

PUBLIC SECTOR CAPACITY BUILDING PROJECT (STATISTICAL CAPACITY UPGRADING COMPONENT) - 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 5 of this report, I am of opinion that,

- (a) the Project had maintained proper accounting records for the three months period ended 31 March 2012 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 March 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 three months period ended 31 March 2012 had been truly and fairly disclosed in the books and records maintained by the Project and the balance as at 31 March 2012 had been satisfactorily reconciled with the accounting records of the Central Bank of Sri Lanka as at that date,
- (d) the statement of expenditure (SOEs) submitted could be fairly relied upon to support the applications for reimbursement in accordance with the requirements specified in the Credit 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 Credit Agreement had been complied with.

2. Financial Statements

2.1 Financial Performance

According to the financial statements presented, the expenditure of the Project for the three months period ended 31 March 2012 amounted to Rs.222,012 and the cumulative expenditure as at 31 March 2012 amounted to Rs.545,026,231. A summary of the expenditure for the three months period ended 31 March 2012, the preceding year and the cumulative expenditure as at 31 March 2012 is given below.

Year -----	Expenditure -----		Cumulative Expenditure as at 31 March 2012
	for the three months period ended 31 March 2012	for the year ended 31 December 2011	
	----- Rs.	----- Rs.	----- Rs.
Capital			

Land	-	-	100,000,000
Civil Works	-	41,662,337	104,018,475
Design Consultancy	-	3,754,330	14,186,940
Office Equipment	-	68,115,277	101,977,540
Furniture and Fittings	-	6,695,471	15,936,803
Recurrent			

Training	-	56,423,884	157,067,556
Administration Expenses	-	6,238,849	14,728,392
Stationery	222,012	619,581	1,057,394
Transportation	-	882,331	1,493,405
Sundry Expenses	-	281,146	1,309,433
Consultancy	-	33,250,293	33,250,293
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Total	222,012	217,923,499	545,026,231
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2.2 Special (Dollar) Account –Account No. (SL 137)

According to the books and records maintained by the Project and the information made available, a summary of the operations of the Special (Dollar) Account maintained by the Central Bank of Sri Lanka for the three months period ended 31 March 2012 and for the year ended 31 December 2011 is given below.

Particulars	for the three months period ended 31 March 2012		For the year ended 31 December 2011	
	US\$	Rs.	US\$	Rs.
Balance as at 01 January	1,047,814	119,347,351	880,815	97,729,067
Add				

Replenishments	NIL	NIL	1,410,000	156,476,724
Foreign Exchange Gain	-	1,082,130	-	2,700,832
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	1,047,814	120,429,481	2,290,815	256,906,623
Less				

Withdrawals	972,309	110,750,678	1,243,001	137,559,272
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Balance as at 31 March / December	75,505	9,678,803	1,047,814	119,347,351
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3. Audit Observations

The following observations are made.

- 3.1** Although considerable quantum of work was not available a sum of Rs. 597,820 had been paid to 8 officers considering that their services had been provided to the project for 3 months period under review. However, this expenditure had not been brought to account.

3.2 Performance

 The financial progress of the following categories as at 31 March 2012 are shown below.

Expenditure Category	Allocation Rs. Million	Actual Expenditure Rs. Million	Progress %
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01. Works	898.0	218.2	24.3
02. Goods	158.3	117.9	74.5
03. Consultancies	192.7	33.2	17.2
04. Training	285.4	157.1	55.0
05. Project Management	39.2	18.6	47.4
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Total	1,573.6	545	34.6
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3.3 An advance amounting to Rs. 100 million had been paid in September 2008 to Urban Development Authority to recover cost incurred by them for development of the land, survey works and payments of compensation. Although the assigned works had been completed balance money had not been refunded after deduction of cost incurred by them.