

Airport and Aviation Services (Sri Lanka) Limited - 2012

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the state of affairs of the Airport and Aviation Services (Sri Lanka) Limited, so far as relating to the Government Grants for Capital Expenditure as at 31 December 2012 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements

1.2.1 Unexplained Differences

According to the financial statements of the Company, the money deposited with a Divisional Secretariat for the acquisition of lands amounted to Rs.8,801,648 whereas according to the letter of confirmation of balances of the Divisional Secretariat, that amounted to Rs.8,028,052. Thus an unexplained difference of Rs.773,596 was observed.

1.2.2 Lack of Evidence for Audit

The evidence indicated against the following items of account had not been furnished to audit.

Item	Value	Evidence not made available
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	Rs.	
(a) Trade and Other Receivables	45,895,528	Letters of confirmation of balances
(b) Trade and Other Payables	50,463,740	Letters of confirmation of balances
(c) Reimbursement of Customs Charges	41,833,127	Originals of the documents relating to the payment of Customs charges reimbursed and the documents to

establish that the equipment had been taken over by the Bandaranaike International Airport Stage II Step I Development Project

2. Financial Review

2.1 Financial Results

According to the financial statements presented the operations of Company relating to the Government Grants for Capital Expenditure for the year under review had resulted in a net surplus of Rs.782,480 as compared with the corresponding surplus of Rs.5,772,870 for the preceding year, thus indicating a deterioration of Rs. 4,990,390 in the financial results. The decrease of Rs.5,075,507 in the income from interest had been the main reason for the deterioration.

3. Operating Review

3.1 Transactions of Contentious Nature

Even though the construction works and installations of the Bandaranaike International Air Port Development Programme Stage II Step I had been completed by the end of the year 2007 and the final payments including the retention money had been fully paid to the relevant Contractor and the Engineer's Project Completion Report had been issued in July 2007, a sum of Rs.192,000,000 had been obtained by the Company from the Treasury in the year 2010 by making representations regarding the reimbursement of Customs charges related to those construction contracts. Out of that money, a sum of Rs.139,833,127 comprising a sum of Rs.98,000,000 in the year 2010 and Rs.41,833,127 in the year 2012 had been paid to the contractor.

It is not possible to concur in audit with regard to the payment of a sum of Rs.139,833,127 without adequately ensuring the going concern of the foreign construction company established solely for this construction work and establishing the accuracy of the Customs transactions five years after the completion of the Project.

3.2 Resources of the Company given to other State Institutions

Contrary to the provisions in Section 8.3.9 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the following resources of the Company had been made available to various Government Ministries and other Institutions.

<u>Item</u>	<u>Observation</u>
Human Resources	Twenty five persons from the staff of the Company had been released in the year under review to various Government Ministries. The salaries and allowances of 24 out of those, amounting to Rs. 13,360,008 had been paid by the Company.
Motor Vehicles	Six motor vehicles and another motor vehicle of the Company had been made available to the Line Ministry and to another Ministry respectively and the Company had spent a sum of Rs.2,515,252 as the expenditure on maintenance and fuel for six motor vehicles out of them during the year under review..

4. Systems and Controls

The deficiencies observed during the course of audit were brought to the notice of the Chairman of the Company from time to time. Special attention is needed in respect of the following areas of control.

- (a) Acquisition and divesting of lands
- (b) Contract Administration.
- (c) Reimbursement of Customs Duties and Taxes.