

## **Metro Colombo Urban Development Project - 2012**

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### **1. Opinion**

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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) the initial deposit, withdrawals from and replenishments to the Special Dollar Account during the year ended 31 December 2012 had been truly and fairly disclosed in the books and records maintained by the Project and the balance as at 31 December 2012 had been satisfactorily reconciled with the accounting records of the Central Bank of Sri Lanka as at that date,
- (d) 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
- (e) the financial covenants laid down in the Loan Agreement had been complied with.

## 2. Financial Statements

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### 2.1 Financial Performance

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According to the financial statements and information made available, the expenditure of the Project for the year under review amounted to Rs. 171,498,584 and the cumulative expenditure as at 31 December 2012 amounted to Rs.177,530,885. A summary of the expenditure of the Project for the year under review, expenditure for the preceding year and cumulative expenditure as at 31 December 2012 is given below.

Item	Expenditure for the year ended		Cumulative Expenditure as at 31 December 2012
	31 December		
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	2012	2011	
	Rs.	Rs.	Rs.
Computer Hardware and Accessories	8,180,788	679,000	8,859,788
Office Equipment	351,976	700,120	1,052,096
Furniture and Fittings	932,656	559,442	1,492,098
Motor Vehicles	16,504,000	-	16,504,000
Development Expenditure	145,529,164	4,093,739	149,622,903
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<b>Total</b>	<b><u>171,498,584</u></b>	<b><u>6,032,301</u></b>	<b><u>177,530,885</u></b>

The Project had commenced its activities on 10 July 2012. However the project initial cost and overhead expenditure for the period from 15 July 2011 to 09 July 2012 amounting to Rs.30,086,789 had been incurred from the Consolidated Fund. Details are given below.

Item -----	Expenditure from 15 July 2011 up to 31 December 2011 -----	Expenditure from 01 January 2012 up to 09 July 2012 -----	Cumulative Expenditure as at 09 July 2012 -----
	Rs.	Rs.	Rs.
Computer Hardware and Accessories	679,000	2,454,720	3,133,720
Office Equipment	700,120	133,388	833,508
Furniture and Fittings	559,442	718,861	1,278,303
Motor Vehicles	-	12,276,000	12,276,000
Development Expenditure	4,093,739	8,471,519	12,565,258
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<b>Total</b>	<b><u>6,032,301</u></b>	<b><u>24,054,488</u></b>	<b><u>30,086,789</u></b>

## 2.2 Special Dollar Account

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According to the financial statements and information made available, the operations of the Special Dollar Account during the year under review are summarized below.

	<u>2012</u>	
	<u>US \$</u>	<u>Rs.</u>
Initial deposit	2,000,000	263,884,800
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	2,000,000	263,884,800
Less: Withdrawals	(1,996,961)	(257,491,816)
Foreign Exchange Loss	-	(6,006,577)
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<b>Balance as at 31 December 2012</b>	<b><u>3,039</u></b>	<b><u>386,407</u></b>

**3. Observations**

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**3.1 Accounting Deficiencies**

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The following observations are made.

- a) Salaries and overhead expenditure payable as at 31 December 2012 amounting to Rs. 9,743,924 had not been shown in the financial statement as accrued expenditure.
- b) Value Added Tax (VAT) amounting to Rs. 14,673,676 paid to contractors along with the mobilization advances had not been accounted as expenditure of the Project for the year 2012.

**3.2 Contract Administration**

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The following observations are made.

- a) Construction of walkway for pedestrian in both sides of the Vauxhall Street Colombo to the extent of 2.605 Km had been awarded to a contractor at a contract sum of Rs. 239,268,702 on 27 September 2012. The following observations are made in this regard.
  - i) Walkways in certain places had been obstructed due to parking of motor cars and bicycles.
  - ii) Paving blocks fixed to walkway had damaged or sunk in certain places due to parking and driving vehicles on these walkways
  - iii) Gullies for draining of rain water were not functioned properly due to improper construction.

- b) Construction of seven toilet complexes for men, women and disables within the Colombo city area had been awarded to a contractor at a contract sum of Rs.50,453,800 on 23 August 2012. The following deficiencies were observed at the test check carried out regarding these toilet complexes.

**Vauxhall Street**

- i) There are no storage facilities for cleaning materials and equipment. However all the materials and equipment had been kept in one toilet.
- ii) Sensor unit of urinals in male toilet not working.

**Wellawatta**

- i) Electric lamps installed outside the toilets not working.
- ii) Draining of water from wash basin inflow into toilets.

**Bambalapitiya**

Wall lamps installed had been corroded.

**4. Financial and operating Review**

**4.1 Financial Review**

Certain significant statistics relating to the financing of funds, budgetary provision for the year under review and the utilization of funds up to 31 December 2012 are shown below.

Description	Amount agreed for financing as per Loan Agreement		Budgetary Provision for the year 2012	Funds utilized during the year 2012	Funds utilized up to 31 December 2012
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	US\$ Mn	Rs Mn	Rs Mn	Rs Mn	Rs Mn
IBRD	213	27,890.22	130.94	327.06	327.06
GOSL	108	14,141.52	100.00	58.88	64.91
<b>Total</b>	<b><u>321</u></b>	<b><u>42,031.74</u></b>	<b><u>230.94</u></b>	<b><u>385.94</u></b>	<b><u>391.97</u></b>

**4.2 Physical Performance**

The Project had awarded seven contracts during the period from 10 July 2012 to 31 December 2012 and details of performance of these contracts are given below.

Sub component	Package No	Name of the contract	Contract value without VAT	Contract period (months)	Date of commencement	Value of works completed	Physical Progress as at 31 December 2012		Variance Favorable/ (Unfavorable)
							Progress planned	Progress Actual	
			Rs. Mn			Rs. Mn	(%)	(%)	(%)
1.1	SLLRD C/W/02	Aluthmawatha Culvert, Muthuwella Box Drain, Mutuwal Tunnel Main Holes, Canal Bank Improvements at Mutuwal Sea Outfall and Canal Bank Protection of Main Drain	409.97	18	27/11/12	-	7	5	(2)
2.1	CMC/W/01	Improvement to public convenience - package 01	50.95	06	14/09/12	4.0	61	24	(37)
2.1	CMC/W/02	Walkability improvement & Asphalt overlaying – package 01	239.26	07	25/09/12	5.69	20.2	15.8	(4.4)

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2.1	CMC/W/04	Walkability improvement & Asphalt overlaying – package 02	260.49	09	27/09/12	24.85	10	11	1
2.1	CMC/W/06	Model Zone development in town hall square – package 02	308.88	11	01/10/12	12	18	7	(11)
2.1	CMC/W/08	Walkability improvement & Asphalt overlaying – package 03	283.51	09	29/09/12	15.4	24.5	19	(5.5)
2.1	CMC/W/09	Model Zone development in town hall square – package 01	77.24	11	14/09/12	7.677	38	21	(17)