

Elevated Highway from New Kelani Bridge to Athurugiriya Project - 2021

The audit of the financial statements of the Elevated Highway from New Kelani Bridge to Athurugiriya Project for the year ended 31 December 2021 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 Transport and Highways is the Executing Agency and Road Development Authority is the Implementing Agency of the Project. The objective of this Project is to ease of heavy traffic congestions in the financial and administrative capital cities of the country and enhance the connectivity of the expressway network by link Colombo core to the existing expressway network including Port City, Colombo harbor, Malabe education hub and Battaramulla administrative hub in order to enhance the service delivery. The estimated cost of the Project is Rs. 193 billion and approximate length of the main trace is 16.4 km. The proposed Project is to be implemented on Design- Build- Finance-Maintain and Transfer (DBFOMT) basis as a Public Private Partnership (PPP) and scheduled to be completed within 3 years in the 2025 and maintained 15 years by the investor.

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 2021 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 this 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 project’s internal control.
- 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 Non-Compliance with Laws, Rules and Regulations

Reference to the Laws Rules and Regulations	Non-Compliances	Responses of the Management	Auditor’s Recommendations
(a) Procurement Guideline 2006 and Guideline No.12 issued by the Department of Public Finance	The Master procurement plan and the detailed procurement plan for the year 2021 of the Project had not been prepared and updated.	Comments made by the audit are duly noted and will incorporate into future procurement planning.	Action need to be taken to comply with relevant Guideline and Circulars.

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| (b) | Public Administration Circular No. 09/2009 dated 16 April 2009 | The Project does not use the finger scanner to record the times arrivals and departures of the staff of the Project and overtime amounting to Rs. 2 million during the year under review had been paid without confirming the attendance using finger scanners. | The finger scanner was not in used for several months due to COVID 19 pandemic problem prevailing in Sri Lanka. | Action should be taken to adhere with Circular instructions. |
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3. Physical Performance

3.1 Physical and Financial Progress of the Activities of the Project

Although the activities of the Project commenced in 2016 to select the investor under competitive bidding, the process of selecting investor had been cancelled by the Cabinet of Ministers meeting held on 06 May 2020 after laps of 4 and had been granted the approval to the Ministry of Highway and the Board of Investment to evaluate the investment proposal of the China Harbor Engineering Company Ltd and other interested parties proposals for this investment. However, no investor had been selected by the Project for awarding the civil construction works even as at 31 July 2022. The total cost incurred by the Project was Rs.1,041 million as at 31 December 2021.

3.2 Contract Administration

Audit Issues	Responses of the Management	Auditor's Recommendations
(a) Environmental Impact Assessment (EIA) Report for the Road section of 10.4 km from Rajagiriya to Athurugirya had not been approved by the Central Environmental Authority (CEA) even as at 31 July 2022, due to highway trace is going through Environmental Protected Area (EPA). Further, it was observed that, five legal cases had been filed by the outside parties against the Project and these cases had not been resolved even as at 31 July 2022.	Five parties have taken legal actions against the Project for the matter of EIA (Environmental Protection Area- EPA) and it will be a major hindrance for smooth continuation of the project activities.	Need to obtain Environmental Impact Assessment report for the total road length before awarding the civil construction works and land acquisition activities.

- (b) Out of 17 hired vehicles, 4 vehicles had been underutilized as per the lease agreement mileage. Further, it was observed that a vehicle had been met with an accident on 11 May 2020 and repaired by incurring Rs.528,000 on 22 April 2021. However, it had not been used by the Project even as at 31 December 2021.
- Presently, this vehicle is required some minor repairs (replacing battery, routine servicing vehicle) and will be handed over to RDA once the repair is completed.
- Action need to be taken to utilized Project assets efficiently.

3.3 Payments made out of the Project Objectives

Audit Issue	Response of the Management	Auditor's Recommendation
Contrary to scope of works of the Project, a sum of Rs.550,163 had been paid by the Project on 27 July 2021 to Sri Lanka Rupavahini Corporation for the live coverage of the inauguration ceremony of the Elevated Expressway from New Kelani Bridge to Athurugiriya.	Inauguration and awareness programme has been held in 2021 with the participation of key stakeholders. Accordingly, payment has been made to Sri Lanka Rupawahini Corporation for live telecast.	Action need to be taken to comply with the objectives of the Project.

3.4 Issues on Land Acquisition

Audit Issue	Response of the Management	Auditor's Recommendation
It was scheduled to acquire 2,571 plots of land for the Elevated Highway Project. Out of that, 1,250 plots of land including 1,110 Plots of crown land to be acquired for the New Kelani Bridge to Rajagiriya Section whilst 1,321 plots of land to be acquired for the Rajagiriya to Athurugiriya Section. Eventhough, the Section 38(a) had been gazetted for 1,334 plots of land for New Kelani Bridge to Rajagiriya Section, only preliminary activities had been carried out for Rajagiriya to Athurugiriya Section. Further, it was observed that no compensation had been assessed for any plot under Section 17 even as at 31 December 2021.	Section 38(a) had been gazetted for 1,334 plots of land. Land acquisition process has been temporarily hold since 22/02/2022 as per the Court of Appeals interim relief issued on 21/02/2022 under Court of Appeal(writ) application No 545/2021 & 546/2021 against EIA. Balance works will be resumed after resolving the pending writ application.	Need to obtain Environmental Impact Assessment (EIA) Report before commencing the land acquisition activities of the Project.