

Landslide disaster Protection Project - 2021

The audit of financial statements of the Landslide disaster Protection Project for the year ended 31 December 2021 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 Provision of the Loan No SL-P 109 dated 14 March 2013 entered into between the Democratic Socialist Republic of Sri Lanka and the Japan International Cooperation Agency. My comments and observation 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 Ministry of Ports and Highways, and Shipping, presently Ministry of Higher Education and Highways is the Executing Agency and Road Development Authority is the Implementing Agency of the Project. The objective of the Project is to mitigate landslide disaster targeting for national roads as basic infrastructure by implementing appropriate countermeasures in highland areas in the Central, Uva and Sabaragamuwa Provinces, thereby contributing to the economic and social development and enhance the security of the road network and safeguard the lives of people including road users and residents. As per the Loan Agreement, the estimated total cost of the Project was US\$ 122.6 million equivalent to Rs 16,201.2 million and out of that US\$ 97.4 million equivalent to Rs.12,870.45 was agreed to be agreed to be financed by the Japan International Cooperation Agency. The balance amount of Rs.3,331 million is expected to be financial by the Government of Sri Lanka. The Project commenced its activities on 05 July 2013 and initially scheduled to be completed by 05 July 2020. However, the date of completion of the activities of the Project had been extended by another two years.

1.3 Qualified Opinion

In my opinion, except for the effects of the matters described in section two (02) of my report the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2021, financial performance 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.

In preparing the financial statements, management is responsible for assessing the Project ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

The Project is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared by the Project.

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. Comments on Financial Statements

2.1 Accounting Deficiencies

No	Accounting Deficiency	Amount Rs. Mn	Impact on	Response of the Management	Auditor's Recommendations
(a)	Twelve vehicles purchased at a cost of Rs. 130.4 million and an operation building constructed at a cost of Rs.198.8 million at Kadugannawa had been handed over to the Road Development Authority in June 2020. However, those assets had not been disclosed separately in the financial statements.	329.2	Work in progress had been overstated	Agreed and it will be capitalized in the financial statements 2022	The aforesaid assets should be separately shown in the financial statements.
(b)	According to the Sri Lanka Public Sector Accounting Standard No. 05, parity adjustments made by the General Treasury from the year 2014 to 2021 had not been brought to the financial statements up to 31 December 2021.	1,353	Foreign loan amount under stated in the Financial statements.	No comments	Adhere to the Sri Lanka Public Sector Accounting Standard.

3. Physical Performance

3.1 Physical progress of the activities of the Project

This project was consisted of two packages namely A and B, the package A included 10 sites and 06 sites were included in the package B. Since the loan was closed on 05 July 2020, the balance work had to be completed as at 01 January 2021 was carried out using GOSL funds and had been fully completed by 31 December 2021. However winding up financial statements had not been prepared as at the date of this report.