

RECONSTRUCTION OF 25 BRIDGES PROJECT - 2013.

The audit of financial statements of the Reconstruction of 25 Bridges Project for the first accounting period 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. The activities of the Project has been initiated during the year under review utilizing funds provided by the Government of Sri Lanka and it will be financed under the Loan Agreement entered by the Government of Sri Lanka into with the Kuwait Fund for Arab Economic Development on 30 January 2014.

1.2 Implementation, Objectives, Funding and Duration of the Project

The Executing and Implementing Agencies of the Project are then Ministry of Highways Ports and Shipping presently, Ministry of Highways, Higher Education and Investment Promotions and Road Development Authority respectively. The objectives of the Project are to reconstruct 25 bridges with two lanes with pedestrian shoulders in the seven Provinces. The Project is expected to meet the increasing demand for the transport of passengers and goods and to contribute to the economic and social development of the respective areas by reducing the vehicle operation and road maintenance cost, travel time, and road accidents. The estimated total cost of the Project is Rs. 4,632 million equivalent to Kuwait Dinar 10 million and the Kuwait Fund for Arab Economic Development has agreed to be financed the Project entirely. The activities of the Project are expected to be completed by 31 December 2018.

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 tests 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 explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides reasonable basis for my opinion. The examination also included such test 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 on the Project from the funds of the Government of Sri Lanka the progress of the Project in financial and physical terms, the assets and liabilities arising from the operations of the Project, the identifications of purchases made out of the proceeds provided by the Government of Sri Lanka,
- (c) Whether the funds, materials and equipment supplied under the proceeds provided by the Government of Sri Lanka had been utilized for the purposes of the Project,
- (d) Whether the expenditure had been correctly identified according to the classification adopted for the implementation of the Project,
- (e) Whether the financial statements had been prepared on the basis of Generally Accepted Accounting Principles,

3. Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that;

- (a) the Project had maintained proper accounting records for the period 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, and
- (b) the funds provided had been utilized for the purposes for which they were provided.

4. Financial Statements

4.1 Financial Performance

According to the financial statements and information made available, the expenditure of the Project for the first accounting period amounted to Rs.3.71 million. The following statement shows a summary of the expenditure for the period under review.

<u>Description</u>	<u>Expenditure for the year ended 31 December 2013</u>
	Rs. million
Work-in-Progress	2.04
Project Administration Cost	<u>1.67</u>
Total	3.71
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5. Financial and Operating Review

5.1 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 first accounting period ended 31 December 2013.

<u>Source</u>	<u>Amount agreed to be provided</u>		<u>Provisions made in the Budget Estimate for the year 2012</u>	<u>Funds Utilized during the period under review</u>	<u>Funds utilized up to 31 December 2013</u>
	Kuwait Dinar million	Rs. million	Rs. million	Rs. million	Rs. million
KFAED	10	4,632	-	-	-
GOSL	-	-	10	2.94	2.94
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Total	10	4,632	10	*2.94	2.94
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*This amount does not agree with the figure shown in the paragraph 4.1 of this report as the payables at the year end is not included..

5.2 Physical Performance

The following observations are made.

- (a) The Special Project Management Unit of the Road Development Authority had decided to implement the Project activities under 3 Packages. However, no action had been initiated by the Project even at the end of the year 2014 instead of inviting bids to select contractor for the reconstruction of 08 bridges under Package-01.
- (b) According to the information received, the Planning Section of Road Development Authority had submitted the reports on feasibility studies carried out on 25 Bridges to the Special Project Management Unit to be reconstructed under the Project. However, other 8 bridges which were not feasibility studies carried out had been selected for reconstruction purposes.
- (c) An overall project plan for the entire project period and action plans for each year of the Project implementation had not been prepared even at the end of the first year of the operations of the Project as enable to ensure the achievement of the targets of the Project in an economical and efficient manner within the specified project period.