

## **Base Line Road Project -Phase III - 2016**

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The audit of financial statements of the Base Line Road Project-Phase III for the year ended 31 December 2016 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.

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

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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 minimize the road traffic by constructing a new road with 840 metres from Kirulapona to Colombo-Horana Road. The estimated total cost of the Project amounted to Rs.4,336 million and entire cost of the Project is financed by the Government of Sri Lanka.

### **1.3 Responsibility of the Management for the Financial Statements**

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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 as 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**

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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 risk of material misstatements 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, the identifications of the purchases made out of the funds allocated for 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, and
- (g) Whether the satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report.

## **2. Financial Statements**

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### **2.1 Opinion**

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So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that,

- (a) the Project had maintained proper accounting records for the year ended 31 December 2016 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2016 in accordance with Sri Lanka Public Sector Accounting Standards,
- (b) the funds provided had been utilized for the purposes for which they were provided, and
- (c) the satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report.

### 3. Financial and Physical Performance

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#### 3.1 Utilization of Funds

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Certain significant statistics relating to the allocation, utilization of funds during the year under review and up to 31 December 2016 are shown below.

Source	Allocations made in the Budget Estimate under the Line Ministry	Funds utilized	
		during the year under review	up to 31 December 2016
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	Rs. million	Rs. million	Rs. million
GOSL	0.85	0.82	526.00

#### 3.2 Physical Progress

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The following observations are made.

- (a) The activities of the Project commenced in 2009 for reconstruction of the Base Line Road from Kirulapona to Dutugamunu Junction at Colombo-Horana Road had remained abandoned since 2012 due to disputes on acquisition of lands. It was observed that 11 plots of land of 0.3691 hectares had only been acquired by the Project as at 31 December 2016, eventhough 143 plots of lands of 2.7283 hectares were expected to be acquired.
- (b) Further, the Road Development Authority had paid a sum of Rs. 1.17 million to the State Engineering Cooperation in 2008 to design of a housing scheme for the people displaced due to activities of the Project. However, the design works had not been completed even as at 31 December 2016. The need of such a housing scheme could not be justified in audit as the scope of the Project was curtailed.