

## **Widening and Improvement of Roads and Bridges in the Central and Uva Provinces Project - 2019**

---

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 2019 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**

---

According to the Loan Agreement, then the Ministry of Highways and Road Development and Petroleum Resources Development, presently the Ministry of Transport and Highways 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 of RDA roads and 2.25 km length of provincial roads and the 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 the Export-Import Bank of China. The balance amount of Rs.1,900.16 million was 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.

### **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 2019 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 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**

---

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. Comment on the Financial Statements

---

### 2.1 Non-Compliance with Laws, Rules and Regulation

---

<b>Reference to the Law, Rules and Regulation</b>	<b>Non-compliance</b>	<b>Responses of the Management</b>	<b>Auditor's Recommendation</b>
Public Administration Circular No.09/2009 dated 16 April 2009	The finger print of the staff of the Project had not been used to record the attendance of the Project staff.	Finger print machine was not used with the aim of preventing COVID 19 virus spreading.	The project should comply with the circulars instruction.

**2. Physical Performance**

**2.1 Progress of the Activities of the Project**

<b>Audit Issue</b>	<b>Response of the Management</b>	<b>Auditor's Recommendation</b>
The construction works of the Road package had been commenced on 29 November 2018 and scheduled to be completed by 28 November 2020 and works of the Bridges package had been commenced on 29 November 2018 and scheduled to be completed by 28 May 2020. However, physical progress of the Road package and Bridge package was 41 per cent and 51 per cent respectively as at 31 December 2019.	This project is spreading in Kandy, Nuwaraeliya and Welimada areas of Central and Uva province where annual rainfall is high. Therefore, progress of the above Project always prone to be hit with the adverse weather conditions. Further, beginning of the project had spent more time for initial investigation and designing work.	The activities of the Project should be accelerated to avoid unnecessary charges and expenses.