

CHINESE GRANT AID PROJECT - 2012

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 in paragraph 3 of this report, I am of opinion that;

- (a) the Project had maintained proper accounting records for the year ended 31 December 2012 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2012 in accordance with Generally Accepted Accounting Principles,
- (b) the funds provided had been utilized for the purposes for which they were provided,
- (c) satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
- (d) the financial covenants laid down in the Grant Aid Agreements had been complied with.

2. Financial Statements

2.1 Financial Performance

According to the financial statements presented and information made available, the expenditure of the Project for the year under review amounted to Rs. 1,349,990 and the cumulative expenditure as at 31 December 2012 amounted to Rs.151,110,295. The following statement shows a summary of expenditure for the year under review, expenditure for the preceding year and cumulative expenditure as at 31 December 2012.

<u>Category of expenditure</u>	<u>Expenditure for the year ended 31 December</u>		<u>Cumulative expenditure as at 31 December 2012</u>
	<u>2012</u> <u>Rs.</u>	<u>2011</u> <u>Rs.</u>	<u>Rs.</u>
Non current assets	(21,159)*	(102,406)	641,338
Work-in-progress	<u>1,371,149</u>	<u>35,989,485</u>	<u>150,468,957</u>
	<u>1,349,990</u>	<u>35,887,079</u>	<u>151,110,295</u>

* Depreciation of assets during the year under review was Rs.21,159

3. Audit Observations

Following observations are made.

- (1) A sum of Rs. 360,000 had been paid as rent for the building occupied by the Project office for the year under review without obtaining the rental assessment from the Government Chief Valuer.

- (2) According to clause No. 8.13.4 of Tender Guidelines, reason for the extra works should be explained by the relevant parties. However, a sum of Rs. 3,025,266 had been paid for extra works without complying with the above requirement.

4. Financial and Operating Review

4.1 Utilization of Funds

According to an agreement signed on 30 August 2005 by the Government of the People's Republic of China and Democratic Socialist Republic of Sri Lanka an amount of Rs. 720 million had been granted and directly handled by the Government of China. The account had been prepared based on the Government contribution.

According to the financial statements and information made available, utilization of funds during the year under review is shown below.

	Rs.
Government contribution as at 01 January 2012	151,388,789
Funds received during the year 2012	517,015
Customs Duty refunded by the Chinese contractor	<u>(795,509)</u>
Government contribution as at 31 December 2012	<u>151,110,295</u>

4.2 Physical Performance

According to the information made available by the Project, physical performance of the Project as at 31 December 2012 was as follows.

<u>Activity</u>	<u>Progress as at 31 December 2012</u>		
	<u>Estimated amount</u>	<u>Actual amount incurred as at 31 December 2012</u>	<u>Physical progress as at 31 December 2012</u>
	<u>Rs. Mn</u>	<u>Rs. Mn</u>	
(a). Installation of traffic signal system at Welikada junction.	150	150	100%
(b). Improvement of Kiribathgoda – Kadawatha road section (2.3 Km)			
(c). Re-alignment of 32 numbers of access roads	14.6	10.8	100%

Although installation of traffic signal system at Welikada junction had been completed and handed over to the Road Development Authority in March 2009, the system had been removed in 2012 for widening of the road section. Further it was observed that the Re-erecting of signal poles and accessories had not taken place even up to end of year under review.