

Ruwanpura Expressway Project - 2019

The audit of the financial statements of the Ruwanpura Expressway Project for the year ended 31 December 2019 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 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. The estimated total cost of the Project was approximately Rs.286,000 million and Cabinet of Ministers had decided to finance by Local Banking System under supervision of Secretary to the Treasury.

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 2019 and its 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 for the construction of 73.9 Km of Expressway from Kahatuduwa to Pelmadulla had been approved by the Cabinet on 23 August 2016. However, the Project was unable to begin the construction works up to 31 December 2019 due to issues raised by the National Physical Planning Department. Further, it is observed that the Cabinet of Ministers had decided on 01 July 2020 to cancel all previous agreements and carry out the construction works by local contractors under the Local Bank financing facilities. Accordingly, pre-qualification of bidders for 24.3 Km from Kahatuduwa to Ingiriya had been examined as at 30 September 2020.

2.2 Contract Administration

No	Audit Issues	Impacts	Responses of the Management	Auditor's Recommendations
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(a)	The Environment Impact Assessment Report from the Central Environmental Authority could not be obtained up to 30 September 2020, due to issues raised by the National Physical Planning Department. However, the Project had commenced its activities on preparation of preliminary designs, pre-bidding process and land acquisition activities before receiving that report.	Possible delays in commencement of the road construction works and cost of the Project will be increased.	Progress of Environmental Impact Assessment (EIA) up to date is 99%.	Action need to be taken to settle the fundamental issues raised by the National Physical Planning Department and expedite the approvals.
(b)	The Sri Lanka Land reclamation development corporation had been selected for the hydrology studies of the Project at a cost of 66.44 million but there is no formal agreement for that assignment. As a result, the report had not been completed by the Cooperation even after lapse of 2 years and submits the revised cost estimate of Rs.91.10 million on 20 June 2020. The delay in submission of reports will adversely affect to the Project.	Possible delays in commencement of the road construction works.	Ministry of Highways has appointed a Technical Evaluation Committee (TEC) to review the detailed hydrology study and its issues such as TOR, signing contract agreement and finalizing the estimate.	The formal agreement with regard to the period of assignment and estimated cost of the assignment to be signed in advance.

2.3 Issues on Land Acquisition

Audit Issue	Impact	Response of the Management	Auditor's Recommendation
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According to the information received, 1,965 plots of land including 406 plots of crown land were scheduled to be acquired for the Project. However, the land acquisition activities were remained slow, due to non-availability of finalized compensation scheme. Delay in payments will be adversely affected to increase the cost of interest on land acquisition.	Possible delays in commencement of the road construction works.	Memorandum for the Cabinet is being prepared by the Ministry of Highways for finalizing of compensation scheme.	Action need to be taken to expedite the land acquisition activities.

2.4 Underutilized Resources

Audit Issue -----	Impact -----	Response of the Management -----	Auditor's Recommendation -----
An allocation of Rs.100 million had been provided by the Budget Estimate for the year under review. Out of that a sum of Rs.49 million had been transferred to the other Projects by the Ministry of Highways. Hence, out of the Rs.51 million net provisions, a sum of Rs.44.35 million representing 87 per cent of the allocation had only been utilized, due to delays in land acquisition.	Weaken controls on financial management	Initial budget allocation for land acquisition and resettlement for the year 2019 amounted Rs.100 Mn. out of that ministry has transferred Rs.49 Mn to other projects & balance for the year Ruwanpura Expressway Project is Rs.51 Mn. However, 87% of the said amount had been utilized that is Rs.44.35 Mn. due to the delay in finalized of compensation scheme for land acquisition process project was unable to reached the planed amount of Rs.51 Mn.	A comprehensive Action Plan need to be prepared and allocation to be requested accordingly to utilize the funds efficiently.