

Anuradhapura Integrated Urban Development Project - 2024

The audit of financial statements of the Anuradhapura Integrated Urban Development Project (AIUDP) for the year ended 31 December 2024 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 Article 3.4.3 of the Credit Facility Agreement No. CLK – 100901 R dated 01 December 2016 (as amended on dated 31 August 2017, 14 May 2018 and 14 March 2021) entered into between the Democratic Socialist Republic of Sri Lanka and the French Agency for Development. 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

According to the Credit Facility Agreement, the Ministry of Urban Development and Housing is the Executing agency of the project and it is implemented under the Strategic Cities Development Programme (SCDP) under the Ministry of Urban Development and Housing.

The objective of the Project is to promote a balanced mode of co-development between the sacred and modern part of Anuradhapura city, with the objective of preserving its cultural and national heritage, key to the site's attractiveness.

As per the Credit Facility Agreement, the estimated total cost of the Project was Euro 62.4 million equivalent to Rs 9,779.95 million and out of that Euro 52 million equivalents to Rs 8,149.96 million was agreed to be financed by the French Agency for Development. The balance amount of Rs 1,629.99 million is expected to be financed by the Government of Sri Lanka.

The Project had commenced its activities on 01 December 2016 and scheduled to be completed by 31 December 2021. However, as per the amended agreement the date of the completion of the activities of the Project had been extended up to 30 September 2023. Subsequently a cabinet decision was made to further extend the project until 31 March 2025.

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 2024 and its cash flows for the year then ended in accordance with Sri Lanka 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 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 scepticism 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. Comments on Financial Statements

2.1 Accounting Deficiencies

Accounting Deficiency / Audit Issue	Response of the Management	Auditor's Recommendations
The credit facility obtained from the Agence Française de Development (AFD) had not been converted into Sri Lankan Rupees as at 31 December 2024 and as a result, the loan balance and development expenditure balance shown in the Statement of Financial Position were understated.	As per the department of State Accounts guide line No. 03/2024 , adjusting the parity variance in the project financial statements is not necessary.	The loan should convert into Sri Lankan Rupees as at 31 December 2024.

2.2 Non Compliance with Laws, Rules and Regulations

Component /Sub Component	Reference to the Laws Rules and Regulations	Non Compliance/Audit Issue	Response of the Management	Auditor's Recommendations
(a) Construction of the Anuradhapura Southern Multimodal Transport Centre	Section 8.13.4 of the Procurement Guideline	According to section 8.13.4 of the Procurement Guideline, the Project Director can approve a net price variation of up to 10 percent of the estimated value, subject to the recommendations of the Technical Evaluation Committee. But the Project Director had approved and implemented the works and Payment had also been made for 29 variation orders valued at Rs. 196 million which is 23 percent of the estimated value without getting the appropriate Procurement committee and the TEC contrary to the procurement guideline.	1-30 variations has recommended by the Technical evaluation committee and MPC approved on 29 December 2023.	Prior approval should be obtained before implementing such works according to the Procurement guideline.

(b)	Renovation of the open-air theatre of the Sri Lanka Broadcasting Cooperation	Section 8.13.4 of the Procurement Guideline	A sum of Rs. 31.91 million was spent on the roof construction of the open-air theatre. It was observed that due to changes in the scope of the project, the cost of roofing work had to be increased by 664 percent over the estimated cost. This was due to the shortage of raw materials in the market and the request made by the Rajarata Service to change the sheets used to construct the roof of the theater. However, the approval had not been obtained.	Answer will be submitted in future	Procurement guideline should be followed.
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3. Physical Performance

3.1 Physical progress of the activities of the Project

	Audit Issue	Management Response	Auditor's Recommendations
(a)	Although it was decided to complete the works of this project before the Poson festival of 2025, which was to be completed on 31 March 2025 according to the discussion held on 24 October 2024 in the National Operations Room (NOR), it was observed that the work of the project was still being carried out with a physical progress of 53 percent as at the date of the audit on 12 December 2024.	Comments had not been received.	Effective action should be taken to complete the work within the project period.
(b)	Only 05 packages valued at Rs.2,123.19 million had been commenced out of the 12 packages which were expected to be carried out under the project and Only 2 packages had been completed on 31 December 2022. The packages No. 3 and 4 were completed after delay of 04 to 07 months in the year 2023 due to poor construction supervision and weaknesses in planning and design.	Comments had not been received.	Effective action should be taken to complete the work within the project period.

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| <p>(c) According to the loan facility agreement, the project should have been completed the procurement process of 12 packages valued at Rs.6,562.68 million by the end of 2021, but 07 packages valued at Rs. 5,025 million had not been completed the procurement process. Further, the credit facility had been extended up to 30 September 2023 and a cabinet decision was taken to extend the project up to 31 March 2025 and it was further observed that the works expected to be completed within the project period, would not be fully completed by the end of the extended project period due to poor performance.</p> | <p>This particular project extension has been granted solely for the purpose of completing recouping activities, specifically including the construction of the Southern Multimodal Terminal Facility. The Ministry has requested a one-year extension from the Cabinet to successfully complete the remaining works.</p> | <p>Action should be taken to achieve the project objectives within the project period.</p> |
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3.2 Contract Administration

	Component /Sub Component	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	Construction of the Anuradhapura Southern Multimodal Transport Centre	Anuradhapura Southern Multimodal Transport Centre had been commenced on 24 February 2022 and expected to be completed within 21 months on 25 November 2023. Even though Ministry of Urban Development and Housing was stopped the work of the project. (except for the soil conservation work and the drainage system) until receiving the decision of the Agence Française Development (AFD) and the Treasury. However, it was agreed by the Ministry with a cabinet decision to proceed with the existing committed all projects with the guide lines of NOR advise and the consent of the donor. It was agreed to complete all sub projects committed and it was funded by GOSL and until debt restructuring programme		

completed and AFD agreed to reimburse EURO 6 million. Following observations are made.

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| <p>(i) It was observed that the contractor had continuously informed to the Ministry that there were delays in the progress of the project due to the failure of providing the necessary drawings and instructions for the Southern Multimodal Transport Centre. Although the services of 03 consulting firms had been obtained, but it was observed that the project was progressing slowly due to the lack of proper planning and the lack of proper consultancy work.</p> | <p>These particular consultancy services have been procured for several phases and for the several purposes not for the same purpose. Timeline also differ of these procurements.</p> | <p>Actions should be taken to submit respective plans on time and consultancy work should be monitored closely.</p> |
| <p>(ii) It was observed that 12-meter section of the Touch and Go bus stop building of this project had been constructed very close to the main road, violating the road boundary, without obtaining prior approval from the Road Development Authority.</p> | <p>Secretary of MUDH has appointed a committee to investigation of the Matter. Ministry will take the action accordingly.</p> | <p>Action should be taken against those who have failed to fulfil their responsibilities.</p> |
| <p>(iii) Although the Anuradhapura Southern Multimodal Transport Hub construction project was scheduled to be completed by 31 March 2025, it was observed that the work would not be completed on time due to the 53 percent of underperformance as at 31</p> | <p>Comments had not been received.</p> | <p>Actions should be taken to complete the project within the scheduled time.</p> |

December 2024 which is the main sub-project implemented to fulfil the main objective of initiating the Anuradhapura Integrated Urban Development Project.

Therefore, it was observed that by the date of audit, the benefits of this project, which had cost approximately Rs. 561.46 million had not been provided to the people of Anuradhapura and the local and foreign tourists visiting the sacred city of Anuradhapura.

- (b) Renovation of the Open-air theatre of the Sri open-air theatre of the Lanka Broadcasting Sri Lanka Cooperation had been Broadcasting completed at a work done Cooperation value of Rs.163.96 million.

Following observations are made.

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| <p>(i) Although it had been allocated Rs. 19.28 million to provide electricity to the hall at the initial estimate, electricity supply had not been provided at the time of audit even though electrical circuits were installed at a cost of Rs. 10.43 million. It was observed that inconvenient had occurred to hold concerts in the hall at night due to the lack of electricity.</p> | <p>This project will be handed over to SLBC.</p> | <p>Actions should be taken to complete the project and handover to the SLBC.</p> |
| <p>(ii) The aforementioned open-air theatre, which has been handed over to the Rajarata Service of the Sri</p> | <p>Functions should revisit by SLBC with the current requirement and</p> | <p>Actions should be taken to utilize the building to generate income.</p> |

Lanka Broadcasting Corporation, has been made available for performances on only four occasions until 12 December, 2024. Since the work was completed more than a year before, but the expected objectives of the project have not been achieved, as only an income of about Rs. 0.12 million has been generated. O&M Plan should be revised to achieve the financial benefits

- (c) Construction of Lankarama car park
- Although the contract was to be completed on 15 August 2022 as per the agreement, it had been extended up to 24 February 2023, and the project was actually completed on 31 March 2023. The project was handed over to the Anuradhapura Municipal Council on 6 April 2023, based on the mutual agreement with the Anuradhapura Municipal Council on 16 February 2021.

- (i) Although an estimated work value of Rs. 67.21 million was identified for the construction of a shop building for merchants in the area and a car park at the beginning of the project, but flower shops and a car park had been constructed at a work valued of Rs. 30.33 million instead of that. Accordingly, it was observed during the audit that the construction of this car park had been carried out by abandoning most of the items identified at the
- Comments had not been received.
- Action should be taken to identify the basic needs of beneficiaries of the project in initial stage.

initial stage of the project and incorporating new items. This situation was attributed to the absence of a proper feasibility study before the project was initiated and the project objectives could not be achieved.

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| <p>(ii) It was observed that Anuradhapura Municipal Council is not taking any action with regarding this parking place and collect Rs. 3000 per month from the shop owners by the Reverent of Lankarama temple. Accordingly, it was observed during the audit that the parking place handed over to the Anuradhapura Municipal Council was being managed by the Lankarama Temple and it has been financial loss to the government.</p> | <p>This particular car park has already been handed over to the Anuradhapura Municipal Council (AMC). The AMC is responsible for managing the car park and should take necessary action accordingly.</p> | <p>Actions should be taken to collect rent income as agreed.</p> |
| <p>(iii) Although an estimated cost of Rs.5.95 million was estimated for the provision of electricity to the developed premises and the installation of an ELV system, these activities have been completely stopped and instead of providing electricity through the Ceylon Electricity Board, solar light poles have been installed and it was observed that the light poles have also been destroyed by the monkeys.</p> | <p>These solar Light instalments have been done as the sustainable solution and reduce the management cost ignoring government expenses over to the lighting/electricity.</p> | <p>Actions should be taken to provide electricity .</p> |
| <p>(iv) The cost of Rs. 30.33 million expended for this project had been</p> | <p>Answer will be submitted in future</p> | <p>Actions should be taken to utilize the premises.</p> |

underutilized due to the lack of proper identification of the need and preparation of basic plans.

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| (d) Railway Plaza Development Project | (i) A sum of Rs. 2.37 million had been spent on wiring outdoor lamp points and socket outlets for 1800 meters of the developed area, but due to errors in the circuit installation, it was not possible to provide electricity to the premises. Although the services of a chartered electrical engineer should be obtained as per the Method statement in Volume 06 of the contract documents, it is not confirmed that such services have been obtained based on the above error conditions. Furthermore, although Rs. 2.94 million had been spent on the installation of 337 electric lamps, that expenditure had also become an idle due to the lack of electricity supply. | All the development done through the supervision obtained from qualified professionals and Railway Department should be Operate and Manage the Premises which they own already. | Actions should be taken to provide electricity to the premises. |
| | (ii) According to the scope of the project, the main function of the Railway Plaza project is to serve as a meeting space and public open space aimed at serving the large passenger population gathered at the location. Furthermore, the aim was to provide public facilities for the population that gathers here during the Vesak and Poson festivals. However, it was observed that the premises constructed at a cost of Rs. | Railway Department should be Operate and Manage the Premises which they own already. | Actions should be taken to provide electricity to the premises and achieve project objectives. |

45.68 million remained a dark area at night and the objectives of the project could not be achieved due to the lack of provision of public facilities as expected.

(e) Obtaining consultancy services for the activities of the Anuradhapura Integrated City Development Project	(i) The project had appointed EGIS International to provide expert management consultancy services for 06 main projects under 12 packages on 24 November 2021. Further 28 sub-projects had been identified to implement under the Project. It was observed that EGIS International had been contracted to provide consultancy services for 28 sub-projects under 12 packages planned to be developed under the Anuradhapura Integrated City Development Project, but consultancy firm had failed to carry out 17 sub-projects under 7 main projects.	Comments had not been received.	Action should be taken to achieve the project objectives within the project period.
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Although a sum of Rs. 117.43 million had been paid to the consultancy firm 66 percent out of the contract amount, the project objectives could not be achieved due to poor performance of consultant in construction of Lion pillar roundabout, railway plaza, Sri Mahabodhi East gate Vehicle Park, Renovation of Open Air Theatre and

Southern Multimodal
Transport Centre.

	(ii) The project had entered into an agreement with the Central Engineering Consultancy Bureau at a contract value of Rs.7.8 million on 01 November 2023 to obtain consultancy services for the construction of the Southern Multimodal Transport Hub. It was observed that although a contract had been entered for the preparation of new Structural, Plumbing and Mechanical Design and Drawing as per the recommendation of the Project Consultant Procurement Committee on 09 April 2024. The project could not be continued due to delay in submitting the Design and Drawing for the said project.	Comments had not been received.	Actions should be taken to continue project without any delay.
(f) Other Observations.	(i) Variation valued at Rs. 236.85 million had been made without getting approval from the Empowered Committee for Re-Strategizing and Acceleration of Large-Scale Development Projects (RAMP). (ii) The number of project staff has been reduced by 31 December 2022 and only a part-time project director and a full-time quantity surveyor are directly	Comments had not been received.	Proper approval should be taken. Action should be taken to recruit the required staff for smooth operation of the project.

involved with the project. Moreover it is doubtful in the audit the ability to complete the remaining work of the project within the project period. However, without completing the project an effective manner, a sum of Rs.330 million had been paid for the project management unit since the year 2016.

3.3 Idle/ Unutilized/ Underutilized Resources

	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	An amount of Rs.45.9 million had been paid to the Irrigation Department as compensation for the relocation of the Irrigation Quarters building under the construction of Northern Multimodal Transport Centre. However, after cancelled this package that amount should be recoverable from the Irrigation Department but it had not been recovered up to end of the year under review.	Comments had not been received.	Action should be taken to recover the compensation.
(b)	According to the loan agreement made in the year 2016, the loan agency had agreed to fund Rs. 8,354.32 million and the treasury allocation was Rs. 1,670.86 million and the loan period had been ended on 30 September 2023 and only Rs. 2,754.08 million or 27.47 percent had been utilized as at 31 December 2024. As a result, expected out come from 12 packages of the Anuradhapura Pooja City Development Project could not be achieved.	Ministry and PMU has given the best effort to overcome the external and internal implication come through the project and every step avoiding unnecessary delays, duplications and unsolicited activities which can be contradiction with Expected project Objectives .	Expected outcome should be achieved as planned.
(c)	The Railway Plaza Development Project under Package 01 had been completed at a value of Rs.98 million	Comments had not been received.	Action should be taken to utilize the building effectively.

and handed over to the Railway Department in the year 2022. However, the cafeteria that was newly constructed had been remained vacant up to 31 December 2024 due to lack of proper maintenance. Therefore, it was observed that the Railway Plaza building could be idled without made a long-run operation and maintenance agreement with the Railway Department.

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| (d) | The contractor had claimed of Rs. 115 million as a suspension claim for idleness and incidental costs of workers and machinery and a sum of Rs.69.93 million for the time extension So that cost was a burden to the project cost due to the suspension of the project. | Comments had not been received. | Actions should be taken to avoid the additional cost. |
| (e) | The value of the contract had been increased by Rs. 1,176 million to Rs. 1,795 million by 53 percent due to the suspense of the project and it will directly burden to the GOSL fund. | Comments had not been received. | Actions should be taken to avoid the additional cost. |

3.4 System and Controls

Audit Issue	Response of the Management	Auditor's Recommendation
The project had not prepared a specific asset management plan for long-term sustainability of the project assets which were handed over to the assets owners	Comments had not been received.	Action should be taken to complete the asset management plan.