

Post Tsunami Coastal Rehabilitation and Resource Management Programme - 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 effect of the adjustments arising from the matters referred to in paragraph 5 of this report, I am of opinion that,

- (a) the Programme 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 Programme as at 31 December 2012 in accordance with Generally Accepted Accounting Principles,
- (b) the funds provided had been utilized for the purpose for which they were provided,
- (c) the opening and closing balances, 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 Programme 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 Agreements,
- (e) satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
- (f) the financial covenants laid down in the Loan Agreements had been complied with.

2. Financial Statements

2:1 Financial Performance

According to the Financial Statements and the information made available, the expenditure of the Programme for the year under review amounted to Rs.1,014,694,785 and the cumulative expenditure as at 31 December 2012 amounted to Rs.3,450,434,799.

The following statement shows a summary of the expenditure for the year under review, the expenditure for the preceding year and the cumulative expenditure as at 31 December 2012.

Item	Expenditure for the year ended 31 December		Cumulative expenditure as at 31 December 2012
	<u>2012</u>	<u>2011</u>	
	Rs.	Rs.	Rs.
(i) Civil Works	764,342,234	661,181,710	2,460,173,398
(ii) Motor Vehicles, Equipment and Vessels	2,975,066	17,157,553	197,221,635
(iii) Technical Assistance and Studies	7,145,890	13,227,070	68,275,436
(iv) Training and Workshops	7,221,205	26,701,472	75,878,271
(v) Contract with Service Provider	28,482,642	13,206,661	63,317,281
(vi) Funds (Non-repayable Grants)	27,241,939	5,595,500	32,837,439
(vii) Incremental credits	111,122,074	13,948,608	125,070,682
(viii) Salaries and Allowances	42,821,125	43,078,585	204,296,637
(ix) Operation and Maintenance	23,342,610	20,690,778	106,464,936
(x) Expenditure of Canadian International Development Agency Grant	Nil	31,933,746	116,899,084
Total	1,014,694,785	846,721,683	3,450,434,799

2:2 Special (Dollar) Account

According to the financial statements and information made available, the operations of the Special (Dollar) Account during the year under review and the balance held in the account as at 31 December 2012 are shown below.

	<u>US\$</u>	<u>Rs.</u>
Balance as at 01 January 2012	79,388	9,042,457
<u>Add :</u>		
Replenishments	4,039,140	518,434,311
Foreign Exchange Gain	-	6,577,211
	4,118,528	534,053,979
<u>Less :</u>		
Withdrawals	3,786,525	491,836,206
Balance as at 31 December 2012	332,003	42,217,773

3. **Audit Observations**

The following observations are made.

(a) **Foreign Travels**

- (i) A sum of Rs.717,763 had to be paid excessively due to non-selection of economical travel programme for participation in Advanced Purchasing Skills Training Course held in Hong Kong in November 2011.
- (ii) A sum of Rs.2,017,638 had been paid out of Programme funds for the foreign travel of 05 officers under 02 programmes which were not related to the activities of the Programme. Details are given below.

Name of the Programme -----	No. of officers participated -----	Expenditure incurred ----- Rs.
(1) Seminar on Result Based Management Implementation and Performance Indicators - Kuala Lumpur, Malaysia in October 2011	03	1,118,226
(2) Thirteenth Session of the Committee of Fisheries (COFI) Meeting and Discussion with IFAD Head Office - Rome, Italy in July 2012	02	899,412
	----- 05 =====	----- 2,017,638 =====

- (iii) A sum of US\$ 2640 had been paid excessively as combined allowance in contrary to Section 6.11 of the Circular No. 01/2010/01 dated 11 October 2010 of the Ministry of Finance and Planning, considering the officers as in the first category instead of second category for two foreign tours in the years 2011 and 2012.
- (iv) Apayment of Rs.722,215 (US\$ 6,500) had been made as course fees on the Course of Procurement of Goods and Services held in, Kuala Lumpur, for the period from 31 October to 18 November 2011 for an officer who had not participated in the course.

- (b) The arrears of water charges of the old building which was demolished for the construction of Wholesale Fish Market at Trincomalee, amounting to Rs.974,869 payable by the Ceylon Fisheries Corporation had been settled from the Programme funds. However, steps had not been taken to recover that amount from the Ceylon Fisheries Corporation.
- (c) The contract for the Construction of Office of the Assistant Director of Fisheries, Trincomalee had been commenced after obtaining performance and guarantee bonds and release of mobilization advance amounting to Rs.881,050. It was observed that the acceptability of above guarantee bonds had not been verified and contract had been terminated due to deviation of specifications of the construction works. However, such bonds could not be encashed due to fraudulent document submitted by the contractor for required guarantees.
- (d) A claim for US\$ 19,239.88 submitted for reimbursement from the Loan on 13 August 2012 had not been reimbursed even up to 30 July 2013.
- (e) Confirmation of receipts or any other handing over documents of assets valued at Rs.409,340 which had been handed over to the Ministry of Fisheries and Aquatic Resources Development had not been made available to audit.

4. Financial and Operating Review

4.1 Utilization of Funds

- (a) Certain significant statistics relating to the financing and budgetary provision for the year under review, utilization of funds during the year under review and the cumulative utilization as at 31 December 2012 are shown below.

	Amount agreed to be provided		Budgetary provision for the year 2012	Funds utilized during the year 2012	Funds utilized up to 31 December 2012
	US\$	SLRs			
	(Mn)	(Mn)	Rs(Mn)	Rs(Mn)	Rs(Mn)
IFAD	31.30	3,380.02	1,050.00	1,004.62	3,147.98
GOSL	4.37	471.96	25.20	25.17	142.52
Beneficiaries	0.42	45.67	-	-	20.78

Total	36.09	3,897.65	1,075.20	1,029.79*	3,311.28*
	=====	=====	=====	=====	=====

* These amounts differ from the amounts shown in the paragraph 4.1 of this report due to pending reimbursements.

(b) The total of Programme funds utilized as a percentage under Loan No 664 LK was 97.9 per cent and Loan No. 693Lk was 70.8 per cent as at 31 December 2012. Following observations are made in this regard.

(i) Although a sum of US\$ 2.09 million had been allocated under the Loan No 693 LK to provide grants to micro enterprises, this allocation had not been utilized even after 7 years from the commencement of the Programme.

(ii) Out of the funds allocated, under Loan No 664 LK of US\$ 0.67 million and No. 693 LK of US\$ 2.09 million for non-repayable grants for micro enterprises activities for women, only 28.8 per cent and 42.5 per cent respectively had been utilized as at 31 December 2012.

(iii) After lapse of 90 per cent of Programme period, allocated funds for some components under Loan No 693 LK had been substantially utilized, as content of the work of these components were affected for success of the other components, and this weaknesses were highly influenced for the performance of other components. Details are given below.

Component	Allocated amount	Utilization of Funds as at 31 December 2012	Per-centage of Utilization
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	US\$	US\$	%
Vehicles, equipment and vessels	491,700	6,096	1.24
Technical Assistance and Studies	298,000	16,609	5.57
Training and Workshops	298,000	28,803	9.66
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	1,087,700	51,508	16.47
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(c) Physical Performance

Following observations are made.

- (a) The physical performance for Gender Development activity under Gender Policy Support and Programme Management Component was 10 per cent as at 31 December 2012.
- (b) Achievements of targets of 4 activities under 2 components of the Programme for the year 2012 were between 40 per cent to 67 per cent only. Details are given below.

Component	Activities	Targets	Actual	Per-centage of Achievement
-----	-----	-----	-----	-----
				%
(1) Micro Enterprises and Financial Services Development	(i) Technical Training for Micro Enterprises through District Programme Management Units (Persons)	600	400	66.7
	(ii) Providing startup grants to beneficiaries (Persons)	1,500	600	40
	(iii) Promotion of women's savings and credits through Women co-operative Banks (Persons)		Not implemented	
(2) Social and Economic Infrastructure	Provision for housing needs (Units)	100	60	60