

Greater Colombo Waste Water Management Project - 2011.

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 year ended 31 December 2011 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2011 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 Imprest Fund Account during the year ended 31 December 2011 had been truly and fairly disclosed in the books and records maintained by the Project and the balance as at 31 December 2011 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 Agreements,
- (e) Whether 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 Agreements had been complied with.

2. Financial Statements

2.1 Financial Performance

According to the financial statements presented and the information made available, the expenditure of the Project for the year ended 31 December 2011 amounted to Rs. 156,106,867 and the cumulative expenditure as at 31 December 2011 amounted to Rs. 168,228,162. A summary of the expenditure for the year under review, the expenditure for the first accounting period from 09 April to 31 December 2010 and the cumulative expenditure as at 31 December 2011 is given in the following statement.

Item of Expenditure	Expenditure for the year ended 31 December 2011	Expenditure for the first accounting period from 09 April to 31 December 2010	Cumulative expenditure as at 31 December 2011
	Rs.	Rs.	Rs.
Machinery and Equipment	5,914,686	2,924,579	8,839,265
Social Mitigation	805,120	-	805,120
Consultancy Service Fees	122,271,042	-	122,271,042
Incremental cost	13,359,051	2,443,185	15,802,236
Financing Charges during Implementation	13,756,968	6,753,531	20,510,499
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	<u>156,106,867</u>	<u>12,121,295</u>	<u>168,228,162</u>

2.2 Imprest Fund Account

According to the financial statements and information made available, two separate Imprest Fund Accounts had been opened for special operation and ordinary operation. The operation of the two Imprest Fund Accounts during the year ended 31 December 2011 and the balance available in these accounts as at that date are given below.

(a) ADB Loan No. 2557 - SRI SL 140 (Ordinary Operations)

	<u>US\$</u>	<u>Rs</u>
Initial Deposit	200,000	22,038,620
<u>Add</u>		
Foreign Exchange Gain	-	741,640
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Balance as at 31 December 2011	200,000	22,780,260
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(b) ADB Loan No. 2558 - SRI SL 141 (Special Operations)

	<u>US\$</u>	<u>Rs.</u>
Balance as at 01 January 2011	112,086	12,436,241
<u>Add</u>		
Replenishments	176,115	19,762,790
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	288,201	32,199,031
<u>Less</u>		
Withdrawals	259,948	28,926,171
Foreign Exchange Loss	-	54,764
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Balance as at 31 December 2011	28,253	3,218,096
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3. Audit Observations

Following observations are made.

- (a) Although funds scheduled to be utilized from ordinary capital resources which was subsidiary of Asian Development Bank from 3rd quarter of 2012 as per detail work plan of the Project, commitment charges amounting to Rs.13,231,458 had been paid for the period of 15 August 2010 to 14 August 2011 before commencing the 3rd quarter.

- (b) Although provision amounting to Rs.735 million had been allocated in the budget for the year 2011 for 5 components of the Project, only Rs.207 million equivalent to 28% of allocation had been utilized during the year under review. Instances of under-utilized to funds as compared with allocation are given below.

Item -----	Allocated Amount ----- Rs.Million	Actual expenditure as at 31 December 2011 ----- Rs.Million	Amount under- utilized ----- Rs.Million	
(1) <u>Upgrading Sewerage Infrastructure</u>				
1.1	Supply of Non Fixed Equipment to the CMC (Jetting Machines)	260	0.78	259
1.2	Rehabilitation of sea out falls	249	Nil	249
1.3	Resettlement Activities	02	0.805	1.195
(2) <u>Strengthening Institutional and Operational Capacity</u>				
2.2	Equipment for institutional support	03	Nil	03
2.3	Capacity development	05	Nil	05
(3) <u>Project Management and Implementation Support</u>				
3.3	Training and Workshop	01	Nil	01

- (c) The Board of survey for the fixed assets valued at Rs. 14,440,851 which should be conducted at the end of the year in terms of Financial Regulation 756 had not been conducted.

- (d) Before commencement of the Project operation, a comprehensive detailed action plan highlighting financial and physical targets in monthly, quarterly, by annually etc. with fixing responsibilities for the target should have been prepared covering entire Project period, to ensure achievement of Project objectives within specific Project period. However, such a plan had not been prepared and implemented by the Project up to 09 July 2012.