CENTRE FOR POLICY ALTERNATIVES (GUARANTEE) LTD
REPORT ON SPECIAL INVESTIGATION ASSIGNMENT

Corporate Doctors (Private) Limited
Corporate Consultants
Private&Confidential

December 01, 2014

The Board of Directors,
Centre for Policy Alternatives (Guarantee) Ltd.
24/2, 28th Lane,
Off Flower Road
Colombo 07

Dear Sir,

SPECIAL INVESTIGATION ASSIGNMENT

This refers to our engagement letter dated 28 October 2014, relating to the above assignment.

We have completed the said assignment and submit herewith the final report on our observations, comments / conclusions etc.

Please feel free to contact the undersigned for any clarifications or explanations that you may require in this connection.

Thanking you
Your sincerely

[Signature]

Chamara Bandara
Chief Executive Officer
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1. OBJECTIVE OF THE ENGAGEMENT

The objective of this engagement is to identify whether there had been any non compliances with standard procedures, fraudulent transactions or any unethical practices committed causing a loss and damage to the organization or to its shareholders, in the process of carrying out specific identified projects during the period 1st April 2005 to 31st March 2007.

2. SCOPE OF THE INVESTIGATION

We were called upon to investigate into the allegations leveled against your organization by the website “Colombo Telegraph” by the article published under the caption “Exposé: Centre for Policy Alternatives Defrauded And Hoodwinked Donors”.

The scope and nature of work including the basis and limitations are detailed in our engagement letter acknowledged by CPA on 28th October 2014. Accordingly, we wish to stress the fact that the scope we were asked to cover was restricted to those stated in our engagement letter acknowledged by CPA. As a result of such limited nature of work carried out, it may not necessarily result in identification of all issues / risks relating to your organization.

3. METHODOLOGY

We have reviewed the project documentation related to the two projects carried out by the Center for Policy Alternatives (CPA) for the 2 donors (i.e European Union (EU) and the United Nations’ Educational Scientific and Cultural Organization (UNESCO)) and proceeded to review regular (mostly quarterly) project updates submitted by the project coordinators and the Head of Media unit to the Board of CPA during the period under review to check the progress of such projects reported to the Board. We then reviewed the project expenses charged to these 2 projects and went in to details of such expenses charged with a view of matching such expenses with the events that were reported in the project updates as carried out during such periods. We have also compared the expenses claimed from Donors with the project budgets approved at the time of signing the project agreements. We have also compared similar expenses claimed from two respective donors to check whether the same expense is claimed from both donors. The project expenses so claimed were traced to the audited financial statements of CPA for the respective years to ensure authenticity of the project details submitted to us for the audit.

We also read the allegations leveled by the Colombo Telegraph website (CTW) and the supporting documents posted to the website and made an effort to compare such invoices to various payments made by CPA to Galle face Hotel and others specifically mentioned in the website, with a view of identifying them in CPA records. We have also reviewed the Board minutes relevant to the 2 subject projects. In the case of the allegations relating to making claims without completion of certain projects, we searched for corroborative evidence available to confirm the contents reported in regular progress reports. We also inspected the audit report of EU auditors Ms. Moore Stephens (Chartered Accountants) who has done a specific audit on EU project on “Towards Public services Media in Sri Lanka: sharing the EU-Sri Lankan experience” in June 2007.

4. PURPOSE AND RESTRICTIONS OF USING OUR REPORT

This report was prepared at the request of the Board of directors of the Center for Policy Alternatives (Guarantee) Ltd as per their terms of reference communicated to us and confirmed by the letter of engagement dated 28th October 2014 signed between us, solely to be used for the purpose of investigating in to the allegations made in Colombo telegraph website article published on 10th October.
2014 and should not be used for any other purpose or relied upon for any other purpose.

Our Report (or any extract or summary) should not be quoted, referred to or divulge to any other party / parties (except your professional advisors acting in that capacity in connection with this engagement provided that they accept that we assume no responsibility or liability whatsoever to them in respect of the contents). We do not accept any responsibility to any other party to whom our Reports are shown or into whose hands they may come (including any recipient who has not validly acknowledged their acceptance of the engagement letter). If others choose to rely in any way on the contents of the Report, they do so entirely at their own risk. However, detection risk of material misstatements, irregularities, errors and frauds could prevail beyond the audit procedures that we have carried out in this engagement due to various limitations that existed. Hence, we cannot be held responsible for any undetected material misstatements, irregularities, errors and/or frauds.

5. EXECUTIVE SUMMARY

The executive summary is prepared based on the detailed report attached in Annexure 1 with a view of providing an overview of the outcome of the engagement to the reader. Therefore in case of any ambiguity or misunderstanding noted in the executive summary, the full version of the report given in Annexure 1 should be referred which should be taken as final. This report contains the findings of our company, Corporate Doctors (Pvt) Ltd (a company involved in corporate consultancy and forensic audits), based on the tests carried out within the scope of our assignment and our comments and conclusions arrived on the basis of such findings. The scope covered the activities involving two projects carried out by CPA with EU and UNESCO by the names “Towards public service media in Sri Lanka sharing the EU-Sri Lankan Experience and Campaign to promote public service media and public service values in Sri Lanka” respectively. The article appeared in Colombo telegraph website (CTW) published images of some documents such as duplicated invoices from Galle Face Hotel, liquor bill from “Havelock Bungalow” and similar information raising some doubts about making duplicate payments to Vendors, Cheating donors by submitting the same bills to both donors and by carrying out activities not covered in the project proposals, claiming liquor bills from donors by producing invoices with camouflaged narrations, hiding the claims made from 2 donors purposely from financial accounts, Making bogus payments to panel of experts who never attended meetings and finally submitting claims to donors for certain activities without carrying them out.

We have carried out this assignment based on the documents and other information obtained from the above mentioned article and the documentary evidence submitted to us by CPA such as project agreements, budgets, payment vouchers and other similar records. We have also reviewed other evidence such as correspondence with relevant parties and the project updates available in the relevant files in order to achieve the said objectives. Our observations on each question posed to us by CPA in their scope were answered to the best of our ability based on our findings and we have refrained from expressing opinions whenever the evidence available are not conclusive, even though the circumstantial evidence prove high probability in certain incidents.

6. CONCLUSION

Based on the available information and documents considered in above audit procedures applicable to the period covered in the audit scope, we could confirm that:

1. We have not found any duplicate payments made by CPA relating to the cocktail party held in Galle Face Hotel (GFH). CPA has paid only once against an “Account Statement” issued by Galle Face Hotel in the name of Namal Perera of CPA. The fate of the bills exhibited in the website were not known but we did not find any proof of using any of them for making the payment to GFH or
in claiming this expense from the Donor European Union (EU). This payment had been claimed only from one Donor i.e. EU. Therefore we conclude that duplicate payments not made to vendor and this payment was claimed only one time from EU.

2. According to different invoices issued by GFH as quoted by CT website, there had been a liquor related amount of Rs.66,547/50 included in the total bill of Rs. 152,047/50 paid to GFH. We are unable to confirm whether CPA produced the Account statement or any of the bills issued by GFH published in CPW for claiming reimbursement as we have not inspected any acknowledged copies of claim documents. However, we have inspected the report issued by EU auditors Moore & Stephens (Chartered Accountants) on the said project, who have not given any adverse comments about not producing any claim documents. Further, we did not find any specific prohibition on claiming “liquor related” expenses under the “eligible costs” described in article 14 of the EU contract conditions. Therefore, we can not conclude that CPA has cheated the donors by submitting bills with incorrect descriptions.

3. Invoice from Havelock Bungalow matches very closely with the activities of CPA project and the same amount paid to this vendor by an employee of CPA had been reimbursed by CPA as a cost of dinner and the full amount claimed from EU. The invoice published in CTW had many liquor items and was not found in CPA records. Since the contract conditions did not prohibit claiming liquor bills we conclude that there was no fraudulent manipulation in claiming them from the donor.

4. Two different projects on “Public Service Media” were running paralally during this period with EU and UNESCO and some activities had been carried out jointly. But the same expense had not been claimed from both donors.

5. Based on project updates reviewed, both projects had been completed and the finacials of CPA published the finance details in line with the standard disclosure requirements.

6. According to project updates, four panel experts had been paid Rs123,000 (not Rs. 100,000 as published in CTW) based on the budget agreed in the proposal. Based on project updates inspected by us, we found all 4 panel expertsgot them selves involved in the relevant project.

7. Based on the project update reports, the 2 projects had been successfully completed.

Thank you,
Corporate Doctors (Pvt) Ltd.

[Signature]
Chamara Bandara
Chief Executive Officer