

## **Provincial Roads Project – Uva Province 2012.**

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### **1. Opinion**

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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 referral to in paragraph 03 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) the withdrawals from and replenishments to the Special (Dollar) Account during the year ended 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) 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 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 – Uva Province for the year ended 31 December 2012 amounted to Rs.1,220,220,663 and the cumulative expenditure as at 31 December 2012 amounted to Rs.2,954,781,415. A summary of the expenditure for the year under review, the expenditure up to 31 December 2011 and the cumulative expenditure as at 31 December 2012 is given in the following statement below.

<b>Item of Expenditure</b>	<b>Expenditure for the year ended 31 December 2012</b>	<b>Cumulative Expenditure as at 31 December 2011</b>	<b>Cumulative Expenditure as at 31 December 2012</b>
	Rs.	Rs.	Rs.
Civil Works	786,036,771	1,470,661,140	2,256,697,911
Road Maintenance	371,665,641	111,495,347	483,160,988
Consultancy Services	111,029,406	135,854,039	246,883,445
Furniture and Fittings	1,440,877	1,238,298	2,679,175
Building Improvement	187,884	1,579,090	1,766,974
Office Equipment	3,575,947	2,837,774	6,413,721
Training and Workshops	(294,000)	394,000	100,000
Incremental and Operating Cost	18,005,123	20,596,980	38,602,103
Revaluation and Devaluation A/C	(71,426,986)	(10,095,916)	(81,522,902)
<b>Total</b>	<b>1,220,220,663</b>	<b>1,734,560,752</b>	<b>2,954,781,415</b>

## **2.2 Special (Dollar) Accounts**

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According to the financial statements and information made available, four separate Special (Dollar) Accounts had been opened for Project Coordinating Unit, Project Implementation Unit – Uva, Project Implementation Unit – Eastern and Project Implementation Unit– Northern Provinces. The operations of the Special (Dollar) Account of the Uva Province during the year under review is given below.

	<u>US\$</u>	<u>RS.</u>
Balance as at 01 January 2012	6,507,178.52	741,176,093
<u>Add</u>		
Replenishments	6,608,901.00	870,952,914
Foreign Exchange Gain	-	701,426,986
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	13,116,079.52	1,683,555,993
<u>Less</u>		
Withdrawals	9,249,996.49	1,191,941,782
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Balance as at 31 December 2012	3,866,083.03	491,614,211
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## **3. Audit Observations**

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Following observations are made.

- 3.1 Extension of period had been granted for the contracts of 05 roads to be developed as at the end of the year under review. The physical progress of road No. UVA 04 as at 31 December 2012 was 99.4 per cent and the progress of this road at the date of audit inspection on 24 April 2013 was 100 per cent. The physical progress of road No. UVA 02 was at the low level of 34.68 per cent whereas the physical progress of roads UVA 01,UVA 03 and UVA 05 was at considerable level as shown below.

<b>Road No.</b>	<b>Date of Commencement</b>	<b>Due date of completion</b>	<b>No. of days granted for extension</b>	<b>Due date of completion after considering extension</b>	<b>Physical progress as at 31 December 2012</b>	<b>Financial Progress as at 31 December 2012</b>
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					%	%
UVA 01	01 Nov. 2010	01 Jan. 2013	272	30 Sep. 2013	72.99	53.66
UVA 02	01 Nov. 2010	30 Nov. 2012	127	06 April 2013	34.62	42.72
UVA 03	08 Nov 2010	29 Nov. 2012	149	28 May 2013	64.69	49.60
UVA 04	26 Nov 2010	01 Dec. 2012	46	15 Jan. 2013	99.40	77.18
UVA 05	05 Dec. 2010	30 Dec. 2012	169	17 June 2013	74.55	53.98

3.2 (a) If the awarding of contract is delayed for more than 56 days from the validity period of the bid, the fixed portion of the bid price should be increased by 6 per cent in terms of paragraph 18.3 of Section I and paragraph ITB 18.3(b) of section II of Bidding Documents. A sum of Rs.17,090,718 had to be paid additionally from the bills up to the date of audit on 30 April 2013 due to delay in awarding 05 contracts of the project.

(b) Even though Payments should be made to the contractors within 56 days after submitting the bills in terms of paragraph 14.7 of the Bidding Document, total amount of Rs.2,189,096 comprising a sum of Rs.1,564,160 for Bills No.23,24 and 25 of road packages No. UVA 01 and a sum of Rs.624,936 for Bills No.16 and 20 of road package No. UVA- 04 had been claimed by the contractors due to delay in payment of bills.

3.3 Internal audit should be carried out and its quarterly reports should be forwarded to the World Bank and Sub Office of Project Implementation Unit in terms of No.29 and 30 of Appendix No.07 of the project Assessment Document. However adequate internal audit had not been carried out by the Internal Audit Unit of the ministry of Local Government and provincial

Councils.

- 3.4 The following matters were observed during the field inspection made on 24 April 2013 of the UVA -05 Medithale – Kirivehera Road.
- (a) The side wall constructed by spending Rs. 154,276 at the place of 27+374 km had been collapsed on 16 December 2012 and it had not been reconstructed up to the date of audit inspection on 24 April 2013.
  - (b) The Gabion Wall constructed by spending Rs.3,052,791 at the place of 3+390 km had been fallen down on 17 December 2012 but it was not reconstructed up to the date of audit inspection on 24 April 2013.
  - (c) The flow of water had been blocked due to laying soil and stone which was removed from rock access places at 16+868 km, 16+100 km and other identified places where water flows naturally.
  - (d) A house was situated at the boundary of the road at the place of 2+130 km and as such width of the road became 3 meters ,It will be an obstrucle for future transport activities. However action had not been taken to remove it up to 24 April 2013.
- 3.5 Due to the earth slip of the 3+800 km place of the UVA-04-Haggala –Ford Mcdonaled Road, about 23 meters of the road had sunk. Further the shoulder of the road at km 7+900-7+950 had been washed away.
- 3.6 An area between 07+370 km and 07+540 km of the kottegoda –yalagamuwa Road No. UVA 01 was subjected to earth slip in the year 2010 and construction of a portion of this road had been stopped until obtaining recommendation of the National Building Research Organization in terms of Circular No. NBRO/2011/01 dated 10 February 2011 of the Ministry of Disaster Management. It was requested form the National Building Research Organization to provide recommendation in this regard by the officer of the provincial project whereas necessary recommendation had not been received up to 24 April 2013. During the Construction of road there were dust in both sides of the road. Therefore environment had polluted with dust. Action had not been taken by the contractor to avoid environmental pollution according to the Environment Management Action plan.

