

Greater Colombo Water and Wastewater Management Improvement Investment Programme – Project 02 - 2020

The audit of financial statements of the Greater Colombo Water and Wastewater Management Improvement Investment Programme – Project 02 for the year ended 31 December 2020 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 2.10 (a) of Article II of the Project Agreement No.3030-SRI(SF) dated 03 June 2014 entered in to between the National Water Supply and Drainage Board and Asian Development Bank. My comments and observations which I consider should be reported to Parliament appear in this report.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Project and Loan Agreements of the Programme Project- 2, then Ministry of Water Supply and Drainage, presently the Ministry Water Supply is the Executing Agency and National Water Supply and Drainage Board is the Implementing Agency of the Project. The objective of the Project is to improve efficiency and financial sustainability of water supply and wastewater services in the Greater Colombo area. The activities of the Project are implemented under 08 components namely (I) System Rehabilitation for Non-Revenue Water reduction in Southern part of the Colombo City, (II) System Rehabilitation for Non-Revenue Water Reduction in Western part of the Colombo City, (III) Construction of upper two floor of the existing Area Engineer office Maharagama, (IV) Construction of office buildings for Area Engineer office Pamankada, (V) Renovation of Central Training Centre, (VI) Civil works for proposed pump house at Elli house reservoir premises, (VII) Mechanical and electrical works for purposed pump house at Ellie house reservoir premises and (VIII) capacity building of communities with consultation and participation activities for Colombo city. As per the Loan Agreements, the estimated total cost of the Project amounted to US\$ 118 million equivalent to Rs.15,340 million and out of that US\$ 70 million equivalent to Rs.9,100 million or 59.3 per cent of the total estimated cost of the Project was agreed to be financed by the Ordinary Capital Resources of the Asian Development Bank and US\$ 18 million equivalent to Rs. 2,340 million or 15.3 per cent of the total estimated cost of the Project was agreed to be financed by the Asian Development Fund. The balance amount of US\$ 30 million equivalents to Rs. 3,900 million or 25.4 per cent was expected to be contributed by the Government of Sri Lanka. Further, out of the estimated total cost of the Project, allocation of US\$ 107.05 million equivalent to Rs. 13,917 million had been made for the activities of the Project expected to be carried out by the National Water Supply and Drainage Board whilst US\$ 10.95 million equivalent to Rs. 1,423 million had been allocated for the activities of the Project expected to be carried out by the Colombo Municipal Council. This report consisted with the observations made on the activities of the Project implemented by the National Water Supply and Drainage Board. The Project had commenced its activities on 03 September 2014 and scheduled to be completed by 30 June 2019. However, the date of completion of the activities of the Project had been extended up to 15 October 2022.

1.3 Qualified Opinion

In my opinion, except for the effects of the matters described in the table 2.1 of my report, the accompanying financial statements give a true and fair view of the financial position of

the Programme-Project 02 as at 31 December 2020 and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.4 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.5 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

1.6 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Project.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Comments on Financial Statements

2.1 Accounting Deficiencies

No	Accounting Deficiencies -----	Amount ----- Rs.(Mn)	Responses of the Management -----	Auditor's Recommendations -----
(a)	Exchange gain amounting to Rs.233.56 million had been erroneously deducted from work in progress instead of being separately shown under the source of finance in the statement of financial position.	233.56	We will be adhered to the auditors' recommendation and adjust the accounts accordingly.	Exchange gain should be shown separately under the source of finance in the statement of financial position.
(b)	The interest charges aggregating Rs.79.64 million equivalent to US\$ 513,119 charged by Lending Agency for the Loan No. 3030 implemented by the National Water Supply and Drainage Board and Colombo Municipal Council had not been segregated and apportioned among the two implementing Agencies and brought to the financial statements up to 31 December 2020. As a result, proceeds of the Loan had been understated by unallocated amount.	79.64	CMC and NWSDB together with the ADB will develop a proper mechanism to segregate the interest and commitment charges and will be accounted in the books of the accounts from the year 2021.	The respective cost recovered directly by the Lending Agency should be brought to the accounts enable to show the amount of loan utilized at the end of the year
(c)	Commitment and interest charges amounting to Rs.446.86 million from the year 2015 to 2020 for the Loan No.3029 had been brought to the financial statements during the year under review and shown	446.86	We will be adhered to the auditors' recommendation and adjust the accounts accordingly.	Action should be taken to account under the proceeds of the ADB loan and adjust the Treasury Grant in the statement of financial position.

under the Treasury Grant in the statement of financial position instead of being shown under the proceed of the ADB loan. Further, out of that Rs.307.87 million charged up to 31 December 2019 had been brought to the financial statements as the current year's transactions instead of being adjusted as a prior year adjustment. As a result, cash flows from financing activities and cash flows from operating activities for the year under review in cash flow statement had been overstated by similar amount.

(d) Value Added Tax aggregating to Rs.273.26 million from the year 2015 to 2019 had been brought to the financial statements as the current year's transactions instead of being adjusted as prior year adjustment. As a result, cash flows from financing activities and cash flows from operating activities for the year under review in cash flows statement had been overstated by similar amount.

(e) Loan interest amounting to Rs.124.68 million paid to the Peoples Bank by National Water Supply and Drainage Board on behalf of the Project had not been brought to the financial statements during the year under review.

273.26 We will be adhered to the auditors' recommendation and adjust the accounts accordingly.

124.68 This entry has been updated in the NWSDB ledger after finalizing the project accounts. Entry has been subsequently accounted in the project books.

Accumulated previous years balances should be adjusted as prior year adjustment

Action should be taken to account the relevant all Project expenses before preparation of the Project financial statements.

2.2 Non-compliance with Rules and Regulations

Reference to the Rules and Regulations -----	Non- compliance -----	Response of the Management -----	Auditor's Recommendation -----
According to section 2.3.2 of Management Service Circular No.01/2019 dated 15 March 2019, the Project director should always be recruited on full time basis in order to ensure effective Project Management.	Project Director has been promoted as Additional General Manager, to covering up the duties of the consumer and asset management division of the Head Office from 2 February 2021 even though the programme Project one, two and three are implemented by PMU. Therefore, National Water Supply & Drainage Board need to take immediate action to obtain full time services of the Project Director to expedite the activities of the Project.	The new position is not yet confirmed by the Management Service Department and it is only an acting post. And also the Project 01 is at the latter stage. Management of the NWSDB will be take a decision of changing the project director position based on the confirmation of Management Service Department.	Action should be taken to obtain full time services of the Project director to expedite the activities of the Project.

3. Physical performance

3.1 Physical progress

As per the Progress report of the Project, the overall physical progress of the Project as at 31 December 2020 was 61.5 percent. However, Project had achieved only 14.90 percent of progress during the year under review was observed. Component wise progress of Project is as follows.

No	Activity	Units	Expected target	Target achieved as at 31 December 2020	Audit Issue	Response of the Management	Auditor's Recommendations
(a)	System Rehabilitation for NRW reduction in Southern part of the Colombo City- (ICB 04)				Possibility to extend the project period.		Instructions should be given to expedite the works and closely monitor the progress of the contractor.
	– Pipe laying (including feeder main)	Metres	209,576.44	119,078.95			
	– Service Transfers	House hold	32,956	3,455			
	– DMA progress (Fully Completed and handed over to RSC)	Nos	23	–			
	– Over all progress of the contract	Percentage	55.7	51.38			
(b)	System Rehabilitation for NRW Reduction in Western part of the Colombo City. (ICB -03)				Possibility to extend the project period.	Due to Covid pandemic & other several unavoidable circumstances, target completion date shifted out word. Extension of time has been recommended up to December 2021 (please refer the attachment 1)	
	– Pipe laying (including feeder main)	Metres	109,146	93,639			
	– Service Transfers	House hold	8,528	3,453			
	– DMA progress (Fully Completed and handed over to RSC)	Nos	18	02			

	– Overall contract progress	Percentage	75.6	72.4		
	• Estimated laying meters and service transfers had been revised.					
(c)	Construction of office buildings for Area Engineer office.	Construction was not commenced due to lack of the land for construction. However, Acquiring process for a new land from Millco company is in progress.			Delay of the construction of office building of the Area Engineer	Due to changing of the location of the new land, the design work also had to change to suit the new location of the land. Action should be taken to expedite the acquiring process of land and commence the construction without delay.
(d)	Construction of proposed Training Centre ,hostel building and canteen	Percentage	80	64.6	Delay of the construction and possibility to extend the project period.	There were 120 employees in daily average, except supervisory staff engaged in construction works of proposed Training Centre, hostel building & canteen, even threat (Covid-19) prevails till Dec 2020. But since Jan 2021, it become difficult task to retain the employees even within the suburb as numerous employees become first contact to few employees who were tested positive for Covid-19 at site, after confirmed by Antigen/PCR test. They were isolated within a part of the site till Instructions should be given to complete the contract within the extended contract period and to monitor the contractor's progress closely.

they are confirmed none-infected. Such situation had caused panic situation at the site & workers were reluctant to work in full caliber.

Limiting (Restriction) – Recruiting & accommodating number of outside labors within the work site was limited to the allowable level by adhering COVID-19 prevention health recommendations, has caused loss of efficiency.

The above main reasons adversely affected on progress of the project & led the project to diminished its momentum as maintained in early stage of the construction.

Therefore, by considering above facts, it has been recommended to grant time extension of the contract to complete the project satisfactorily.

3.2 Contract Administration

No.	Audit Issues -----	Responses of the Management -----	Auditor's Recommendations -----
(a)	<p>The works under the contract for system rehabilitation non-revenue water reduction in South of Colombo city (ICB - 04) was scheduled to be completed on 04 June 2021. However, only 119,078.95 meters of pipes laying works out of 209,576.44 meters of works equivalent to 56.81 percent and 3,455 service Transfers (stage 2) out of 32,956 service transfers in the 23 district metering areas in Colombo South had been completed as at 31 December 2020. Out of that Two District Metering areas including pipe laying works of 24,280.50 meters and 3,122 Nos of service transfers had not been commenced even up to 31 December 2020. However, no any district meeting areas out of 23 had been fully completed and handed over to the NWSDB .The overall physical progress of the contract had shown only 51.38 percent even after lapse of 42 months out of the contract period of 48 months due to poor supervision and monitoring of Contractors work, less numbers of daily activities conducted by contractor and lowest labor gang deploying to the site, works had not been carried out in accordance with action plan and poor performance of the contractors etc. Hence, balance laying works of 90,497.49 and 29,461 of service transfers has to be completed within scheduled contract period is in doubt.</p>	<p>Other than for the reasons described under 4.1.1 above, the work was not delayed or the daily activities were not less than the optimum possible on any given date. Contractor was facing labour issues since last year due to the prevailing COVID 19 pandemic situation. Most of the skilled and unskilled labour gangs being brought to the site from outstations, they are reluctant to come to work in Colombo. Nevertheless, Contractor continued the work till this day despite all the limitations and difficulties. As described earlier, progress of work was dropped from the planned work schedule due to the above-mentioned reasons and unexpected conditions. Despite the difficulties, Contractor was able to achieve a steady progress under the current situation.</p>	<p>Instructions should be given to expedite the works and to monitor the progress of the contractor closely.</p>
(b)	<p>Contract for system rehabilitation for non-revenue water reduction in western of Colombo city (ICB - 03) was</p>	<p>Due to Covid pandemic & other several unavoidable circumstances, target completion</p>	<p>Instructions should be given to complete the contract within the</p>

scheduled to be completed by 28 February 2021. However, out of 109,146 meters of such works only 93,639 meters of pipe laying works and out of 8,528 service transfers 3,453 service transfers (stage 2) had been completed in 18 District Metering Areas as at 31 December 2020. However, only 2 Nos of district metering areas out of 18 DMA'S had been fully completed and handed over to the NWSDB and evaluation stage of NRW of 06 DMA'S is in progress up to 31 December 2020. Even though the overall physical progress of the contract as at 31 December 2020 was 77.2 percent, balance pipe laying works of 15,507 meters and 10 nos of DMA'S has to be completed within scheduled contract period is in doubt.

- (c) According to the bidding document of the system rehabilitation for NRW reduction in west part (ICB-3) and south part (ICB-4) of the Colombo city was initially planned to be implemented pipe bursting and relining method (trenchless method) instead of open trench method for pipe laying and allocated amount to Rs.3,513.45 million equivalent to 30 percent of each contract's value. Subsequently, Project had been decided to omit and change the rehabilitation works under trenchless method to open trench method due to reasons such as lack of proper data base to identify interconnections between pipe lines, tapping points, details of wash out and air valve systems and public utilities, as well as NWSDB had been identified supply of 50 percent of maximum day demand over a period of 24 hours through alternative pipe lines during the construction etc. However, above mentioned reasons had not been considered by the NWSDB before preparation

date shifted out word. Extension of time has been recommended up to December 2021 (please refer the attachment 1)

During the tender document preparation stage, the proposed pipe rehabilitation works were categorized according to the recommendations given by the "Master Plan Update Study in 2012" and quantities were extracted from the GIS base hydraulic model provided from the above study. The physical investigation works done during this Master Plan Update study period are very limited and most of the data collected from available as built drawings, site inspections, details from O&M divisions, etc. Therefore, during the tender document preparation stage, there were no enough details to exclude the proposed relining works from the Master Plan Study and the relining work scope was included into the Tender Document. After commencing the first contract, Package 1,

extended contract period and to monitor the contractor's progress closely.

Scope of the Project should be determined accurately before awarding the contract

of the bidding document or feasibility stage of the Project was questionable to the audit. As a result, competitive biddings had been limited and lost the opportunity of advantage through competitive biddings due to most of contractors has not new technology of relining and bursting method to bid this contract. Further, approvals had not been obtained from the ADB and section 8.13.4 and supplementary 14 of the procurement guideline for the above mentioned scope change.

the investigation works were done parallel to the detail design works and the actual condition of the existing pipes, difficulty of identifying the existing washout valves/Air valves of proposed relining pipes, complexity of identifying existing interconnections, etc. were identified and accordingly the detail design works were carried out by excluding relining works from the distribution system. Furthermore CCTV investigations were done through Package 2 contractor for transmission lines of 18 Inch CI and above and it was identified that all those lines are very good condition to use for future without doing any major rehabilitation works and accordingly designs were done by avoiding relining works of all four packages with the confirmation that CI pipes which are using in designed system are suitable for use for long time without adopting any major rehabilitation works.

3.3 Observations made on Site Visits

No	Audit Issues	Responses of the Management	Auditor's Recommendations
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(a)	As per the bedding type 'A' of the drawing No W1097/BT/02, laying of quarry dust should be laid up to 150mm (6') thickness from the top level of the pipe and maker tape should be laid within 300 mm from the top level of the pipe line. According to the physical audit test	The site visit had been done on 8 th of April 2021 where very close the date for shut down by contractor for Sinhala new year period. The excavated soil of that road stretch was not suitable for backfilling purpose even with the	Pipe laying works should be done as per the relevant drawings and standards as well as closely supervise the site works.

carried out on the pipe laying works at the Robert grive Avenue in the DMA 33C of the contract package 04, laying of quarry dust thickness was 100mm (4'') instead of 150mm (6'') and marker tape had been laid within 225 mm instead of 300mm from the top level of pipe line was observed. In addition to that, selected imported or excavated back fill material should have been used free from stones greater than 15mm and 25 mm respectively stipulated for backfilling purpose. However, contractor had been used 25mm greater than stones, concrete and bricks particles with excavated soil (without sieving) for back filling was observed.

- (b) As per the drawing No. W1097/BT/02, temporary road reinstatement of the road surfaces should be done 98 percent compaction with 275 mm thickness of Aggregate Base Course layer (ABC layer) and applied with CSS tar as tack coat of the top of ABC layer. According to the physical audit test conducted relating the temporary road reinstatements of 3 roads namely, Beltona, Adamaly and Bucannon of the contract package 04 dated 27 April 2021, ABC layer of the temporary road reinstatement had not been compacted properly and tack coat with CSS tar had been applied without removing the dust was observed. As a result, the tack coat with ABC layer is in breaking out. Hence, back filling and temporary road reinstatement works had not been carried out as per the drawings due to lack of supervision and monitoring of the subcontractors works.

sieving and must backfill with quarry dust or imported soil. The contractor had not available enough quarry dust to backfill all stretch by that time and was not ready to order since the new year shut down. Therefore, relevant DMA engineer had allowed to work with available quarry dust for bedding and reduced amount for top of the pipe and backfill the trench with the excavated soil temporarily without disturbing the progress and refill the stretch after new year according to the required standard.

The PIU staff is following up and will get it rectified and will approve the Daily Site Report afterward.

The site visit was done in the morning session of 27th April 2021 and all those sites have been done 25th or 26th of April 2021 where those two days had heavy showers around 7.00 p.m. to 10.00 p.m. at night. All these sites had been started during day time and generally finished around 10.00 p.m. Therefore all these sites temporary reinstatement works could not be able to complete properly due to excess amount of water in ABC layer and PIU staff had informed to redo the temporary reinstatement works after drying enough the sites. Accordingly, all those sites had being completed properly after 2- 3 days to comply with the required standards and reinstatement works were certified afterwards.

Pipe laying works should be done as per the relevant drawings and standards as well as supervise the site works closely.

(c) As per the physical inspection conducted on the pipe laying works at the District metering areas in 12B and 21 Nos of the ICB 03 contract, 1992.23 meters of temporary road reinstatements in respect of 7 Nos of roads had been completed and maintained over a period ranging from 06 to 12 months without being carried out the permanent road reinstatement was observed. Further, pressure testing of 1,830.5 meters out of that had not been done even up to 31 December 2021. Hence, it might affect the road surface adversely.

Noted, however in order to reduce the public inconvenience we always try to maintain the temporary reinstatement satisfactory level.

Permanent reinstatement should be carried out without delaying.

3.4 Matters in Contentious Nature

Audit Issues

Refundable security deposit amounting to Rs.60.53 million relating Road permission had been paid to the Colombo Municipal Council (CMC) under the System rehabilitation and NRW reduction in west of Colombo city contract (ICB 03) up to 31 December 2020. out of that Rs.3.78 million had been received during the year under review and handed over to the NWSDB instead of transferred to the treasury. Hence, it was revealed that the loan proceeds which is equivalent to the amount of refundable deposits will be saved as unutilized loan proceeds and brought to NWSDB Books of accounts end of the Project period was observed.

Responses of the Management

Since project cannot keep or utilize any funds received except the loan funds and GOSL proceeds, these refunds are sent to NWSDB. Project will communicate the auditors' concerns to the NWSDB management and will update the auditors.

Auditor's Recommendations

Refundable deposits should not be made through the loan proceeds. If there are such deposits at the end of the Project the balance should be transferred to the treasury as unutilized loan amount.

3.5 Extraneous Activities

Audit Issue -----	Response of the Management -----	Auditor's Recommendation -----
A sum of Rs. 24.8 million had been paid as delay charges in respect of 03 contracts up to 31 December 2020 due to delay of the payment for Interim payment certificates (IPC) was observed.	It had been paid due to non-availability of funds in the Government Treasury at the time of releasing the payments including the advance payment in March 2017.	Actions should be taken to make payments without delay.

3.6 Underutilized Resources

No	Audit Issues -----	Responses of the Management -----	Auditor's Recommendations -----
(a)	Although a sum of Rs. 2,272.5 million had been allocated for the year under review, only Rs.1602.41 million equivalent to 70 percent of allocation utilized during the year under review.	<p>Contract Package 3, allocate the fund as per the Contractor's master programme, however due to COVID pandemic we are not able achieve the milestones. Therefore, fund is also not utilize.</p> <p>Contract Package 4 had an allocation of LKR 1150 Million and the actual expenditure was LKR 783 Million for the year of 2020. This was happened mainly due to the pandemic situation in country and also it was not able to purchase materials as scheduled.</p>	Maximum efforts should be taken to utilize allocated funds within the scheduled period

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| <p>(b) Even though the mobilization advance amounting to Rs.577.67 million under local component and US\$ 4.15 million under the foreign component had been paid to the ICB 04 contract on 22 February 2017, no any amount had been recovered after lapse of 42 months out of the Project period of 48 months due to the poor physical and financial progress of the contractor.</p> | <p>We observed this situation and a new recovery plan was prepared with the consent of the Contractor. Accordingly, a new amortization rate was prepared recovery of advance payment will be done to satisfy with the contract conditions</p> | <p>Immediate actions should be taken to implement the new recovery plan</p> |
| <p>(c) As per the Loan Agreement, scheduled completion date of the Project was 30 June 2019,subsequently period of the Project was extended up to 22 October 2022 due to delay of contract awarding ,poor performance of the contractors and inefficiency of the Project monitoring works etc. As a result, out of total allocation of US\$ 79.95 million made by the lending agency only a sum of US\$ 44.38 million equivalent to Rs. 7,413.25 million represented 55.5 percent had only been utilized as at 31 December 2020. Hence, delaying the reduction of NRW in Colombo city and commitment charges will be increased over the estimated amount in the loan agreement was observed.</p> | <p>Difficulties:</p> <ol style="list-style-type: none"> 1. Unexpected underground utilities due to non-availability of accurate maps & GIS data. 2. Delays in permissions from other agencies such as CMC, RDA, SL Police, SLLRDC, SLPA, SL Petroleum Corp., etc. 3. Delay due to CMC priority, could not proceed as per our programme. 4. Diversion of other utilities & getting approval for the work. 5. Due to COVID pandemic we are not able achieve the milestones. | <p>Actions should be taken to complete the Project within extended period and to monitor the progress of the contractors closely.</p> |

3.7 System and Controls

No	Audit Issues -----	Responses of the Management -----	Auditor's Recommendations -----
(a)	As per the interim payment certificate No 21 of the system rehabilitation and NRW reduction in western of Colombo city (ICB - 03), a sum of Rs.97.87 million had been paid under the on approval basis of the variation committees by 30 September 2020. Out of that approval of Rs. 86.23 million of variation orders had not been obtained from the variation comities even up to 22 March 2021 was observed.	As per the detail design we have tentative revised BOQ. Accordingly, we are monitoring financial and operational activities of the project. Rates for some items are under negotiation with the Contractor. Therefore, we recommended the part for the above through the IPC in order to avoid the penalty for non-certifying Variation items. Even sometimes are available in particular DMA bill, same items are not available in other DMA bill. Therefore, it considered as Variation.	Immediate actions should be taken to obtain the approvals from variation committees and to obtain the committee approvals before payments
(b)	A sum of Rs. 64.06 million represented 14 Nos of variation orders had been approved by the variation committees in respect of the ICB 03 contract. However, a sum of Rs.80.15 million had been over paid without approval by the Variation committee for IPC 21 dated 30th September 2020 was observed. Further, by 22 March 2021 it had been increased up to Rs. 83.01 million was observed.	As per the GCC clause 12.3 Quantity increase cannot be a reason for rate variation unless satisfy the sub clause(a). Accordingly, quantity increase certified as per the BOQ/ Approved Variation rate.	Immediate actions should be taken to obtain the approvals from variation committees

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| (c) | Laying works of 15 nos of Roads under the ICB-03 contract had been completed and handed over to the CMC over a period ranging from 01 to 18 months by 31 December 2020. However, action had not been taken to request to refund the deposit aggregating to Rs.5.42 million from CMC even up to 31 March 2021 | There is a considerable delay in CMC when settling the refund. Continuous coordination is happening with CMC to expedite the refund process. | Immediate actions should be taken to get refund the deposit. |
| (d) | Laying works of 32 nos of Roads under ICB -04 contract, had been completed and handed over to CMC up to 30 August 2020, action had not been taken to obtain the deposit even up to 31 March 2021 was observed. | Respective Project Manager is attending for this. | Immediate actions should be taken to expedite the refund process |
| (e) | According to the Management Circular No.05 of 26 July 2010, the activities of the Project had not been audited by the Internal Audit section of the National Water Supply and Drainage Board. Further, the Project office had not been taken action to appoint an internal auditor, as required by the Circular No.02/2016 of 10 June 2016 of the Department of Management Audit. | Not replied | Actions should be taken to implement an Internal audit |