Improving drinking water infrastructure

through construction of water supply dams and water treatment plants

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Project Municipal Infrastructure Development involves construction and rehabilitation of dams in order to improve the supply of drinking water in the target regions.
Topic Selection

• Social aspect
  - *Involves the population in a big number of settlements*
  - *Directly connected to quality of life: supply interruptions and poor quality of drinking water*

• Significant delay in project implementation and renegotiation of contracts and agreements

• Financing through a state loan from the International Bank for Reconstruction and Development
Audit Objectives

• To assess the effectiveness and efficiency of management and implementation of the various Project activities

Areas of Interest

• The compatibility of the Project with national strategies for the development of the Water sector
• The effectiveness of the established organization tasked with completing the Project
• Financial management and the physical completion of Project activities
• Monitoring, accountability, publicity and transparency
Challenges

- Constantly changing environment
- Problematic management
- Complex engineering facilities
- Financing via state loan
Frequent changes in facts and circumstances – the Project is at peak activity at the time of the audit task

Adapting audit findings, conclusions and evaluations with the latest developments

The goal is to offer assessments based on the latest possible Project activities up to submitting the draft audit report;
Project Implementation Unit part of Ministry of Regional Development

- Regulated with the Bank Loan Agreement
- Structure and functions established in Project Operational Manual

Risk assessment and mitigation was investigated on Project, Ministry and Bank level:

- Disregard of the need to identify project risks and take corrective action
- Over-reliance on the Bank’s activities (in identifying and managing Project risks) and mistakenly accepting the Bank as a protector of national interests
Complex Engineering Facilities

- Construction of dams – high level of technical complexity
- Additionally hired Project Implementation Support Assistance (PISA) consultant on request by the Ministry

Analysis on the benefits of hiring the consultant:
- Assessment on the technical experience and competence of the PISA team
- Clear assignment of tasks from the Ministry to the PISA team
- Duplication of PISA duties and responsibilities with other technical staff already on the Project
- Regular checks from the Ministry on the PISA team’s performance

The hiring of an additional consultant did not benefit the Project in detecting problems in a timely manner and offering a solution to overcome and correct them.
The project is funded through a state loan from the International Bank for Reconstruction and Development (80%) and by the state budget (20%).

The loan is being absorbed through advance payment claims made by the Borrower (the Ministry).

Analysis on loan absorption (amounts and timeliness):
- The amounts requested via advance payment claims did not correspond to the amounts of the de-facto expenses incurred.
- The dates on which advance payment claims were made significantly precede the dates of actual payments to Project contractors – between 4 and 9 months.

Interest rate is due for all advance payments claimed for the period until they are used. Improper planning and claiming of funds can lead to excessive cost increases.
On the spot check

- Dam is in construction
  - established organization by the contractor and the supervisor
  - confirmation of finding on duplication of control responsibilities
Thank you for your attention!

Questions, comments?