

Integrated Watershed and Water Resource Management Project - (IWWRMP) - 2024

The audit of financial statements of the Integrated Watershed and Water Resource Management Project (IWWRMP) for the year ended 31 December 2024 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 provisions in the Loan Agreement No.6621-LK and 6619-LK dated 22 April 2021 entered into between the Democratic Socialist Republic of Sri Lanka and the International Development Association. 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 Loan Agreement of the project, the Ministry of Irrigation is the Executing Agency and Department of Irrigation, Mahaweli Authority of Sri Lanka, Northern Provincial Council Irrigation Department, Eastern Provincial Council Irrigation Department and Water Resources Board are the Implementing Agencies of the Project.

The objectives of the Project are to restore the Upper Mahaweli Watershed, strengthen institutional capacity for water resources management and enhance the functionality of water resources infrastructure. Functionally refers to improve safety of dams and improved water distribution networks for irrigation. The activities of the project are implemented under four components namely Watershed & water resource management, Dam safety related infrastructure improvements, Contingency emergency response and project management.

As per the Loan Agreements, the estimated total cost of the Project was US\$ 75.03 million equivalent to Rs. 14,199.43 million and out of that US\$ 69.53 million equivalent to Rs. 13,158.55 million was agreed to be financed by International Development Association. The balance amount of Rs. 1,040.88 million is expected to be financed by the Government of Sri Lanka.

The Project had commenced its activities on 13 May 2021 and scheduled to be completed by 31 October 2025.

1.3 Opinion

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2024, statement of financial performance 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 my 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 scepticism 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. Physical Performance

2.1 Physical progress of the activities of the Project

	Components	As at 31 December 2024		Delay/ Audit Issue	Responses of Management	Auditor's Recommendation
		Expected physical performance Units/ percentage	Performance achieved Units/ percentage			
(a)	Construction activities (Worth of Rs. 393.46 million)	Project hasn't plan	0	Under the Integrated Water Supply and Water Resource Management Project, a provision of Rs. 393.46 million has been made for 3 proposed contract packages, but work on these packages has not yet commenced.	Terminated on 24.09.2024 for non-performance. Re-tendering is currently underway.	Project should implement these components without delay.
(b)	The rehabilitation of the Nagadeepa Tank under contract package Lk – MOMDE – 124591 – CW – RFB	100	65	The audit revealed that for the rehabilitation of the Nagadeepa Tank, although Rs.79.33 million had been allocated, only Rs.7.15 million was spent during the reviewed year. Furthermore, the contract, initially scheduled for	Mainly the delays were taken place due to the unexpected weather condition at the construction of the tank bund and same time the contractor also do not submit the	Project Should complete the contract package within the stipulated time period.

completion by 6 bills on time. The October 2024, current progress remained unfinished as of the audit date. As at 15 May 2025. 31 December 2024, the Physical Progress - 90% and achieved physical progress was Financial Progress - 37% approximately 65%, while the financial progress as at 30 September 2024, stood at only 9%.

(c)	Senanayake Samudraya reservoir construction package.	100	50	The contract for the improvement of the road that exists on the embankment and the dam of the Ampara Senanayake Reservoir was awarded to a private company on 28 December 2022, in Nintavur, and the contract was to be completed by 10 January 2025. However, as at 31 December 2024, the progress of the construction remained at a minimum level of 50%.	Due to the heavy rains, this reservoir was full of water during the last two years 2023 and 2024. Current progress of this package - Physical Progress - 65% and Financial Progress - 46% (LKR 280 Mn).	The Project should complete the contract package within stipulated time period.
(d)	The development of the Walawa South Bank Canal.	100	5% to 35%.	It was observed that five contract packages had been planned for implementation in relation to the development of the Walawa South Bank Canal. However, by the end of the year under review, none of these packages had been completed. The physical progress of the works remained at a	Delays due to periodic water issues and unexpected weather conditions.	The Project should complete the contract packages within the stipulated time period.

very low level, ranging between 5% to 35%. This indicates significant delays in the execution of the planned activities, reflecting deficiencies in project planning, execution, and monitoring.