

## **Transport Project Preparatory Facility Project - 2021**

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The audit of financial statements of the Transport Project Preparatory Facility Project for the year ended 31 December 2021 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 Article IV of the Loan Agreement No. 3425 SRI (SF) dated 28 October 2016 entered into between the Democratic Socialist Republic of Sri Lanka and the Asian Development Bank. 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**

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According to the Loan Agreement, the Ministry of Ports and Highway, presently the Ministry of Transport and Highways is the Executing Agency and Road Development Authority is the Implementing Agency of the Project. The objectives of the Project are to improve the startup efficiency of priority transport projects in road, railway and port sub sectors by preparing the feasibility study, detailed design and procurement documents and providing implementation support during the inception stage of the Projects. The activities of the Project are implemented under three (03) components namely Roads, Railway and Port. As per the Loan Agreement, the estimated total cost of the Project was US\$ 11.34 million equivalent to Rs. 1,697.48 million and out of that US\$ 10 million equivalent to Rs.1,496.90 million was agreed to be financed by Asian Development Bank. The balance amount of Rs. 200.58 million is expected to be financed by the Government of Sri Lanka. The Project had commenced its activities on 28 January 2017 and scheduled to be completed by 30 June 2023.

### **1.3 Opinion**

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In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2021 and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **1.4 Basis for Opinion**

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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**

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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

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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 Accounting Deficiency

| <b>Audit Issue</b>  | <b>Amount</b>            | <b>Response of the Management</b>   | <b>Auditor's Recommendation</b>   |
|---|--------------------------|---|---|
|   | <b>(Rs.)<br/>million</b> |   |   |
| Statement of the Central Bank Imprest fund account as at 31 December 2021 had not been presented to the audit. Therefore, it was unable to reconcile the balance of Rs.44.09 million and the exchange rate difference amounting to Rs.4.24 million which was stated in the financial statements as of 31 December 2021. | 48.33                    | Accepted. Normally end of each month, the account statement is issued by CBSL but for the December 2021 Statements was issued as at 06 December 2021. Hence, several requests were made CBSL to get a copy of Bank Statement as at 31st December 2021 but still not received. | All the source documents with regard to the balances mentioned should be rendered to the audit along with the financial statements. |

## 3. Physical Performance

### 3.1 Physical Progress of the Activities of the Project

| <b>Audit Issue</b>   | <b>Response of the Management</b>   | <b>Auditor's Recommendation</b>   |
|--|---|---|
| Expressway Development Plan had not been commenced as at 31 December 2021, though its completion period is also over as per the Project Administration Manual. | Expressway Development Plan has not been implemented, due to the consent of the General Treasury was not granted. | The project should be rescheduled considering the national interests with the consultation of the General Treasury. |

### 3.2 Underutilized Resources

| No  | Audit Issue  | Response of the Management   | Auditor's Recommendation   |
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| (a) | As per the Project Administration Manual, the estimated cost of the Road component was US\$ 11.34 million. Out of that US\$ 10 million agreed to be provided by the ADB. According to the above information provided approximately US\$ 7.41 million should have been utilized by the project as at 31 December 2021. However, only US\$ 2.6 million had been utilized as at the end of the year under review. | Consultancy service for Expressway Development Plan is yet to be commenced. Therefore, allocated amount for 2021 under ADB loan could not be utilized fully. | The Project should be used the funds on intended purpose further delay to achieve the effectiveness of the project.      |
| (b) | Net provision of the GOSL fund for the year under review for the project was Rs. 40 million and it was observed that the Project had not utilized that provision during the year under review.   | Consultancy service for Expressway Development Plan is yet to be commenced. Therefore, allocated amount for 2021 under GOSL could not be utilized fully.     | The Project should be used the funds for the intended purpose or the provision should be revised according to work plan. |