

Elevated Highway from New Kelani Bridge to Athurugiriya Project - 2017

The audit of financial statements of the Elevated Highway from New Kelani Bridge to Athurugiriya Project for the first accounting year ended 31 December 2017 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. The Project is expected to be implemented under the Build, Operate and Transfer basis.

1.1 Implementation, Objectives, Funding and Duration of the Project

The 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 make a positive impacts on economic activities through reducing the traffic congestion, travel time, improve investment and employment opportunities and also the reducing the poverty and unemployment by constructing an elevated highway of 17.3 kilometres from New Kelani Bridge to Athurugiriya. under 02 phases. The expected cost for the construction of Phase -01 of the 6.90 kilometres of the highway from New Kelani Bridge to Rajagiriya was determined as Rs 55 million. The construction works of the Highway is scheduled to be completed by November 2021.

1.2 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards 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.

1.3 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 judgment, 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 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, and
- (c) Whether the financial statements had been prepared on the basis of Sri Lanka Public Sector Accounting Standards.

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, except for the effects of the adjustments arising from the matters referred to in paragraph 2.2 of this report, I am of opinion that,

- (a) the Project had maintained proper accounting records for the year ended 31 December 2017 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2017 in accordance with Sri Lanka Public Sector Accounting Standards, and
- (b) the funds provided had been utilized for the purposes for which they were provided.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiency

The Project Monitoring Units of this Project and other Project called the Port Access Elevated Highway Project are located in a same premises, the overhead costs amounting to Rs.7.81 million incurred for the period from May to December of the year under review had been charged as a cost of this Project instead of being segregated and charged to the other Project.

3. Financial and Physical Performance

3.1 Utilization of Funds

According to the information received, an allocation amounting to Rs 186.80 million had been made in the Budget Estimate for the year under review and out of that a sum of Rs 26.78 million had been spent during the year under review.

3.2 Physical Progress

The feasibility study and preliminary design works for the Phase - 01 of the Project had already been completed only on 31 December 2015 under other project called Southern Highway Extension Project. The Environment Impact Assessment Plan and the Resettlement Plan for the highway had been undertaken by the Road Development Authority on 14 February 2017 at the cost of Rs.3.94 million and Rs.3.71 million respectively. However, the reports thereon had not been submitted even as at 31 May 2018.

3.3 Human Resource Management

Out of 17 cadre positions had been approved by the Department of Management Services, 12 key positions including Deputy Project Director, Chief Engineer, Project Engineer, Quantity Surveyor, Land Acquisition and Resettlement Officer and a Technical Officer, had remained vacant up to 31 December 2017. Further, other key posts such as Project Accountant and Procurement Specialist had not been included in the list of cadre positions approved by the Department of Management Services.

3.4 Land Acquisition and Resettlement Activities.

The Project had completed initial surveys on land acquisition during the year under review and 786 plots of land including 1,106 houses were identified for acquisition and resettlement purposes under Phase 1 of the Project. However, the land acquisition activities of the Project had remained late due to delays in receiving of the approvals from the Central Environmental Authority.