

## **Global Partnership on Output-Based Aid (GPOBA)Project - 2013**

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The audit of financial statements of the Global Partnership on Output-Based Aid (GPOBA)Project for the year ended 31 December 2013 was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 2.06 (c) of Grant Agreement No. TF099870 dated 27 December 2011 entered into between the Democratic Social Republic of Sri Lanka (GOSL) and the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA).

### **1.2 Implementation, Objectives, Funding and Duration of the Project**

According to the Grant Agreement of the Global Partnership on Output- Based Aid (GPOBA) Project, the National Water Supply and Drainage Board (NWSDB) under then Ministry of Water Supply and Drainage and presently Ministry of Water Supply, Urban Development and Drainage is the Implementing Agency of the Project. The objective of the Project is to improve sanitation services to low-income households in Greater Colombo by increasing the number of sewerage house connections to existing and new sewerage networks and improving onsite sanitation services at household level.

The estimated cost of the Project is US \$ 9.96 million and out of that US \$ 5.08 million or 52 per cent was agreed to be financed by the International Bank for Reconstruction and Development Bank and International Development Association. Further US \$ 3.24 million or 33 per cent is contributed by the Government of Sri Lanka (GOSL) and US \$ 1.21 million or 11 per cent is contributed by the National Water Supply and Drainage Board. The balance of US \$ 0.43 million or 4 per cent is contributed by beneficiaries. The Project commenced its activities in December 2011 and scheduled to be completed by 31 December 2015.

### **1.3 Responsibility of the Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance Sri Lanka Accounting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

## **2. Scope of Audit and Basis of Opinion**

My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as enable as wide and audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to

whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting policies used and significant estimate made by the management in the preparation of financial statements as well as evaluating their overall presentation of the financial statements. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion. The audit examination also included such test of systems and controls, transactions, assets, liabilities and accounting records as deemed necessary to assess the following.

- (a) Whether the systems and controls were adequate from the point of view of internal control so as to ensure a satisfactory control over Project management and the reliability of books, records etc, relating to the operations of the Project,
- (b) Whether adequate accounting records were maintained on a continuing basis to show the expenditure, the progress in financial and physical terms, the assets and liabilities arising from the operations of the Project, etc.
- (c) Whether the expenditure had been correctly identified and classified,
- (d) Whether the financial statements had been prepared on the basis of Sri Lanka Accounting Standards, and
- (d) Whether satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report.

### **3. 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 2013 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2013 in accordance with Sri Lanka Accounting Standards and
- (b) the funds provided had been utilized for the purposes for which they were provided.

### **4. Financial Statements**

According to the financial statements and information made available, the Project expenditure for the year ended 31 December 2013 amounted to Rs. 54,289,672 as compared with the expenditure of Rs. 4,078,819 for the preceding year and the cumulative expenditure as at 31 December 2013 amounted to Rs.58,368,491. A summary of the expenditure for the year under review, expenditure for the preceding year and the cumulative expenditure as at 31 December 2013 is shown below.

Item	Expenditure for the year ended 31 December		Cumulative Expenditure as at 31 December 2013
	2013 Rs.	2012 Rs.	Rs.
Property, Plant and Equipment	84,500	798,625	883,125
Capital Work-in-Progress	54,205,172	3,280,194	57,485,366
<b>Total</b>	<b><u>54,289,672</u></b>	<b><u>4,078,819</u></b>	<b><u>58,368,491</u></b>

## 5. Audit Observation

A sum of Rs.472,192 had been spent for the purposes which were not related to the activities of the Project.

## 6. Financial and Physical Performance

### 6.1 Utilization of Funds

According to the information received, certain significant statistics relating to the funds allocation and utilization as at 31 December 2013 are given below.

Source	Amount agreed to be provided		Budgetary provision for the year 2013	Fund utilized during the year	Fund utilized up to 31 December 2013
	US\$ million	Rs. million	Rs. million	Rs. million	Rs. million
Grant	5.08	660.40	100	-	-
GOSL	3.24	421.46	150	45.00	48.06
NWS&DB	1.21	157.04	50	15.00	15.00
Beneficiaries	0.43	55.90	-	5.15	5.15
<b>Total</b>	<b><u>9.96</u></b>	<b><u>1,294.80</u></b>	<b><u>300</u></b>	<b><u>65.15*</u></b>	<b><u>68.21*</u></b>

\* The amount does not agree with the amount shown in paragraph 4 in this report as deposits and advances had been treated as funds utilized.

## **6.2 Physical Performance**

The following observations are made.

- (a) Targeted water supply connections for 15,407 beneficiary households made in the Master Plan of the Project had been reduced up to 5,015 beneficiary households subsequently due to erroneous estimations made at the initial stage. As a result, out of the total allocation amounting to Rs.100 million made in the Budget Estimate, a sum of Rs 75 million had been transferred to other projects implemented by the National Water Supply and Drainage Board.
- (b) Out of 11 components of the Project, 06 components had not been implemented during the year under review. However, such components were included in the Master Plan of the Project.
- (c) The National Water Supply and Drainage Board had appointed a Project Manager on acting basis for the Project since November 2011, contrary to the provisions made in the Grant Agreement to appoint a Project Director in full time basis.

## **6.3 Fruitless Transaction**

Remuneration amounting to Rs.533,291 had been paid by the Project to an employee of the National Water Supply and Drainage Board who was not involved with any activity of the Project.