

Design and Construction of Kohuwala and Gatambe Flyovers - 2021

The audit of financial statements of the Design and Construction of Kohuwala and Gatambe Flyovers 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. 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 Loan Agreement, then the Ministry of Highways, presently the Ministry of Transport and Highways is the Executing Agency and the Road Development Authority is the Implementing Agency of the Project. The objectives of the Project are the Designing and Construction of flyovers planned to be located where Kohuwala in the Colombo district and Gatambe in the Kandy district. The activities of the Project are implemented under 02 sites namely the kohuwala flyover and the Gatambe flyover. As per the Loan Agreement, the estimated total cost of the Project was EURO 54.97 million equivalent to Rs. 11,167 million and out of that EURO 52 million equivalent to Rs.10,192 million was agreed to be financed by the Hungarian Export-Import Bank. The balance amount of Rs.975 million is expected to be financed by the Government of Sri Lanka. The Project had commenced its activities on 2021 August 16 and scheduled to be completed by 15 February 2024.

1.3 Qualified Opinion

In my opinion, except for the effects of the matters described in the Table 2 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 and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.4 Basis for Qualified 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 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 Deficiencies	Amount	Responses of the Management	Auditor's Recommendations
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		Rs. million		
(a)	The provision for payable interest on land acquisition had been understated in the financial statements of the year under review.	23	Agreed. Action will be taken to adjust the interest provision accordingly.	Interest on land acquisition should be provided accurately in the financial statements.

(b)	According to the Sri Lanka Public Sector Accounting Standard No. 05, parity adjustments made by the General Treasury for the year under review had not been brought to the financial statements.	95.43	None	Parity adjustments should be done According to the Sri Lanka Public Sector Accounting Standard No. 05
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3. Physical Performance

3.1 Progress of the Activities of the Project

The civil works of the Gatambe flyover and Kohuwala flyover had been commenced on 16 August 2021 and expected to be completed on 15 February 2024 and 16 June 2023 respectively. As per the monthly expenditure report of the Project Rs. 1,633 million or 38 percent of the foreign loan allocation and Rs.115 million or 24 percent of the GOSL funds allocation was not utilized by the Project as at 31 December 2021.