

Sustainable Tourism Development Project - 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 of this report, I am 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 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 statement of expenditure (SOEs) submitted could be fairly relied upon to support the applications for reimbursement in accordance with the requirements specified in the Financing Agreement.
- d) satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
- e) the financial convents laid down in the Financing 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 year under review amounted to Rs.381,595 and the cumulative expenditure as at 31 December 2012 amounted to Rs.3,590,951. A summary of the component wise project expenditure for the year under review, as compared with the preceding year and the cumulative expenditure as at 31 December 2012 is shown below.

Category of Expenditure	Expenditure for the year ended 31		Cumulative expenditure as at 31 December 2012
	December		
	2012 Rs.	2011 Rs.	Rs.
Consultancy Fees	300,000	1,411,850	1,711,850
Advertisements and publications	-	518,643	518,643
Administration Expenditure	81,595	866,988	948,583
Other project expenditure	-	408,864	408,864
Finance cost	-	3,011	3,011
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	<u>381,595</u>	<u>3,209,356</u>	<u>3,590,951</u>

2.2 Special (Dollar) Account

There was no Special (Dollar) Account has been functioning from the beginning of the Project.

3. Audit Observations

Following observations are made.

- (a) Although a comprehensive detailed action plan covering entire Project period to ensure the achievement of Project objectives within the specific Project period should be prepared, such plan had not been prepared up to 31 December 2012.
- (b) Development Assistant attached to the Ministry of Economic Development had been appointed as a consultant of information technology of the Project and a sum of Rs.225,000 had been paid as monthly allowance for three months period. His service was not effective due to non implementation of the Project.
- (c) Due to inactivate of the Project activities, a sum of Rs. 6,455,222 had been idling in the bank account since November 2011.

- (d) No physical verification reports had been furnished for Non –Current assets valued at Rs. 237,388 indicated in the financial statements for the year under review.
- (e) Service charges and commitment charges had not been computed and accounted in the financial statements in terms of Sections 2.03 and 2.04 of the Financing Agreement of the Project.
- (f) Action plan and procurement plan for the year under review had not been prepared and presented to audit.

4. Performance Review

Following observations are made.

- (a) Performance of the activities of the Project had not been evaluated by the Ministry of Economic Development or Sri Lanka Tourism Development Authority.
- (b) Only 0.28% of the funds had been utilized as compared with the budgeted provisions for the year under review. Some of the statistics relating to the financing, budgetary provisions and the utilization of funds as at 31 December 2012 are shown below.
 - (i) Amount agreed for financing in the Financing Agreement was SDR 11.6 million.
 - (ii) Budgetary provision made for the year under review was Rs.132 million.
 - (iii) Funds utilized during the year was Rs.381,595 (USD 381.5) only.