

Southern Road Connectivity Project (Expressway Connectivity Improvement Plan) - 2018

The audit of financial statements of the Southern Road Connectivity Project (Expressway Connectivity Improvement Plan) for the year ended 31 December 2018 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 read in conjunction with provisions in the Loan Agreement No. 3028 SRI (SF) dated 24 May 2014 entered into between the Democratic Socialist Republic of Sri Lanka and the Asian Development Bank.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Loan Agreement, the Ministry of Higher Education and Highways currently the Ministry of Highways & Road Development and Petroleum Resources Development is the Executing Agency and the Road Development Authority is the Implementing Agency of the Project. The objectives of the Project are screening, feasibility study and detailed engineering design of National Highways linking to the Expressway Network. As per the Loan Agreement, the estimated total cost of the Project amounted to US\$ 6 million equivalent to Rs.790.80 million and out of that US\$ 5 million equivalent to Rs.659 million was agreed to be financed by Asian Development Bank. The balance amount of Rs.131.80 million is expected to be financed by the Government of Sri Lanka. The Project had commenced its activities on 22 August 2014 and scheduled to be completed by 30 June 2019.

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 2018, financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

Emphasis of Matter

Without qualifying the opinion, I draw the attention to Number-4 (Progress of work) to the financial statements which describe the progress of the work of the Project. Accordingly, the expected outcome of the Project to complete the National Road Master Plan for 2018-2027 had not been achieved by the Road Development Authority even as at 31 December 2018, due to lack of inputs expected from the Consultants deployed by the Project since 2014.

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:

- 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. Physical Performance

2.1 Physical Progress of the Activities of the Project

Description	Impact	Response of the Management	Auditor's Recommendations
The services of the both Consultants had been obtained by the Project to prepare the Road Master Plan of the RDA for 2018 to 2027. However, Road Master Plan had not been finalized even as at 31 December 2018.	Possibility to outdate the road designs completed.	The final preparation of the Master Plan is entrusted with the Road Development Authority.	Action should be taken to achieve the objectives of the Project.

2.2 Contract Administration

No	Audit Observation	Impact	Response of the Management	Auditor's Recommendations
(a)	It was observed that the detailed designs of 28 kilometres of 04 National roads namely Negambo- Giriulla, Dampe - Kottawa, Kottawa-Thalagala and Galle-Baddegama had been completed by the Consultant. However, the respective roads were not included in the scope of works originally decided.	Increase of the cost of the Project, due to unauthorized works attended.	The list of the roads mentioned in the bidding documents had been altered subsequently.	The Road Priority List should be maintained according to the National Plan.

- (b) Although, the Project had completed feasibility studies and preparation of detailed designs of 250 kilometers of 30 road, only 24 kilometers of 03 road had been selected for rehabilitation purposes as at 14 March 2019. Further, it was observed that, the rehabilitation works of 24 kilometres of 02 roads had only been commenced as at 14 March 2019.
- Expenditure incurred for the designing of road had become fruitless.
- Due to limitation of the fund allocations for land acquisition purposes, the commencement of the road works was delays.
- Roads rehabilitation works are required to be commenced immediately after design completed.