

## **Base Line Road Project Phase III - 2018**

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The audit of the financial statements of the Base Line Road Project – Phase III for the year ended 31 December 2018 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. This Project is implemented under the decision made at the meeting of cabinet of Ministers held on 19 November 2009. 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**

Then Ministry of Highways and Road Development and Petroleum Resources Development, presently Ministry of Roads and Highways is the Executing Agency and Road Development Authority is the Implementing Agency of the Project. The objective of the Project is to minimize the road traffic by constructing a new road with 860 meter length from Kirulapana-Colombo-Horana Road. The cost on land acquisition was estimated at Rs. 3,500 million whilst the cost of civil works for the Project was estimated Rs.7,041.29 million.

### **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 2018, financial performance and it 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:

- (a) 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.
- (b) 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 internal control of the Project.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (d) 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 Progress**

### **2.1 Physical progress of the activities of the Project**

The activities of the Project on reconstruction works of the section of the Base Line Road from Kirulapana to Dutugamunu Junction had been commenced in 2009 and continued upto 31 December 2018. It was observed that 27 plots of land had only been acquired by the Project as at 31 December 2018, eventhough 199 plots of lands were expected to be acquired. Further, interest aggregating Rs.82.50 million had been paid to the land owners as at 31 December 2018, due to delays in settlement of payments of compensation on land acquired. Further, an allocation amounting to Rs.100 million had been made by Budget Estimate – 2018 and only a sum of Rs.10 million had been received and utilized as at 31 December 2018 to implement the activities of the Project. The major parts of reconstruction works had been subsequently curtailed and

physical progress of remaining works carried out by the Project had remained very slow. However, the Executing Agency had not taken action to review the continuity of the operations and possibility to close down the activities of the Project.

## 2.2 Fruitless Transaction

Audit Issue	Impact	Response of the Management	Auditor's Recommendation
<p>The Road Development Authority had paid a sum of Rs.1.17 million to the State Engineering Corporation in 2008 to design a housing scheme for the people displaced, due to activities of the Project. However, the design works had not been completed even as at 31 December 2018. Further, the need of such a housing scheme could not be justified in audit as the scope of the Project was curtailed.</p>	<p>Increased cost of the Project.</p>	<p>Due to the changes of the government policies, the scope of the work had been curtailed.</p>	<p>Possibilities to recover the payments need to be investigated.</p>