

Report of the Auditor General on the Financial Statements of the Provincial Road Development Project (Central and Sabaragamuwa Provinces) for the first Accounting Period from 01 September to 31 December 2010.

1. Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, except for the effects of the adjustments arising from the matters referred to paragraph 3 of this report, I am of opinion that,

- (a) the Project had maintained proper accounting records for the four months period ended 31 December 2010 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2010 in accordance with Generally Accepted Accounting Principles,
- (b) the funds provided had been utilized for the purposes for which they were provided,
- (c) the statements of expenditure (SOEs) submitted could be fairly relied upon to support the applications for reimbursement in accordance with the requirements specified in the Loan Agreement and,
- (d) the financial covenants laid down in the Loan Agreement had been complied with.

2. Financial Statements

2.1 Financial Performance

According to the financial statements and information made available, the expenditure of the Project for the first accounting period from 01 September to 31 December 2010 amounted to Rs 15,153,310. A summary of the expenditure for the first accounting period from 01 September to 31 December 2010 is given in the following statement.

Item of Expenditure	Expenditure for the first accounting period from 01 September to 31 December 2010
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	Rs.
Furniture and Office Equipment	225,919
Commitment Charges	1,991,198
Administration Cost	12,936,193

Total	15,153,310
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2.2 Special (Yen) Account

There were no transactions taken place in the Special (Yen) Account for the first accounting period from 01 September to 31 December 2010.

3. Audit Observations

Following observations are made.

- (a) Although the effective date of the Project was from 14 July 2010, activities of the Project were commenced only on September 2010.
- (b) Although a comprehensive detailed action plan covering entire project period to ensure the achievement of objectives of the Project within the specific project period, highlighting financial and physical targets in quarterly, biannually, annually etc with the officers who are responsible for achieving the targets to be prepared, such a plan had not been prepared and implemented by the project.
- (c) Five civil work consultants should be appointed by end of September 2010 as per period specified in the Project memorandum. However, the appointments had not been made even up to 31 July 2011.
- (d) Commitment charges amounting to Rs.3,536,095 payable for 103 days for the period under review in terms of section 3 of Article II of the Project Agreement had not been ascertained and brought to account.