

Reconstruction of Kochchikade Bridge Project - 2019

The audit of the financial statements of the Reconstruction of Kochchikade Bridge Project for the year ended 31 December 2019 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. My comments and observations which I consider should be reported to the Parliament appear in this report.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Loan Agreement of the Project, then Ministry of Higher Education and Highways presently, the Ministry of Highways is the Executing Agency and Road Development Authority is the Implementing Agency of the Project. The objective of the Project was for replacement of existing Kochchikade bridge which was structurally weak and unsuitable to the current traffic volume and vehicle loads and to provide substantial contribution to keep up the road infrastructure connecting Peliyagoda with Puttalam. The estimated total cost of the Project amounted to EURO 10.85 million equivalents to Rs.1,735.62 million and out of that EURO 8.70 million equivalent to Rs.1,392 million was agreed to be financed by Raiffeisen Bank International AG of Austria. The Project had commenced its activities on 24 July 2016 and scheduled to be completed by 24 January 2019.

1.3 Opinion

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2019 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 this 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.

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

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 the 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. Physical Performance

2.1 Physical Progress of the Activities of the Project

The construction activities of the bridge commenced on 24 July 2016 had been completed and handed over to the Road Development Authority on 23 December 2018, before the scheduled date of 24 January 2019.

2.2 Issues on Land Acquisition

Audit Issue -----	Impact -----	Response of the Management -----	Auditor's Recommendation -----
According to the information received, the Project had planned to acquire 09 plots of land for the Reconstruction of Kochchikade Bridge and compensations amounting to Rs.115.33 million had been paid as at 31 December 2019. However, only 6 plots of land had been registered under Section 44 of the Land Acquisition Act as at 31 December 2019.	Possible to increase the costs on compensation and interest payments thereon.	Agreed	Need to take expedite action to transfer the rights of the land to the Road Development Authority.

2.3 Contract Administration

Audit Issue -----	Impact -----	Response of the Management -----	Auditor's Recommendation -----
Although the Project activities had been completed and handed over to the Road Development Authority on 23 December 2018, the expenditure of the Project Management Unit such as salaries for Non-RDA Staffs, Overtime and Travelling, Project allowance and holiday pay etc. had been increased by 67 per cent, 63 per cent, 10 per cent and 4 per cent respectively in 2019 when compared with preceding year expenditure without justifiable reasons.	Possibility to increase the cost of the Project.	Final payment of the Project was made in the year 2019 and within the allocation of the year Project Management Unit overhead expenditure was paid.	Action should be taken to control the cost of the Project.