

CLEAN ENERGY ACCESS IMPROVEMENT PROJECT - 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 Generally Accepted Accounting Principles,
- (b) the funds provided had been utilized for the purposes for which they were provided,
- (c) the Statements 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, and
- (d) 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 to audit, the Project expenditure for the year under review amounted to Rs. 171,855,065 as compared with the expenditure of Rs. 27,274,134 for the proceeding year and the cumulative expenditure as at 31 December 2010 amounted to Rs. 203,684,155. Details are given below.

<u>Activities</u>	<u>Expenditure for the year 2010</u> (Rs.)	<u>Expenditure for the year 2009</u> (Rs.)	<u>Cumulative expenditure as at 31.12.2010</u> (Rs.)
Other income and Gains	(1,461,377)	(970,211)	(2,431,588)
System Control Modernizations	33,864,605	1,117,806	34,982,411
Transmission System Strengthening Transmission Line	39,085,249	9,969,056	49,054,305
Transmission System Strengthening Grid Substation	34,176,739	4,644,732	38,821,471
Net Work Capacity Augmentation for Renewable Energy	32,211,070	8,825,261	45,591,287
Consulting Services for System Control Modernization	3,905,274	-	3,905,274
Transmission System Strengthening in the Eastern Province	<u>30,073,505</u>	<u>3,687,490</u>	<u>33,760,995</u>
Total Net Expenditure	<u>171,855,065</u> =====	<u>27,274,134</u> =====	<u>203,684,155</u> =====

4. Physical Performance

According to the information furnished to audit, the physical performance of the Project as at the end of the year under review is given below.

<u>Part</u>	<u>Activity</u>	<u>Performance as at 31 December 2010</u>
	<u>Energy Efficiency Improvement</u>	
1	System Control Modernization	Performance of Critical activities was behind the schedule.
2	Transmission System strengthening	
	(a) Augmentation of existing Grid Substations, Horana, Veyangoda and Kurunegala	Land acquisition and construction of a building had been in progress
	(b) Construction of new Grid substations, Habarana, Panadura, Matara, Puttalam and Galle.	Construction contracts yet to be awarded
3	Augmentations of Distribution substations	
	Augmentation of capacity of the substations at Katunayaka, Nawala, Kiribathgoda, Kotikawaththa and Hikkaduwa.	Information not made available.
4	Demand Side Management for Municipal Street Lighting	Not yet commenced.

