

Head - 435 State Ministry of Rural Roads and Other Infrastructure

1. Financial Statement

1.1 Opinion

The audit of the financial statements of the State Ministry of Rural Roads and Other Infrastructure for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, and cash flow statement for the year then ended, 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 provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the State Ministry of Rural Roads and Other Infrastructure was issued to the Accounting Officer on 21 May 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the State Ministry of Rural Roads and Other Infrastructure was issued to the Accounting Officer on 07 July 2021 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the financial statements prepared give a true and fair view of the financial position of the State Ministry of Rural Roads and Other Infrastructure as at 31 December 2020 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.2 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.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer on Financial Statements

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Ministry 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.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of 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 furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control of the Ministry, obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluate the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) and Section 38 of the National Audit Act No. 19 of 2018 .

As the State Ministry of Rural Roads and Other Infrastructure is a Ministry that had been established in the year 2020 , there was no need to prepare financial statements for the year 2020 . Therefore, it cannot be stated that the financial statements of the year under review correspond with the preceding year and I had not issued any recommendation for the preceding year.

2. Financial Review

2.1 Expenditure Reporting for the Year 2020

The expenditure totalled to Rs. 1,802 million incurred under 17 expenditure objects of a then Ministry from January 2020 to 31 August 2020 had been taken into accounts as the expenses of this Ministry in accordance with the provisions.

2.2 Expenditure Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Out of the provision of Rs. 6,203,026,000 made available for 29 expenditure objects of the Ministry, the provisions of 19 expenditure objects totalled to Rs. 1,270,318,918 had remained underutilized ranging from 23 to 100 per cent and it was 20 per cent of the total provision. Out of above expenditure objects there were 16 expenditure objects for more than 50 per cent of the provision that had saved including F.R.66 transfers.	Recurrent expenditures have been saved because of the corona epidemic situation	Actions should be taken to utilize the allocated funds with maximum efficiency.

- (b) Out of the supplementary provision of Rs. 3,350,000 for the expenditure object No. 2012, a sum of Rs. 1,129,291 or 34 per cent of the provision had been saved. This could not be accomplished because there was a shortage of equipment in many institutions due to the corona epidemic - do -

2.3 Non – compliance with Laws, Rules and Regulations

The instances of non – compliance with the provisions of the Laws, Rules and Regulations observed in audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Observation ----- Non - compliance	Comments of the Accounting Officer -----	Recommendation -----
(a) Revised Financial Regulation 756 (6) by Public Finance Circular No. 01/2020 dated 28 August 2020	The Board of Survey Reports pertaining to the year 2019 had not been prepared and submitted even by the date of audit 08 April 2020 .	Arrangements will be made to prepare in future.	Reports should be submitted after carrying out Board of Surveys on due date.
(b) Letter of the Department of National Budget No. BD / AA / LR / 01/2021 dated 31 December 2020	Even though the minimum receipt limit approved by the Appropriation Act was Rs. 1,000,000 , that limit had been revised as Rs. 200,000 on 31 December 2020. However, the Reconciliation Statement of Advances to Public Officers Account B submitted as at 31 December 2020 , had not been prepared including revised limits .	It could not be entered into the Appropriation Account due to the delay in notifying the amendments of the Ministry of Finance.	Financial statements should be prepared with the inclusion revised limits.

2.4 Reconciliation Statement of Advances to Public Officers Account

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though the total of credit balances as per the individual balance summary Balance was Rs. 219,703 thus that balance was Rs. 231,477 , there was a difference of Rs. 11,774 in between those two balances as per the reconciliation statement.	Accept. Arrangements have been made to correct.	The balance as per the individual balance summary and the balance as per the reconciliation statement should be the equal.

2.5 Entered into Commitments and Liabilities

Audit Observation	Comments of the Accounting Officer	Recommendation
The liabilities totalled to Rs. 812,157 as at 31 December 2020 had not been stated in the financial statements.	Accept.	All the liabilities due as at the last day of the financial year should be included in the financial statements.

3. Operating Review

3.1 Delays in Implementing of Projects

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) A sum of Rs. 17.97 million had been estimated for 09 projects under the Bridge Development Pilot Project implemented by the Ministry. However, only 06 Bridge Projects had been commenced to construct by incurring Rs.5.53 million and the progress of these projects had ranged from 33 per cent to 41 per cent as at 31 December 2020 .	Accept.	Actions should be taken to complete the projects expeditiously within the planned period.
(b) A sum of Rs.813.52 million had been estimated for 53 projects in 12 Districts in the year 2020 under rural bridge development and only Rs. 278.90 million or 34 per cent out of that had been spent by 31 December 2020 . Fifty nine rural bridge projects had been identified and out of which only 36 bridges had been awarded contracts as per the progress reports of the Road Development Authority. Of these, the progress on 13 projects was less than 50 per cent.	Accept.	Actions should be taken to complete the projects expeditiously within the planned period.

3.2 Projects that had been Funded but had not made Progress

Audit Observation

Comments of the Accounting Officer

Recommendation

Even though the construction of 100 bridges project were handed over by the Ministry to the State Development and Construction Corporation under the Direct Contract Method and an advance amounting to Rs. 30 million had been paid on 31 December 2020, only 11 bridges were under construction as per the progress report submitted on 31 March 2021. Only a sum of Rs. 8 million or 27 per cent from the total advance for that had been spent and the financial progress of this Project was as low as 4.5 per cent as at 31 December 2020 .

The project could not be commenced as planned due to non-receipt of funds requested from the Treasury for this Project. The advance amount given to the State Development and Construction Corporation for the bridge project commenced in 2021 has been set off.

Attention should be drawn to get completed the projects within the contract period.

4. Achieving of the Sustainable Development Goals

Audit Observation

Comments of the Accounting Officer

Recommendation

Even though the Ministry has identified three objectives for sustainable development in relation to the rural road sector adapting to the United Nations Sustainable Development Programme, relevant work plans had not been prepared to achieve those objectives due to the establishment of the State Ministry of Rural Roads in the last quarter of 2020.

Programmes have been planned with a focus on sustainable development objectives in formulating the Annual Work Plan 2021 .

Relevant steps should be taken to achieve the development objectives which had been identified.

5. Good Governance

5.1 Internal Audit

Audit Observation

An internal audit had not been conducted because of an Internal Auditor had not been appointed to the Ministry even by 27 April 2021 .

Comments of the Accounting Officer

Accept. Even though the request has been made, an Internal Auditor not yet been appointed.

Recommendation

Actions should be taken to conduct an internal audit and act in accordance with the provisions of Section 40 of the National Audit Act No. 19 of 2018 .

5.2 Audit and Management Committee

Audit Observation

The Audit and Management Committee meetings had not been held even by 27 April 2020 .

Comments of the Accounting Officer

Accept.

Recommendation

Audit and Management Committees should be established and act in accordance with its provisions.

6. Human Resources Management

Audit Observation

There were 50 approved posts in the Ministry as at 31 December 2020 and of that, 10 vacancies at the senior level, 10 vacancies at the secondary level and 07 vacancies at the primary level had remained respectively.

Comments of the Accounting Officer

The requests have been made to fill the vacancies

Recommendation

Arrangements should be made to fill the vacancies as required.
