

Port Access Elevated Highway Project - 2017

The audit of financial statements of the Port Access Elevated Highway Project for the 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.

1.2 Implementation, Objectives, Funding and Duration of the Project

The Ministry of Higher Education and Highways and Road Development Authority have been functioned as the Executing and the Implementing Agencies of the Project during the year under review. According to the information received, it is expected to reduce the travel time from Colombo to the Katunayake Bandaranayake International Airport and ease of traffic congestion of logistic transport from the harbour to other regions of Colombo to have a positive impact on economic activities and regional integration. The traffic congestion in the suburbs of Colombo is also expected to ease by reduction of the movement of containers in the Highways. The estimated total cost of the Project was Rs.36.5 billion. The Project commenced its activities on February 2016 and the approval of the Cabinet of Ministers for the implementation of the Project had been received in March 2016. The activities of the Project are scheduled to be completed by March 2020.

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 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.

1.4 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 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,
- (c) 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, the progress of the Project in financial and physical terms, the assets and liabilities arising from the operations of the Project
- (d) Whether the funds, materials and equipment supplied had been utilized for the purposes of the Project,
- (e) Whether the expenditure had been correctly identified according to the classification adopted for the implementation of the Project,
- (f) Whether the financial statements had been prepared on the basis of Sri Lanka Public Sector Accounting Standards,
- (g) Whether satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report

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,
- (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 Deficiencies

Even though the office of Project Monitoring Units of the Port Access Elevated Highway Project and Elevated Highway from New Kalani Bridge to Athurugiriya Project were established in the same premises, action had not been taken to recognize the overhead costs separately. Further, the same Bank Current Account had been maintained for the above mentioned Projects.

3. Financial and Performance

3.1 Utilization of Funds

Although the approval of the Cabinet of Ministers had been received at its meeting held on 10 March 2016 to implement the activities no other the financial arrangements had been made instead of the allocations, of Rs.200 million made in the Budget Estimate of the Line Ministry for 2017. According to the information made available, the arrangements had been

made to enter into a Loan Agreement with the Asian Development Bank in October 2018. Further, a sum of Rs.154.70 million, out of the allocations made had been transferred to other purposes of the Line Ministry and only a sum of Rs.24.43 million representing 12 per cent of the allocation had only been utilized during the year under review.

3.2 Physical Progress

A comprehensive detailed action plan highlighting financial and physical targets with fixing responsibilities in monthly, quarterly, biannually etc. Had not been prepared and implemented by the Project to ensure the achievement of Project objectives using allocated resources within the scheduled time period. According to the information received, the works under topographical survey design, feasibility studies had only been carried out as at 31 December 2017 although the activities of the Project had been commenced in February 2016, Further, the main procurement activities for consultancy services for construction supervision and civil works etc as per Master Procurement Plan had not been completed even as at 31 May 2018

3.3 Contract Administration

The Project had obtained the consultancy services from the Central Engineering Consultancy Bureau to design new 17 storage office buildings and 04 workshops expected to be constructed by the Project for the use of Sri Lanka Ports Authority and the approval had been granted thereon by the Cabinet of Ministers at its meeting held on 23 August 2017. However, a formal agreement thereon had not been entered even as at 30 June 2018.

3.4 Human Resource Management

According to the cadre approved by the Department of Management Services, the staff of the Project Management Unit consisted with 21 cadre positions. Out of that, the key posts of a Chief Engineer, a Project Engineer, a Procurement Specialist and a Resettlement Officer were remained unfilled up to 31 December 2017. Further, the Project Director appointed under acting basis had resigned on 07 September 2017 and the post remained vacant upto 11 January 2018.