

Construction of Manmunai Bridge - 2014

The audit of financial statements of the Project for construction of Manmunai Bridge for the year ended 31 December 2014 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 read in conjunction with the Grant Agreement No. 1160700 dated 13 September 2011 entered into between the Democratic Socialist Republic of Sri Lanka and the Japan International Corporation Agency.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Grant Agreement of the Project for construction of Manmunai Bridge, then Ministry of Highways, Ports and Shipping, presently the Ministry of Highways and Investment Promotion is the Executing Agency of the Project and the Road Development Authority is the Implementing Agency of the Project. The objective of the Project is to construct a bridge to connect west and east of the lagoon at Manmunai. As per the Grant Agreement, the estimated total cost of the Project was Japan Yen 1,206 million equivalent to Rs 1,865 million. The Project commenced its activities on 29 June 2012 and scheduled to be completed by 15 May 2014.

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 and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.4 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Project's preparation and fair presentation of the financial statements 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 the Project's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. The examination also included such tests 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 the Statement of Expenditure (SOE) submitted could be fairly relied upon to support the applications for reimbursement in accordance with the requirements specified in the Grant Agreement.
- (c) Whether the expenditure shown in the financial statements of the Project had been satisfactorily reconciled with the enhanced financial reports and progress reports maintained by the Project.
- (d) 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 Granting 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 Grant etc.
- (e) Whether the withdrawals under the Grant had been made in accordance with the specifications laid down in the Grant Agreement.
- (f) Whether the funds, materials and equipments supplied under the Grant had been utilized for the purposes of the Project.
- (g) Whether the expenditure had been correctly identified according to the classification adopted for the implementation of the Project.
- (h) Whether the financial statements had been prepared on the basis of Generally Accepted Accounting Principles.
- (i) Whether satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and

- (j) Whether the financial covenants laid down in the Grant Agreement had been complied with.

2. Financial Statements

2.1 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 the opinion that,

- (a) the Project had maintained proper accounting records for the year ended 31 December 2014 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2014 in accordance with Generally Accepted Accounting Principles,
- (b) the funds provided had been utilized for the purposes for which they were provided,
- (c) the 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 Grant Agreement had been complied with.

3. Financial and Physical Performances

3.1 Utilization of Funds

Certain significant statistics relating to financing, budgetary provisions for the year under review utilization of funds during the year under review and the up to 31 December 2014 are shown below.

Source	Amount agreed to be financed according the Grant Agreement		Allocation made in the Budget Estimate for the year	<u>Amount utilized</u>			
	J.Yen million	Rs. million		during the year under review		as at 31 December 2014	
	J.Yen million	Rs. million	Rs. million	J.Yen million	Rs. million	J.Yen million	Rs. million
JICA	1,206	1,865	446.47	354.72	449.64	951.50	1,300.62
GOSL	-	397	12.42	-	19.60	-	45.63
Total	<u>1,206</u>	<u>2,262</u>	<u>458.89</u>	<u>354.72</u>	<u>469.24</u>	<u>951.50</u>	<u>1,346.25</u>

3.2 Physical Progress

The following observations are made.

- The construction works of the Bridge had been completed and handed over to the Road Development Authority on 30 March 2014 and opened for the use of public since 19 April 2014.
- The Project had awarded a contract for street lighting system comprised with 17 street lighting columns and fittings after completion of the bridge construction works and paid a sum of Rs.8.9 million during the year under review, out of contribution received from Government of Sri Lanka.
- The high flood level of Manmunai area was considered as 1.42 meter at the time of designing stage of the Bridge without carrying out a separate feasibility study thereon. Subsequently, it was reported that people of Manmunai area had been affected for 3 days in December 2014 due to inundation of the bridge.

3.3 Completion of the Activities of the Project

Eventhough the Bridge construction works were completed in March 2014, the Consultant of the Project had not furnished the Project Completion Report up to 30 April 2015 so as to enable to close down the activities of the Project.