

Ruwanpura Expressway Project - 2018

The audit of the financial statements of the Ruwanpura Expressway Project 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. 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

The Ministry of Roads and Highways is the Executing Agency and Road Development Authority is the Implementing Agency of the Project. The objective of the Project is to construct a new expressway between the Southern Expressway and the Central Expressway to improve the strategic and socio economic condition of the country.

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 and financial performance and the 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:

- 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 the 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

The proposal on construction of 73.90 kilometres of Ruwanpura Expressway from Kahatuduwa Interchange of Southern Expressway to Pelmadulla under 04 sections had been approved by the Cabinet of Ministers on 23 August 2016. The Cabinet Appointed Negotiation Committee had made a request on 28 November 2018 to provide detailed Engineering Estimate to evaluate the financial proposal for the Section-01 of the Expressway and no such Estimate had been submitted even as at 31 December 2018, causing delays on selection of a contractor thereon and make financial arrangements.

2.2 Contract Administration

The following observations are made.

Audit Issue	Impact	Response of the Management	Auditor's Recommendations
(a) According to the information received, the Road Development Authority had entered into an agreement on 10 November 2014 with its Subsidiary Company to provide consultancy services to carry out the feasibility studies on construction of the Expressway at a cost of Rs.394.29 million. The contract included to provide services such as surveying, investigation, preliminary design, social and environmental impact assessment and resettlement activities. Eventhough the report on feasibility studies was required to be completed by 03 July 2017, there was no such report had been submitted even as at 31 December 2018.	The delay in feasibility reports will lead to delay the commencement of the Project.	The reports on feasibility study and preliminary designs had been completed in January 2019.	Need to investigate the reasons for delays.
(b) The contract on hydrology studies on construction of the Expressway required to be completed by the Consultant at a cost of Rs.11.53 million had been awarded to the Sri Lanka Land Development Corporation at a cost of Rs.66.44 million. However, neither formal agreement had been signed with the Corporation or completed the studies even as at 30 November 2019.	Possible delays in commencement of the civil works.	Agreed with the observation. However, this should be corrected in detail as the EIA report was unable to obtain even as at 31 August 2019, due to fundamental issues directed by the Department of National Physical Planning.	Need to enter into a formal agreement with the Corporation..

2.3 Issues on Land Acquisition

Audit Issue	Impact	Response of the Management	Auditor's Recommendation
According to the information received, 701 plots of land including 108 plots of crown land were scheduled to be acquired under the Section-1 of the Expressway from Kahatuduwa to Ingiriya. Although the land acquisition activities of the Project had been commenced on 01 November 2016, the process on acquisition land had remained delay, as	Possibility to incur interest on delays in settlement of claims on compensation.	The compensation scheme prepared by the Project and forwarded to the Line Ministry on 01 March 2017 to published in the Government Gazette Notification had not been done.	Need to expedite the implementation process of land acquisition.

the financial arrangement had not been made on payment of compensation.

2.4 Issues on Environmental Matters

Audit Issue	Impact	Response of the Management	Auditor's Recommendation
According to the National Environmental Act, No.47 of 1980, the Environment Impact Assessment Report of the Central Environmental Authority is required to be obtained before implementing the activities of the Project. Eventhough the Project had commenced activities on preparation of preliminary designs and land acquisition etc and submitted relevant information to the Central Environmental Authority in March 2018, the respective report had not been obtained even as at 30 November 2019.	Possible delays in commencement of land acquisition activities.	At present, the survey works of the entire trace are completed.	Need to identify the reasons for the delays and discuss with relevant parties to speed up the reports.

2.5 System and Controls

The following observations are made.

	Audit Issue	Impact	Response of the Management	Auditor's Recommendation
(a)	Although the activities of the Project was not functioned actively, the Project Monitoring Unit had hired 05 motor vehicles and paid hire charges amounting to Rs.8.81 million during the year under review without being used of minimum agreed length of running capacity per year.	The project monitoring expenses would be increased unnecessarily.	Not responded.	Need to identify the real needs in use of motor vehicles.
(b)	It was observed that the Project Monitoring Unit had deployed a Social and Environmental Compliance Officer and Land Acquisition Officers since 05 April 2017, contrary to the Letter No. DMS/7777/REP of 15 January 2016 of the Department of Management Service and the provisions made under the Section 2.2.8 of the Management Service Circular No.01/2016 date 24 March 2016. Further, the remuneration amounting to Rs.1.59 million had been paid up to 31 December 2018.	Circular instructions not complied.	These consultants were recruited by the Project Director on 01 April 2017.	Action should be taken to adhere with the Circular instructions.