

Supply and Construction of Pre-Fabricated Metal Bridges Project - 2013

The audit of financial statements of the Supply and Construction of Pre - Fabricated Metal Bridges Project for the year ended 31 December 2013 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. This Project is implemented under Loan Agreement No 2006086/87 dated 04 September 2006 entered into between the Government of the Democratic Socialist Republic of Sri Lanka (GOSL) and the Government of Spain.

1.2 Implementation, Objectives, Funding and Duration of the Project.

According to the Loan Agreement of the Supply and Construction of Pre-Fabricated Metal Bridges Project, the Road Development Authority is the Implementing Agency of the Project. The objectives of the Project are; construction of Irrakkandy, Pudawakkadu and Yan Oya new bridges along the Trincomalee - Pulmoddai road and the replacement of Oddamavadi bridge which were damaged or washed away by the Tsunami. The Government of Spain had approved to use of savings of the above Loan to reconstruct the Salapiary bridge, Thondamanary bridge, Origan bridge, Thoppur bridge and Thambalakamam bridge. As per the Loan Agreement, the estimated total cost of the Project is Rs. 3,228.54 million and out of that Rs. 2,888.54 million equivalent to Euro 21.627 million or 89 per cent was agreed to be financed by the Government of Spain. The Project commenced its activities in September 2006 and scheduled to be completed on 30 June 2010. The period of the Project was extended up to 31 December 2010. However, the Project period was further extended up to 31 December 2015.

1.3 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

2. Scope of Audit and Basis of Opinion

My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on review of the financial statements presented to audit and substantive test of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting

policies used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I have obtained sufficient information and explanation which to the best of my knowledge and belief where necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion. The examination also included such tests of systems and controls, transactions, assets, liabilities and accounting records as deemed necessary to assess the following.

- (a) Whether the systems and controls were adequate from the point of view of internal control so as to ensure a satisfactory control over Project management and the reliability of books, records, etc., relating to the operations of the Project,
- (b) Whether adequate accounting records were maintained on a continuing basis to show the expenditure of the Project from the funds of the Government of Sri Lanka and the Lending Agency, the progress of the Project in financial and physical terms, the assets and liabilities arising from the operations of the Project, the identifications of the purchases made out of the Loan etc,
- (c) Whether withdrawals under the Loan had been made in accordance with the specification laid down in the Loan Agreement,
- (d) Whether the funds, materials and equipment supplied under the Loan had been utilized for the purposes of the Project,
- (e) Whether the expenditure had been correctly identified according to the classification adopted for the implementation of the Project,
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- (f) Whether the financial statements had been prepared on the basis of Generally Accepted Accounting Principles, and
- (g) Whether the covenants laid down in the Loan Agreement had been complied with.

3. Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, except for the effects of the adjustments arising from the matters referred to in paragraph 5 of this report, I am of opinion that;

- (a) the Project had maintained proper accounting records for the year ended 31 December 2013 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2013 in accordance with Generally Accepted Accounting Principles.
- (b) the funds provided had been utilized for the purposes for which they were provided.
- (c) the financial covenants laid down in the Loan Agreement had been complied with.

4. Financial Statements

4.1 Financial Performance

According to the financial statements presented and information made available, the expenditure of the Project for the year under review amounted to Rs. 8.92 million and the cumulative expenditure as at 31 December 2013 amounted to Rs. 3,626.7 million. The following statement shows a summary of the expenditure for the year under review, the expenditure for the previous year and the cumulative expenditure as at 31 December 2013.

<u>Item</u>	<u>Expenditure for the year</u>		<u>Cumulative expenditure as</u>
	<u>ended 31 December</u>	<u>ended 31 December</u>	<u>at 31 December 2013</u>
	<u>2013</u>	<u>2012</u>	<u>Rs.</u>
	<u>Rs.</u>	<u>Rs.</u>	
Motor Vehicles	-	-	5,222,893
Civil works completed	-	-	3,585,994,566
Work-in-Progress	8,920,106	9,280,060	35,527,608
	<u>8,920,106</u>	<u>9,280,060</u>	<u>3,626,745,067</u>

5. Audit Observations

5.1 Lack of Documentary Evidence for Audit

Motor vehicles valued at Rs.522,893 had been transferred to the Road Development Authority during the year under review. However, the documents relating to the transfer of the assets had not been furnished to the audit.

6. Financial and Physical Performance

6.1 Utilization of Funds

Certain significant statistics relating to the financing plan of the Project, budgetary provision and utilization of funds for the year under review and cumulative expenditure as at 31 December 2013 are given below.

Source	Amount agreed to be financed as per Loan Agreement		Provisions made in the Budget Estimate for the year 2013	Funds utilized during the year 2013	Cumulative funds utilized up to 31 December 2013
	----- Euro million	Rs. million	Rs. million	----- Rs. million	----- Rs. million
----- Spain	21.62	2,888.54	-	-	3,393.00
GOSL	<u>-</u>	<u>340.00</u>	<u>9.00</u>	<u>8.92</u>	<u>234.00</u>
Total	<u>21.62</u>	<u>3,228.54</u>	<u>9.00</u>	<u>8.92</u>	<u>3,627.00</u>

6.2 Fruitless Transaction

A sum of Rs.1.52 million spent by the Project for opening ceremony of Thondamanary Bridge constructed by the Project had been treated as the cost of the Project even though no provisions was made available in the Annual Estimates of the Project.

6.3 Closure of the Activities of the Project

Even though the works of 09 bridges expected to be constructed by the Project had been completed at the end of the year under review, the Project Implementing Agency had not taken action to wind up the Project activities.