

**Project on Delimitation of the Outer Edge of the Continental Margin of Sri Lanka (DEOCOM) - 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 3 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) satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
- (d) 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 Project expenditure for the winding up year under review amounted to Rs.4,336,157 and the cumulative expenditure as at 31 December 2012 amounted to Rs.771,055,934. The following statement shows a summary of the expenditure for the year under review, the expenditure for the previous year and the cumulative expenditure as at 31 December 2012

Particulars	Expenditure for the year ended 31 December		Cumulative expenditure as at 31 December 2012
	2012	2011	
	Rs.	Rs.	Rs.
Computers and Printers	-	-	6,853,776
Furniture and Fittings	-	-	826,913
Other Equipment	-	-	1,940,045
Consultancy, Acquisition and Seismic Data	-	-	691,623,036
Recurrent Expenditure	4,336,157	5,430,937	69,252,603
National Ocean Affairs Committee	-	-	559,561
<b>Total</b>	<b><u>4,336,157</u></b>	<b><u>5,430,937</u></b>	<b><u>771,055,934</u></b>

**3. Audit Observation**

Following observations are made.

**3.1 PAYE Tax**

According to the PAYE tax guidelines of the Inland Revenue Act, if the total remuneration on secondary employment exceeds Rs.25,000, applicable PAYE tax is 16 per cent. However, PAYE tax had been deducted at 10 percent of the salary of two officers of the Project.

**3.2 Lack of Evidence for Audit**

(a) Assets valued at Rs.559,560 procured in 2012 and shown in the balance sheet as at 31 December 2012 could not be satisfactory vouched in audit due to non-availability of payment vouchers and related supporting documents.

(b) All the fixed assets belonging to Project had been handed over to the National Aquatic Resources Research and Development Agency and the National Ocean Affairs Committee as at end of the year under review. Due to non-availability of receiving orders from NARA & NOAC, it was unable to ascertain in audit whether those assets had been handed over to the respective institutions.

**3.3 Operating Expenses incurred after achieving the Objectives**

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 Although the Project was commenced in 2003 for the submission of report to the United Nations Commission for claiming on the limits of continental shelf, the required report was submitted on May 2009 with the financial assistance of NORAD. However, the Project had been continued up to 31 December 2012 using consolidated fund amounting to Rs.14,637,222 after achieving expected targets.

**4. Financial and Physical Performance**

4.1 The Project had incurred a cost of Rs.771.05 Mn at the date of winding-up on 31 December 2012. A summary of the funding and its utilizations are presented below.

Funded By	Funds Provided		Fund utilized during the year 2012		Cumulative position of fund Utilized at the date of winding -up 31 December 2012
	US \$ (Mn)	Rs (Mn)	Rs (Mn)	US \$ (Mn)	
GOSL	-	85.00	4.89	-	79.43
Norwegian	2.0	185.50	-	-	} 691.62
Norwegian mixed credit	5.2	463.76	-	-	
	7.2	734.26	4.89		771.05
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**4.2 Utilization of NORAD Grant and Credit**

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 The summary of NORAD Grant and Credit and its utilization as at 31 December 2012 are presented below.

	<b>Credit / Grants provided</b>		<b>Cumulative Utilization at the date of winding-up as at 31 December 2012</b>	
	<b>US \$ (Mn)</b>	<b>NOK (Mn)</b>	<b>US \$ (Mn)</b>	<b>NOK (Mn)</b>
Grant (Consultancy Service)	2.0	14.20	0.94	6.70
Norwegian mixed credit(Acquisition &Seismic Data)	<u>5.2</u>	<u>36.92</u>	<u>5.20</u>	<u>36.92</u>
	<u>7.2</u>	<u>51.12</u>	<u>6.14</u>	<u>43.62</u>

The above Credit and Grant had been received only up to 2008. Although credit amounting to US \$ 5.2Mn had been fully utilized, only US \$ 0.94 Mn equal to 47 per cent of the Grant had been utilized by the Project up to 31 December 2012.