

## **Elevated Highway from New Kelani Bridge to Athurugiriya Project - 2018**

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The audit of the financial statements of the Elevated Highway from New Kelani Bridge to Athurugiriya Project for the year ended 31 December 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**

The Ministry of Higher Education and Highways presently the 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 expected to have a positive impact on economic activities, ease of traffic congestion, reduction of travel time, improved investment and employment opportunities and also the reduction of poverty and unemployment. The estimated cost of the Phase 1 of the highway is between Rs.55 billion and scheduled to be completed in November 2021.

### **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 the 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 the 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**

As per the proposal for the construction of Elevated Highway from New Kelani Bridge to Athurugiriya approved by the Cabinet of Ministers at its meeting held on 02 March 2016, the construction works of the Highway is scheduled to be implemented under 02 Phases of which 6.9 kilometres from New Kelani Bridge to Rajagiriya and 10.4 kilometres from Rajagiriya to Athurugiriya. The feasibility studies and designs under the Phase- I had been completed under

the Southern Highway Extension Project in 2015. The contract for preparation of feasibility studies for Phase -II had been awarded to a private company with foreign collaboration at a cost of Rs.98.7 million on 01 May 2018. However, the final report was handed over on 22 August 2019 with delays in 294 days, due to frequent modifications of the plan, as a result of public protests. The contract of the Highway construction works is expected to implement under Build-Operate-Transfer basis. Therefore, 23 Expression of Interest had been received as at 31 December 2018 and action had not been taken to evaluate the Expression of Interest up to 30 September 2019.

## 2.2 Issues on Land Acquisition

Audit Issue	Impact	Response of the Management	Auditor's Recommendation
The process on acquisition of lands had been commenced in 2016 under the Phase I of the Project and the Environmental Impact Assessment Report from the Central Environmental Authority had not been obtained even as at 30 September 2019. Further, the Resettlement Action Plan agreed to be prepared by the Road Development Authority at a cost of Rs.3.71 million had been completed in January 2019 with delays over 2 ½ years, caused delays in completion of the process of land acquisition activities.	Possible delays in commencement of the construction works.	It was found that the data collected for Resettlement Action Plan was not sufficient to implement the land acquisition and resettlement process and action had already been taken to rectify it.	Action need to be taken to expedite the Environmental Impact Assessment Report and Resettlement Action Plan.

## 2.3 Underutilized Resources

Audit Issue	Impact	Response of the Management	Auditor's Recommendation
It was observed that the allocation amounting to Rs.288.25 million, out of the total allocation of Rs.400 million made in the Budget Estimate - 2018 had been transferred to the other projects implemented by the Line Ministry. Further, only a sum of Rs.53.03 million representing 13 per cent of the allocation had been utilized, due to the lack of an Action Plan to implement the activities of the Project during the year under review.	Weaken controls on financial management	Not properly commended.	A comprehensive Action Plan need to be prepared and allocation to be requested accordingly to utilize the funds efficiently.