at 27 December 2016 as scheduled and a result, the period of the Project had been extended up to 31 March 2017.

3.3. Contract Administration

The Project had taken action to procure 90 tablet computes at a cost of Rs.4.65 million to collect data using computer assisted personal interviews methodology in September 2016, after lapse 06 months from the commencement of the activities of the Project. It was observed in audit that specifications laid down in the bid documents of the tablet computers had been changed subsequently. According to the explanations made by the Director General of the Department of Census and Statistics, such changes had been made considering the specific requirements of the Department and the selected bidder had completed the contract on 23 November 2016.