

UK Steel Bridges Project - 2012

1. 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 paragraph 3 of this report, I am of opinion that,

- (a) the Project had maintained proper accounting records for the year ended 31 December 2012 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2012 in accordance with Generally Accepted Accounting Principles.
- (b) the funds provided had been utilized for the purposes for which they were provided.
- (c) satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
- (d) the financial covenants laid down in the Loan Agreement had been complied with.

2. Financial Statements

2.1 Financial Performance

According to the financial statements presented and information made available, the expenditure of the Project for the year ended 31 December 2012 amounted to Rs.300 million and the cumulative expenditure as at 31 December 2012 amounted to Rs.23,695 million. The following statement shows a summary of the expenditure for the year under review, expenditure for the preceding year and the cumulative expenditure as at 31 December 2012.

Description	Expenditure for the year ended 31 December		Cumulative Expenditure as at 31 December 2012
	2012	2011	
	Rs	Rs	Rs
Fixed Assets	329,966	454,102	24,492,670
Flyovers	48,025,488	118,330,575	7,463,408,952
Bridges	199,990,445	2,029,320,979	15,136,130,625
Project Management Cost	23,148,154	212,490,050	1,071,253,310
Net Current Assets	28,527,098	82,574,036	341,891,732
	300,021,151	2,443,169,742	23,695,285,557

3. Financial and Operating Review

3.1 Utilization of Funds

According to the financial statements and information made available, certain significant statistics relating to the financing of the Project, budgetary provisions and the utilization of funds of the Project during the year under review and the position as at 31 December 2012 are shown below.

	<u>Amount agreed for financing in the loan agreement</u>		<u>Budgetary Provision for the year 2012</u>	<u>Utilization of Funds for the year 2012</u>	<u>Funds Utilized up to 31 December 2012</u>
	UK£ Mn)	Rs. (Mn)	Rs.(Mn)	Rs.(Mn)	Rs.(Mn)
HSBC	50.0	11,284	62	61	16,173
GOSL	-	10,500	250	238	7,863
Total	50.0	21,784	312	299*	24,036*

* These amounts are not agreed with the amounts shown in the Paragraph 4 of the report as receivable and payables at the yearend was not included.

3.2 Physical Performance

The following observations are made.

- (a) The initial contract had been subsequently revised in eight instances during the period from 2007 to 2010 with the concurrence of the supplier and with the approval by the Cabinet of Ministers. Therefore, 222 adjustable bridges with a length of 5,563 linear metres had been reduced to 126 bridges with a length of 4,316 linear meters. Further, 05 new flyovers with a length of 1,484 linear metres and 10 non-adjustable bridges with a length of 356 linear metres had also been added. As a result of such frequent changes in the initial scope of works of the contract indicated that the Project Monitoring Unit (PMU) had failed to identify the exact locations, length, width and priorities of the construction of bridges and the initial plans thereon had been altered.
- (b) Physical performance of the Project as at 31 December 2012 is described in the table given below.

Category of Bridges -----	No. of Bridges Proposed	As at 31 December 2012 Bridges completed		Work in progress
		Temporary	Permanent	
		Basis	Basis	
	Nos.	Nos.	Nos.	Nos.
Adjustable Bridges (C200)	113	12	99	02
Compact Quick Bridge	59	Nil	41	18
Delta Bridge	04	Nil	03	01
Atlas Bridge	06	Nil	04	02
Flyovers	05	Nil	05	Nil

4. Contract Administration

The following observations are made.

- (a) The Project had incurred a sum of Rs.3,202,535,538 for the construction of two flyovers over the railway line at Kaleniya in 2008. The audit inspection carried out on 18 November 2013 revealed that 80 deck plates of the flyovers had been damaged and cracks appeared on the parts which fixed to the main beams of the flyover.
- (b) Further, the Project had constructed a steel bridge at Seruwawilla - Palaitoppur Road in 2011 and used bridge components valued at Rs.11,112,815 thereon. The following matters were observed at the field inspections carried out in this regard.
 - (i) It was observed that the steel bridge was not properly designed as enable to enter the vehicles freely to the Trincomalee - Batticola Road. As a result, the both sides of the bridge wall towards the Trincomalee - Batticola Road were damaged due to turning vehicles to the main road and access road.
 - (ii) The capping beams of the bridge had not been constructed as designed. Therefore, the capping beams of both sides of the bridge were not similar and variation of 0.2 metre and 0.35 metre respectively were observed.
- (c) A sum of Rs.6,769,229 to be paid to an contractor on improvements carried out at the bridge yard at Orugodawatta had remained outstanding in the financial statements since 2008 due to lack of approvals for the works done. However, the balance had been settled in the year 2012 without the required approval.
- (d) The construction of 14 bridges had been completed as at 31 December 2012 with delays ranging from 56 to 815 days. It was observed that extensions of the period to complete the works had been granted without considering the validity of the reasons for delays and possibility to impose delay charges.
- (e) Further, the mobilization advances aggregation Rs. 35,938,107 had been paid to 04 contractors in 2011 and out of that, a sum of Rs. 14,698,964 had remained outstanding even as at 31 December 2012 due to delay in completion of the construction works.

- (f) Out of the penalties amounting to of Rs. 56,244,288 recovered from 14 contractors during the year under review on delays in completion of constructions, a sum of Rs. 28,284,272 had been repaid to the said contractors without approvals of respective parties. Further, the reasons for the repayments had not been explained for audit.
- (g) Two bridges out of 101 bridges constructed at a cost of Rs.3,252,277,585 in Tricomalee District had not been handed over to the Road Development Authority eventhough the construction works had been completed 2 years ago as at 31 December 2012. Further, the routine maintenance works of such bridges had not been carried out.
- (h) Details of work done of a Co-ordinating officer who recruited and paid a sum of Rs.630,000 for salaries and fuel expenses during the year under review had not been made available for audit.