

Miscellaneous Foreign Aided Project (Reconstruction of 46 Bridges under French Government Financial Package) - 2020

The audit of the financial statements of the Miscellaneous Foreign Aided (Reconstruction of 46 Bridges) Project for the year ended 31 December 2020 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 the Loan Agreement No. B92 OAI dated 05 November 2012 entered into between the Democratic Socialist Republic of Sri Lanka and the NATIXIS Bank of France. My comments and observations which I consider should be reported to Parliament appear in this report.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Loan Agreement, then Ministry of Ports and Highways and Shipping, presently the Ministry of Highways is the Executing Agency and Road Development Authority (RDA) is the implementing agency of the Project. It was targeted at the initial stages to supply of 46 steel bridges to Sri Lanka and subsequently added another 04 bridges by using the saving of the proceeds of the loan. As per the Loan agreement, the estimated total cost of the Project amounted to Euro 45.80 million equivalent to Rs.7,564 million and out of that Euro 22.05 million equivalents to Rs.3,642 million agreed to be provided by NATIXIS Bank of France. The Project commenced its activities on July 2013 and scheduled to be completed by July 2015. However, acquisition of lands had not been completed and the financial statements of the Project had been prepared up to 31 December 2020 and presented for audit.

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 2020 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.

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 Contract Administration

Audit Issue	Response of the Management	Auditor’s Recommendations
Although the project was completed in the year 2017, the project had not been close down and submits wind-up final financial statements. Therefore, the project monitoring unit had been maintained and amount of money had been spent on it unnecessarily.	Agreed, Construction work of the project was completed in year in 2017, but land acquisition payments were made until year 2020, and decided to hand over all the liabilities to Road Development Authority and prepare winding up accounts of the project for year 2020.	Need to take action to close down the Project immediately after completing the construction works of the Project and prepare the wind up financial statement.

2.1 Issues on Land Acquisition

Audit Issue	Response of the Management	Auditor's Recommendations
<p>According to the information received, it was scheduled to acquire 224 plots of lands including 17 plots of crown lands for the Project. It was observed that, the compensation amounts to Rs.33.40 million for 87 plots of lands and interest amounting to Rs.5.66 million thereon due to delay in settling the compensation had been paid by the Project as at 31 December 2020. Although the land acquisition activities was commenced on July 2013 and had completed 7 1/2 years, the Project was unable to complete the land acquisition of 120 plots of lands representing 58 per cent as at 31 December 2020. Further, it was observed that only 8 plots of land had been registered under Section 44 of the Land Acquisition Act as at 31 December 2020.</p>	<p>Agreed, there is a delay in Survey Department and Valuation Department who involve with land acquisition.</p>	<p>Need to maintain proper coordination with the Divisional Secretaries, survey department and valuation department to complete the land acquisition activities on targeted dates.</p>

