

Local Government Enhancement Sector Project (Pura Neguma) - 2012

1. Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that,

- (a) the Project had maintained proper accounting records for the first accounting period from 01 July to 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) the initial advance, withdrawals from and replenishments to the Imprest Fund Account for the first accounting period from 01 July to 31 December 2012 had been truly and fairly disclosed in the books and records maintained by the Project and the balance as at 31 December 2012 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 Loan Agreement,
- (e) the financial covenants laid down in the Loan Agreement had been complied with.

2. Financial Statements

2.1 Financial Performance

According to the financial statements and information made available, the expenditure of the Project for the first accounting period from 01 July to 31 December 2012 amounted to Rs 15,771,835. A summary of the expenditure as at 31 December 2012 is given bellow.

Item of Expenditure -----	Expenditure for the first accounting period from 01 July to 31 December 2012 -----
	Rs.
Furniture, Fittings, Office Equipment and Computer Hardware	73,095
Operational Cost	8,169,360
Consultancy Services	7,293,093
Loan Interest Capitalized	236,287

Total	15,771,835 =====

2.2 Imprest Fund Account

According to the financial statements and information made available, the operations of the Imprest Fund Account during the first accounting period from 01 July to 31 December 2012 is given below.

	<u>US\$</u>	<u>Rs.</u>
Initial Advance Received	500,000.00	66,679,550
<u>Less</u>		
Withdrawals	379,151.44	50,323,373
Foreign Exchange Loss		988,977
	-----	-----
Balance as at 31 December 2012	120,849	15,367,200
	=====	=====

3. Audit Observations

Following observations are made.

3.1 Commencement of the project

Even though the Project agreement had been entered into on 21 October 2011, the Project activities had been commenced in July 2012 after a delay of 08 months.

3.2 Recording of Fixed Assets

The furniture and office equipment belonging to the Local Governance Infrastructure Improvement Project which were being utilized by the PMU of this Project had not been transferred to this Project or brought to the accounting records even up to 30 October 2013.

3.3 Performance

Although, the Project activities was scheduled to be commenced from the third quarter of the year 2011, it had been commenced only in July 2012. However revised action plan had not been prepared to ensure the completion of expected targets within the Project period.

Further financial target had not been fixed in this action plan and as a result monitoring of performance could not be made effectively.