

Construction of the Tattuturai Bridge and the Causeway on Samawachchathive – Munaichianai Road Project - 2018

The audit of financial statements of the Construction of Tattuturai Bridge and the Causeway on Samawachchathive – Munaichianai Road Project for the 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 Loan Agreement No.5/416 dated 26 August 2004 entered into between the Democratic Socialist Republic of Sri Lanka and the Saudi Fund for Development. My comments and observations which I consider should be report to Parliament appear in this report.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Loan Agreement, the Ministry of Ports and Highways, presently the Ministry of Roads and Highways is the Executing Agency and Road Development Authority is the Implementing Agency of the Project. The objectives of the Project are to construct Thattuturai Bridge and the Causeway of Samawachchathive – Munaichianai Road in the Eastern Province to contribute for the future economic development of the country by improving the network connectivity and smooth traffic flow in the corridors, reduce accidents and travel time and costs from developing centers to the required destinations. The estimated total cost of the Project amounted to US\$ 610,000 equivalent to Rs 80 million was agreed to be financed by the Saudi Fund for Development. The Project had commenced its activities on 29 June 2015 and scheduled to be completed by 28 March 2016. However, the date of completion of the activities of the Project had been extended up to 11 July 2016.

1.3 Qualified Opinion

In my opinion, except for the effects of the matters described in the Table 2.1 of my report, the 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 Public Sector 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 Public Sector 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.

In preparing the financial statements, management is responsible for assessing the Project ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

The Project is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared by the Project.

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. Comments on Financial Statements

2.1 Presentation of Financial Statements

Audit Issue	Impact	Response of the Management	Auditor's Recommendations
Eventhough the construction works of the Bridge and the Causeway had been completed in 2016, action had not been taken even as at 31 December 2018 to hand over the remaining assets and liabilities of the Project to the Implementing Agencies and wind up the operations of the Project.	Prepared the financial statements on continuing basis.	Noted.	Action need to be taken to prepare winding up accounts and close the operations of the Project Monitoring Unit.

3. Physical Performance

3.1 Physical progress of the activities of the Project

Being the construction works of Tattuturai Bridge and Causeway of Samawachchathive – Munaichianai Road in the Eastern Province had been completed and handed over to the Kinniya Pradeshiya Sabha on 02 July 2016.