

**Report of the Auditor General on the Financial Statements of the Provincial Roads Project-Project Coordinating Unit (PCU) for the first Accounting Period from 31 March to 31 December 2010.**

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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, I am of opinion that,

- (a) the Project had maintained proper accounting records for the period from 31 March to 31 December 2010 and the financial statements give a true and fair view of the state of affairs of the Project 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 initial deposit and withdrawals from the Special (Dollar) Account during the period under review 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 Loan Agreement, and
- (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 – Project Coordinating Unit for the first accounting period from 31 March to 31 December 2010 amounted to Rs. 19,782,300. A summary of the expenditure for the first accounting period from 31 March to 31 December 2010 is given in the following statement.

Item of Expenditure	Expenditure for the first accounting period from 31 March to 31 December 2010
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	Rs
Furniture and Fittings	2,799,630
Office Equipment	2,358,828
Motor Vehicle	3,806,926
Books	18,000
Consultancy Services	1,127,500
Training	3,008,254
Incremental and Operating Cost	6,663,162
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Total	19,782,300
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### 2.2 Special (Dollar) Accounts

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 Province. The operations of the Special (Dollar) Account of the Project Coordinating Unit (PCU) during the period under review is given below.

	<u>US\$</u>	<u>Rs.</u>
Initial Advance Received	826,087	93,144,200
<u>Add</u>		
Replenishments	NIL	NIL
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	826,087	93,144,200
<u>Less</u>		
Withdrawals (RFA)	85,886	9,557,958
Foreign Exchange Loss	-	1,458,705
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Balance as at 31 December 2010	740,201	82,127,537
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