

## **Eastern Province Water Supply and Development Project (Loan No.SLP-98) 2010**

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### **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 3 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 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, and
- (d) the financial covenants laid down in the Loan Agreement had been complied with.

### **2. Financial statement**

#### **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.13,190,326 incurred as work-in- progress.

### **3. Audit Observations**

Following observations are made

- (a) According to Section 4 of Attachment 6 of the Project Memorandum dated 28 June 2010, the NWSDB should maintain a separate account for the Project. However, no separate account had been maintained for the Project during the year 2010.
- (b) A subsidiary financing agreement had not been signed between NWSDB and GOSL up to 30 June 2012
- (c) Action had not been taken by the Project to get reimbursement from JICA for the expenses amounting to Rs.2, 589,341 incurred in 2010 on construction works which had been incurred through local funds.
- (d) Although the Project accounts had been prepared on accrual basis, audit test check revealed that payables amounting to Rs.1, 288,302 had not been taken into the accounts.
- (e) According to the information provided by the Ministry of Water Supply and Drainage , a provision of Rs.10 million had been made through local funds for this Project. However as per Project account it was only Rs.7.03 million and the balance amount had not been disclosed in the accounts.

#### **3.1 Utilization of Funds**

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

	<b>JICA Loan</b>	<b>JICA Grant</b>	<b>GOSL</b>	<b>Total</b>
Agreed contribution	1,035	3,105	990	5,130
(in JPY million)				
Project expenditure up to 31 December 2010 (in JPY	0.875	2.625	5.5	9

million)

Utilization of funds as a	0.08%	0.08%	0.55%	0.17%
Percentage				

### **3.2 Physical Performance**

The Project was scheduled to be completed by December 2013. According to the progress reports prepared by the Project the overall physical and financial progress of the Project as at end of the year under review was 26.91% and 0.17% respectively. However, 18.18% of the Project period had been exhausted as at 31 December 2010.