

## **Widening and Improvement of Roads and Bridges in the Central and Uva Provinces Project - 2021**

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The audit of financial statements of the Widening and Improvement of Roads and Bridges in the Central and Uva Provinces 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. 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, then the Ministry of Ministry of Highways and Road Development and Petroleum Resources Development, presently the Ministry of Transport and Highway is the Executing Agency and Road Development Authority is the Implementing Agency of the Project. The objectives of the Project are widening & improvement of 64.31 km length of roads. Out of which 62.06 km RDA roads and 2.25 km length provincial roads and reconstruction of 13 numbers of bridges. As per the Loan Agreement, the estimated total cost of the Project was US\$ 100 million equivalent to Rs. 12,674.90 million and out of that US\$ 85 million equivalent to Rs.10,774.74 million was agreed to be financed by Export – Import Bank of China. The balance amount of Rs.1,900.16 million is expected to be financed by the Government of Sri Lanka. The project had commenced its activities on 29 November 2018 and scheduled to be completed by 28 November 2020. However, loan closing date had been extended up to 30 September 2022.

### **1.3 Qualified Opinion**

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In my opinion, except for the effects of the matters described in the Table 2 of my report, 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 Qualified 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

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### 2.1 Accounting Deficiency

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#### Accounting Deficiency

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According to the Sri Lanka Public Sector Accounting Standard No. 05, parity adjustments amounting to Rs. 600 million made by the General Treasury for the year 2019, 2020 and 2021 had not been brought to the financial statements up to 31 December 2021.

#### Reponses of the Management

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Not commented

#### Auditor's Recommendation

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Parity charges should be adjusted according to the SLPSAS No.05

**2.2 Non-compliance with Law, Rules and Regulation**

<b>Reference to the Law, Rules and Regulation</b>	<b>Audit Issue</b>	<b>Response of the Management</b>	<b>Auditor's Recommendation</b>
Sub clause 9.3 of the Management Service Circular No. 01/2019 dated 15 March 2019	The Project Steering Committee Meeting had not been conducted as instructed by the circular.	Due to the regulations implemented to control the spreading of COVID 19 pandemic situation in 2021, it was unable to conduct the project steering committee meetings physically.	Project Steering Committee Meeting to be held at least once in two months.

**3. Physical Performance**

**3.1 Progress of the Activities of the Project**

<b>Audit Issue</b>	<b>Response of the Management</b>	<b>Auditor's Recommendation</b>
The Project was initially expected to complete by 28 November 2020 and it was extended up to date of 30 September 2022. However, the Project had achieved 93 per cent of physical progress and 86.09 per cent of financial project as at 31 December 2021.	Not agreed. Even though the Project was scheduled to complete on 04th November 2020, Contractor was unable to complete the works as per the planned program, due to conditions prevailed such as 2019 Easter attack, COVID 19 pandemic, adverse weather conditions, delay in land acquisition process, Landslide occurrences in the area. Thereby, Extension of Time has been approved up to 31 August 2022.	Action should be taken to complete the project activities as per the original plane to avoid unnecessary expenditure.