

## Greater Trincomalee Integrated Water Supply Project - 2011

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### 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 5 of this report, 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 Credit 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 Credit Agreement had been complied with.
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## 2. Financial Statements

### 2.1 Financial Performance

According to the financial statements presented and information made available, the expenditure of the Project for the year ended 31 December 2011 amounted to Rs.799,619,910 as compared with the expenditure of Rs. 1,384,340,734 for the preceding period from 2008 to 2010 and the cumulative expenditure as at 31 December 2011 amounted to Rs.2,183,960,644. A summary of the expenditure for the year under review, expenditure for the preceding year and the cumulative expenditure as at 31 December 2011 is shown below.

<u>Item</u> -----	<u>Expenditure for the period</u> <u>ended 31 December</u> -----		<u>Cumulative</u> <u>expenditure as at 31</u> <u>December 2011</u> -----
	<u>2011</u> <u>Rs.</u>	<u>2008 to 2010</u> <u>Rs.</u>	<u>Rs.</u>
Project management expenditure GOSL	199,794,393	626,663,008	826,457,401
Consultancy fees - AFD	18,585,126	18,536,851	37,121,977
RPE	55,370,426	107,642,098	163,012,524
Contractors payments - AFD	169,167,060	631,498,777	800,665,837
RPE	354,255,931	-	354,255,931
Depreciation	2,446,974	-	2,446,974
Total	<u>799,619,910</u>	<u>1,384,340,734</u>	<u>2,183,960,644</u>

### 4.2

#### Imprest Fund Account

According to the financial statements and the information made available, the operations of the Imprest Fund Account for the year ended 31 December 2011 and the balance available in that account as at 31 December 2011 are given below.

	<b>EURO</b>	<b>RS</b>
Balance as at 01 January 2011	304,613	44,949,246
<b>Add.</b> Replenishment	734,086	117,549,769
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	1,038,699	162,499,015
<b>Less:</b> Withdrawals	848,415	129,791,140
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	190,284	32,707,875
Net Foreign Exchange Difference	-	(4,655,669)
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<b>Balance as at 31 December 2011</b>	<b><u>190,284</u></b>	<b><u>28,052,206</u></b>

### 3. Audit Observations

Following observations are made.

- (a) The financial statements of the Project for the year ended 31 December 2011 for which should be submitted for the audit on or before 28 February 2012 had been rendered for audit only on 4 July 2013.
- (b) A sum of Rs.4 million of cash deposited by the Project with the RDA for Performance Bond in 2011 had inappropriately been shown under working progress in the financial statements without showing it separately under current assets.
- (c) Relevant portion from the loan interest and commitment charges deducted by the Lending Agency from the total loan had not been ascertained and brought to the financial statements of the Project.
- (d) According to records maintained by the the Central Bank of Sri Lanka (CBSL), the balance of the Imprest Accounts of the Project as at 31 December 2011 was Euro 190,284 equivalent to Rs.28 million. However, according to the financial statements of the Project, it was Euro 494,897 equivalent to Rs. 73 million. Hence, the balance of the Imprest Account shown in the financial statements of

the Project as at 31 December 2011 had been overstated by Euro 304,612 equivalent to Rs.45 million.

- (e) The work-in-progress and RPE Loan shown in the financial statements as at 31 December 2011 had been understated by Euro 164,717 equivalent to Rs.19 million due to erroneous journal entry passed during the year under review.
- (f) Depreciation on property plant and equipment amounting to Rs. 2.4 million provided in the financial statements had been accounted as a liability of the Project without deducting from the cost of the respective fixed assets.
- (g) Cash Flow Statement presented for audit had not been prepared as enable to elaborate the operating , investing and financing activities separately.

#### **4. Financial and Operating Review**

##### **4.1 Utilization of Funds**

Following observations are made.

- a) To ensure the achievement of Project objectives using allocated resources within schedule time period, there should be a comprehensive detail action plan highlighting financial and physical targets with fixing responsibilities in monthly, quarterly, biannually etc covering entire Project period. Such plan had not been prepared and implemented by the Project.
- b) Certain significant statistics relating to the financing and budgetary provision for the year under review, utilization of funds during the year under review and the Cumulative utilization as at December 2011 are shown below.

Sources	Amount agreed to be provided		Budgetary provision for the year 2011	Funds utilized during the year	Funds utilized up to 31 December 2011	
	EURO Mn	Rs Mn	Rs Mn	Rs Mn	EURO Mn	Rs Mn
ADB	10.35	1,500.75	270.00	175.00	6.30	978.03

RPE	12.50	2,062.50	456.00	307.71	4.64	718.83
GOSL	6.78	1,087.00	305.00	196.11	5.20	34.05
<b>Total</b>	<b>29.63</b>	<b>4,650.25</b>	<b>1,031.00</b>	<b>678.82</b>	<b>16.14</b>	<b>2,530.9</b>

#### 4.2 Physical Performance

According to the progress report presented for audit, the overall progress of the Project as at the end of the year under review was as follows.

<b>Package No. /Project Activity</b> -----	<b>As at 31 December 2011</b>	
	<b>Target</b> ----- %	<b>Achievement</b> ----- %
<b><u>GTIWSP/RPE/Civil Work/2007/01</u></b>		
Construction of intake, pump house and Rehabilitation of reservoirs	100	65
<b><u>GTIWSP/AFD/Valves &amp; Steel Pipes/2008/01</u></b>		
Supply and Delivery of Valves & Accessories and Steel Pipes & Fittings	100	88
<b><u>GTIWSP/AFD/DI 600 Laying/2007/01</u></b>		
Laying of DI Pipes and Fittings from Mahaweli Intake to Kantale WTP	85	48
<b><u>GTIWSP/AFD/PE Laying/2008/01</u></b>		
Laying of PE/DI Pipes & Fittings for Kinniya Supply and Irrakandy Extension	100	92
<b><u>GTIWSP/AFD/KINNIYA TOWER/2008/01</u></b>		
Construction of Water Tower at Kinniya	100	92
<b><u>GTIWSP/CONSULTANCY/FRENCH/AFD/2007/03</u></b>		
Consultancy Studies for Eachilampattai and Pulmoddai		

Water Supply Scheme.	80	35
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**GTIWSP/RPE/TURNKEY WORKS/2008/01**

Rehabilitation and Upgrade of Kantale WTP	80	39
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**GTIWSP/RPE/TURNKEY WORKS/E&M/2008/01**

Turnkey Contract for Rehabilitation of Electro Mechanical Equipment (RPE)	80	39
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**GTIWSP/CONSULTANCY/FRENCH/ 2005/01**

Engineering Services Field Investigation for Project Implementation	90	74
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