

New Bridge Construction Project over the Kelani River – 2020

The audit of financial statements of the New Bridge Construction Project over the Kelani River for the year ended 31 December 2020 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 the Parliament appear in this report.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Loan Agreement of the Project, then Ministry of Ports and Highway, presently the Ministry of Highways is the Executing Agency and Road Development Authority is the Implementing Agency of the Project. The objectives of the Project are to mitigate and disperse traffic congestion by constructing a new bridge across the Kelani River as a high mobility link, there by contributing to the improvement of transportation network in Colombo City and promoting economic development. The project has been divided into two contract packages namely steel Bridge Section and Extra dosed section and as per the Loan Agreement, the estimated total cost of the Project was Japan Yen 41,429 million equivalents to Rs.55,313 million and out of that Japan Yen 35,020 million equivalents to Rs.46, 755 million was agreed to be financed by Japan International Cooperation Agency. The balance amount of Rs.8,558 million expected to be financed by the Government of Sri Lanka. Both packages of the Project has commenced its activities on 01 July 2014 and scheduled to be completed by 27 March 2021 and 28 March 2021 respectively.

1.3 Opinion

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2020, and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.4 Basis for Opinion

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 appeared in 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

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

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. Physical Performance

2.1 Physical Progress of the Activities of the Project

Component	Activities	As at 31 December 2020		Audit Issue	Reasons for delays
		Expected physical performance percentage	Performance achieved percentage		
Package II	Extrados Bridge Section	94	84	The project could not be able to achieve the expected performance and deviated by 10 per cent from the expected	The effect of COVID – 19 pandemic that prevailed from March 2020.

Performance.

2.2 Contract Administration

Audit Issue	Response of the Management	Auditor's Recommendation
It was observed that the contract is being continued without obtaining an extension of time even after 30 April 2021.	Extensions of Time for Completion (EOT) in respect of both contracts are granted from time to time, based on the determinations issued by the Engineer to the contract. The draft Determinations issued by the Engineer are reviewed by the Technical Evaluation Committee appointed by Director General, RDA and approved by Chairman.	Extension of time had to be approved within the time required before legal obligations are met according to the contract document.

2.3 Matters in Contentious Nature

Audit Issue	Response of the Management	Auditor's Recommendation
Construction activities of the Sri Lanka Atomic Energy Board at Halbarawa had been stopped from 17 June 2015, due to public protest and this site were handed over to construct the new building for NAITA. Accordingly, the cost incurred amounting to Rs. 34 million was observed in audit as uneconomic expenditures.	Rs. 34 million is the value of Permanent Works such as concrete foundations carried out at the Halbarawa site. The land along with the Permanent Works was handed over to NAITA to be used in their future programs. Therefore, the expenditure incurred cannot be considered as an uneconomic expenditure	This balance need to be kept separately of the books of PMU and then the RDA need to take action to write off the amount from its asset value which transferred from the project.