

Base Line Road Project Phase III – 2020

The audit of the financial statements of the Base Line Road Project – Phase III for the year ended 31 December 2020 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

According to the information of the Project, the Ministry of 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 congestion by constructing a new road with 860 meters Kirulapona to Colombo – Horana Road. The road will be constructed with 03 lane dual carriageway with raised foot walk on either side and with the center median. This Project is implemented under the decision made at the meeting of Cabinet of Ministers held on 19 November 2009. The tentative cost for the Project was estimated as Rs.4,860 million for the land acquisition and Rs.5,250 million for the cost of construction. However, civil construction activities of the Project had not been commenced and the funds required for the construction had not been arranged even as at 30 June 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 2020 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.

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 of the Project's internal control.
- (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. Contract Administration

No	Audit Issues	Responses of the Management	Auditor's Recommendations
(a)	The Base Line Road Project Phase III had been initially commenced in 2004 as per the approval of Cabinet of Ministers on 12 August 2004 to construct 7.42 km length of road from Kirulapone to Maliban Junction at Rathmalana. However, this road length had been subsequently reduced to 0.86 km by considering cost of the Project and it's important for ease traffic congestion in Colombo area as per the Cabinet decision on 19 November 2009.	Agreed. As per the Cabinet decision on 19 th November 2009 Road Development Authority had to change the scope of the project curtailing up to 0.86 km.	Activities of the Project should be clearly identified at the beginning by considering the cost of the Project and its important.
(b)	Although the scope of works of the Project had been reduced to 0.86 km as per the Cabinet decision on 19 November 2009, the road construction activities of the Project could not be commenced even after laps of 11 as at 31 December 2020. Further, it was observed that, a sum of Rs. 1,988 million had been incurred by the Government of Sri Lanka for the cost of Land acquisition and the cost of PMU up to 31 December 2020.	Agreed. There were many public protests against this project from the beginning. As a result, there were many courts cases field in appeal court as well as Supreme Court against RDA restricting project activities the appeal court case was withdrawn by the petitioners due to revised Cabinet decision in 2009.	Action needs to be taken to accelerate the land acquisition activities and road construction works.

3. Issues relating to the Land Acquisition

Audit Issue	Response of the Management	Auditor's Recommendation
Although 202 plots of land required to be acquired based on revised scope of works, Project had acquired only 46 plots of land representing 23 per cent and compensation of Rs.1,494 million had been paid as at 31 December 2020. Further, It was observed that, compensation amounting to Rs. 849.35 million including interest Rs.386.44 million approximately 45 per cent of compensation for 66 plots of land could not be settled as at 30 June 2021 due to lack of funding.	Agreed.	Considering the overall plan, achievable targets should be decided to set and the allocation should be requested accordingly.