

Tsunami Affected Areas Rebuilding Project – Component "C" (Road Rehabilitation and Reconstruction) - 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 3 of this report, I am of 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) satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
- (d) 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 2012 amounted to Rs 7,891,486 and the cumulative expenditure as at 31 December 2012 amounted to Rs. 8,134,637,007. 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 2012.

<u>Description</u>	<u>Expenditure for the year ended</u>		<u>Cumulative</u>
	<u>31 December</u>		
<u>Utilization</u>	<u>2012</u>	<u>2011</u>	<u>31 December 2012</u>
	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>
Fixed Assets at Cost/ Transferred to RDA	(2,293,733)	33,270,523	33,154,603
Civil Works Completed/ Transferred	(11,183,542)	54,417,380	7,122,198,101
Administration Cost	21,211,102	20,794,442	277,129,238
Consultancy Services	157,659	25,321,009	702,155,065
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	7,891,486	133,803,354	8,134,637,007
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2.2 Imprest Fund Account

According to the information made available, an Imprest Fund Account had not been operated during the year under review

3. Audit Observations

3.1 Accounting Deficiencies

Although the main activities of the Project had been completed in 2011 and the project completion report was issued by the Consultants in 2011, retention money amounting to Rs.3,522,570 relating to constructions completed in 2010 had remained unsettled as at 31 December 2012.

4. Financial and Operating Review

4.1 Utilization of Funds

According to the financial statements and information made available, certain significant statistics relating to the financing of the Project, budgetary provisions and the utilization of funds up to the year under review are shown below.

		<u>Amount agreed to be provided in the Grant/ Loan Agreements</u>		<u>Budgetary Provision for the year 2012</u>	<u>Funds Utilized</u>		
		US \$ Mn	Rs. Mn	Rs. Mn	<u>During the year under review</u>	<u>Up to 31 December 2012</u>	
					Rs. Mn	US \$ Mn	Rs. Mn
ADB							
-	Grant	55.2	5,531.4	-	-	59.8	6668.60
-	Loan	4.0	400.8	-	-	3.7	416.50
GOSL		14.3	1,432.9	32.3	32.27	14.5	1034.87
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Total		73.5	7,365.1	32.3	32.27	78.0	8119.97*
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*This figure is not agreed with the amounts shown in the paragraph 4.1 of the Report due to the accounting treatments made for accrued expenses

5. Physical Performance

According to the project completion report furnished by the Consultants of the Project in March 2011, the contracts awarded to rehabilitate five national roads and other provincial roads except four roads with the length of 13.95 kilometres in Matara District had been completed by April 2011. It was observed that the rectification works for damages caused due to floods in 2011 in three other roads namely Bogahawewa - Pulmoddei Road, Trincomalee-Pulmoddei Road and Peradeniya- Badulla- Chenkaladi Road had been completed during the year under review at a cost of Rs. 53,682,521.

6. Closure of the Activities of the Project

As instructed by the ADB through its letter dated 20 October 2010, the Project activities are required to be closed as at 31 December 2010 and all eligible expenses had also been claimed and withdrawn before 31 March 2011. Further, the Project Completion Report had also been submitted by the Consultants in May 2011. It was observed that the Ministry of Ports Highways and Shipping, as the Executing Agency of the Project had not issued instructions to wind up accounts at the end of the Project period. Further, the activities of the office of the Project Monitoring Unit had been continued up to 31 July 2012. As per the financial statements, remuneration amounting to Rs.986,192 had been paid for that period, out of funds received from the General Treasury.