

## **Base Line Road Project-Phase III -2013**

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The audit of financial statements of the Base Line Road Project-Phase III for the year ended 31 December 2013 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 taken at the meeting of Cabinet of Ministers held on 19 November 2009.

### **1.2 Implementation, Objectives, Funding and Duration of the Project.**

Road Development Authority is the Implementing and Executing Agency of the Project. The objective of the Project to minimize the road traffic by constructing a new road from Kirulapona to connect Colombo-Horana Road. The estimated cost of the Project is Rs.719 million and entire cost of the Project is expected to be financed by the Government of Sri Lanka. The activities of the Project was commenced in 2009.

### **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 Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **2. Scope of Audit and Basis of Opinion**

My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings of this report are based on review of the financial statements presented to audit and substantive test of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting policies used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion. The examination also included such test of systems and controls, transactions, assets, liabilities and accounting records 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 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,
- (c) Whether the funds, materials and equipment supplied had been utilized for the purposes of the Project,
- (d) Whether the expenditure had been correctly identified according to the classification adopted for the implementation of the Project,

- (e) Whether the financial statements had been prepared on the basis of Generally Accepted Accounting Principle.

### 3. 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 5 of this report, I am of opinion that;

- (a) the Project had maintained proper accounting records for the year ended 31 December 2013 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2013 in accordance with Generally Accepted Accounting Principles,  
 (b) the funds provided had been utilized for the purposes for which they were provided,

### 4. Financial Statements

#### 4.1 Financial Performance

According to the financial statements presented and information made available, the expenditure of the Project for the year under review amounted to Rs. 213,900 and the cumulative expenditure as at 31 December 2013 amounted to Rs. 381,561,214. The following statement shows a summary of the expenditure for the year under review, the expenditure for the previous year and the cumulative expenditure as at 31 December 2013.

Category of expenditure	Expenditure for the year ended 31 December		Cumulative expenditure as at 31 December 2013
	2013	2012	
	Rs.	Rs.	Rs.
Work-in-progress	<u>213,900</u>	<u>175,911,800</u>	<u>381,561,214</u>
	<u>213,900</u>	<u>175,911,800</u>	<u>381,561,214</u>

### 5. Audit Observation

Accounting policies applied by the Project had not been disclosed in the financial statements.

### 6. Financial and Physical Performance

#### 6.1 Utilization of Funds

According to the financial statements and information made available, certain significant statistics relating to the budgetary provision for the year under review and utilization of funds during the year under review are shown below.

Source	Budgetary provision for the year 2013	Funds utilized during 2013	Funds utilized up to 31 December 2013
	Rs. million	Rs. million	Rs. million
GOSL	<u>126.5</u>	<u>126.07</u>	<u>331.6</u>
	<u>126.5</u>	<u>126.07*</u>	<u>331.6**</u>

- \* This amount does not agree with the figure shown in the paragraph 4.1 of this report, as payables as at 31 December 2012 amounting to Rs.125,880,000 had been settled, out of proceeds amounting to Rs. 20,275 received during the year under review.
- \*\* This amount does not agree with the figure shown in the paragraph 4.1 of this report, as compensation payable amounting to Rs.50,000,000 and advance and prepayment of Rs.51,963 as at 31 December 2013 was not included.

## **6.2 Physical Performance**

The following observations are made.

- (a) Even though the activities of Project had been commenced in 2009, as the Phase III of the Project implemented for improvement of the Baseline Road, no progress of the construction of the new road from Kirulapona had been shown since 31 December 2012. Further, the overall project plan and action plans had not been prepared with the relevant information by the Project and as a result, the date of completion of the road construction works cannot be determined.
- (b) According to the information received, the Road Development Authority had paid a sum of Rs. 1,175,300 to the Urban Development Authority in 2008 to design of a housing scheme for the people displaced under this Project. However, action had not been taken to complete the designs even as at 31 December 2013.
- (c) Even though it was expected to acquire 143 plots of land of 2.728 hectares in extent, only 10 plots of land of 0.3447 hectares in extent had been acquired by the Project as at 31 December 2013.