

## **Anuradhapura North Water Supply Project Phase -II - 2018**

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The audit of financial statements of the Anuradhapura North Water Supply Project Phase II for the first accounting year ended 31 December 2018 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 18 of Project Memorandum of the Loan Agreement No.SL-P 115 dated 17 March 2016 entered between the Democratic Socialist Republic of Sri Lanka and the Japan International Cooperation Agency. 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, then Ministry of City Planning and Water Supply, presently the Ministry of City Planning, Water Supply and Higher Education is the Executing Agency and the National Water Supply and Drainage Board is the Implementing Agency of the Project. The objective of the Project is to provide safe drinking water and increase water supply coverage by constructing a water supply system in Anuradhapura District, thereby contributing to improvement of health condition and living environment in the project area. As per the Loan Agreement, the estimated total cost of the Project was Japan Yen 27,301 million equivalent to Rs.31,598 million. Out of that Japan Yen 23,137 million equivalent to Rs.26,779 million of the total estimated cost of the Project was agreed to be financed by the Japan International Cooperation Agency and Japan Yen 4,164 million equivalent to Rs.4,819 million was expected to be contributed by the Government of Sri Lanka. As per the Memorandum of the Project, out of the total allocations made to implement the activities under phase II a sum of Japan Yen 19,409 million equivalent to Rs.22,464 million had been made to implement activities of the Project phase II whilst balance Japan Yen 3,728 million equivalent to Rs.4,315 million had been allocated for the activities of the Project phase I due to the cost overrun. The Project phase II commenced its activities in June 2017 and scheduled to be completed by March 2024.

### **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 2018, 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 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. Physical Performance**

### **2.1 Physical progress of the activities of the Project**

The activities of the Project consisted with 06 components and out of that only a contract under the component of Consultancy services of the Project had only been awarded during the year under review. According to the Implementation Schedule of Project Memorandum, The procurement procedures on selection of the contractors on construction works of Intakes Water Treatment Plant, Reservoirs, Laying of Transmission and Distribution Mains, Distribution Sub-system and procurement of goods and machineries etc were scheduled to be completed by July 2018. However, the procurement process on selection of contactors for the aforesaid contracts had not been commenced even up to 31 December 2018.