

Ruwanpura Expressway Project - 2017

The audit of financial statements of the Ruwanpura Expressway Project for the year ended 31 December 2017 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.

1.2 Implementation, Objectives, Funding and Duration of the Project

The activities of the Project is executed by the Ministry of Highways and Road Development and implemented by Road Development Authority. The objective of the Project is to construct a new expressway with a linkages to the Southern Expressway and the Central Expressway to improve the transport infrastructure of the Sabaragamuwa Province and a part of the Western Province.

1.3 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.4 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Project's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. The examination also included such tests as deemed necessary to assess the following.

- (a) Whether the systems and controls were adequate from the point of view of internal control so as to ensure a satisfactory control over Project management and the reliability of books, records, etc. relating to the operations of the Project,
- (b) Whether the expenditure shown in the financial statements of the Project had been satisfactorily reconciled with the enhanced financial reports and progress reports maintained by the Project,
- (c) Whether adequate accounting records were maintained on a continuing basis to show the expenditure of the Project,

- (d) Whether the expenditure had been correctly identified according to the classification adopted for the implementation of the Project, and
- (e) Whether the financial statements had been prepared on the basis of Sri Lanka Public Sector Accounting Standards.

2. Financial Statements

2.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, except for the effects of the adjustments arising from the matters referred to in paragraph 3.3 of this report, I am of opinion that,

- (a) the Project had maintained proper accounting records for the year ended 31 December 2017 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2017 in accordance with Sri Lanka Public Sector Accounting Standards and ,
- (b) the funds provided had been utilized for the purposes for which they were provided.

3. Financial and Physical Performance

3.1 Utilization of Funds

According to the information received, allocation amounting to Rs. 120 million had been made in the Budget Estimate for 2017 to implement the activities of the Project and out of that a sum of Rs 92.10 million had been utilized at the end of the year under review.

3.2 Physical Progress

The following observations are made.

- (a) The construction works 73.90 kilometers of Ruwanpura Expressway from Kahathuduwa in the Western Province to Palmadulla in Sabaragamuwa Province had been commenced on 10 October 2014. The construction works had been divided in to 04 sections and the prospective contractors for the civil construction works had been nominated by the Government of the Republic of China.
- (a) The comprehensive overall plan and action plans which should be clearly identified the responsibilities of the core staff with the physical and financial targets had not prepared in order to take corrective measures to achieve the Project objectives effectively and efficiently.

3.3 Contract Administration

The following observations are made.

- (a) According to the information received, the Implementing Agency had taken action to carry out the feasibility studies for the construction of the Expressway and an agreement thereon had been entered into on 10 November 2014 with a subsidiary company of the Implementing Agency for the consultancy services at a cost of Rs.394.29 million. The contract included providing of the services such as surveying, investigation, preliminary design, social and environmental impact assessment and resettlement activities. Even though the activities under the contracts

was required to be completed by March 2016, the reports thereon had been submitted to the Project in January 2018 after delays in 22 months. Further, it is observed that the surveying activities to be carry out at a cost of Rs. 58 million had not been performed by the Consultant.

- (b) The report on hydrology study of the Expressway under the above mentioned feasibility study had been completed at a cost of Rs.11.53 million submitted on 26 August 2016. However, the respective report had been referred to a public corporation for reviewing purposes at a cost of Rs.15.18 million. The Project had subsequently decided on 01 June 2017 to carry out a detailed hydrology study from the above mentioned public corporation at a cost of Rs.67.79 million, considering the flooding situation in the area. However, no formal agreements had been entered in to with the public corporation by the Project Monitoring Unit even as at 31 December 2017 and no reports thereon had been submitted even as at 30 June 2018.
- (c) The Environmental Impact Assessment Report required to be obtained from the Central Environmental Authority before implementing the activities of the Project as per National Environmental Act, No. 47 of 1980 had not been obtained by the Project even as at 31 December 2018. However, the activities such as corridor surveys and preparation of preliminary designs etc. had been commenced during the year under review.