

PD-ABE-78Y  
7/9/92

**Regional Inspector General for Audit  
Singapore**

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**AUDIT OF  
AGROMART OUTREACH FOUNDATION  
SRI LANKA**

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**Audit Report No. 5-383-92-27-N  
September 18, 1992**



**INSPECTOR  
GENERAL**

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

**AUDIT OF  
AGROMART OUTREACH FOUNDATION  
SRI LANKA**

**AUDIT REPORT NO. 5-383-92-27-N**

**September 18, 1992**

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**The Fund Accountability Statement of Agromart Outreach Foundation (Agromart) presents fairly the receipts and expenditures, except that adequate documentation was not available to support \$73,928 of the organization's required matching contributions. In addition, Agromart did not contribute specific items amounting to \$14,023 as required by the agreement. Except for the above instances of noncompliance, Agromart complied, in all material respects, with applicable laws, regulations, and agreement terms. The auditors also reported two instances of material internal control weaknesses.**

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U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

September 18, 1992

TO: Richard M. Brown, Mission Director  
USAID/Sri Lanka

FROM:   
James B. Dumlil, RIG/A/Singapore

SUBJECT: Audit of the Agromart Outreach Foundation - Sri Lanka  
Audit Report No. 5-383-92-27-N

The accounting firm of Coopers & Lybrand, Singapore performed a financial audit of USAID/Sri Lanka's grant to Agromart Outreach Foundation (Agromart) under the Private Voluntary Organization Co-Financing Project II (Grant No. 28 of Project No. 383-0101). Five copies of the audit report are enclosed for your action.

In March 1990, under the Private Voluntary Organization Co-Financing II project, USAID/Sri Lanka provided a grant to Agromart to train and orientate women in the North Western Province of Sri Lanka in field of agriculture. The grant was designed to diversify the rural economy and to promote entrepreneurship in agriculture and agro-industries. The period covered by the audit is April 1, 1990 through December 31, 1991, during which Agromart reported that a total of \$438,704 was made available of which \$407,220 was expended.

The audit objectives were to: (1) determine whether the Fund Accountability Statement of Agromart presents fairly the receipts and expenditures under the grant and whether the expenditures were allocable, allowable, and reasonable; (2) report on Agromart's system of internal controls; and (3) report on Agromart's compliance with applicable laws, regulations, and agreement terms.

The auditors reported that Agromart's Fund Accountability Statement presents fairly the receipts and expenditures under the above grant, except for \$73,923 relating to the organization's matching contributions that could not be adequately supported. In addition, Agromart did not contribute specific items amounting to \$14,023 as required by the agreement. Except for the above material instances of noncompliance, Agromart complied, in all material respects, with applicable laws, regulations, and agreement terms. The auditors also reported two instances of material internal control weaknesses concerning payroll sheets not being properly approved and checked, and supporting documentation not being cancelled at when bills are paid.

The management of Agromart generally agreed on the auditors' findings and recommendations. Agromart's comments are included as Appendix B to this report and are summarized under each finding in the report.

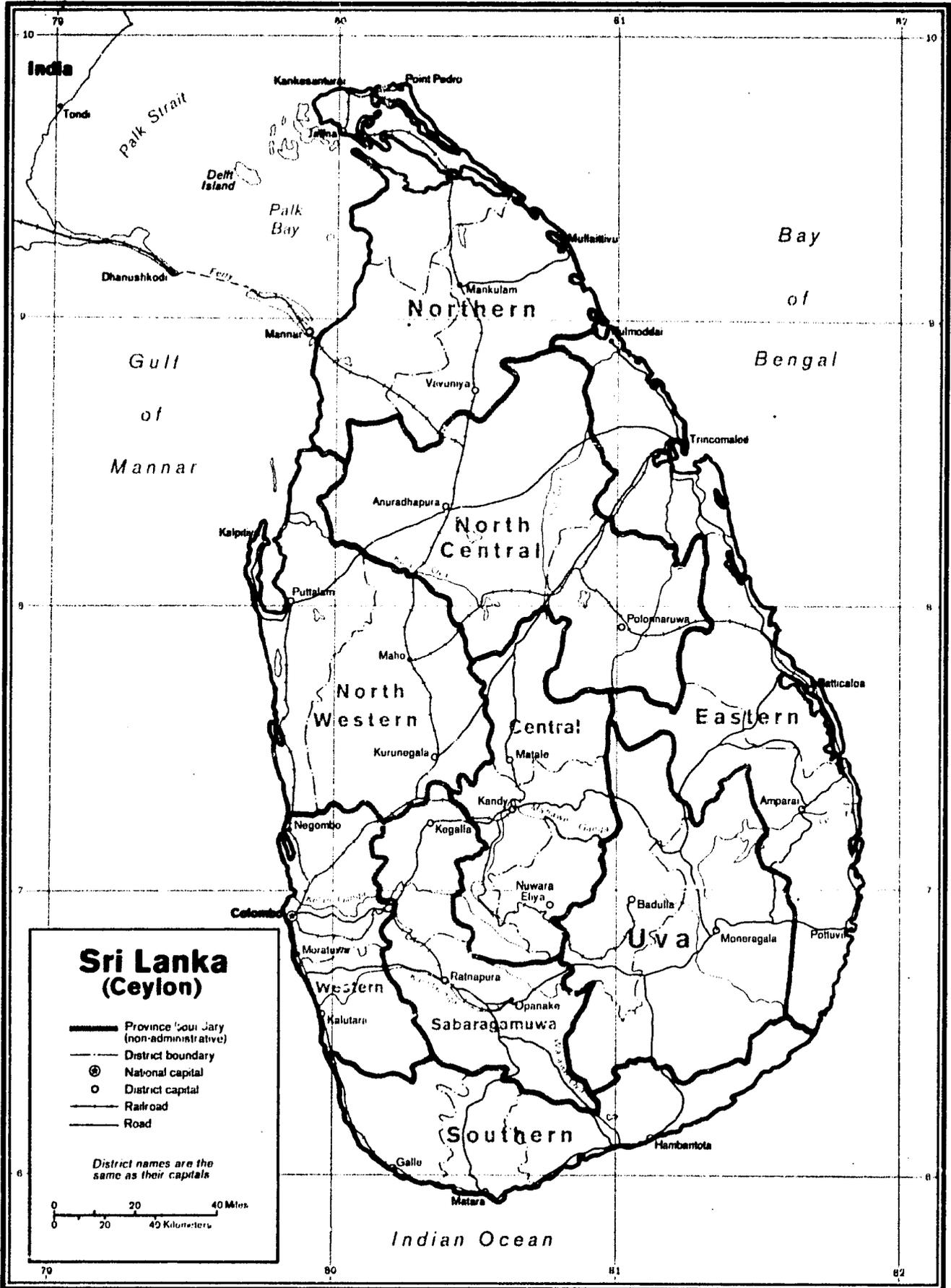
We are making the following recommendations to be included in the Inspector General's recommendation follow-up system.

**Recommendation No. 1: We recommend that USAID/Sri Lanka resolve the \$73,928 in unsupported contributions by Agromart Outreach Foundation, and the \$14,023 in matching contributions that were not met.**

**Recommendation No. 2: We recommend that USAID/Sri Lanka verify that Agromart Outreach Foundation establishes and implements a system to cancel all supporting documentation at the time of payment and to appoint a management officer to approve payrolls prior to disbursing salaries.**

We appreciate the courtesies and cooperation USAID/Sri Lanka and Agromart extended to the auditors and our staff during the course of this audit.

Please advise me within 30 days of any actions planned or taken to close the above recommendations.



**AUDIT OF  
AGROMART OUTREACH FOUNDATION  
PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE  
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
IN SRI LANKA  
\*\*\*\*\***

**PVO CO-FINANCING II 383 - 0101, GRANT NO 28  
FOR THE PERIOD APRIL 1, 1990 TO DECEMBER 31, 1991**

**Performed and Prepared**

**by**

**Coopers & Lybrand  
Singapore**

**&**

**Coopers & Lybrand  
Sri Lanka**

**AUDIT OF**  
**AGROMART OUTREACH FOUNDATION**  
**PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE**  
**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT**  
**IN SRI LANKA**

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**INDEPENDENT AUDITORS' REPORT**

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your reference  
our reference**A5/KYT/AGROM**

Mr James B Durnil  
Regional Inspector General  
for Audit, Singapore,  
US Agency for International Development  
# 17 - 03 Peninsula Plaza  
111 North Bridge Road  
Singapore 0617

**1 September 1992**

Dear Mr Durnil

This report presents the results of our audit of Agromart Outreach Foundation ("Agromart") pertaining to PVO Co-Financing II 383-0101 Grant No. 28 ("Grant No 28") with the United States Agency for International Development, Sri Lanka ("USAID/SL"), for the period April 1, 1990 to December 31, 1991. Funding under this Grant continues beyond our review period.

**Background - Sri Lanka**

At present, the World Bank lists Sri Lanka as one of the poorest countries in the world with an average per capita income of only US \$ 510 per annum (Source: Asiaweek, July 17, 1992).

In an attempt, therefore, to boost productivity and the general living conditions of the Sri Lanka people, a number of Private Voluntary Organizations ("PVOs") and government institutions are working together on a variety of socio-economic based initiatives and projects. One such PVO involved in these projects is Agromart.

**Agromart - The Organization and its Programs**

Agromart is a non-profit non-governmental, incorporated, private voluntary organisation with charity status, which is primarily involved in entrepreneurship development - mainly in the rural community with special emphasis on women. Agromart was registered as an approved charity in 1989 and it has now reached a stage of transformation from a group of courageous voluntary organizers to a full fledged and vibrant professional organization. Its aim has been directed at the development of rural women in the North Western Province of Sri Lanka. This province comprises the districts of Kurunegala and Puttalam, has a land area of 7,824 square kilometers and has a total population of about 1.8 million, out of which approximately half are women.



## resident partners

Tan Swan Jeng  
Reggie M Thein  
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Chey Chor Wai

## directors

D Michael Fleming  
Andrew Jackomos  
Joyce Tan  
David K H Toh

Mr James B Durnil  
Regional Inspector General  
for Audit, Singapore,  
US Agency for International Development  
Singapore

Audit Objectives and Scope of Work

We have conducted a financial audit of Agromart's Fund Accountability Statement as it relates to Grant No 28 received under the PVO Co-Financing II Project, for the period April 1, 1990 to December 31, 1991.

The Fund Accountability Statement comprises the Receipts and Expenditure Statement for Grant No 28 for the period April 1, 1990 to December 31, 1991 and the notes thereon. The results of our work are reflected in the accompanying Independent Auditors' Reports on the :

- a) Fund Accountability Statement;
- b) System of Internal Control; and
- c) Compliance with Agreement Terms, Applicable Laws and Regulations.

The objectives of our work were to :-

- a) Determine whether the Fund Accountability Statement for Agromart presents fairly the receipts, expenditures and closing cash balances of Agromart as they pertain to its Co-Financing Project for the period noted above and in accordance with the terms of the Grant Agreement. Expenditure reimbursed by USAID/SL, as well as costs claimed as part of Agromart's contribution to the Grant, were covered by this audit;
- b) Report on Agromart's internal accounting controls; and
- c) Report on Agromart's compliance with applicable laws, regulations, agreement terms, binding policies and procedures.

Our audit was conducted in accordance with generally accepted auditing standards and US Government Auditing Standards and, accordingly, included such tests as we considered appropriate in order to satisfy our objectives.

Mr James B Durnil  
Regional Inspector General  
for Audit, Singapore,  
US Agency for International Development  
Singapore

The scope of our work included the following general procedures:

- a) Holding meetings with USAID/SL, Agromart and USAID/SL Regional Inspector General for Audit/Singapore ("RIG/A/S") officials;
- b) Reviewing the Grant Agreement and appropriate amendments, OMB circulars, AID handbook regulations, prior period audit reports on Agromart's financial statements, correspondence and minutes of meetings between USAID/SL and Agromart as well as project progress reports maintained by both Agromart and USAID/SL;
- c) Obtaining an understanding of the accounting, administrative and internal control systems of Agromart using questionnaires, interviews, flowcharts and narrative descriptions;
- d) Devising and performing appropriate tests on the transactions recorded in the Fund Accountability Statement;
- e) Designing appropriate audit steps and procedures to provide reasonable assurance of detecting errors, irregularities, and illegal acts that could have a direct and material effect on the results of our audit. We were also aware of the possibility of illegal acts that could have an indirect and material effect on the results of our audit; and
- f) Testing the effectiveness of administrative controls applied by Agromart's management to ensure compliance with applicable laws, regulations and agreement terms.

Mr James B Durnil  
Regional Inspector General  
for Audit, Singapore,  
US Agency for International Development  
Singapore

Audit Results

a) Opinion on the Fund Accountability Statement

Contributions by Agromart to the project and their corresponding expenditure amounts were not supported by adequate documentation and as a result we are unable to determine whether:-

- 1) receipts representing contributions of Agromart amounting to Rs 2,691,000 (US\$73,928) are appropriate and valid; and
- 2) expenditure totalling Rs 2,691,000 (US\$ 73,928) are reasonable, allocable and allowable. (See appendix A)

Except for the matters set out in the preceding paragraphs, the Fund Accountability Statement referred to above is fairly presented, in all material respects, in conformity with the basis of accounting described in note 1(b) to the Fund Accountability Statement.

b) System of Internal Controls

In accordance with Paragraph 19 of Chapter 5 of Government Auditing Standards, we limited our reliance on Agromart's internal control structure as our preliminary review and documentation of the accounting and control systems indicated that an adequate structure did not exist for our reliance due to the small size of the entity. In order to maintain the efficiency of our audit, we therefore extended our substantive testing.

During the course of our audit, though, we noted certain matters involving the internal control structure and its operation that we considered to be reportable conditions. These items were also considered to be material weaknesses and have been detailed in pages 13 to 15 of our report.

c) Compliance with Agreement Terms, Applicable Laws and Regulations

The results of our testing of transactions and records selected disclosed material instances of non-compliance with agreement terms, applicable laws and regulations, the effects of which have not been corrected in the Fund Accountability Statement. The findings on non compliance are set out on pages 18 to 22 and the relevant appendices.

Mr James B Durnil  
Regional Inspector General  
for Audit, Singapore,  
US Agency for International Development  
Singapore

c) Compliance with Agreement Terms, Applicable Laws and Regulations  
(Cont'd)

We considered these material instances of non-compliance in forming our opinion on whether Agromart's Fund Accountability Statement is presented fairly, in all material respects, in conformity with the basis of accounting described in note 1(b) to the Statement, and this report is not considered to affect our report dated 1 September 1992 on those statements.

Except as described above, the results of our tests of compliance indicate that with respect to the items tested Agromart complied, in all material respects, with the provisions referred to above. With respect to items not tested, nothing came to our attention that caused us to believe that Agromart had not complied, in all material respects, with those provisions.

Total Agromart's contribution questioned amounted to US\$73,928. (See Appendix A)

With respect to transactions and records not tested by us, nothing came to our attention that caused us to believe that Agromart had not complied, in all material respects, with agreement terms, applicable laws, regulations, binding policies and procedures.

In the course of our work, no significant or material findings and recommendations from previous audits, that affect the current audit objectives, were noted.

Comments on Findings and Recommendations

The management of Agromart have principally agreed to our findings and recommendations on the internal control and non-compliance issues set out on pages 13 to 15 and 18 to 22 respectively and their comments can be found on the relevant pages of our findings and in full in Appendix B.

Acknowledgements

We would like to take this opportunity to express our gratitude for the assistance given to us by the RIG/A/S office, USAID/SL and the management and staff of Agromart during the course of our audit.

Yours truly

*Coopers & Lybrand*

**REPORT ON THE  
FUND ACCOUNTABILITY STATEMENT**

your reference  
our reference**A5/KYT/AGROM**

Mr James B Durnil  
Regional Inspector General  
for Audit, Singapore,  
US Agency for International Development  
# 17 - 03 Peninsula Plaza  
111 North Bridge Road  
Singapore 0617

**1 September 1992**

Dear Mr Durnil

**AGROMART OUTREACH FOUNDATION  
PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE  
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
IN SRI LANKA**

**INDEPENDENT AUDITORS' REPORT ON THE FUND  
ACCOUNTABILITY STATEMENT**

1. We have audited the Fund Accountability Statement of Agromart Outreach Foundation ("Agromart") pertaining to PVO Co-Financing II 383-0101, Grant No 28 ("Grant No 28") with the United States Agency for International Development, Sri Lanka ("USAID/SL"), and as it relates to the period April 1, 1990 to December 31, 1991. Funding under the Grant continues beyond our review period.
2. As stated in Note 2 on page 9, the Fund Accountability Statement presents only the transactions of Agromart as it pertains to Grant No 28 received from USAID/SL under the PVO Co-Financing II Project, as well as Agromart's own contributions to this Grant, and is not intended to present fairly the receipts and expenditure of Agromart as a whole.
3. This Statement, comprising the Receipts and Expenditure Statement for the Grant and the notes thereon, and is set out on pages 8 and 9 is the responsibility of Agromart's management. Our responsibility is to express an opinion on this statement based on our audit.
4. As described in note 1(b) to the Fund Accountability Statement, the Statement is prepared on a cash receipts and disbursement basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.



## resident partners

Tan Swan Jeng  
Reggie M Thein  
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**AGROMART OUTREACH FOUNDATION  
PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE  
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
IN SRI LANKA**

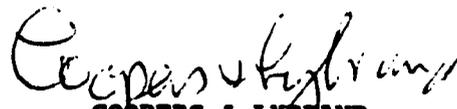
**INDEPENDENT AUDITORS' REPORT ON THE FUND  
ACCOUNTABILITY STATEMENT**

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5. We conducted our audit in accordance with generally accepted auditing standards and US Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, and significant estimates made, by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.
6. Contributions by Agromart to the project and their corresponding expenditure amount were not supported by adequate documentation and as a result we are unable to determine whether:-
- 1) receipts representing contributions of Agromart amounting to Rs 2,691,000 (US\$ 73,928) are appropriate and valid; and
  - 2) expenditure totalling Rs 2,691,000 (US\$ 73,928) are reasonable, allocable and allowable (See appendix A)

Except for the matters set out in the preceding paragraphs, the Fund Accountability Statement, referred to above is fairly presented, in all material respects, in conformity with the basis of accounting described in note 1(b) to the Fund Accountability Statement.

7. This report is intended solely for the use of the Agency for International Development and Agromart and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the USAID Regional Inspector General for Audit, Singapore, is a matter of public record.

  
**COOPERS & LYBRAND**

**Certified Public Accountants**

**AGROMART OUTREACH FOUNDATION  
PVO CO-FINANCING II PROJECT, GRANT NO 28**

**RECEIPTS AND EXPENDITURE STATEMENT FOR THE  
PERIOD FROM APRIL 1, 1990 TO DECEMBER 31, 1991**

	USAID/SL Contributions Rs -----	AGROMART Contributions Rs -----	Total Contributions Rs -----	US \$ Equivalent -----
<b>RECEIPTS</b>				
Net funds contributed	11,807,713	4,161,117	15,968,830	438,704
<b>EXPENDITURE</b>				
Capital expenditure	871,469	191,289	1,062,758	29,197
Salaries	2,015,670	64,500	2,080,170	57,147
Travel	591,144	210,000	801,144	22,009
Training	4,900,137	-	4,900,137	134,619
Rent	330,000	-	330,000	9,067
Evaluation	66,455	-	66,455	2,375
Administration	1,866,817	116,642	1,983,459	54,491
Management and professional services	-	3,578,686	3,578,686	98,315
	10,661,692	4,161,117	14,822,809	407,220
Surplus for the period	1,146,021	-	1,146,021	31,484

  
**M S B C MOONESINGHE**  
**CHAIRPERSON**  
**AGROMART OUTREACH FOUNDATION**

**AGROMART OUTREACH FOUNDATION  
PVO CO-FINANCING II PROJECT, GRANT NO 28**

**Notes to the Fund Accountability Statement 31 December 1991**

**1        Significant Accounting Policies**

- (a)    The Fund Accountability Statement, expressed in Sri Lankan Rupees, is prepared in accordance with the historical cost convention. Sri Lankan rupee amounts have been translated to their US dollar equivalent at the average rate of exchange during the statement period.
  
- (b)    Receipts and expenditure relate to amounts received and paid respectively in cash or in kind. The funds surplus for the period represents the closing bank balance.

**2        Component unit of Agromart**

The Fund Accountability Statement presents only the transactions of Agromart as they pertain to Grant No 28 received from USAID/SL under the PVO Co-Financing II Project, as well as Agromart's own contributions to this grant, and is not intended to present fairly the receipts and expenditure of Agromart as a whole.

**REPORT ON THE SYSTEM OF  
INTERNAL CONTROLS**

*9a*

your reference  
our reference**A5/KYT/AGROM**

Mr James B Durnil  
Regional Inspector General  
for Audit, Singapore,  
US Agency for International Development  
# 17 - 03 Peninsula Plaza  
111 North Bridge Road  
Singapore 0617

**1 September 1992**

Dear Mr Durnil

**AGROMART OUTREACH FOUNDATION  
PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE  
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
IN SRI LANKA**

**INDEPENDENT AUDITORS' REPORT ON THE SYSTEM  
OF INTERNAL CONTROLS**

1. We have audited the Fund Accountability Statement of Agromart Outreach Foundation ("Agromart") pertaining to PVO Co-Financing II 383-0101, Grant No 28 ("Grant No 28") with the United States Agency for International Development, Sri Lanka ("USAID/SL"), and as it relates to the period April 1, 1990 to December 31, 1991. Funding under the Grant continues beyond our review period.
2. This statement, comprising the Receipts and Expenditure Statement for the Grant and the notes thereon, is set out on pages 8 and 9 and we have issued our report thereon dated 1 September 1992.
3. We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
4. In planning and performing our audit of Agromart, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement and not to provide assurance on the internal control structure of Agromart as a whole.

10



## resident partners

Tan Swan Jeng  
Reggie M Thein  
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**AGROMART OUTREACH FOUNDATION  
PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE  
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
IN SRI LANKA**

**INDEPENDENT AUDITORS' REPORT ON THE SYSTEM  
OF INTERNAL CONTROLS**

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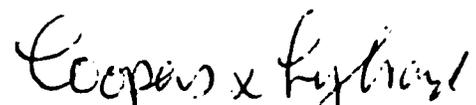
5. The management of Agromart is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related cost of internal control structure, policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.
6. For the purpose of this report, we have classified the significant internal control structure, policies and procedures in to the following categories;
- Accounting Controls;
- o Cash receipts
  - o Cash disbursements
  - o Payroll
  - o Property and equipment
- Administrative controls;
- o Cost allocation and allowability
  - o Monitoring
  - o Reporting
7. For all the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures, determined whether they are effective in operation, and we assessed control risk.
8. As a result of these procedures, and in accordance with Government Auditing Standards, we limited our reliance on the internal control structure as, given the small size of the entity, an adequate structure for the purposes of audit reliance was considered not to be in existence. As a consequence, we adopted a substantive testing approach in our audit of the Fund Accountability Statement.

**AGROMART OUTREACH FOUNDATION  
PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE  
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
IN SRI LANKA**

**INDEPENDENT AUDITORS' REPORT ON THE SYSTEM  
OF INTERNAL CONTROLS**

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9. However, during the course of our audit, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the organization's ability to record, process, summarize and report financial data, consistent with the assertions of management, in the financial statements.
10. Our audit revealed the following reportable conditions, which are described in detail on pages 13 to 15:-
- (a) Some source documentation covered by our review showed no evidence of authorization; and
  - (b) Supporting documentation were not effectively cancelled at the time of payment.
11. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce, to a relatively low level, the risk that errors or irregularities, in amounts that would be material in relation to the Statement being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned tasks.
12. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we consider that the reportable conditions annotated as (a) and (b) in paragraph 10 above are material weaknesses.
13. This report is intended solely for the use of the Agency for International Development and Agromart and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the USAID Regional Inspector General for Audit, Singapore, is a matter of public record.

  
**COOPERS & LYBRAND**

**Certified Public Accountants**

**AGROMART OUTREACH FOUNDATION**  
**SCHEDULE OF REPORTABLE CONDITIONS**

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(A) **LACK OF EVIDENCE OF AUTHORIZATION ON SOME SOURCE DOCUMENTATION**

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Condition

We noted that the following payroll sheets do not bear evidence of being checked and approved:

<u>Date</u>	<u>Amount</u> <u>Rs</u>	<u>US\$</u> <u>Equivalent</u>
April 1990	10,000	275
May 1990	23,700	650
November 1990	46,775	1,285
February 1991	46,600	1,280
May 1991	60,366	1,660
August 1991	73,610	2,020
November 1991	71,050	1,950
	<u>332,101</u>	<u>9,120</u>

Criteria

Sound internal control practice requires that supporting documentation be checked for accuracy & validity and approved accordingly.

Effect

Payment of claims without the appropriate checking and approval of a responsible official may result in unauthorized or excess costs being incurred by Agromart.

No evidence of impropriety was, however, noted by us during the course of our audit as a result of this condition.

Cause

This weakness in internal control has resulted as management did not recognize the need for such a procedure.

**AGROMART OUTREACH FOUNDATION**  
**SCHEDULE OF REPORTABLE CONDITIONS**

---

(A) LACK OF EVIDENCE OF AUTHORIZATION ON SOME SOURCE  
DOCUMENTATION (CONT'D)

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Recommendation

We recommend that all payroll sheets be checked for accuracy and validity. The person performing the check should initial on the document as evidence of check. Also, the official responsible for approving payments should initial on the payroll sheets as evidence of his approval.

Management Comments

Agree with the auditors' comments. However, management stressed that payroll sheets were in fact checked by the Treasurer before payments were made and test checks had been carried out. The Treasurer has now initialled all payroll sheets for the period under review as evidence of her check and approval and has continued to do so since the end of the period under review.

**AGROMART OUTREACH FOUNDATION**  
**SCHEDULE OF REPORTABLE CONDITIONS**

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(B) **SUPPORTING DOCUMENTATION NOT EFFECTIVELY CANCELLED AT THE TIME OF PAYMENT**

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Condition

All supporting documentation such as bills, invoices and vouchers had not been effectively cancelled at the time of payment.

Criteria

Sound internal control practice requires that supporting documentation be cancelled at the time of payment.

Effect

The non-cancellation of supporting documents at the time of payment may lead to the possibility of documents being resubmitted for payment more than once.

No evidence of impropriety was, however, noted by us during the course of our audit as a result of this condition.

Cause

This weakness in internal control has resulted as management did not recognize the need for such a procedure.

Recommendation

We recommend that Agromart establishes and implements a system to ensure that all supporting documents be effectively cancelled after payment to prevent their use in support of further payments. For this purpose, the date and the number of the cheque should be cancelled with a "PAID" stamp. At the time of signing the cheque, the signatories should ensure that the date and number of cheque being signed correspond with those recorded on the supporting documents.

Management Comments

Agree with the comments and management will implement auditors' recommendation.

**REPORT ON COMPLIANCE WITH  
AGREEMENT TERMS, APPLICABLE  
LAWS AND REGULATIONS**

156

your reference  
our reference**A5/KYT/AGROM**

Mr James B Durnil  
Regional Inspector General  
for Audit, Singapore,  
US Agency for International Development  
# 17 - 03 Peninsula Plaza  
111 North Bridge Road  
Singapore 0617

**1 September 1992**

Dear Mr Durnil

**AGROMART OUTREACH FOUNDATION  
PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE  
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
IN SRI LANKA**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
AGREEMENT TERMS, APPLICABLE LAWS AND  
REGULATIONS**

1. We have audited the Fund Accountability Statement of the Agromart Outreach Foundation ("Agromart") pertaining to PVO Co-Financing II 383-0101, Grant No 28 ("Grant No 28") with the United States Agency for International Development, Sri Lanka ("USAID/SL"), and to the extent it relates to the period April 1, 1990 to December 31, 1991. Funding under the Grant continues beyond our review period.
2. This Statement, comprising the Receipts and Expenditure Statement for the Grant and the notes thereon, is set out on pages 8 and 9 and we have issued our report thereon dated 1 September 1992.
3. We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
4. Compliance with laws, regulations, contracts, grants and binding policies and procedures applicable to Agromart is the responsibility of Agromart's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests on Agromart for compliance with certain provisions of laws, regulations, contracts, grants and binding policies and procedures. However, our objective was not to provide an opinion on compliance with such provisions.



## resident partners

Tan Swan Jeng  
Reggie M Thein  
Jonathan H E Ou  
Khoo Kum Wing  
Chew Kia Ngee  
Chan Ket Teck

Noris C G Ong  
David G Compton  
Phillip E S Tan  
Michael G Gray  
Chew Teck Soor  
Foo Tiang Sooi

Ernest T P Seow  
Jimmy K H Seet  
Lawrence K S Seet  
Edwin T S Khoo  
Leong Yit Siong  
Quek Soo Tat

Betty Khoo  
Chey Chor Wai

## directors

D Michael Fleming  
Andrew Jackomos  
Joyce Tan  
David K H Toh

**AGROMART OUTREACH FOUNDATION  
PERTAINING TO ITS PVO CO-FINANCING GRANT WITH THE  
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
IN SRI LANKA**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
AGREEMENT TERMS, APPLICABLE LAWS AND  
REGULATIONS**

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5. Material instances of non-compliance are violations of laws, regulations, contract and grant provisions, or binding policies and procedures that cause us to conclude that the aggregation of misstatements resulting from those violations is material to the Fund Accountability Statement.
6. The results of our testing of transactions and records selected disclosed material instances of non-compliance with agreement terms, applicable laws and regulations, the effects of which have not been corrected in the Fund Accountability Statement. The findings on non-compliance are set out on pages 18 to 22 and Appendix A.
7. We considered these material instances of non-compliance in forming our opinion on whether Agromart's Fund Accountability Statement is presented fairly, in all material respects, in conformity with the basis of accounting described in note 1(b) to the Statement, and this report is not considered to have affected our report dated 1 September 1992 on those statements.
8. Except as described in paragraph 6 above, the results of our tests of compliance indicate that with respect to the items tested Agromart complied, in all material respects, with the provisions referred to above. With respect to items not tested, nothing came to our attention that caused us to believe that Agromart had not complied, in all material respects, with those provisions.
9. This report is intended solely for the use of the Agency for International Development and Agromart should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the USAID Regional Inspector General for Audit, Singapore, is a matter of public record.

  
**COOPERS & LYBRAND**

**Certified Public Accountants**

**AGROMART OUTREACH FOUNDATION**  
**SUMMARY OF AUDIT FINDINGS ON COMPLIANCE ISSUES**

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- (1) Inadequate maintenance of sufficient and proper accounting records.
- (2) Agromart has not adequately met its co-financing contribution requirements.

**AGROMART OUTREACH FOUNDATION**  
**SCHEDULE OF FINDINGS ON NON-COMPLIANCE**

**1      INADEQUATE MAINTENANCE OF SUFFICIENT AND PROPER ACCOUNTING RECORDS**

**Condition**

We noted that Agromart did not maintain certain source documentation for their contribution to the Grant.

**Criteria**

Mandatory standard provision 2(a) of AID Handbook 13, which forms part of the Grant Agreement requires the grantee to maintain books, necessary documents and other necessary evidence to sufficiently substantiate charges to grant.

**Effect**

Under the provisions for the Grant Agreement, Agromart has to make certain contributions to the Project. Agromart has provided certain services to the Project and has ascribed costs to these services and treated them as its contributions to the Project. The accounting treatment was to charge the costs of the services as expenditures to the project and credited similar amounts as receipts (contributions by Agromart) of the project. However as these receipts and expenditure are not supported by any documentation we are therefore unable to determine whether -

- 1)      the receipts are appropriate and valid; and
- 2)      the costs of the services are reasonable, allocable and allowable expenditures.

These expenditures are summarised under the following budget lines:

Budget line Item	Description	Amounts Rs	US\$ Equivalent
Salaries	Secretarial services	63,000	1,730
Travel	Travelling expenses by officials	210,000	5,770
Admini- stration	Stationery	52,000	1,428
	Office maintenance	21,000	577
Management and profes- sional services	Professional services	900,000	24,725
	Management services	1,445,000	39,698
Total		\$2,691,000	73,928

**AGROMART OUTREACH FOUNDATION**  
**SCHEDULE OF FINDINGS ON NON-COMPLIANCE**

---

1. INADEQUATE MAINTENANCE OF SUFFICIENT AND PROPER ACCOUNTING RECORDS  
(CONT'D)

Cause

This has resulted as the management of Agromart was not aware of the above criteria's application to their contributions in kind.

Recommendation

Agromart should review the receipts and questioned costs that have resulted from this finding and resolve them with USAID/SL. In addition, Agromart should establish and implement adequate procedures in the form of time sheets and log books to account properly for and support its contributions (in kind and cash).

Management's Comments

Agree that adequate records have not been kept and management will meet with USAID/SL to resolve the finding.

**AGROMART OUTREACH FOUNDATION**  
**SCHEDULE OF FINDINGS ON NON-COMPLIANCE**

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2 AGROMART HAS NOT ADEQUATELY MET ITS CO-FINANCING CONTRIBUTION REQUIREMENTS

Condition

Agromart has not attained its co-financing contributions for the following budget line items as at December 31, 1991:-

	Budgeted Non-USAID/SL contributions	Non-USAID/SL Contribution corresponding to these budget lines	Variance
	Rs	Rs	Rs
Typewriters - English	13,000	-	13,000
Teak cabinet	7,500	-	7,500
Desk and chairs	5,000	-	5,000
Steel filing cabinets	4,000	-	4,000
Demonstration equipment	30,000	1,085	28,915
Library books	30,000	-	30,000
Display boards	6,000	-	6,000
Others - Miscellaneous	135,375	-	135,375
Evaluation	36,750	-	36,750
Sale of Agricultural Digest and Tickets	297,600	53,686	243,914
			----- 510,454 -----

Criteria

As this Grant is provided under a Co-Financing project, the Grantee is required to expend an agreed minimum of their own funds in return for an established level of US Government funding. These requirements are set out in amendment No. 2 to the Grant Agreement.

Effect

Agromart has not attained the co-financing contributions budgeted for in the Grant Agreement by an estimated amount of Rs 510,454 (US\$14,023). However, Agromart has contributed Rs 191,288 (US\$5,255) to capital expenditure and purchased library books totalling Rs 19,225 (US\$528) although it was not required to do so.

**AGROMART OUTREACH FOUNDATION**  
**SCHEDULE OF FINDINGS ON NON-COMPLIANCE**

---

2      AGROMART HAS NOT ADEQUATELY MET ITS CO-FINANCING CONTRIBUTION REQUIREMENTS (CONT'D)

Cause

Agromart found that it was necessary to deviate from making contributions in accordance with the budget lines set out in the Grant Agreement and they contended that they had to make certain purchases (as their contributions) in priority to those budgeted for to ensure the success of the project.

Recommendation

Unless Agromart obtains an amendment from USAID/SL, it should meet its co-financing contributions in accordance with the budget line items as stipulated in the Grant Agreement. Furthermore, in future, if it is unable to meet its obligations, it should meet with USAID/SL at an early stage to determine how to deal with the non-compliance of its co-financing obligations and seek amendments to the Grant.

Management's Comment

Agromart agrees with the auditor's comments that co-financing contributions have not been met. However, Agromart has purchased other items amounting to Rs.210,513 (Rs.191,288 and Rs.19,225). In addition, stocks of Agricultural Digests valued at Rs.137,340 are in hand but Agromart has not been able to realize a breakeven sale price for these items as they are considered too expensive. However, there are plans to purchase more equipment in the next year on priority areas to bridge the contribution gap.

## AGROMART OUTREACH FOUNDATION

**AGROMART CO-FINANCING QUESTIONED COSTS AS TO  
REASONABLENESS, ALLOCABILITY AND ALLOWABILITY  
NON-COMPLIANCE ISSUES**

Finding	Condition	Basis of Questionability	Amount Rs	US\$ Equivalent
Finding 1	Inadequate maintenance of suffi- cient and proper accounting records	Reasonableness, allowability and allocability cannot be ascertained	2,691,00 *****	73,928 *****



(Approved Charity)

**ඇග්‍රොමාට් පදනම**

(අනුමත පුනරායතනයකි)

Page 13

**(A) LACK OF EVIDENCE OF AUTHORIZATION ON SOME SOURCE DOCUMENTATION**

Comment made is correct.

1. The Treasurer prior to approval of cheque payment voucher satisfies the accuracy of the salaries paid.
2. We have had test checks on other months. This is June 90, July 90, August 90, September 90 and April 91. In addition after the payments are made the Internal Auditor covers this under the routine check.

Page 14

**(B) SUPPORTING DOCUMENTATION NOT EFFECTIVELY CANCELLED AT THE TIME OF PAYMENT**

Comment made is correct.

1. The Internal Auditor checks the accuracy of the voucher with the annexures. There has been no references made by the Internal Auditor on the introduction of bills/receipts for further payment. However appreciating the comment we will in the future take necessary action to cancel the supporting documents.

Page 18

**1 INADEQUATE MAINTENANCE OF SUFFICIENT AND PROPER ACCOUNTING RECORDS**

We agree that records have not been made.

Budget Line Item

Salaries -

Secretarial Services have been provided by our staff on a voluntary basis during weekends, holidays and before and after working hours. No overtime payment has been made for such extra work. Furthermore, the usual lunch interval has not been fully utilised by the employees. Instead they have been continuing with the work in hand.

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 'Chandani' Kurunegala Road, Chilaw.  
 Paranawatta, Thiranagama, Hikkaduwa.  
 පරකට්ටන, තීරානගම, හික්කඩුව.

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(Approved Charity)

## ඇග්‍රොමාට් පදනම

(අනුමත පුනර්සාධනායතනයි)

### Travel

Two of our Board Members travel from Kurunegala to Colombo minimum once a month, sometimes more often and they are not paid any travel expenses. Their travel within the North Western Province on Agromart work are not being reimbursed. No payment is made to Board Members in Colombo travelling within Colombo and to Agromart office and back. Resource officials from Agriculture/ Livestock/ Banks/ CISIR/AGA's semi government and non governmental organisations have not been reimbursed for their travel.

### Administration/Stationery

Stationery used by resource personnel, other officials, Board Members such as typing, roneoing, photocopying, duplicating paper, etc. are not reimbursed.

### Office Maintenance

Minor staff work on weekends, holidays, extra hours before and after working hours - no overtime is paid.

### Management Services

In this instance we provided to the auditors (the records of voluntary time rendered, by the Chairman, Project Director and Treasurer. However, the voluntary time of other Board Members have not been recorded.

**Management comments formally made here relate to findings that have been deleted from the Audit Report.**

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(Approved Charity)

**අගුණමාටි පදනම**

(අනුමත පුනරායතනයකි)

Management comments formally made here relate to findings that have been deleted from the Audit Report.

**3. BUDGETED CO-FINANCING CONTRIBUTIONS NOT ATTAINED**

Co-financing contribution not attained.

1. The items indicated in the budget were predetermined.

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## ඇගයීමේ වාර්තාවේ පදනම

(අනුමත ප්‍රකාශනනයකි)

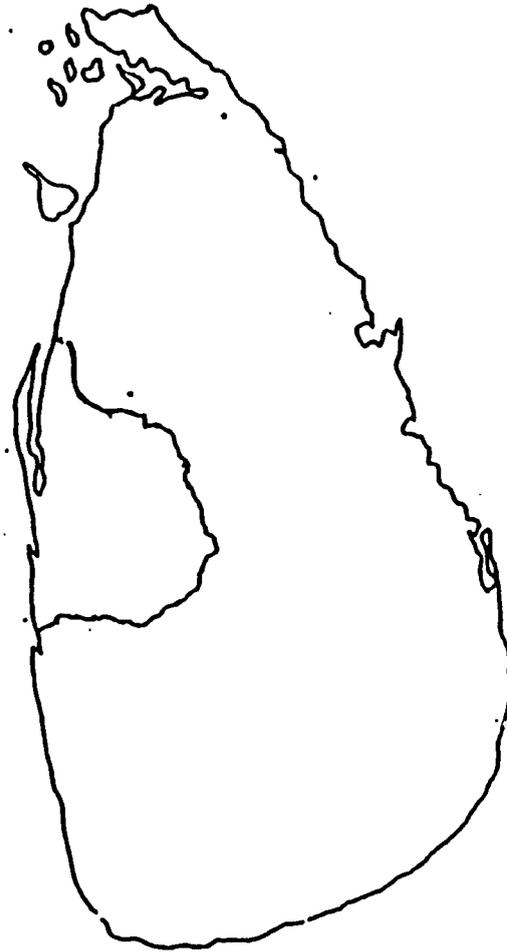
2. In continuing this project certain priority purchases had to be considered instead of the items listed in the budget.
3. We have during the period of budget under review acquired items totalling Rs. 181,288/84. We have submitted a schedule of those purchases to the auditors. In addition library books in our possession amount to Rs. 19,225/= A schedule of this too has been submitted to the auditors.
4. The sale of Agricultural Digest has had a set back. The cost of each Agricultural Digest is Rs. 60/= we have not been able to realise a break even price in our sales. This is due to the state of poverty of our participants. The present stock of Agricultural Digests in hand is 2289 copies. The value of this stock amounts to Rs. 137340/=
5. Our intentions are to purchase more equipment in the year to follow on areas of priority to bridge the gap.

Management comments formally made here relate to findings that have been deleted from the Audit Report.

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PROJECT : WOMEN IN DEVELOPMENT -  
1989 AND OTHER RURAL FARM  
ENTREPRENEURS

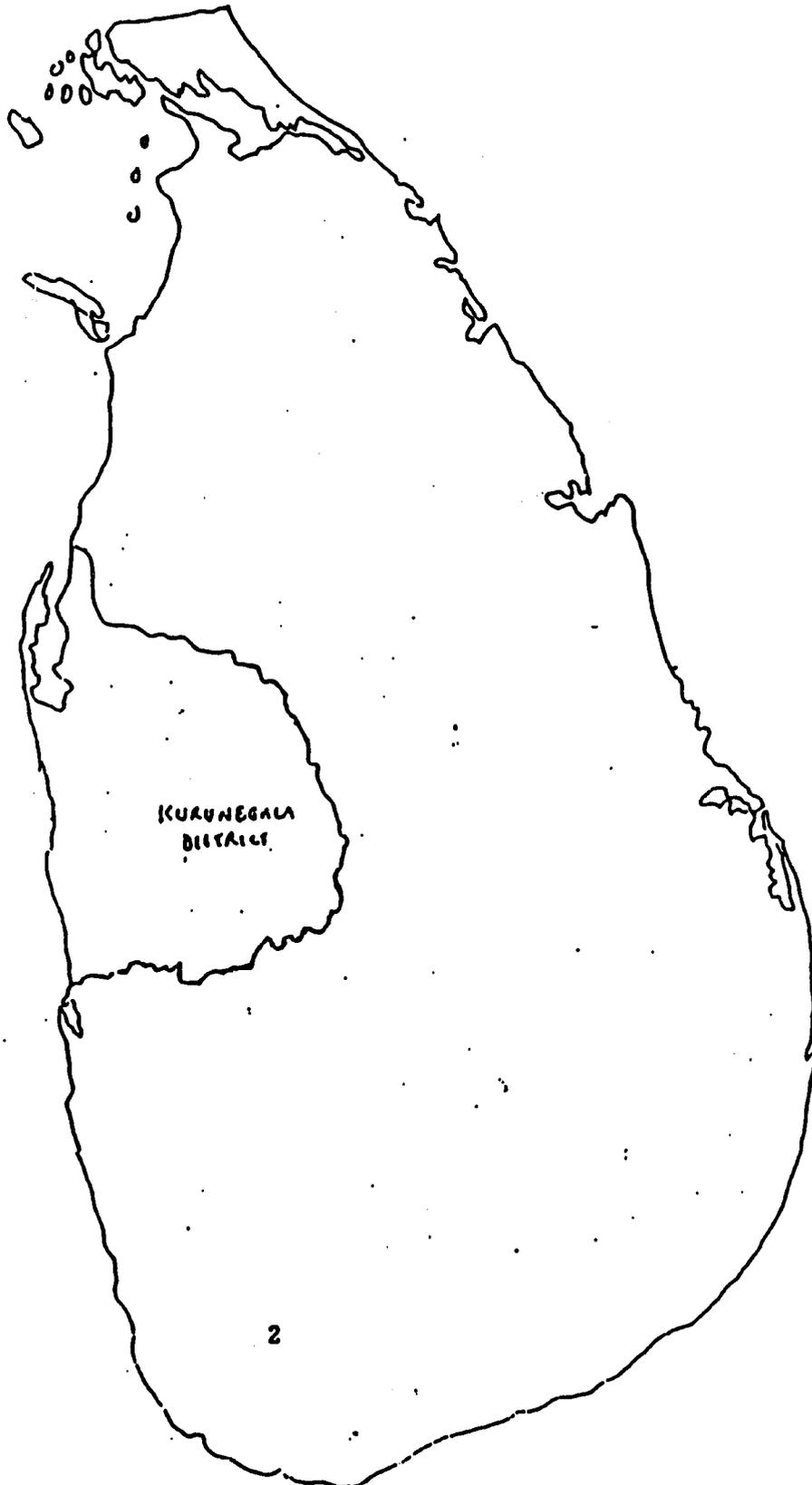


**AGROMART OUTREACH FOUNDATION**

- August 1989 -

*RB*

S R I L A N K A



29

A. ACTIVITY PURPOSE

A.1. GOAL The project envisages to provide practical training and orientation to women in agriculture and agro-related fields in the North Western Province and others with a view towards upgrading the quality of life, diversify the rural economy, promote entrepreneurship in agriculture and agro-industries. This will ultimately result in finding productive employment either in Women Farmer Societies, Farmer Co-operatives, or as self employed individuals. The training undoubtedly offers entrepreneurial skill training and support to rural women.

In a nutshell, the project would provide training in :

- Crop production
- Integrated Livestock development
- Food processing
- Inland fisheries
- Nutrition and preventive health consciousness
- Marketing
- Agro input usage
- Agro waste utilization and Agro industries
- Market information flows

A.2. DEVELOPMENT ISSUES FOCUSED BY THE PROJECT

Four major developmental issues will be addressed by implementing the project in the short run.

(a) Fill in the gap in training modules in Sri Lanka of upgrading the quality of women in agricultural productivity and employment based training of women;

(b) Re-Orient the outlook towards work and productivity of existing women in agriculture and related fields ;

(c) Fill in the gap in communications regarding market information for pre-production programming ; marketing of produce in raw or final forms ; food and agro - waste processing ;

(d) Creation of employment opportunity especially among the young women and create the ground for entrepreneurship in agriculture and related fields.

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