

Gampaha, Attanagalla and Minuwangoda Integrated Water Supply Scheme - 2015

The audit of the financial Statements of the Gampaha, Attanagalla and Minuwangoda Integrated Water Supply Scheme for the year ended 31 December 2015 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.

1.2. Implementation, Objectives, Funding and Duration of the Scheme.

The activities of the Scheme was executed by then Ministry of Water Supply and Drainage, presently the Ministry of the City Planning and Water Supply and implemented by the National Water Supply and Drainage Board. The objective of the Scheme was to provide safe and reliable drinking water to the residents in the areas under the purview of the of Gampaha, Attanagalla, Minuwangoda Divisional Secretariats and the several sections of the area under the purview of the Divisional Secretariat of Meerigama. The estimated total cost of the Scheme amounted to US \$ 229.50 million equivalent to Rs.33,060 million and the China Development Bank Corporation had agreed to provide US \$ 195.07 million equivalent to Rs.28,100 million whilst financing of the balance amount of US \$ 34.43 million equivalent to Rs.4,960 million by the Bank of Ceylon. However, the Loan Agreements thereon had not been signed even at the end of the year under review. Eventhough the activities of the Scheme were expected to be commenced in 2014 and completed in 2017, such activities were commenced on 20 February 2017 and scheduled to be completed by 19 February 2020. However, the financial statements of the Scheme had been prepared for the year ended 31 December 2015 and presented for audit.

1.3 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.4 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Scheme's preparation and fair presentation of the financial statements 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 the Scheme's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. The examination also included such tests as deemed necessary to assess the following.

- (a) Whether the systems and controls were adequate from the point of view of internal control so as to ensure a satisfactory control over Scheme management and the reliability of books, records, etc. relating to the operations of the Scheme,
- (b) Whether the expenditure shown in the financial statements of the Scheme had been satisfactorily reconciled with the enhanced financial reports and progress reports maintained by the Scheme,
- (c) Whether adequate accounting records were maintained on a continuing basis to show the expenditure of the Scheme,
- (d) Whether the funds, materials and equipment supplied under the Loan had been utilized for the purposes of the Scheme,
- (e) Whether the expenditure had been correctly identified according to the classification adopted for the implementation of the Scheme, and
- (f) Whether the financial statements had been prepared on the basis of Sri Lanka Accounting Standards.

2. Financial Statements

2.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that, the Scheme had maintained proper accounting records for the year ended 31 December 2015 and the financial statements give a true and fair view of the state of affairs of the Schemes at 31 December 2015 in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Presentation of the Financial Statements

According to the Circular No. MOFP/ERD/2007/02 of 07 August 2007 of the Ministry of Finance and Planning, the financial statements of the year ended 31 December 2015 are required to be submitted to the Auditor General on or before 31 March 2016. However, the financial statements of the Scheme had been submitted only on 27 June 2017.

2.2.2 Un-reconciled Balances

The proceeds of contribution received from the Government of Sri Lanka aggregating Rs.26.89 million during the year under review was not agreed with the corresponding amount of Rs 24.49 million shown in the records maintained by the National Water Supply and Drainage Board.

2.2.3 Non - Compliance with Laws, Rules and Regulations

A Register of Fixed Asset for the Scheme had not been maintained in proper manner , as required by the Treasury Circular No. 842 dated 19 December 1978. Further, according to paragraph 2.12 of the contract agreement, the contractor is required to provide a computerized maintenance system and computerized Register of Asset However, no such system adopted and a Register maintained by the Scheme.

3. Financial and Physical Performance

3.1 Utilization of Funds

According to the information received, an allocation amounting Rs 24.50 million made through the domestically financing sources in the Budget Estimate of the Line Ministry for 2015 to implement the activities of the Project. According to the financial statements, a sum of Rs 19 million had only been utilized at the end of the year under review, out of the above mentioned allocations made. Further, a comprehensive detailed Action Plan highlighted financial and physical targets had not been prepared and implemented to achieve the objectives of the Scheme and financial allocations made thereon.

3.2 Physical Progress

According to the information received, an contract agreement had been signed on 15 May 2013 by the National Water Supply and Drainage Board with a foreign contractor selected through a unsolicited development proposal to implement the construction activities. However, neither the agreement had been effectively implemented nor construction works commenced even at the end of the year under review, due to lack of financing arrangements made thereon.

3.3 Issues on Financial Controls

According to the Financial Regulation 133 and the transactions of the Scheme was not subjected to audit of the Internal Audit Section of the National Water Supply and Drainage Board even as at 31 December 2017.