AUDIT OF SCHEDULE OF EXPENDITURE OF USAID RESOURCES MANAGED BY THE SAFE FOUNDATION (SAFE) UNDER THE PROJECT " EMPOWERING CSOs TO COMBAT HUMAN TRAFFICKING IN SRI LANKA ACTIVITY"

(COOPERATIVE AGREEMENT NUMBER 72038321CA00001)

FOR THE PERIOD

FROM JANUARY 01, 2023, TO DECEMBER 31, 2023

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T&D Associates
CHARTERED ACCOUNTANTS

12 November 2024

To: Harsha Jayarathna,
Executive Director,
SAFE Foundation (SAFE)
No. 20, School Junction,
Paniyankadawala,
Anuradhapura,
Sri Lanka.

AUDIT OF SCHEDULE OF EXPENDITURE OF USAID RESOURCES MANAGED BY THE SAFE FOUNDATION (SAFE) UNDER THE PROJECT" EMPOWERING CSOs TO COMBAT HUMAN TRAFFICKING IN SRI LANKA ACTIVITY"
(COOPERATIVE AGREEMENT NUMBER 72038321CA00001)

FOR THE PERIOD FROM JANUARY 01, 2023 TO DECEMBER 31, 2023

In accordance with the scope of work and letter of engagement for the audit of Schedule of Expenditure of USAID resources managed by the SAFE Foundation (SAFE) ("Recipient") under the project " Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity'' (Cooperative Agreement Number 72038321CA00001) for the period from January 01, 2023, to December 31, 2023; we have carried out the audit of Schedule of Expenditure of USAID resources managed by the SAFE under the project " Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity'' for the period from January 01, 2023 to December 31, 2023. We set out below in this transmittal letter, the results of our audit of USAID project " Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity'' managed by the SAFE for the period from January 01, 2023 to December 31, 2023.

1. BACKGROUND OF PRIME RECIPIENT

The SAFE has been a key developmental partner in the North Central Province and many other Sri Lankan provinces. The recipient organization was registered as a Voluntary Social /Non-Governmental Organization under Voluntary Social Service Organization (Registration & Supervision) Act, No.31 of 1980 amended by Act, No.8 of 1998 in 2007. The recipient aims to achieve sustainable economic, social and environmental development of the poorest and most vulnerable in the community to build resilience within communities for sustainable development and growth. The head office is located at No:20, School Junction, Paniyankadawala, Anuradhapura and acts in other three districts including Polonnaruwa, Puttalam and Kurunegala.

2. PROGRAM DESCRIPTION

On October 1, 2021, the U.S. Agency for International Development, Sri Lanka approved the project of , "Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity" which provides USD 3,928,504 USAID funds with the purpose of achieving below objectives.

1. Expanded civil society space by promoting citizen and government engagement.
2. Support civil society capacity building and networking space for collective actions at national and regional levels.
3. Increase civil society support for more inclusive, sustainable democratic and economic governance.

Grant Agreement Number	72038321CA00001
Program Title	Empowering CSOs to Combat Human Trafficking in Sri Lanka
Name & Address of Prime Recipient	SAFE Foundation (SAFE), No. 20, School Junction, Paniyankadawala, Anuradhapura, Sri Lanka.
Names of Sub Recipients	1. SAMADANA 2. Prathiba Media Network (PMN) 3. Recovery and Humanitarian Action Management Agency (RAHAMA) 4. Organization of Environment and Children Rights Preservation (OECRP)
Program Period	October 1, 2021 to September 30, 2026
Total Estimated USAID Contribution	USD 3,928,504
Cost Share Amount:	USD 129,221
Total Estimated Amount (TEA)	USD 4,057,725
Total Obligated USAID Amount (As per modification of assistance 02 issued on July 26, 2023)	USD 1,787,000
Period Covered by Audit	January 01, 2023, to December 31, 2023
Distributed Amount for the Period from 01/01/2023-31/12/2023	USD 858,334

T & D ASSOCIATES COLOMBO CHARTERED ACCOUNTANTS

3. AGREEMENT BUDGETS

The below depicts the budget details of project " Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity'' managed by the SAFE during the period from January 01,2023 to December 31, 2023.

Line Item	USAID Funded Contribution (USD)	Recipient Cost Share Contribution (USD)	Total Estimated Amount (USD)
Total Direct Cost	3,928,504	129,221	4,057,725
Indirect Cost	-	-	-
Total Estimated Amount	**3,928,504**	**129,221**	**4,057,725**

4. OBJECTIVES AND SCOPE OF WORK

4.1. Audit objectives

Based on the scope of work received from the SAFE, the following audit objectives were identified.

- Express an opinion on whether the schedule of expenditures of USAID awards presents fairly in all material respects in relation to the recipient's financial statements as a whole, in accordance with the terms of the agreements and generally accepted accounting principles.
- Evaluate and obtain a sufficient understanding of the recipient's internal controls related to the USAID-funded programs, assess control risk, and identify reportable conditions, including material weaknesses.
- Perform tests to determine whether the recipient complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID-funded programs. All material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred must be identified.
- Review cost-sharing/matching contributions to determine whether cost-sharing/matching contributions were provided and accounted for by the recipient in accordance with the terms of the agreements.



4.2. Scope of Work

We have conducted the audit of Schedule of Expenditure of USAID resources managed by the SAFE under the project " Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity'' (Cooperative Agreement Number 72038321CA00001) for the period from January 01, 2023, to December 31, 2023.

Our audit was conducted in accordance with USAID Financial Audit Guide for Foreign Organizations and U.S. Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States Government Accountability Office except for matters set out in Section 5 below, and accordingly included such tests as we considered appropriate to determine whether amounts stated in the Schedules of Expenditures were in accordance with the terms of the program agreement and were properly supported. The scope of our work included the following general procedures:

- Meetings with officers of the SAFE responsible for administering the programs.
- Reviewing the Program Agreements, Sub Agreements, Minutes of Program Management Committee Meetings, and guidelines set out by USAID and the US Federal Government in respect of recipients of US Federal Funds.
- Obtaining an understanding for the purpose of our audit, of the accounting, administrative and internal control systems, to the extent applicable to the program and the accounting and related records separately maintained for the program.
- Reviewing and evaluating the recipient's internal control structure, related to USAID program to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation.
- Evaluate whether funds have been expended for purposes not authorized or not in accordance with applicable agreement terms, payments have been made in accordance with agreement terms and applicable laws and regulations, and costs not supported with adequate documentation or not in accordance with the agreement.
- Planning and performing appropriate tests on the transactions reflected in the Schedule of Expenditures and cost-sharing/matching contributions.
- 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.
- Testing the effectiveness of administrative controls applied to ensure compliance with agreement terms, applicable laws, and regulations.
- Reviewing the milestone accomplishments reports and supportive documents of the below sub-awardees as applicable.
    - SAMADANA
    - Prathiba Media Network (PMN)
    - Recovery and Humanitarian Action Management Agency (RAHAMA)
    - Organization of Environment and Children Rights Preservation (OECRP)

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5. SCOPE LIMITATIONS

Except as described below, we conducted our audit of the Schedule of Expenditures in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. We do not have a formal continuing education program (CEP) that fully satisfies the requirement set forth in Chapter 3.76, of the U.S. Government Auditing Standards issued by the Comptroller General of the United States. However, the current Continuing Professional Development (CPD) of the Institute of Chartered Accountants of Sri Lanka (CASL) requires at least 120 CPD hours in each rolling three-year period of which 60 CPD hours or equivalent learning units should be verifiable. However, there is no requirement for CPD directly relating to government environment and government auditing.

We do not have an external quality control review that fully satisfies the requirement set forth in Para 3.82 and 3.96 of the U.S. Government Auditing Standards issued by the Comptroller General of the United States. As part of CASL's strategy of continuous audit quality improvement, service performance is continuously assessed through the Quality Assurance Program which requires the firms to be subjected to quality control reviews by CASL. In Sri Lanka, a system of external peer review is not followed at present. However, we have an adequate internal quality control system in place to ensure the quality of audit.

6. KEY DELIVERABLES

Based on the work performed, we are enclosing the following documents/reports:

- Independent Auditor's Report on the Schedule of Expenditures of USAID resources managed by the SAFE under the project "Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity'' for the period from January 01, 2023, to December 31, 2023.
- Independent Auditors' Report on internal control including significant deficiencies and material weaknesses in the recipient's internal control for the period from January 01, 2023, to December 31, 2023.
- Independent Auditors' Report on the recipient's compliance with agreement terms and applicable laws and regulations related to USAID-funded programs for the period from January 01, 2023, to December 31, 2023.
- Independent Auditor's Review Report on the Cost Sharing/Matching Contributions under the project "Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity'' for the period from January 01, 2023, to December 31, 2023.



7. AUDIT TIMING AND REPORTING

We entered into a contract for carrying out the audit on Schedule of Expenditures of USAID resources managed by the SAFE under the project "Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity'' for the period from January 01, 2023, to December 31, 2023. We commenced our audit works through online platforms on April 27, 2024, started field works on May 22, 2024, and completed them on May 31, 2024. We issued the report for management comments on June 18,2024. We received the management comments from the SAFE on July 15 2024. Further to that various discussions, communications and clearance of outstanding confirmation and documents were taken place until November 11, 2024.

8. AUDIT RESULTS

8.1. Schedule of Expenditures of USAID Awards

Schedule of Expenditures of USAID resources managed by the SAFE under the project "Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity'' for the period from January 01, 2023, to December 31, 2023 was prepared based on the modified cash basis of accounting, whereas revenue is recognized when revenue is received and costs are incurred, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles and is not intended to be a complete presentation of SAFE Financial Statements as a whole.

In our opinion, the schedule of expenditures of USAID resources managed by the SAFE under the project "Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity'' for the period from January 01, 2023, to December 31, 2023 referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID for the year then ended in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 01 to the Schedule of Expenditures of USAID resources.

8.2. System of internal control

We have audited the Schedules of Expenditures of USAID resources managed by the SAFE under the project "Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity'' for the period from January 01, 2023, to December 31, 2023.

In planning and performing our audit on the Schedules of Expenditures of USAID resources managed by the SAFE under the project "Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity'' for the period from January 01, 2023, to December 31, 2023, we obtained an understanding of internal control. With respect to internal control, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedule of

Expenditures of USAID resources managed by the SAFE under the project "Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity'' and not to provide an opinion on internal control. Accordingly, we do not express such an opinion.

Our consideration of internal control was for the limited purpose described in the Independent Auditors' Report on Internal Controls of USAID resources managed by the SAFE under the project "Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity'' for the period from January 01, 2023, to December 31, 2023, and was not designed to identify all deficiencies, significant deficiencies, or material weaknesses.

We noted the following immaterial instances of matters involving internal control and its operation that we have reported to the management of SAFE Foundation in a separate letter dated November 12, 2024.

1. We observed delays in the preparation of bank reconciliations and the absence of authenticated signatures in all 24 instances within the sample of 24 bank reconciliations. (Refer to Finding No. 1 of the Management Letter).

   Management Comments:

   The delay in bank reconciliation is mainly due to the practical difficulties in finalizing the monthly accounts on or before the 10th of the following month. E.g.: QB has to be updated with all advance settlements of the relevant month. There are some practical difficulties in receiving the set of documents of the advance settlements on time if the event was conducted in the final week of the month. We have already identified such delays and introduced actions to rectify the delay. Additionally, an amendment with a realistic date of submission of the bank reconciliation to the Executive Director "12th of every month" will be inserted when Manual is being revised. And,

   Bank reconciliation in QB cannot be prepared but is directly to be done online. Hence, the Finance Manager has to conduct bank reconciliation directly with QB for the report to be generated. Under the segregation of duties in 5.19 as the Finance Manager performs bank reconciliation Finance & Admin Manager reviews and certifies SAFE will ensure that this process is consistently followed. As a practice the Finance Officers cross-check all transactions with the bank statement before the bank reconciliation in QB, and the project Finance Manager conducts the reconciliation as a more secure practice. If there is any correction, the Finance Manager can check it and rectify in QB under his/her control. SAFE will consider an amendment to this section in the financial manual considering the practical limitation**.**



2. We observed a lack of segregation of duties in the procurement process at the recipient. (Refer to Finding No. 2 of the Management Letter).

   Management Comments:

   SAFE has already identified this potential risk and it was discussed at the last meeting of the Board of Directors. The organizational chart was amended accordingly. Consequently, the amendment required to this section of the manual too was discussed in the said meeting on 30.04.2024.A revised selection criteria was discussed and reviewed by the directors as well, in the last meeting and it is to be finalized in the next board meeting. Once approved by the Board, action will be taken to amend the relevant sections of the Manual. Accordingly, the Procurement team will function separately.

3. We observed that in certain instances, the recipient has failed to update the required details in the fixed asset register properly (Refer to Finding No. 3 of the Management Letter).

   Management Comments:

3.1) The audit is conducted for FY 2023 and the assets register covers the same year. The staff member who used the said laptop was transferred in February 2024 and therefore the asset register for FY 2024 has been updated accordingly.

3.2) This is a desktop computer. This includes the computer system unit, as well as the hardware, such as the CPU, keyboard and mouse. Therefore, the cost of all items, i.e. Computer plus Hardware is mentioned altogether as a PC according to the purchased value on the Customer Invoice.)

3.3) The location is mentioned as HO (Head Office) in the asset register.

4. We observed that password protection was not enabled on 2 out of the 12 computers verified in the sample. (Refer to Finding No. 4 of the Management Letter).

   Management Comments:

   SAFE has already introduced password security measures for some of the computers and will introduce such measures for the rest. SAFE will take immediate action to finalize this recommendation.

5. We observed that three procurement-related payments were made before receiving the revised estimates for the procurement. (Refer to Finding No. 5 of the Management Letter)

   Management Comments:

   Following the procurement process, the supplier was selected and completed the procurement process. While planning to improve the quality of the event as a result of the discussion with partner's stakeholders, SAFE understood the increase of the cost difference compared to the initial cost forecast. The necessary discussion and approvals were taken as per the required process for procurement exceeding LKR 5 million. (Attachment 2). The higher cost value was

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due to the requirement to improve the quality of the event based on the requests of stakeholders, CSOs, and partners, and several discussions with the partners. The event was successful and was the first experience for the SAFE Foundation to conduct such a valued event. The project has already gained value and improved quality as a result of the event.

6. We observed 6 instances out of 77 selected transactions where the recipient failed to properly document the decisions made during the quotation analysis process. (Refer to Finding No. 6 of the Management Letter).

   Management Comments:

   Ceybank was not available for the required dates, and they confirmed by a letter Attachment 3). Then SAFE moved to the second lowest offer in the procurement process with the confirmation of the same rates given in the quotation. i.e. Rajarata Hotel.

   Hotel Royal Green Garden was not available for the date SAFE requested, and they confirmed by an email (attachment 4). Then SAFE moved to the second lowest offer in the procurement process with the confirmation that the rates are the same in the given quotation. i.e. Isuru Caters

   Ceybank was not available on the date we requested and confirmed by a letter (attachment 5). Then we moved to the second lowest offer since the rates are same as given in the quotation. i.e. Rajarata Hotel. The selected supplier Sino Lanka Hotels Colombo (Pvt) Ltd (Radisson) had the best rates. The payment has also been settled as per the quoted amounts.

7. The recipient used outdated quotation summary forms in 14 out of the 95 procurement transactions sampled. (Refer to Finding No. 7 of the Management Letter).

   Management Comments:

   Although there are practical difficulties in selecting potential suppliers in the area, it is a challenge and not practical to call quotations for every event conducted by SAFE. The suppliers do not provide quotations on a daily basis, weekly basis or event basis. In future for such repeated procurement, SAFE will obtain written confirmation on previous quotes in order to ensure vendor concurrence for record purposes prior to issuing a PO or contract. However SAFE has already commenced to introduce a selection criterion with the guidelines of the Board of Directors and it will be tabled at the next board meeting.

8. The recipient attached photocopies of supporting documents instead of original documents to the payment vouchers in 27 out of 230 transactions selected for verification. (Refer to Finding No. 8 of the Management Letter).

   Management Comments:

   Generally, we receive documents from suppliers via e-mail or WhatsApp. Most of the suppliers reach us via WhatsApp as their usual practice and/or as the only available communication channel. SAFE Foundation is committed to minimizing papers since environmental protection

ASSOCIATES COLOMBO CHARTERED ACCOUNTANTS

is one of our special conditions. We are moving to a paperless working environment. The SAFE Foundation has already introduced the ERP system and in future there will be no more hard copies. We have relied in the soft copies of invoices and other documents during the Covid 19 period as well. It is permitted to submit scanned copies and accepted.

9. We identified 10 instances out of 90 samples where travel claims were paid without the required supporting documentation, contrary to the recipient's established practice. (Refer to Finding No. 9 of the Management Letter).

   Management Comments:

   The photo of the meter is not a necessary document, and it is not defined in the manual. Payment Request forms and invoices issued by the service providers are available for every payment.

10. We noted 5 payment vouchers out of 25 samples were not attached with Good Received Notes (GRN) to acknowledge the receipt of the goods. (Refer to Finding No. 10 of the Management Letter).

    Management Comments:

    Copies of all are available and the originals are with the Admin Officer In the future the original of GRN will be attached with the payment voucher as recommended by the Auditor.

11. We noted that the recipient maintains a set of photocopies of procurement transaction documents in addition to the original documents for the same transactions. (Refer to Finding No. 13 of the Management Letter).

    Management Comments:

    This cannot be defined as an inefficiency of the process. The idea is to have easy access to records on the process by the two different teams without one having to wait on another to check any urgent information required with more confidence. However, in the near future SAFE will have a paperless environment to minimize papers in the procurement and finance process. The ERP system will be the proposed solution of the SAFE Foundation for this particular issue.

8.3. Compliance with agreement terms, applicable laws and regulations

The results of our compliance tests indicate that, Material instances of noncompliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the schedule of expenditures of USAID awards and the cost-sharing/matching contributions schedule. The results of our compliance tests disclosed the following material instances of noncompliance, the effects of which are shown as questioned costs in SAFE Foundation's 2023 schedule of expenditures of USAID awards and cost-sharing/matching contributions schedule.

ASSOCIATES COLOMBO CHARTERED ACCOUNTANTS

1. It was unable to verify whether the reported cost-sharing contribution of USD 135,592 by the recipient were incurred in alignment with the objectives of the grant award due to gaps in documentation proving the linkage of these costs to the activities conducted under the project. (Refer to Finding No 01 of the Schedule of Material Instances of Non-compliances of USAID Awards and Note 03 to the Schedule of Cost Sharing/Matching Contribution)

   Management comment

   The reported cost share is relevant to the project period and due to the relevant activities as well. However SAFE has already requested to leverage the cost-share and already discussed with the donor. Regarding comment on relevancy of non-US funded project activities, as per Standard Provision for Non-US Nongovernmental Organizations of the Award, the recipient's Cost Share under this award may include project costs incurred by the recipient from its own funds, or project costs financed with cash, services, or property contributed or donated to the recipient from other non-U.S. Government sources, including sub recipients. Not all Cost Share requires cash outlays by the recipient; examples are depreciation and use charges for buildings and equipment.

2. During the project period, the recipient earned interest income totaling USD 1,049. However, USD 549 of this amount had not been returned to USAID, as required by the terms outlined in the project agreement, by the dates of the audit fieldwork. Guidance on returning this excess interest income was requested from USAID but had not been received as of the date management comments were provided in response to the audit observation. Subsequently, based on communication received on September 5, 2024, the recipient returned the excess interest amount to USAID. (Refer to Finding No 02 of the Schedule of Material Instances of Non-compliances of USAID Awards).

   Management comment

   SAFE Foundation deposited LKR 154,971.19 on 02.10.2024, as per the following details of the bank account given by the donor.

   Account Name: United States Disbursing Officer Symbol 8768

   Account Number: 1000440537

We noted the following immaterial instances of noncompliance that we have reported to the management of the SAFE in a separate letter dated November 12, 2024.

1. In 7 out of the 95 sampled transactions selected for verification, the supporting documents were not specifically addressed to the recipient or the project name. (Refer to Finding No. 11 of the Management Letter).

   Management Comments:

   SAFE prefers to have the name. The name of the organization in the mentioned documents is available except the quotation issued by Anjana Curtain House. SAFE will ensure that documents from vendors carry the organization's name.

2. Out of the 12 samples reviewed, we noted that ETF payments related to March 2023 were not made to the labor before the due dates. (Refer to Finding No. 12 of the Management Letter).

   Management Comments:

   SAFE has settled all statutory payments for all staff members The delay in payment was From March 2023, it was advised by ETF to submit remittance online and they did not accept the bank payment. However, due to the inefficiency of the introduced online system, the upload was not able to be finalized within the timeline. The ETF was informed of the practical difficulty by email, and they agreed to waive the surcharge for the late payment. The Bank advised to pay EPF online but still, it is not workable although SAFE paid attention. Currently SAFE continues the EPF payment via the bank.

8.4. Indirect costs rates

In accordance with the project agreement for the "Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity" (Cooperative Agreement Number 72038321CA00001) between SAFE Foundation and USAID, we noted that indirect costs were not allocated within the terms of the agreement.

8.5. Prior audit findings

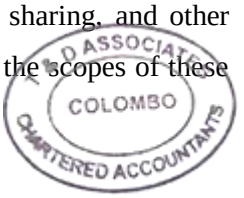
USAID resources managed by SAFE Foundation have not subjected to prior audits. Consequently, there are no follow ups on prior audit findings.

9. COST-SHARING/MATCHING CONTRIBUTIONS

The results of our review disclosed the following material questioned costs as detailed in the cost-sharing/matching contributions schedule related to USAID resources managed by the SAFE under the project "Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity'' for the period from January 01, 2023, to December 31, 2023.

1. It was unable to verify whether the reported cost-sharing contributions by the recipient were incurred in alignment with the objectives of the grant award due to gaps in documentation proving the linkage of these costs to the activities conducted under the project. USD 135,592 in cost that are explicitly questioned because they are prohibited by the terms of the agreement.

According to the submitted periodic project financial statements for the period from January 1, 2023, to December 31, 2023, the cost-sharing contribution of the recipient was LKR 44,785,896.80 (USD 135,592). These expenses were charged from other projects handled by the recipient and included the costs of equipment purchases, transport, refreshments, accommodation, benefit sharing, and other items related to the years 2022 and 2023. It is challenging to determine whether the scopes of these non-USG projects fully align with the scope of this USAID-funded project.



10. ACKNOWLEDGEMENT

We would like to take this opportunity to express our gratitude for the assistance given to us by USAID and the management staffs of the USAID resources at SAFE during the course of our audit.

Yours faithfully,



12 November 2024
Chartered Accountants,
Colombo.



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T&D Associates
CHARTERED ACCOUNTANTS

12 November 2024

To:

Harsha Jayarathna

Executive Director

SAFE Foundation (SAFE)

No. 20, School Junction,

Paniyankadawala,

Anuradhapura, Sri Lanka.

Dear Sir,

REPORT ON THE AUDIT OF THE SCHEDULE OF EXPENDITURES OF USAID AWARDS MANAGED BY SAFE FOUNDATION UNDER THE PROJECT "EMPOWERING CSOS TO COMBAT HUMAN TRAFFICKING IN SRI LANKA ACTIVITY'' FOR THE PERIOD FROM JANUARY 01, 2023, TO DECEMBER 31, 2023

Opinion

We have audited the schedule of expenditures of USAID awards managed by SAFE under the project "Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity" for the year ended December 31, 2023.

In our opinion, the schedule of expenditures of USAID awards managed by SAFE referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID for the year that ended in conformity with accounting principles generally accepted in the United States of America, terms of the agreements and the basis of accounting described in Note 01.

Basis for Opinion

We conducted our audits in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the schedule of expenditures of the USAID section of our report. We are required to be independent of SAFE and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the schedule of expenditures of USAID awards managed by SAFE for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our audit report.

Other Information

Management is responsible for the other information. Our opinion on the schedule of expenditures of USAID awards managed by SAFE for the year ended December 31, 2023, does not cover the other information and we do not express any form of assurance conclusion thereon.

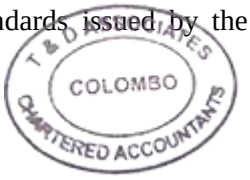
Responsibilities of Management for the Schedule of Expenditures of USAID awards managed by SAFE

Management is responsible for the preparation and fair presentation of the Schedule of Expenditures of USAID awards managed by SAFE in conformity with accounting principles generally accepted in the United States of America, terms of the agreements and the basis of accounting described in Note 01, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of Schedule of expenditures of USAID awards managed by SAFE that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule of Expenditures of USAID awards managed by SAFE

Our objectives are to obtain reasonable assurance about whether the schedule of expenditures of USAID awards managed by SAFE is free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the U.S. Government Auditing Standards issued by the Comptroller General of the United States and Auditing Standards Generally Accepted in the United States of America (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of the schedule of expenditures of USAID awards managed by SAFE foundation.

In performing an audit in accordance with the U.S. Government Auditing Standards issued by the Comptroller General of the United States and GAAS, we:



- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule of expenditure of USAID awards managed by SAFE, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule of expenditure of USAID awards managed by SAFE.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule of expenditure of USAID awards managed by SAFE.

We are required to communicate with the management of SAFE regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

We also provide SAFE with a statement that we have complied with relevant ethical requirements regarding the independence, and to communicate with them all relationships and other matter except below that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- We do not have a formal continuing education program (CEP) that fully satisfies the requirement set forth in Chapter 3.76, of the U.S. Government Auditing Standards issue by the Comptroller General of United States. However, the current Continuing Professional Development (CPD) of the Institute of Chartered Accountants of Sri Lanka (CASL) requires at least 120 CPD hours in each rolling three-year period of which 60 CPD hours or equivalent learning units should be verifiable. However, there is no requirement for CPD directly relating to government environment and government auditing.
- We do not have external quality control review that fully satisfies the requirement set forth in Para 3.82 and 3.96, of the U.S. Government Auditing Standards issue by the Comptroller General of United States. As part of CASL strategy of continuous audit quality improvement, service performance is continuously assessed through the Quality Assurance Program which requires the firms to be subjected to quality control reviews by CASL. In Sri Lanka a system of external peer review is not followed at present. However, we have an adequate internal quality control system in place to ensure quality of audit.



Report on Other Legal and Regulatory Requirements

In accordance with U.S. Government Auditing Standards, we have also issued our reports dated November 12, 2024, on our consideration of SAFE internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this Independent Auditor's Report in considering the results of our audit.

This report is intended for the information of SAFE and USAID. However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

This is the report referred to in our transmittal letter of even date.



Chartered Accountants

Colombo

12 November 2024



AUDIT OF SCHEDULE OF EXPENDITURES OF THE USAID RESOURCES MANAGED BY SAFE UNDER THE PROJECT "EMPOWERING CSOS TO COMBAT HUMAN TRAFFICKING IN SRI LANKA ACTIVITY''

PERIOD FROM JANUARY 01, 2023, TO DECEMBER 31, 2023

Description	Note	Budget Agreement (USD)	Actual (USD)	Cumulative Revenues and Expenditures (USD) 01/10/2021 to 31/12/2023	Questioned Costs	
		01/10/2021 to 30/09/2026	01/01/2023 to 31/12/2023		Ineligible (USD)	Unsupported (USD)
Revenues						
USAID contribution	2	3,928,504	858,334	1,070,862		
Interest received		-	1,049	1,049	549	
Total Fund		**3,928,504**	**859,383**	**1,071,911**		
Expenditure	**3**					
Salaries and wages	3.1	578,629	101,380	145,100		
Fringe benefits	3.2	119,620	21,352	28,157		
Consultant	3.3	81,074	27,244	27,705		
Travel & transportation	3.4	228,881	47,086	58,848		
Supplies (specify in detail)	3.5	127,231	32,395	81,774		
Other direct cost	3.6	1,254,240	380,862	428,665		
Contractual (sub grantees)	3.7	1.538,829	235,794	307,699		
Total cost incurred		**3,928,504**	**846,113**	**1,077,947**		
Excess of revenue over cost incurred		**-**	**13,270**	**(6,037)**		

Authorized signatory:

N. Harsha Jayarathna
Executive Director
SAFE Foundation

Name: N Harsha Jayarathna

Designation: Executive Director

Place: Anuradhapura , Sri Lanka

Date: 12.11.2024

AUDIT OF SCHEDULE OF EXPENDITURES OF THE USAID RESOURCES MANAGED BY SAFE UNDER THE PROJECT "EMPOWERING CSOS TO COMBAT HUMAN TRAFFICKING IN SRI LANKA ACTIVITY''

FOR THE PERIOD FROM JANUARY 01, 2023 TO DECEMBER 31, 2023

NOTES TO THE SCHEDULE OF EXPENDITURES OF USAID AWARDS

Note 1: Accounting Policies

The following are the principal accounting policies applied by the management of the program:

b. Basis of Preparation of the Schedule of Expenditures of USAID Awards

The schedule of expenditures of USAID awards managed by SAFE is prepared in conformity with Accounting Principles Generally Accepted in the United States of America (U.S. GAAP). SAFE Foundation has a budgetary account held by registration of revenues and costs month by month. The accumulation of the revenue and cost generates the schedule of expenditures of USAID awards, which is audited for the period closed as of 31st December 2023. The schedule of expenditures of USAID awards revenue corresponds to the flow of funds received from the USA. The cost of the schedule of expenditures of USAID awards corresponds to funds disbursed in payment of the costs incurred.

c. Basis of Preparation of Budget

The budget of the project presented in the schedule of expenditures of USAID awards has been prepared in accordance with the budget approved by USAID. This budget is expressed in USD.

d. Conversion to USD

The schedule of expenditures of USAID awards provided to the auditor by the recipient is stated in USD and the exchange rate of 1 USD = 330.30 LKR. The USD exchange rate is calculated based on the average rate at the time the funds were disbursed by USAID.

T & D ASSOCIATES COLOMBO CHARTERED ACCOUNTANTS

Note 2: Fund received from USAID

From January 01, 2023, to December 31, 2023, SAFE Foundation received from USAID a total amount of USD 858,334, this amount is detailed by the following receptions:

Note 2

Fund received from USAID

Date	Amount in LKR	Amounts in USD
2/29/2024	3,203,412	9,698
2/29/2024	15,015,380	45,460
1/11/2024	4,241,715	12,842
1/11/2024	5,728,560	17,344
12/11/2023	8,235,118	24,932
12/11/2023	4,561,090	13,809
10/30/2023	32,625,687	98,776
9/26/2023	735,145	2,226
9/26/2023	32,005,571	96,898
9/25/2023	1,155,326	3,498
8/28/2023	44,023,462	133,283
7/28/2023	15,399,273	46,622
7/28/2023	6,830,764	20,680
6/27/2023	5,766,460	17,458
6/27/2023	10,334,477	31,288
5/26/2023	7,717,153	23,364
5/26/2023	9,112,367	27,588
5/4/2023	12,761,855	38,637
5/4/2023	3,149,450	9,535
4/25/2023	21,708,672	65,724
4/25/2023	1,425,219	4,315
3/7/2023	31,394,569	95,049
1/30/2023	1,359,194	4,115
12/30/2022	5,017,695	15,191
Total	**283,507,614**	**858,334**

Note 03 Expenses Incurred and Liquidated

From January 01, 2023, to December 31, 2023, SAFE Foundation incurred and liquidated a total amount of USD 846,113/- as depicted in the below sub notes.



Note 3.1

SALARIES AND WAGES

Description	Amount in LKR	Amount in USD
Salaries-STTA		
Executive Director (310,078.13x92%)- Harsha Jayarathne(Including PAYE tax)	2,825,085	8,553
Project Manager- S Kajendran(Including PAYE tax)	1,554,315	4,706
Finance Manager- Duminda Sarachchandra(Including PAYE tax)	1,931,176	5,847
Grants Manager- S Gohilan(Including PAYE tax)	1,850,446	5,602
Program Specialist-Human Trafficking and safe migration- K H Inoj (Including PAYE tax)	1,000,000	3,028
Legal Advisor- Sachitha Udayanga	416,667	1,261
Admin & Finance manager(176,400x95%)- S M M P Subasinghe (Including PAYE tax)	1,771,911	5,365
Network & Advocacy Specialist- T V D C Sathyadasa(Including PAYE tax)	1,500,000	4,541
Senior OD Officer - Jinadari Wedamulla	328,571	995
Senior Communication Officer - Majeed Rishad	398,810	1,207
Senior Grants Officer- Senior Grants Officer	252,381	764
Program Specialist safelabor migration & Anti trafficking- Janak Sanjeewa	315,476	955
Senior M & E Officer- Ananda Premakumara	276,786	838
Legal Advisor- Pabasara Aloka Bandara	295,238	894
Program Support Officer- Tirini Lamika Miyurunadee	150,000	454
Admin Officer- S T Wijerathna	645,000	1,953
Office Assistant- Chandra Gunarathna	443,713	1,343
Security Officer- R D K D Rajapaksa	149,167	452
Regional Program (polonnaruwa, Anuradhapura)		-
Project manager- U R K Galgamuwa	1,010,876	3,060
Project coordinator- Gamini Senawirathna	867,961	2,628
Salary Min: Correction as per previous expense	(2,500)	(8)
Project coordinator- S A A L Perera	834,167	2,525
M & E Reporting officer- Ameen Afhara	629,881	1,907
PO-CSO/CBO Strengthening officer- Lalith Hemantha	635,000	1,922
Finance Officer- Sachnin Maheshika	612,500	1,854
Finance Officer- Priyanjana Siribandara	410,000	1,241
PO-Migrant Workers' Rights & anti trafficking officer- K G P Sathsarani	620,000	1,877
Communication/ Community Media officer N A D S Nawarathne	726,000	2,198
PO-Migrant Workers' Rights & anti trafficking- officer- Kalana Gayantha	163,014	494
PO-Migrant Workers' Rights & anti trafficking- officer- Kavindu Rashmika	400,000	1,211
Salary Min: Refund one month Salary –Kalana	(50,000)	(151)
Salary add: Correction as per previous expense	12,220	37
Procurement & Logostic Officer- G A T M Kumari	645,000	1,953

T & D ASSOCIATES COLOMBO CHARTERED ACCOUNTANTS

Monitoring Evaluation & Reporting Manager- V Nagendran(Including PAYE tax)	1,250,000	3,784
CSO/CBO Strengthening officer- Anjalee Mallawarachcchi	610,000	1,847
Office Assistant- S N Fernando	486,571	1,473
Regional Program (Kurunegala , Puttalam)		-
Project manager - Niranga Sumith Dissanayaka	1,023,140	3,098
Project coordinator- A H M Sulthan	(62,925)	(191)
Project coordinator- Champika Dorakumbura	855,848	2,591
M & E Reporting officer- Sashini Samanthika	409,524	1,240
CSO/CBO Strengthening officer- K W Bandara	642,262	1,944
PO-Migrant Workers' Rights & anti trafficking- officer- Dinithi Malshani	620,476	1,879
Migrant Workers' Rights & anti trafficking officer- R M A R Gunathilaka	610,000	1,847
Communication/Community media- Sarath Wijemaanna	642,500	1,945
Finance Officer- Peshala Perera	612,143	1,853
Finance Officer- Samanmali Jayawardana (575700 X85%)	97,750	296
A H M Riswan	733,690	2,221
D N Kasige	547,500	1,658
M Arshad	483,810	1,465
R S P Ranasinghe	287,143	869
Office Assistant- P G Leela Wickramasinghe	30,000	91
Apit Tax Add: Correction as per previous expense	(8,426)	(26)
Regional Program (Kurunegala , Puttalam)	(4,099)	(12)
Total Salary	**33,485,767**	**101,380**

Note 3.2
FRINGE BENEFITS

Description	**Amount in LKR**	**Amount in USD**
EPF (12% employer contribution)	4,019,491	12,169
ETF (3% employee contribution)	1,004,873	3,042
Insurance for SAFE staff	172,057	521
Total fringes 12 % Add: Correction as per previous expense	38,521	117
Total fringes 3% Add: Correction as per previous expense	9,645	29
Gratuity	1,807,825	5,473
Total Fringes	**7,052,413**	**21,352**

Note 3.3
CONSULTANT

Description	**Amount in LKR**	**Amount in USD**
Resource person	8,998,846	27,244
Total Consultant	**8,998,846**	**27,244**



Note 3.4
TRAVEL & TRANSPORTATION

Description	Amount in LKR	Amount in USD
Vehicle hiring services	13,161,124	39,846
Vehicle hiring Add: Correction as per previous expense	89,391	271
Lodging and perdiem	2,296,869	6,954
Lodging & perdium Add: Correction as per previous expense	5,150	16
Total Travel and Transport	**15,552,535**	**47,086**

Note 3.5

SUPPLIES (SPECIFY IN DETAIL)

Description	Amount in LKR	Amount in USD
Office cupboard *6	875,110	2,649
Sofa set	234,463	710
Office table	526,510	1,594
Furniture's	237,391	719
Photo copy machine	250,000	757
Multimedia Projectors X3	339,000	1,026
Professional cameras	133,000	403
Printers	88,600	268
Refrigerator	137,655	417
CCTV Camera	26,500	80
Conference Camera	525,000	1,589
Finger Print Machine (Puttalam Office)	107,000	324
Laptops X14	2,574,000	7,793
Upgrade of Website, Email and other social media platform	204,605	619
ERP System	514,284	1,557
Insurance for SAFE property	96,677	293
MS Office package & SSD card	2,115,000	6,403
Display units	36,019	109
Readymade pantry cupboard	305,500	925
sound speaker X5	1,237,000	3,745
Water Dispenser	136,770	414
Total equipment	**10,700,083**	**32,395**



Note 3.6

OTHER DIRECT COST

Description	Amount in LKR	Amount in USD
Allowances		
Mobile phone allowances	313,439	949
Travel Allowances	3,720	11
Other Direct Costs		
Office rent	1,450,000	4,390
Received Refunded deposit - Wariyapola office	(170,000)	(515)
Bank Chargers	28,421	86
Legal Chargers	16,990	51
Audit Fee (Food & Accommodation)	65,690	199
Office stationery	1,389,552	4,207
Electricity	575,105	1,741
Water	52,017	157
Water Add: Correction as per previous expense	300	1
Advertisement & Promotion	3,912,925	11,847
Internet chargers	544,526	1,649
Communications	102,188	309
Translation Cost	246,813	747
Zoom Package	40,279	122
QB Package	132,464	401
Translation Cost	567,480	1,718
Courier and postage Chargers	61,837	187
Courier and postage Chargers: Correction as per previous expense	1,300	4
Office supplies & IT materials	2,209,993	6,691
Computers & Printers maintenance	190,970	578
Cost of Labor	64,100	194
Staff Training	39,000	118
NGO Tax	2,585,962	7,829
SAFE Activities		
With Holding TAX	233,937	708
IEC Material	9,022,577	27,316
Accommodation for Participants	15,382,317	46,571
Participant Travel expenses	4,433,925	13,424
Refreshment & hall Chargers, Sounds Multimedia rent for program	32,347,980	97,935
Refreshment Chargers Add: Correction as per previous expense	82,795	251
CSO Coordination Fees	22,975,000	69,558
Media Cost	6,627,709	20,066
Anti - Trafficking day event venue arrangement & printing	13,571,002	41,087
Anti- Trafficking day event ground and stall arrangement	6,395,000	19,361
Award & Certificates	278,875	844
Victim Assistant	22,396	68
Total Other Program Costs	**125,798,585**	**380,862**

T & D ASSOCIATES COLOMBO CHARTERED ACCOUNTANTS

Note 3.7

CONTRACTUAL- SUB AWARDS

Description	**Amount in LKR**	**Amount in USD**
Grantee 01- OECRP	22,249,239	67,361
Grantee 02- SAMADANA	17,300,000	52,376
Grantee 03- RAHAMA	16,789,440	50,831
Grantee 04- PMN	21,544,160	65,226
Total Sub awards	**77,882,839**	**235,794**



Note 4: Reconciliation with Accounting Balances

The amounts recorded in the submissions to USAID are consistent with amounts recorded by the recipient in the Schedule of Expenditures.

Project	USAID Summary (USD)					Management Comments
	Total Expenses as in SoE (A)	Direct Expenses as per Submissions to USAID (B)	Difference (A-B)	Indirect Expenses as per Submissions to USAID (c)	Total Expenditure (B+C)	
Empowering CSOs to Combat Human Trafficking in Sri Lanka Activity	846,113	846,113	-	-	846,113	



Note 5: Fund Balance Reconciliation

Description	Amount in LKR	Amount in USD	Remark
Closing bank account balance as per project ledger as at 31.12.2023 (A)	2,576,684	7,801	
Closing bank account balance as per bank statement as at 31.12.2023 (B)	3,637,426	11,012	
Difference (A-B)	**(1,060,742)**	**(3,211)**	**Note 5.1**
Excess of revenue over cost incurred as at 31.12.2023 as per Schedule of Expenditure (C)	(1,993,803)	(6,037)	
Difference (A-C)	**4,570,487**	**13,838**	**Note 5.2**

Note 5.1

Description	Amount in LKR	Amount in USD
Un-presented cheques as at 31.12.2023	(1,060,742)	(3,211)
Total	**(1,060,742)**	**(3,211)**

Note 5.2

Description	Amount in LKR	Amount in USD
Bank opening balance as of 01.01.2023	93,614	283
Received Funds	283,507,614	858,334
Expenditure	(279,471,068)	(846,113)
Bank Interest	346,540	1,049
Advance balance as at 31.12.2023	495,268	1,499
Petty cash 31.12.2023	72,065	218
Staff welfare fund / Stamp fee	(204,100)	(618)
Staff deduction	(12,000)	(36)
Gratuity provision 2023	(1,807,825)	(5,473)
NGO Tax provision	(2,585,962)	(7,829)
EPF / ETF 2022 Nov	541,911	1,641
EPF SAFE staff	31,004	94
Expenditure 2022	3,627,645	10,983
Unidentified difference	(64,220)	(194)
Total	**4,570,487**	**13,837**



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T&D Associates
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OF USAID AWARDS MANAGED BY SAFE FUNDATION UNDER THE PROJECT "EMPOWERING CSOS TO COMBAT HUMAN TRAFFICKING IN SRI LANKA ACTIVITY'' FOR THE PERIOD FROM JANUARY 01, 2023 TO DECEMBER 31, 2023

12 November 2024

To:

Harsha Jayarathna

Executive Director

SAFE Foundation (SAFE)

No. 20, School Junction,

Paniyankadawala,

Anuradhapura, Sri Lanka.

Dear Sir,

We have audited the schedule of expenditures of USAID awards of SAFE as of and for the year ended December 31, 2023, and have issued our report on it dated August 22, 2024. We conducted our audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. In planning and performing our audit, we considered the entity's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we considered to be immaterial weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. The results of the internal control tests we noted following immaterial instances of matters involving internal control and its operation that we have reported to the management of SAFE Foundation in a separate letter dated November 12, 2024.

1. We observed delays in the preparation of bank reconciliations and the absence of authenticated signatures in all 24 instances within the sample of 24 bank reconciliations. (Refer to Finding No. 1 of the Management Letter).
2. We observed a lack of segregation of duties in the procurement process at the recipient. (Refer to Finding No. 2 of the Management Letter).
3. We observed that in certain instances, the recipient has failed to update the required details in the fixed asset register properly (Refer to Finding No. 3 of the Management Letter).
4. We observed that password protection was not enabled on 2 out of the 12 computers verified in the sample. (Refer to Finding No. 4 of the Management Letter).
5. We observed that three procurement-related payments were made before receiving the revised estimates for the procurement. (Refer to Finding No. 5 of the Management Letter)
6. We observed 6 instances out of 77 selected transactions where the recipient failed to properly document the decisions made during the quotation analysis process. (Refer to Finding No. 6 of the Management Letter).
7. The recipient used outdated quotation summary forms in 14 out of the 95 procurement transactions sampled. (Refer to Finding No. 7 of the Management Letter)
8. The recipient attached photocopies of supporting documents instead of original documents to the payment vouchers in 27 out of 230 transactions selected for verification. (Refer to Finding No. 8 of the Management Letter).
9. We identified 10 instances out of 90 samples where travel claims were paid without the required supporting documentation, contrary to the recipient's established practice. (Refer to Finding No. 9 of the Management Letter).
10. We noted 5 payment vouchers out of 25 samples were not attached with Good Received Notes (GRN) to acknowledge the receipt of the goods. (Refer to Finding No. 10 of the Management Letter).
11. We noted that the recipient maintains a set of photocopies of procurement transaction documents in addition to the original documents for the same transactions. (Refer to Finding No. 13 of the Management Letter).



This report is intended for the information of SAFE Foundation and the U.S. Agency for International Development (USAID). However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

This is the report referred to in our transmittal letter of even date.

12 November 2024

Chartered Accountants

Colombo

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T&D Associates
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE OF USAID AWARDS MANAGED BY SAFE FUNDATION UNDER THE PROJECT "EMPOWERING CSOS TO COMBAT HUMAN TRAFFICKING IN SRI LANKA ACTIVITY'' FOR THE PERIOD FROM JANUARY 01, 2023 TO DECEMBER 31, 2023

12 November 2024

To:

Harsha Jayarathna

Executive Director

SAFE Foundation (SAFE)

No. 20, School Junction,

Paniyankadawala,

Anuradhapura, Sri Lanka.

Dear Sir,

We have audited the schedule of expenditures of USAID awards of SAFE as of and for the year ended December 31, 2023, and have issued our report on it dated November 12, 2024.

We conducted our audit in accordance with U.S. 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 schedule of expenditures of USAID awards is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the schedule of expenditures of USAID awards amounts.

Compliance with agreement terms and laws and regulations applicable to SAFE is the responsibility of SAFE 's management. As part of obtaining reasonable assurance about whether the schedule of expenditures of USAID awards is free of material misstatement, we performed tests of SAFE compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. We also performed tests of the recipient's compliance with certain provisions of agreement terms and laws and regulations applicable to the provision of cost-sharing/matching contributions.

Material instances of noncompliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the schedule of expenditures of USAID awards and the cost-sharing/matching contributions schedule. The results of our compliance tests disclosed the following instances of noncompliance.

1 It was unable to verify whether the reported cost-sharing contribution of USD 135,592 by the recipient were incurred in alignment with the objectives of the grant award due to gaps in documentation proving the linkage of these costs to the activities conducted under the project. (Refer to finding no. 01 of the Schedule of Material Instances of Non-compliances of USAID Awards and Note 03 to the Schedule of Cost Sharing/Matching Contribution).

2 During the project period, the recipient earned interest income totaling USD 1,049. However, USD 549 of this amount had not been returned to USAID, as required by the terms outlined in the project agreement, by the dates of the audit fieldwork. Guidance on returning this excess interest income was requested from USAID but had not been received as of the date management comments were provided in response to the audit observation. Subsequently, based on communication received on September 5, 2024, the recipient returned the excess interest amount to USAID. (Refer to Finding No 02 of the Schedule of Material Instances of Non-compliances of USAID Awards).

We consider these material instance of noncompliance in forming our opinion on whether the schedule of expenditures of USAID awards is presented fairly, in all material respects, in accordance with the terms of the agreements and in conformity with the basis of accounting described in note 01 to the schedule of expenditures of USAID awards, and this report does not affect our report on the schedule of expenditures of USAID awards dated November 12, 2024.

We noted certain immaterial instances of noncompliance that we have reported to the management of SAFE in a separate letter dated November 12, 2024.

1 In 7 out of the 95 sampled transactions selected for verification, the supporting documents were not specifically addressed to the recipient or the project name. (Refer to Finding No. 11 of the Management Letter).

2 Out of the 12 samples reviewed, we noted that ETF payments related to March 2023 were not made to the labor before the due dates. (Refer to Finding No. 12 of the Management Letter).

This report is intended for the information of SAFE foundation and the U.S. Agency for International Development (USAID). However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

This is the report referred to in our transmittal letter of even date.

T & D ASSOCIATES COLOMBO CHARTERED ACCOUNTANTS

12 November 2024

Chartered Accountants

Colombo

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CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COST SHARING/MATCHING CONTRIBUTIONS OF USAID AWARDS MANAGED BY SAFE FUNDATION UNDER THE PROJECT "EMPOWERING CSOS TO COMBAT HUMAN TRAFFICKING IN SRI LANKA ACTIVITY''

FOR THE PERIOD FROM JANUARY 01, 2023 TO DECEMBER 31, 2023

12 November 2024

To:

Harsha Jayarathna

Executive Director

SAFE Foundation (SAFE)

No. 20, School Junction,

Paniyankadawala,

Anuradhapura, Sri Lanka.

Dear Sir,

We have reviewed the accompanying cost-sharing/matching contributions schedule of SAFE for the period from January 01, 2023, to December 31, 2023.Our review was conducted in accordance with standards established by U.S. Government Auditing Standards issued by the Comptroller General of the United States. The purpose of our review was to determine if the cost-sharing/matching contributions schedule is fairly presented in accordance with the basis of accounting described in note 03 to the cost-sharing/matching contributions schedule. We also considered internal control related to the provision of and accounting for cost sharing/matching contributions.

A review consists principally of inquiries of recipient personnel and analytical procedures applied to financial data. It is substantially more limited in scope than an examination, the objective of which is to express an opinion on the cost sharing/matching contributions schedule. Accordingly, we do not express such an opinion.

The results of our review disclosed the following material questioned costs as detailed in the cost-sharing/matching contributions schedule.

1. It was unable to verify whether the reported cost-sharing contributions by the recipient were incurred in alignment with the objectives of the grant award due to gaps in documentation proving the linkage of these costs to the activities conducted under the project. USD 135,592 in cost that are explicitly questioned because they are prohibited by the terms of the agreement.

   According to the submitted periodic project financial statements for the period from January 1, 2023, to December 31, 2023, the cost-sharing contribution of the recipient was LKR 44,785,896.80 (USD 135,592). These expenses were charged from other projects handled by the recipient and included the costs of equipment purchases, transport, refreshments, accommodation, benefit sharing, and other items related to the years 2022 and 2023. It is challenging to determine whether the scopes of these non-USG projects fully align with the scope of this USAID-funded project.

Based on our review, except as noted above, nothing came to our attention that caused us to believe that SAFE Foundation did not fairly present the cost sharing/matching contributions schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost-sharing/matching contributions schedule.

This report is intended for the information of SAFE Foundation and the U.S. Agency for International Development (USAID). However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

12 November 2024

Chartered Accountants

Colombo

T & D ASSOCIATES COLOMBO CHARTERED ACCOUNTANTS

AUDIT OF SCHEDULE OF COST SHARING/MATCHING CONTRIBUTIONS OF THE USAID RESOURCES MANAGED BY SAFE FOUNDATION UNDER THE PROJECT "EMPOWERING CSOS TO COMBAT HUMAN TRAFFICKING IN SRI LANKA ACTIVITY''

FOR THE PERIOD FROM JANUARY 01, 2023, TO DECEMBER 31, 2023

Description	Budget (USD) 01/10/2021 to 30/09/2026	Contributions (USD) 01/01/2023 to 31/12/2023	Cumulative Contributions (USD) as of 12/31/2023	Ineligible	Unsupported	Notes
Total Direct Costs	129,221	135,592	135,592	135,592		
Total	**129,221**	**135,592**	**135,592**	**135,592**		



NOTES TO THE SCHEDULE OF COST SHARING/MATCHING CONTRIBUTIONS OF THE USAID RESOURCES

Note 1

a. Exchange Rate

The cost-sharing schedule is stated in USD. The conversion of the local currency in USD used in exchange is 1 USD = 330.30 LKR. The USD exchange rate is calculated based on the average rate at the time the funds were disbursed by USAID.

b. **Cash and In-Kind Contributions**

The contributions of the Recipient Agreement 72038321CA00001 were cash contributions as required per the agreement. Cash and in-kind contributions are itemized separately on the Cost-Sharing Schedule.

Note 2: Shortfall/Surplus of Contributions

The recipient contributed more than what was required in the Agreement. At the end of December 2023, the contributions of the recipient exceeded the planned budget by 5%. The figure below shows the achievements announced by the project management in relation to the budget:

Description	Budget	Cumulative Contributions as of 12/31/2023	%
Cash	129,221	135,592	105%

Note 3: Ineligible Questioned Costs

The below costs were identified as ineligible questioned cost due to non-compliances with terms and condition mentioned the project agreement.

According to the submitted periodic project financial statements for the period from October 1, 2021, to October 31, 2023, the cost-sharing contribution of the recipient was LKR 44,785,896.80 (USD 135,592). These expenses were charged from other projects handled by the recipient and included the costs of equipment purchases, transport, refreshments, accommodation, benefit sharing, and other items related to the years 2022 and 2023. It is challenging to determine whether the scopes of these non-USG projects fully align with the scope of this USAID-funded project. Consequently, we were unable to verify whether the reported cost-sharing contributions by the recipient were incurred in alignment with the objectives of the grant award due to gaps in documentation proving the linkage of these costs to the activities conducted under the project.



SCHEDULE OF MATERIAL INSTANCES OF INTERNAL CONTROL DEFICIENCIES AND NON-COMPLAINCES OF USAID AWARDS MANAGED BY SAFE FOUNDATION

FOR THE PERIOD FROM JANUARY 01, 2023 TO DECEMBER 31, 2023

No.	Findings
01	**NON COMPLINACE WITH COST SHARING PROVISIONS** **Criteria** According to the section A.4 of the project agreement, the recipient should contribute an amount not less than USD 129,221 from the non- USG funded sources as the cost share portion over the life time of the program. However, it has to meet the below criteria in charging both cash and in-kind cost share contributions. (1) Verifiable from the recipient's records; (2) Not included as cost share contributions for any other U.S. Government (USG) -assisted program; (3) Necessary and reasonable for proper and efficient accomplishment of this award's objectives; (4) Allowable under the Standard Provision, "Allowable Costs"; (5) Not paid by the USG under another grant or agreement (unless the grant or agreement is authorized to be used for Cost Share); and (6) Included in the approved budget. **Condition** According to the submitted periodic project financial statements for the period from October 1, 2021, to October 31, 2023, the cost-sharing contribution of the recipient was LKR 44,785,896.80 (USD 135,592). These expenses were charged from other projects handled by the recipient and included the costs of equipment purchases, transport, refreshments, accommodation, benefit sharing, and other items related to the years 2022 and 2023. It is challenging to determine whether the scopes of these non-USG projects fully align with the scope of this USAID-funded project. Consequently, we were unable to verify whether the reported cost-sharing contributions by the recipient were incurred in alignment with the objectives of the grant award due to gaps in documentation proving the linkage of these costs to the activities conducted under the project. Furthermore, the recipient requested an amendment to the provisions in the initial project agreement from USAID on February 29, 2024 for the cost sharing provision, as communicated by the management.



Cause

- Lack of proper mechanism over charging cost share contribution.

Effect

- Noncompliance with terms and conditions of the project agreement.

Management comments

The reported cost share is relevant to the project period and due to the relevant activities as well. However SAFE has already requested to leverage the cost-share and already discussed with the donor. Regarding comment on relevancy of non-US funded project activities, as per Standard Provision for Non-US Nongovernmental Organizations of the Award, the recipient's Cost Share under this award may include project costs incurred by the recipient from its own funds, or project costs financed with cash, services, or property contributed or donated to the recipient from other non-U.S. Government sources, including sub recipients. Not all Cost Share requires cash outlays by the recipient; examples are depreciation and use charges for buildings and equipment.

Recommendation

The management should comply with all terms and conditions of the project agreement without exceptions.



02	**NOT RETURNED EXCESS INTEREST INCOME** **Criteria** According to the section RAA1 of the project agreement, the recipient may retain up to USD 500 of interest earned in a twelve-month period on USG cash balances for administrative expenses. Any additional interest earned on advances must be remitted to the USAID payment office specified in this award, or such other location as the payment office advises. **Condition** During the project period, the recipient earned interest income totaling USD 1,049. However, USD 549 of this amount had not been returned to USAID, as required by the terms outlined in the project agreement, by the dates of the audit fieldwork. Guidance on returning this excess interest income was requested from USAID but had not been received as of the date management comments were provided in response to the audit observation. Subsequently, based on communication received on September 5, 2024, the recipient returned the excess interest amount to USAID. **Cause** • Lack of monitoring over compliance with terms and conditions of the project agreement. **Effect** • Non-compliances with terms and conditions of the donor agreement. **Management comments** SAFE Foundation deposited LKR 154,971.19 on 02.10.2024, as per the following details of the bank account given by the donor. Account Name: United States Disbursing Officer Symbol 8768 Account Number: 1000440537 **Recommendation** The management should establish an effective mechanism to ensure compliance with the terms and conditions of the project agreement.

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T&D Associates
CHARTERED ACCOUNTANTS

To:
Harsha Jayarathna
Executive Director
SAFE Foundation (SAFE)
No. 20, School Junction,
Paniyankadawala,
Anuradhapura, Sri Lanka.

AUDIT OF SCHEDULE OF EXPENDITURES OF USAID AWARDS MANAGED BY SAFE FOUNDATION FOR THE PERIOD FROM JANUARY 01, 2023, TO DECEMBER 31, 2023

MANAGEMENT LETTER

We have enclosed the management letter pertaining to the annual audit of USAID resources for the period from January 01, 2023, to December 31, 2023, for your comments and feedback.

The purpose of this report is to provide you with feedback on our evaluations and comments on the audit and bring to your ideas for the improvement of your organization. However, due to the inherent limitations in any internal control system, errors or irregularities may occur and not be detected. In addition, the scope of our work would not have necessarily identified all weaknesses in internal controls.

We trust that we, as your auditors for the period from January 01, 2023, to December 31, 2023, we have been able to execute our duties to your satisfaction.

We thank the management and the staff for the cooperation extended to us throughout our audit. We would be pleased to provide any further clarification and explanation that you may require with regard to our report.

Yours faithfully,

12 November 2024
Chartered Accountants
Colombo

Findings and Recommendations – SAFE Foundation

No.	Findings
01	**DEFICIENCIES IN BANK RECONCILIATION PROCESS** **1.1. Delays in performing monthly bank reconciliations** **Criteria** According to the organization's procedures and policies under Section 5.19, bank reconciliations should be prepared within three days of receiving the bank statement in the subsequent month. Additionally, as per Section 5.7, reconciliations are required to be submitted to the Executive Directors before the 10th of the subsequent month. **Condition** However, there is a conflict between the above-mentioned sections, specifically in section 5.19. If the bank statement is delayed to receive, the organization would not be able to comply with Section 5.7. And We observed delays in the preparation of bank reconciliations in all 24 of the 24 samples reviewed. Please refer annexure 01. **Cause** • Lack of monitoring over organizational policies and procedures. **Effect** • Risk of preparing inaccurate financial statements. • Non- compliances with organizational policies and procedures. **Management comments and proposed actions** The delay in bank reconciliation is mainly due to the practical difficulties in finalizing the monthly accounts on or before the 10th of the following month. E.g.: QB has to be updated with all advance settlements of the relevant month. There are some practical difficulties in receiving the set of documents of the advance settlements on time if the event was conducted in the final week of the month. We have already identified such delays and introduced actions to rectify the delay. Additionally, an amendment with a realistic date of submission of the bank reconciliation to the Executive Director "12th of every month" will be inserted when Manual is being revised. **Recommendation** The management should consider all facts and conditions of the organization in compiling the policies to ensure consistency and practical applications.

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1.2. Non-availability of preparer's signature on the bank reconciliations

Criteria

As per the organization's procedures and policies under Section 5.19, bank reconciliations should be prepared by the Finance Officer, certified by the Finance & Admin Manager, and authorized by the Executive Director.

Cause

We noted 24 instances out of 24 samples where the authenticated signatures required by organizational procedures and policies were not available in the bank reconciliations. Annexure 2 of this report indicates that the organization has not consistently adhered to the stipulated procedures and policies.

Cause

- Lack of monitoring over organizational policies and procedures.

Effect

- Risk of preparing inaccurate financial statements.
- Non- compliances with organizational policies and procedures.

Management comments and proposed actions

Bank reconciliation in QB cannot be prepared but is directly to be done online. Hence, the Finance Manager has to conduct bank reconciliation directly with QB for the report to be generated. Under the segregation of duties in 5.19 as the Finance Manager performs bank reconciliation Finance & Admin Manager reviews and certifies SAFE will ensure that this process is consistently followed. As a practice the Finance Officers cross-check all transactions with the bank statement before the bank reconciliation in QB, and the project Finance Manager conducts the reconciliation as a more secure practice. If there is any correction, the Finance Manager can check it and rectify in QB under his/her control. SAFE will consider an amendment to this section in the financial manual considering the practical limitation**.**

Recommendation

The management should ensure the consistency in implementing policies and procedures of the organization.



02 **LACK OF SEGREGATION OF DUTIES IN PROCUREMENT PROCESS**

Criteria

As per the organization's procedures and policies under Section 5.4, following persons are involving to the procurement process,

	STEPS	HOW	WHO
1	Request	Purchase Request (PR)	Any staff
2	PR Approval	Check budget, sign PR	Supervisor/ED and Finance Staff
3	Quotations	Ask for price/bids/Tender	Procurement Officer
4	Selection	Check procedures	ED always signs off plus management as authorization matrix
5	PO	Check budget, quotes & Selection	ED
6	Place Order	Confirm to supplier	Procurement Officer
7	Receive Goods	Signs Goods receipt	Admin Officer
8	Authorize to pay	Sign voucher, cheque, bank	ED, Finance/Admin Manager
9	Pay	Cash, cheque, bank	Finance Officer
10	Recording	Enter voucher in QB	Finance Officer
11	Review	Admin & cash at month end	Finance/Admin Manager

Condition

During the verification process, we noted that the procurement and logistics officer reports directly to the finance manager, who oversees the budget and financial operations of the organization. Below is a summary of the key parties involved in each sub-activity of the procurement process, where it appears that the same person is involved in multiple interconnected sub-activities.



Procurement Activity	Involved parties
Purchasing requisition	Requestor, Finance Manager, Finance and Admin Manager, Executive director
Quotation analysis	Procurement officer, Finance Manager, Finance and Admin Manager, Executive director
Purchasing order	Procurement officer, Finance Manager, Finance and Admin Manager, Executive director

Payment voucher	Finance Assistant, Finance Manager, Finance and Admin Manager, Executive director
Raising GRN and update the inventory records	Finance and Admin Manager, Procurement officer

Accordingly, we noticed that the same finance personnel are engaged in the supplier purchase request approval process, supplier selection, order placement, making payments, and updating the inventory records.

Cause

- Lack of segregation of duties
- Lapses in staff and resources
- Lapses in transparency in the set organizational procurement procedures and policies

Effect

- Risk of making uneconomical decisions
- Risk of misuse funds

Management comments and proposed actions

SAFE has already identified this potential risk and it was discussed at the last meeting of the Board of Directors. The organizational chart was amended accordingly. Consequently, the amendment required to this section of the manual too was discussed in the said meeting on 30.04.2024.A revised selection criteria was discussed and reviewed by the directors as well, in the last meeting and it is to be finalized in the next board meeting. Once approved by the Board, action will be taken to amend the relevant sections of the Manual. Accordingly, the Procurement team will function separately.

Recommendation

The management is required to monitor the organization's policies and implement new ones where existing controls are insufficient and unavailable.



03 **LAPSES IN FIXED ASSET REGISTER**

Criteria

As per the organization's procedures and policies under Section 5.26, SAFE Head Office shall maintain a Perpetual Stock Control Register. Every article such as furniture, office equipment, electrical items etc. (other than consumable goods) bought for official use of SAFE shall be entered in the receipt side of this Register with its cost, serial numbers and other relevant details.

Condition

3.1. Incorrect locations

During the physical verification of the project fixed assets, we noticed that the following laptop out of 50 samples was physically available at the Anuradhpura office of the recipient. However, in referring to the FAR, the location was mentioned as Kurunagala office of the recipient. It indicates that the FAR received on 21st of May 2024 before the physical verification was not updated with latest movements properly. (Please refer annexure 03 for the fixed asset register)

Asset Code	Asset	Actual location of the asset as of physical verification date	Location of the asset as per the FAR
2022/ECCT/CI/LAP/726	Laptop	Anuradhapura	Kurunagala

3.2. Not updating the cost of the assets

Referring to the Fixed Asset Register of the recipient, the cost of 2 items out of 420 were not mentioned in the register as mentioned below. Therefore, it is not possible to extract the total value of the project assets from the Fixed Asset Register. (Please refer annexure 03 for fixed asset register)

Asset Code	Asset
2022/ECCT/CI/CPU/661	CPU
2022/ECCT/CI/KBO/662	Keyboard
2022/ECCT/CI/MOUS/663	Mouse



3.3. Not updating the cost and location of the assets

The cost of the items and the location details pertaining to the below listed 06 assets out of 420 items were not mentioned in the register. (Please refer annexure 03 for fixed asset register)

Asset Code	Asset
2023/ECCT/OI/DUS/1043	Pedastal Dustbin
2023/ECCT/OI/DUS/1044	Pedastal Dustbin
2023/ECCT/OI/DUS/1045	Pedastal Dustbin
2023/ECCT/OI/DUS/1046	Prdastal Dustbin
2023/ECCT/OI/DUS/1047	Prdastal Dustbin
2023/ECCT/OI/DUS/1048	Pedastal Dustbin

Cause

- Lack of monitoring over organizational practices and procedures.

Effect

- Failure to extract accurate details from the Asset Register.
- Risk of misleading information.

Management comments and proposed actions

3.1) The audit is conducted for FY 2023 and the assets register covers the same year. The staff member who used the said laptop was transferred in February 2024 and therefore the asset register for FY 2024 has been updated accordingly.

3.2) This is a desktop computer. This includes the computer system unit, as well as the hardware, such as the CPU, keyboard and mouse. Therefore, the cost of all items, i.e. Computer plus Hardware is mentioned altogether as a PC according to the purchased value on the Customer Invoice.)

3.3) The location is mentioned as HO (Head Office) in the asset register.



Recommendation

The management should ensure the consistency in implementing policies and procedures of the organization.

04	**NON-AVAILABILITY OF PASSWORD PROTECTION** **Criteria** As per best practices, the recipient should implement a data protection policy to mitigate risks associated with data security and information management. **Condition** The recipient has failed to protect the computers at the office premise by assigning passwords for different users for 2 computers out of 12 computers selected for the verification. **Cause** • Lack of data security protection policies and practices. **Effect** • Risk of unauthorized accesses to the computers and alter the information. • Possibility of non-compliance with data protection terms and conditions of the donor agreements. **Management comments and proposed actions** SAFE has already introduced password security measures for some of the computers and will introduce such measures for the rest. SAFE will take immediate action to finalize this recommendation. **Recommendation** Management is required to monitor the organization's policies and implement new ones where existing controls are insufficient and unavailable.

T & D ASSOCIATES
COLOMBO
CHARTERED ACCOUNTANTS

05 **DELAYS IN REVISING PROCUREMENT ESTIMATES**

Criteria

Based on the available procurement policies of SAFE Foundation, there is no specific reference to the process of revising estimates. However, as per best practices, once the initial estimate is revised later, the updated estimates must be approved by the appropriate personnel before proceeding with payments.

Condition

With reference to 95 procurement samples, below 3 payments were made to Waters Edge Limited for conducting an event for National Human Trafficking Day. As per the initial estimate, the total cost was LKR 4,087,500/-. However, on 18th July 2023, this estimate was revised to LKR 8,102,750. Despite this, a payment amounting to LKR 6,847,500 was made on 17th July 2023 based on the revised cost. Unfortunately, approval for the revised estimate had not been received at the time of this payment.

PV Date	PV Number	Suppliers name	Amount
07/26/2023	ECCT/CV/403066/3054	Water's Edge Limited	3,450,000.00
07/17/2023	ECCT/CV/400639/2976	Water's Edge Limited	3,423,750.00
07/26/2023	ECCT/CV/403072/3060	Water's Edge Limited	1,179,000.00

Cause

- Lapses in monitoring over the procurement policies.

Effects

- Risk of making unapproved payments.
- Risk of exceeding the project budget



	Management comments and proposed actions Following the procurement process, the supplier was selected and completed the procurement process. While planning to improve the quality of the event as a result of the discussion with partner's stakeholders, SAFE understood the increase of the cost difference compared to the initial cost forecast. The necessary discussion and approvals were taken as per the required process for procurement exceeding LKR 5 million. (Attachment 2). The higher cost value was due to the requirement to improve the quality of the event based on the requests of stakeholders, CSOs, and partners, and several discussions with the partners. The event was successful and was the first experience for the SAFE Foundation to conduct such a valued event. The project has already gained value and improved quality as a result of the event. **Auditor Comments** The recipient submitted the approval as mentioned in the management comments, and it was granted on 26.07.2023. **Recommendation** Management is required to monitor the organization's policies and implement new ones where existing controls are insufficient and unavailable. 

06 **INCOMPATIBILITY WITH QUOTATION ANALYSIS**

Criteria

As per the procurement guidelines under annexure 09, Quotations are analyzed by using Quotation Analysis template and selection done by an appointed committee (Project Manager/Finance & Admin Manager/Executive Director) as per the given threshold limits. And those selection are required to justify in the Quotation Analysis template.

Condition

However, during the verification, we noted that in 6 out of 77 instances, the selected supplier on the quotation analysis summary form was changed at the procurement decision stage, as mentioned below without providing further reasons.

PV Date	PV Number	Amount (LKR)	Actual supplier name	Selected supplier name as per the quotation analysis	QA
24/08/2023	ECCT/CV/404617	106,500	Rajarata Hotels Limited	Ceybank Hotels	SAFE/Anu/119/QA/196
31/05/2023	ECCT/CV/397007	343,475	Rajarata Hotels Limited	Ceybank Hotels	SAFE/Anu/119/QA/196
26/08/2023	ECCT/CV/396975	661,875	Rajarata Hotels Limited	Ceybank Hotels	SAFE/Anu/119/QA/196
1/31/2023	ECCT/CV/388025/0341	72,600	Isuru Caters	Hotel Royal green garden	SAFE/War/119/QA/0032
08/24/2023	ECCT/CV/404617/3209	185,700	Rajarata Hotels Limited	Ceybank Hotels	SAFE/Anu/119/PRN/096
9/19/2023	ECCT/CV/406906/3273	1,412,675	Sino Lanka Hotels Colombo (Pvt) Ltd	Ceybank Hotels	SAFE/Anu/119/QA/154

Cause

- Lack of monitoring over the procurement procedures.

Effect

- Lack of transparency in the procurement decisions.
- Risk of engaging with uneconomical procurement transactions.
- Increasing exposure for budget exceeds.



Management comments

Ceybank was not available for the required dates, and they confirmed by a letter Attachment 3). Then SAFE moved to the second lowest offer in the procurement process with the confirmation of the same rates given in the quotation. i.e. Rajarata Hotel.

Hotel Royal Green Garden was not available for the date SAFE requested, and they confirmed by an email (attachment 4). Then SAFE moved to the second lowest offer in the procurement process with the confirmation that the rates are the same in the given quotation. i.e. Isuru Caters

Ceybank was not available on the date we requested and confirmed by a letter (attachment 5). Then we moved to the second lowest offer since the rates are same as given in the quotation. i.e. Rajarata Hotel. The selected supplier Sino Lanka Hotels Colombo (Pvt) Ltd (Radisson) had the best rates. The payment has also been settled as per the quoted amounts.

Auditor Comments

Subsequently, we were provided with the supplier email correspondence related to the management comments mentioned above.

Recommendation

The management should ensure the consistency in implementing policies and procedures of the organization.



07	**USING OUTDATED QSFs FOR PROCUREMENT** **Criteria** As per the annexure 9 of the procurement guidelines, it has to prepare the Quotation Summary Form (QSF) including the details of all quoted suppliers. This document is used in selecting the suppliers and attached as a supporting document with the payment vouchers for referencing purposes. **Condition** Since there is no specified valid time period for the QSF, the recipient has a practice of using older QSFs as supporting documents and attaching them to the payment vouchers. It was noted that there were 14 instances out of 95 samples where the attached QSFs were more than four months old, as shown in Annexure 04 of this report. In practice, the procurement officer usually contacts the suppliers to update the prices already included in the previous QSFs, although this is not documented in the existing policies and procedures. **Cause** • Lapses in the existing policies and procedures **Effect** • Possibility to create conflicts between the practices and the documented policies and procedures. • Risk of making inappropriate decisions due to mismatches in the market prices and QSF details. **Management comments and proposed actions** Although there are practical difficulties in selecting potential suppliers in the area, it is a challenge and not practical to call quotations for every event conducted by SAFE. The suppliers do not provide quotations on a daily basis, weekly basis or event basis. In future for such repeated procurement, SAFE will obtain written confirmation on previous quotes in order to ensure vendor concurrence for record purposes prior to issuing a PO or contract. However SAFE has already commenced to introduce a selection criterion with the guidelines of the Board of Directors and it will be tabled at the next board meeting. **Recommendation** The managements are required to monitor the organization policies and implemented new policies where those control are not available.

T & D ASSOCIATES COLOMBO CHARTERED ACCOUNTANTS

08	**NON-AVAILABILITY OF ORIGINAL INVOICES** **Criteria** As per the procurement guideline under the section 5.9 (Filing and Archiving documentation), The original documents underlying financial records are kept in the office. Sub offices are required to send the original documents to the main office at least every week. This measure is taken to mitigate the risk of loss of documents and to allow the Finance and Administration Manager to perform a quality check. **Condition** The recipient has attached the photocopies of the supportive documents along with the payment vouchers instead of original documents. We have noticed 27 instances out of the 230 sample of transactions selected for the verification is given in the annexure 05 to this report where the original documents were not attached. **Cause** • Lack of monitoring over organizational policies and procedures. **Effect** • Inability to proof the authenticity of the documents • Possibility for alter the documents and misinterpreted. **Management comments and proposed actions** Generally, we receive documents from suppliers via e-mail or WhatsApp. Most of the suppliers reach us via WhatsApp as their usual practice and/or as the only available communication channel. SAFE Foundation is committed to minimizing papers since environmental protection is one of our special conditions. We are moving to a paperless working environment. The SAFE Foundation has already introduced the ERP system and in future there will be no more hard copies. We have relied in the soft copies of invoices and other documents during the Covid 19 period as well. It is permitted to submit scanned copies and accepted. **Recommendation** The management should ensure the consistency in implementing policies and procedures of the organization.

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09	**LAPSES IN SUPPORTIVE DOCUMENTS FOR TRANSPORT CLAIMS**

Criteria

As per the organization's practices, travelling claims should be attached with below documents.

1) Travelling payment requisition form
2) Photos of the meter reading
3) Third party invoices

Condition

We have identified 10 instances out of 90 sample of transactions where travel claims were paid without the required supporting documentation. These instances are detailed in Annexure 06.

Cause

- Lack of monitoring process over the documentation requirements.

Effect

- Possibility of making unauthorized payments.
- Risk of exceeding budgets.

Management comments and proposed actions

The photo of the meter is not a necessary document, and it is not defined in the manual. Payment Request forms and invoices issued by the service providers are available for every payment.



Recommendation

The management should ensure the consistency in implementing policies and procedures of the organization.

10 NON-AVAILABILITY OF GOOD RECEIVING NOTES

Criteria

As per the annexure 9 of the procurement guidelines, under purchase dossier section, Good Receiving Notes are required to attach with the payment voucher.

Condition

We noted below 05 instances out of 25 sample of transactions, payment vouchers were not attached with the Good Received Notes (GRN) to acknowledge the receipt of the goods.

Payment voucher number	Supplier	Values
ECCT/CV/408734/3312	WIFIZONE	21,000.00
ECCT/CV/390384/2211	Mirror Advertising	134,000.00
ECCT/CV/394502/2534	Mirror Advertising	324,000.00
ECCT/CV/399112/2892	SATHSARA Book Shop	145,895.00
ECCT/CV/388010/1130	Mahajana Book Shop	146,648.00

Cause

- Lack of monitoring process over the procurement and inventory management activities.

Effect

- Risk of making the payment to a vendor before the goods are delivered.
- Risk of misuse of project funds

Management comments and proposed actions

Copies of all are available and the Originals are with the Admin Officer In the future the original of GRN will be attached with the payment voucher as recommended by the Auditor.

Recommendation

The management should ensure the consistency in implementing policies and procedures of the organization.



11 NON-AVAILABILITY OF THE RECEIPIENT NAME ON THE SUPPORTIVE DOCUMENTS

Criteria

As per the grant agreement under section M1.Allowable cost, the recipient will be reimbursed for costs incurred in carrying out the purposes of this award in accordance with the terms of this award and the applicable cost principles in effect on the date of this award.

Condition

The supportive documents were not addressed to the recipient or the project name specifically with respect to the following 07 transactions out of the 95 sample of transactions selected for the verification.

Payment voucher number	Suppier	Type	Values
ECCT/CV/396974/2635	Dinapala Super Center	Quotation	1,237,000
ECCT/CV/408734/3312	WIFIZONE	Quotation	21,000
ECCT/CV/397004/2663	Auto Tyre Ways Pvt Ltd	Quotation	44,900
ECCT/CV/390422/2237	Anjana Curtain house	Quotation	124,045
ECCT/CV/403144/3134	Seetha Consortium (PVT) Ltd	Invoice	514,990
ECCT/CV/388035/1149	Computer Solutions & Network Pvt Ltd	Invoice	765,000
ECCT/CV/393486/2450	Computer Solutions & Network Pvt Ltd	Invoice	765,000

Cause

- Lack of monitoring process over the record keeping process.

Effect

- Risk of overlapping payments between the different donor funded projects.
- Inaccurate record keeping.

Management comments and proposed actions

SAFE prefers to have the name. The name of the organization in the mentioned documents is available except the quotation issued by Anjana Curtain House. SAFE will ensure that documents from vendors carry the organization's name.

Recommendation

The management should ensure that expenses are relevant and appropriate for the project before charging to the project.



12	**DELAYS IN PAYING EMPLOYEE'S STATUTORY PAYMENTS**

Criteria

As per the EPF and ETF laws of the country, monthly payments have to be made on or before 30th day of the following month.

Condition

Out of the 12 samples reviewed, we noticed that the following ETF payment was not made to the labour before the due dates.

Descriptions	Due date	Paid Date
ETF - March 2023	30th April 2023	08th June 2023

Cause

- Lack of monitoring over compliances with laws and regulations.

Effects

- Possibility of imposing penalties and surcharges.

Management comments

SAFE has settled all statutory payments for all staff members The delay in payment was From March 2023, it was advised by ETF to submit remittance online and they did not accept the bank payment. However, due to the inefficiency of the introduced online system, the upload was not able to be finalized within the timeline. The ETF was informed of the practical difficulty by email, and they agreed to waive the surcharge for the late payment. The Bank advised to pay EPF online but still, it is not workable although SAFE paid attention. Currently SAFE continues the EPF payment via the bank.

Recommendation

The management should adhere to the applicable law and regulation to the organization.



13	**MAINTAINING DUPLICATED DOCUMENTS** **Criteria** As per organization policies under section 5.9, The original documents underlying financial records are kept in the office. Sub offices are required to send the original documents to the main office at least every week. This measure is taken to mitigate the risk of loss of documents and to allow the Finance and Administration Manager to perform a quality check. All financial vouchers will be digitalized. Finance-related documents must be kept for at least seven years, or longer if prescribed by local legislation and/or by the donor compliance. **Condition** With reference to the documentation process of the recipient, it has been observed that they are maintaining two separate sets of documents for every payment: one original copy with the procurement team and a duplicate copy with the finance team. This practice complicates day-to-day activities in several ways. It increases the amount of time required to manage documents, increasing the cost associated with duplicating and storing these documents, and consumes additional physical storage space. **Cause** • Over control implantation over the documentation **Effect** • Risk of incurring additional time and cost **Management comments** This cannot be defined as an inefficiency of the process. The idea is to have easy access to records on the process by the two different teams without one having to wait on another to check any urgent information required with more confidence. However, in the near future SAFE will have a paperless environment to minimize papers in the procurement and finance process. The ERP system will be the proposed solution of the SAFE Foundation for this particular issue. **Recommendation** • The management should keep the project related document in efficient and effective manner as stipulated in the procedure manuals.

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Annexure 01
SUMMARY OF BANK RECONCILIATION

Month	70920314 -Saving Account		83341974 - Current Account	
	Reconciled date	No of delayed days since 10th day of the subsequent month	Reconciled date	Days Difference 10th day of the subsequent month
2023 January	4/18/2023	67	15/02/2023	5
2023 February	4/18/2023	39	15/03/2023	5
2023 March	4/18/2023	8	11/4/2023	1
2023 April	6/15/2023	36	12/5/2023	2
2023 May	6/15/2023	5	13/06/2023	3
2023 June	10/12/2023	94	15/07/2023	5
2023 July	10/12/2023	63	15/08/2023	5
2023 August	10/12/2023	32	21/09/2023	11
2023 September	10/12/2023	2	13/10/2023	3
2023 October	12/19/2023	39	11/14/2023	1
2023 November	12/19/2023	9	14/12/2023	4
2023 December	1/12/2024	2	11/1/2024	1

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Annexure 2

SUMMARY OF BANK RECONCILIATION

Bank	70920314 -Saving Account			83341974 - Current Account		
Month	**Prepared by - Finance Officer**	**Certified by-Finance & Admin manager**	**Certified by-Finance manager**	**Prepared by - Finance Officer**	**Certified by-Finance & Admin manager**	**Certified by-Finance manager**
2023 January	X	√	X	X	√	√
2023 February	X	√	X	X	√	√
2023 March	X	√	X	X	√	√
2023 April	X	√	X	X	√	X
2023 May	X	√	X	X	√	X
2023 June	X	√	X	X	√	X
2023 July	X	√	X	X	√	X
2023 August	X	√	X	X	√	X
2023 September	X	√	X	X	√	X
2023 October	X	√	√	X	√	√
2023 November	X	√	√	X	√	√
2023 December	X	√	√	X	√	√

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Annexure 03

FIXED ASSET REGISTER

Order no	Inventory ID	Name	Description	Specification	Supplier Name	Sponsored by	Serial No.	Voucher No.	Invoice No.	Purchased Date	Goods Received Date	Unit Price	Quantity In Stock	Inventory Value	Physical Location	Column	Asset Category
474	2022/ECCT/C3/CPU/661	CPU	N/A	N/A	Diptec PVT.	USAID/ECCT	SCR51K3	ECCTEC heque/338657	IB060622	31.01.2022	31.01.2022		1		HO	FA	Computer Equipment
475	2022/ECCT/C3/KBO/662	Keyboard	N/A	N/A	Diptec PVT.	USAID/ECCT	N/A	ECCTEC heque/338657	IB060622	31.01.2022	31.01.2022		1		HO	FA	Computer Equipment
476	2022/ECCT/C3/MOUS/663	Mouse	N/A	N/A	Diptec PVT.	USAID/ECCT	N/A	ECCTEC heque/338657	IB060622	31.01.2022	31.01.2022		1		HO	FA	Computer Equipment
552	2022/ECCT/C3/LAP/753	New ACER Lap 19	Brand new Laptop	Aspire 5/N20C5/6	Metropolitan Technologies	USAID/ECCT	NXA1ESG009W1400D3FE3400	ECCTEC V/370123/027	AP009361-M-01	25.07.2022	25.07.2022	248,100.00	1	248,100.00	Kurunegala	FA	Computer Equipment
891	2023/ECCT/OB/DUS/1043	Pedastal Dustbin	Red Color			USAID/ECCT	N/A			23.04.2023	23.04.2023		1	-	HO	General	Inventory item
892	2023/ECCT/OB/DUS/1044	Pedastal Dustbin	Red Color			USAID/ECCT	N/A			23.04.2023	23.04.2023		1	-	HO	General	Inventory item
893	2023/ECCT/OB/DUS/1045	Pedastal Dustbin	Red Color			USAID/ECCT	N/A			23.04.2023	23.04.2023		1	-	HO	General	Inventory item
894	2023/ECCT/OB/DUS/1046	Pedastal Dustbin	Blue & Blace Color			USAID/ECCT	N/A			08.09.2023	08.09.2023		1	-	HO	General	Inventory item
895	2023/ECCT/OB/DUS/1047	Pedastal Dustbin	Blue & Blace Color			USAID/ECCT	N/A			08.09.2023	08.09.2023		1	-	HO	General	Inventory item
896	2023/ECCT/OB/DUS/1048	Pedastal Dustbin	Blue Color			USAID/ECCT	N/A			08.09.2023	08.09.2023		1	-	HO	General	Inventory item

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Annexure 04

QUOTATION SUMMARIES

PV Date	PV Number	Suppliers name	Amount	QSF Number	QSF Date
27/04/2023	ECCT/CV/394480	Ceybank Holiday Homes (pvt) Ltd	383,100	SAFE/Anu/119/QA/179-1	13/11/2022
28/02/2023	ECCT/CV/390429	Ceybank Holiday Homes (pvt) Ltd	397,250	SAFE/Anu/119/QA/179-1	13/11/2022
31/01/2023	ECCT/CV/388052	Ceybank Holiday Homes (pvt) Ltd	54,900	SAFE/Anu/119/QA/174	11/10/2022
28/02/2023	ECCT/CV/390428	Ceybank Holiday Homes (pvt) Ltd	229,950	SAFE/Anu/119/QA/174	11/10/2022
31/01/2023	ECCT/CV/388022	Ceybank Holiday Homes (pvt) Ltd	227,250	SAFE/Anu/119/QA/179	11/10/2022
14/12/2023	ECCT/CV/414756	Ceybank Holiday Homes (pvt) Ltd	23,300	SAFE/Anu/119/QA/096	23/05/2023
31/01/2023	ECCT/CV/388049	Ceybank Holiday Homes (pvt) Ltd	211,200	SAFE/Anu/119/QA/221	19/12/2022
31/01/2023	ECCT/CV/388023	Ceybank Holiday Homes (pvt) Ltd	245,280	SAFE/Anu/119/QA/174	11/10/2022
31/01/2023	ECCT/CV/388017	Ceybank Holiday Homes (pvt) Ltd	232,505	SAFE/Anu/119/QA/174	11/10/2022
31/01/2023	ECCT/CV/388018	Ceybank Holiday Homes (pvt) Ltd	251,995	SAFE/Anu/119/QA/174	11/10/2022
7/3/2023	ECCT/CV/390441	Sanity Creation PVT Ltd	750,000	SAFE/Anu/119/QA/164-1	2/11/2022
8/5/2023	ECCT/CV/394502	Mirror Advertising	324,000	SAFE/Anu/119/QA/004	2/8/2022
2/6/2023	ECCT/CV/397017	The Kandyan Arts Super Complex (Pvt) Ltd	737,500	SAFE/Anu/119/QA/009	1/6/2022
2/6/2023	ECCT/CV/399132	The Kandyan Arts Super Complex (Pvt) Ltd	462,400	SAFE/Anu/119/QA/009	1/6/2022



Annexure 05
NON-AVAILABILITY OF ORIGINAL INVOICES

PV Date	PV Number	Suppliers name	Amount
22/08/2023	ECCT/CV/404586	Global Towers Management (PVT) lTD	882,000
24/08/2023	ECCT/CV/404617	Rajarata Hotels Limited	106,500
31/05/2023	ECCT/CV/397007	Rajarata Hotels Limited	343,475
26/08/2023	ECCT/CV/396975	Rajarata Hotels Limited	661,875
08/11/2023	ECCT/CV/403149/3164	Sino Lanka Hotels Colombo (Pvt) Ltd	1,187,802
09/19/2023	ECCT/CV/406906/3273	Sino Lanka Hotels Colombo (Pvt) Ltd	899,850
12/15/2023	ECCT/CV/414766/3686	Sino Lanka Hotels Colombo (Pvt) Ltd	604,500
08/11/2023	ECCT/CV/403149/3164	Sino Lanka Hotels Colombo (Pvt) Ltd	1,188,424
08/24/2023	ECCT/CV/404616/3208	Sino Lanka Hotels Colombo (Pvt) Ltd	714,075
09/19/2023	ECCT/CV/406906/3273	Sino Lanka Hotels Colombo (Pvt) Ltd	512,825
09/26/2023	ECCT/CV/406940/3294	Sino Lanka Hotels Colombo (Pvt) Ltd	1,310,675
12/15/2023	ECCT/CV/414766/3686	Sino Lanka Hotels Colombo (Pvt) Ltd	604,500
12/28/2023	ECCT/CV/417754/3722	Sino Lanka Hotels Colombo (Pvt) Ltd	1,227,670
05/14/2023	ECCT/CV/394537/2567	Mirage Hotel (PVT) Ltd	331,100
07/20/2023	ECCT/CV/400673/3015	Mirage Hotel (PVT) Ltd	407,600
03/31/2023	ECCT/CV/393481/2445	Mirage Hotel (PVT) Ltd	353,000
05/14/2023	ECCT/CV/394537/2567	Mirage Hotel (PVT) Ltd	622,000
02/21/2023	ECCT/CV/388091/2198	The Kandyan Arts Super Complex (Pvt) Ltd	377,400
06/26/2023	ECCT/CV/399132/2915	The Kandyan Arts Super Complex (Pvt) Ltd	462,400
02/13/2023	ECCT/CV/388069/2178	The Kandyan Arts Super Complex (Pvt) Ltd	597,700
06/02/2023	ECCT/CV/397017/2672	The Kandyan Arts Super Complex (Pvt) Ltd	737,500

07/12/2023	ECCT/CV/400631/2967	Mango Dalu Pvt Ltd	5,400,000
07/21/2023	ECCT/CV/400684/3022	Mango Dalu Pvt Ltd	2,000,000
07/26/2023	ECCT/CV/403065/3053	Mango Dalu Pvt Ltd	1,000,000
08/07/2023	ECCT/CV/403107/3098	Mango Dalu Pvt Ltd	5,171,002
07/17/2023	ECCT/CV/400650/2988	Mango Dalu Pvt Ltd	3,780,000

Annexure 06
TRAVELLING EXPENSES

Date	PV Number	Payee	Amount	Remark	Comments SAFE
01/31/2023	ECCT/CV/388013/1133	A C K K Jayathilaka	51,480.00	Vehical meter not attached Payment requestion form is not signed by the passenger Third party invoice not attached	Vehicle meter photo is an additional document Invoice is available with voucher
01/31/2023	ECCT/CV/388013/1133	A C K K Jayathilaka	68,450.00		
02/14/2023	ECCT/CV/388076/2184	T M Aberathne	56,350.00	Vehicle meeter photo not available	Invoice is available and meter reading photo is an additional information
08/02/2023	ECCT/CV/403090/3080	W.K.Jayasinghe	124,500.00	Payment requisition form is not available, Invoice is not original	Payment request form is available with the voucher
08/15/2023	ECCT/CV/404563/3152	S.T.K.Rajeswaran	116,455.00	Invoice not available, PRF is not original	Payment request for is available with voucher
08/21/2023	ECCT/CV/404582/3174	W.M.R.D.Bandara	80,000.00	Payment requisition form is not available, Invoice is not original	Payment request form is available with voucher
08/24/2023	ECCT/CV/404607/3199	U.A.Samantha	134,400.00	Participent not signed payment requetion and not attached	A group of government officers traveled. Payment request form is available with voucher
/07/2023	ECCT/CV/406863/3246	R.W.P.Harshana	88,060.00	Vehical meter not attached Payment requestion form is not signed by the passenger Third party invoice not attached	Traveled by CSI members and the invoice is available with voucher
08/24/2023	ECCT/CV/404604/3196	Opulent River Face Hotel	95,000.00	Original invoice not attached	Scanned copy is acceptable
12/28/2023	ECCT/CV/417756/3724	S.N.S.Fernando	60,000.00	Original invoice not available	Scanned copy is acceptable

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