

Provincial Roads Project – (Eastern Province) - 2012

1. Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of the 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 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 (CBSL) 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,
- (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 Agreement had been complied with.

2. Financial Statements

2.1 Financial Performance

According to the financial statements and information made available for audit, the Project expenditure for the year under review amounted to Rs. 510,550,187 and the cumulative expenditure as at 31 December 2012 amounted to Rs. 780,938,817. 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 of Expenditure -----	Expenditure for the year ended 31 December		Cumulative Expenditure as at 31 December 2012
	2012 Rs.	2011 Rs.	Rs.
Civil Works	445,332,808	216,903,023	662,235,831
Furniture and Fittings	-	850,700	850,700
Office Equipment	2,290,312	496,616	2,786,928
Consultancy Services	57,980,410	41,174,136	99,154,546
Incremental and Operating Cost	10,381,702	-	17,100,254
Revaluation and Devaluation A/C	(5,435,045)	(6,136,099)	(11,571,144)
	510,550,187		
Total	=====	270,388,630	780,938,817
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2.2 Special (Dollar) Accounts

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

	US \$	Rs.
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Balance as at 01 January 2012	359,654	40,965,051
<u>Add</u> : Replenishments	4,786,895	624,581,664
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	5,146,549	665,546,715
<u>Less</u> : Withdrawals (FA)	(3,829,833)	(497,277,408)
Withdrawals (RFA)	(144,185)	(18,300,616)
Foreign Exchange Loss	-	(868,835)
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Balance as at 31 December 2012	1,172,531	149,099,856
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3. Financial and Physical Performance

3.1 Utilization of Funds

The financial provision made for this Project in the Annual Estimates of the GOSL for the year under review under the Consolidated Fund, Reimbursable Foreign Aid and Foreign Aid amounted to Rs. 5,000,000; Rs.23,000,000 and Rs.500,000,000 respectively. The total provision, the actual expenditure and the percentage of utilization of funds during the year under review are shown below.

	Total Net Provision Rs.	Actual Expenditure Rs.	Percentage of Utilization %
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Consolidated Fund	5,000,000	2,224,612	44
Reimbursable Foreign Aid	23,000,000	18,300,616	80
Foreign Aid	500,000,000	497,377,408*	99
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	<u>528,000,000</u>	<u>517,902,636*</u>	<u>98</u>

* Foreign exchange gain amounting to Rs. 5,435,046 had been included in the actual expenditure under the Foreign Aid during the year under review.

3.2 Progress of Construction works

According to the progress reports made available for audit, the progress of the Project as at 31 December 2012 is shown below.

Package No.	Length of Road Km	Total Contract Value Rs.	Date of Commencement	Date of Completion	Progress as at 31 December 2012	
					Financial %	Physical %
EP 01	09.55	445,646,012	22.08.2011	21.02.2013	34	64
EP 02	09.00	403,416,891	23.04.2011	23.04.2013	42	66
EP 04	23.00	499,139,693	23.08.2011	21.02.2013	50	75
EP 05	9.60	411,364,269	23.05.2012	22.11.2013	22	20
	<u>51.15</u>	<u>1,759,566,865</u>				

3.3 As per contract agreements and the subsequent extension granted, dates had been fixed for the completion of work for the following works. However, at the physical verification made on 10 June 2013, the works had not been completed as per details given below.

Contract Package	Date of Completion	Extension Date	Percentage of completion as at 10 June 2013
EP-01	02.02.2013	02.06.2013	91%
EP-02	23.04.2013	21.05.2013	90%
EP-04	21.02.2013	29.05.2013	94%

4. Systems and Controls

Special attention is needed in respect of the following areas of control.

- (a) Maintenance of Accounting Records
- (b) Procurements
- (c) Payment of a taxes