

The Secondary Towns and Rural Community Based Water Supply and Sanitation Project (Loan No 2275 -SRI) 2010

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 2010 and the financial statements give a true and fair view of the state of affairs of the project as at 31 December 2010 in accordance with the Generally Accepted Accounting Principles,
- (b) the funds provided had been utilized for the purposes for which they were provided,
- (c) the statement of expenditure (SOEs) submitted could be fairly relied upon to support the applications for reimbursement in accordance with the requirements specified in the Loan Agreement,
- (d) satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report and
- (e) the financial covenants laid down in the Loan Agreement had been complied with.

2. Financial statements

2.1 Financial Performance

According to the financial statements and information made available, the Project expenditure for the year ended 31 December 2010 amounted to Rs.530,802,646 as compared with the expenditure of Rs. 358,574,987 for the previous year. A summary of the expenditure for the year under review and the previous year and the cumulative expenditure as at 31 December 2010 is shown below.

Item	Expenditure for the year ended 31 December		Cumulative Expenditure as at 31 December 2010
	2010	2009	
	Rs.	Rs.	Rs.
Civil Works	436,358,564	188,254,441	930,524,349
Equipment and Materials	84,668,727	159,012,175	360,582,951
Interest Chargers	9,775,355	11,308,371	27,043,508
Total	<u>530,802,646</u>	<u>358,574,987</u>	<u>1,318,150,808</u>

2.2 Utilization of funds

According to the information made available, financial progress of the Project as at 31 December 2010 is given below.

	ADB	GOSL	Total
Agreed contribution (in US\$ million)	13.5	5.6	19.1
Actual expenditure Up to 31 December 2010 (in US\$ million)	7.7	5.2	12.9
Utilization of funds as a Percentage	57%	92.85%	67.5%

3. Audit observation

Works under contract for supply and laying of distribution of elevated water Towers (PE4) had been completed at 98% as at 31 December 2010 relating to loan No 2275, whilst the inter-related work relating to Head works. Row water transmissions water treatment plant, treated water makes ±design and build (PA5) under Loan No 1993 had been completed at of 66% only as at 31 December 2010. This sub contract (PA5) was initially expected to be completed by 30 June 2008. However it could not be completed due to a delay in awarding the relevant contract. Even though the completion date had been extended up to February 2011, only 79% of the construction works had been completed as at 30 March 2011. However the completion date had been further extended up to 30 September 2011. As the above two sub projects are required to be commissioned together, the delay in completion of work under the later sub project had resulted in delaying in commissioning the entire project.