

## **Ruwanpura Expressway Project - 2020**

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The audit of the financial statements of the Ruwanpura Expressway Project for the year ended 31 December 2020 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**

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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 had been decided to finance by Local Banking System under supervision of Secretary to the Treasury.

### **1.3 Opinion**

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In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2020 and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **1.4 Basis for Opinion**

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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**

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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**

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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 of the Project**

### **2.1 Physical Progress of the Activities of the Project**

The initial activities of 73.9 km of Ruwanpura Expressway from Kahatuduwa Interchange to Pelmadulla commenced in 2016 as per the Decision of Cabinet of Ministers on 23 August 2016 had been cancelled by the new decision of Cabinet of Ministers obtained on 01 July 2020 after laps of 4 years. However, out of total road length, only 24.3 km from Kahatuduwa to Ingiriya section had been awarded for the construction on 03 May 2021. The construction work of 2 km in the Kahatuduwa interchange and the 47.6 km road length from Ingiriya to Pelmadulla section had not still been commenced.

## 2.2 Contract Administration

No	Audit Issues	Responses of the Management	Auditor's Recommendations
(a)	According to the information, the construction of Ruwanpura Expressway Phase-1 of 24.3 Km from Kahatuduwa interchange to Ingiriya had been divided in to 4 separate contract packages for the purpose of calling bidders and award only one contract to the bidder as per the tender condition sated in section 3 of the bidding document. However, the Standing Cabinet Appointed Procurement Committee (SCAPC) had decided to waive off the above tender conditions and had awarded total 4 contract packages to the one Construction Company by considering lowest cost of the each packages. Accordingly, objectives expected in the section 2.1.3 of the Cabinet Paper dated on 23 June 2020 had not been succeeded.	Separate Cabinet approval was taken in order to waive off the tender condition and to award 4 contract packages to the one construction company.	The disclosed criteria should not be modified or additional criteria should not be introduced during the evaluation stages as per Section 5.3.20 of the Procurement Guidelines 2006.
(b)	The detailed hydrological study for the construction of the Expressway was awarded to the contractor, eventhough an advance of Rs. 8.6 million being paid to the Sri Lanka Land Reclamation & Development Corporation without a contract agreement.	The advance payment already paid by the RDA for the data collection for Ingiriya to Pelmadulla of the Expressway (Rs.8,593,398.00) will be settled by the phase 2 and 3 Detailed Hydrology Study carried out by SLLDC.	Action need to be taken to obtain confirmation from SLLR&DC for advance amounting to Rs.8,593,398 and should be recovered immediately.
(c)	According to the decision of Cabinet of Ministers on 01 July 2020, the funding facilities for the civil construction works of the Project should be arranged through the Local Banks of the country. Although the contract for the Expressway had been awarded on 03 May 2021, the funding facilities for the Project had not been completed even as at 30 July 2021.	The contract awarding date should be changed as 3rd May 2021. On 16 July 2021 NSB loan facility amounting Rs 3.25 Bn has been granted for the project and the amount of Rs 3.20 has been release to the contractor as the advance payment. Project Expenditure for the 2022 year (Rs12.95 Bn) has been arranged through the BOC loan facility.	Action need to take to arranged total fund requirement of Rs. 54 billion through local bank to complete the Expressway on targeted date.

### 2.3 Issues Related to the Environmental Matters

Audit Issue -----	Response of the Management -----	Auditor's Recommendation -----
According to the information, the approval for the Environment Impact Assessment Report (EIA) road section of 47.6 km from Ingiriya to Pelmadulla had not been granted by the Central Environmental Authority even as at 30 June 2021, due to several environmental problems. Therefore, the Project had decided to revisit the initial feasibility study of the road trace to reduce the total tunnel lengths and minimize the natural hazards and find the new Right of Way for the Expressway. As a result, a sum of Rs. 6.84 million had been born by the Project in addition to the initial feasibility study cost of Rs.394 million incurred in 2016.	Accepted	Action need to be taken to obtain Environment Impact Assessment Report (EIA) for the balance road section of 47.6 km from Ingiriya to Pelmadulla before commencement of the land acquisition activities.

### 2.4 Issues on Land Acquisition

Audit Issue -----	Response of the Management -----	Auditor's Recommendation -----								
According to the information, the total plot of lands to be acquired by the Project were 2,579 including 415 plots of crown land in the Kahatuduwa to Ingiriya road Section. Although the Section 38 (a) had been gazette for 1,933 plot of lands in the year 2017 – 2018, no any plot of lands had been paid compensation even as at 30 June 2021. Therefore, it is not possible to hand over the position of sites to the contractor as per volume - II condition of contract.	<p>Current land acquisition Progress are as follows;</p> <table border="0"> <tr> <td>Total lots 38(a) gazette</td> <td style="text-align: right;">2060</td> </tr> <tr> <td>Compensation paid lots</td> <td style="text-align: right;">35</td> </tr> <tr> <td>Compensation paid amount</td> <td style="text-align: right;">Rs.141.79Mn</td> </tr> <tr> <td>Total lots handed over the possession to the contractor</td> <td style="text-align: right;">1511</td> </tr> </table>	Total lots 38(a) gazette	2060	Compensation paid lots	35	Compensation paid amount	Rs.141.79Mn	Total lots handed over the possession to the contractor	1511	Need to maintain proper coordination with the Divisional Secretaries, Survey Department and Valuation Department to complete the land acquisition activities on targeted dates.
Total lots 38(a) gazette	2060									
Compensation paid lots	35									
Compensation paid amount	Rs.141.79Mn									
Total lots handed over the possession to the contractor	1511									

## 2.5 Issues Related to Human Resources Management

Audit Issue	Response of the Management	Auditor's Recommendation
The approved carder by the Department of Management Services for the Project was 37 employees. However, there were 19 vacancies and out of those vacancies 13 are in the Operation level of Project.	Recruitment was conducted based on the requirement of the project staff with the progress of the project activities. Currently there are 28 staff members working under the PMU approved cadre.	Action need to be taken by the Project to recruit the required staffs without delay to carry out activities on time and complete the works of the Project on targeted dates.