

Report of the Auditor General on the Financial Statements of the Tsunami Affected Areas Rebuilding Project – Component "C" (Road Rehabilitation and Reconstruction)- 2010.

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 3 of this report, I am of opinion that;

- (a) the Project had maintained proper accounting records for the year ended 31 December 2010 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2010 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 Imprest Fund Account during the year ended 31 December 2010 had been truly and fairly disclosed in the books and records maintained by the Project and the balance as at 31 December 2010 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 Grant and Loan Agreements.
- (e) satisfactory measures had been taken by the management to rectify the issues highlighted in by previous year audit report, and
- (f) the financial covenants laid down in the Grant and Loan Agreements had been complied with.

2. Financial Statements

2:1 Financial Performance

According to the financial statements and information made available, the Project expenditure for the year ended 31 December 2010 amounted to Rs 3,510,011,666 and the cumulative expenditure as at 31 December 2010 amounted to Rs. 7,816,367,003. The following statement shows a summary of the expenditure for the year under review, the preceding year and the cumulative expenditure as at 31 December 2010.

<u>Description</u>	<u>Expenditure for the year ended 31 December</u>		<u>Cumulative</u>
	<u>2010</u>	<u>2009</u>	<u>Expenditure as at</u>
	<u>Rs</u>	<u>Rs</u>	<u>31 December 2010</u>
			<u>Rs</u>
Fixed Assets	1,313,809	74,202	7,931,665
Work in progress/ Completed Projects	3,326,368,842	2,436,421,524	7,314,087,956
Consultancy Services	<u>182,329,015</u>	<u>205,171,123</u>	<u>494,347,382</u>
Total	<u>3,510,011,666</u>	<u>2,641,666,849</u>	<u>7,816,367,003</u>
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2.2 Imprest Fund Account

According to the financial statements and information made available, the operations of the Imprest Fund Account during the year under review is given below.

	<u>Rs</u>	<u>US\$</u>
Balance as at 01 January 2010	403,235,119	3,525,263
Add : Replenishments	<u>682,737,259</u>	<u>5,979,501</u>
	1,085,972,378	9,504,764
Less : Withdrawals	(1,080,461,581)	(9,504,764)
Foreign Exchange Loss	<u>(5,510,797)</u>	<u>-</u>
Balance as at 31 December 2010	Nil	Nil
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3. Audit Observations

Following observations are made.

- (a) A sum of Rs. 418,000 being rental for the office building of the PMU for the period ended 31 December 2011 had been paid by the Project in December 2010 without considering that all Project activities should be closed on 31 March 2011.
- (b) It was observed that the key money paid for the storage premises had not been recovered from the monthly rental bills for the months of April and May 2010 and therefore, the rental amounting to Rs. 46,644 for the storage premises had been overpaid as at 31 December 2010.
- (c) It was observed that the printing charges aggregating Rs 243,375 and vehicle hiring charges amounting to Rs 705,315 incurred by the Project during the year under review had not related to the Project activities.
- (d) A Computer Operator who had been temporally attached to the Project had been transferred to the Ministry of Highways and Road Development since 21 July 2008.

