

Tsunami Affected Areas Rebuilding Project – Component “F” (TAARP – Component “F”) - 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 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 2010 and the financial statements give a true and fair view of the state of affairs of the Project's 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 Financing 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 Financing Agreement 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 under review amounted to Rs.287,988,444 and the cumulative expenditure as at 31 December 2010 amounted to Rs.1,388,599,406. The following statement shows a summary of the expenditure for the year under review, the expenditure for the previous year and the cumulative expenditure as at 31 December 2010.

Item	Expenditure for the year ended 31 December		Cumulative expenditure as at 31 December 2010
	2010	2009	
	Rs.	Rs	
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(a) Civil Works	210,229,495	298,359,194	988,446,249
(b) Equipment	6,148,037	3,897,636	62,838,763
(c) Fisheries Assistance	826,867	-	56,519,911
(d) Consultancy Service	-	3,597,746	61,101,399
(e) Project Management and Incremental expenditure	26,683,953	32,331,385	85,615,020
(f) Environmental Management	-	-	1,363,103
(g) Local Taxes and Duties	19,484,566	25,838,333	128,773,641
(h) Mobilization Advances	24,615,526	8,252,782	3,941,320
Total	<u>287,988,444</u>	<u>372,277,076</u>	<u>1,388,599,406</u>

2.2 Imprest Fund Account

According to the financial statements and information made available, the total replenishments into the Imprest Fund Account and withdrawals therefrom during the year under review and the balance held in the account as at 31 December 2010 were as follows.

	Rs.	US\$
Balance as at 01 January 2010	48,442,075	423,502.47
<u>Add</u>		
Replenishments	1,835,150	16,075.03
Foreign Exchange loss	(164,926)	
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	50,112,299	439,577.50
<u>Less</u>		
Withdrawals	<u>50,112,299</u>	<u>439,577.50</u>
Balance as at 31 December 2010	<u><u>0</u></u>	<u><u>0</u></u>

3. Audit Observations

Following observations are made.

- (a) Although two Contracts had been terminated due to non performance of the contracts according to the contract agreements, mobilization advances outstanding as at 31 December 2010 amounting to Rs. 5,671,164 had not been recovered from the contractors up to end of the year 2011.
- (b) Over recovery of Mobilization advances from two contractors amounting to Rs. 2,347,198 had not been refunded up to end of the year 2010.
- (c) Retention money payable amounting to Rs. 2,071,319 had been retained without mentioning valid reasons.

- (d) Reimbursement of contract payment amounting to Rs.1,200,522 had been rejected by the ADB due to lack of supporting documents.
- (e) Expenditure amounting to Rs.47,509,587 related to the Coastal Resources Management Project had been accounted as an expenditure of this project.
- (f) Unresolved Issues

Following observations are made.

- (i) A sum of Rs. 4,266,025 had been paid during the year 2008 to a private company for the preparation of designs and drawings, tender documents, consulting services etc, in connection with the rehabilitation of Galle West Shoreline. It was further observed that the adequate provision for these rehabilitation work had not been made in the Budget prepared for the Project. However the rehabilitation works had not been commenced even during the year under review.
- (ii) A sum of Rs. 8,551,997 had been paid to a private company for the preparation of feasibility report, designs and drawings, BOQ etc. in connection with the constructions of following landing sites.
- Haraspola
 - Kapparathota
 - Paraliya
 - Gandara

It was observed that the adequate provisions for these constructions had not been made in the budget prepared for the Project. However the constructions had not been commenced even up to 30 November 2011.