

Elevated Highway from New Kelani Bridge to Athurugiriya Project – 2020

The audit of the financial statements of the Elevated Highway from New Kelani Bridge to Athurugiriya 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

The Ministry of 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.

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 2020 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. Physical Performance

2.1 Physical and Financial Progress of the Activities of the Project

Although the Project had commenced its activities in 2016 and the feasibility study of the Phase I (6.9 km from New Kelani Bridge to Rajagiriya) had been completed under the scope of Southern Highway Extension Towards Colombo Project (SHETCP) in 2015, the feasibility study of the Phase II (10.4 km from Rajagiriya to Athurugirya) had been completed and handed over to Project on 22 August 2019 after delay in 294 days from the initially agreed period. Further, it was observed that, the Environmental Impact Assessment (EIA) Report for the Phase II had not been approved by the Central Environmental Authority (CEA) even as at 30 September 2021 due to highway trace is going through Environmental Protected Area (EPA).

2.2 Contract Administration

Audit Issue	Response of the Management	Auditor's Recommendations
Although the activities commenced in 2016 to select the investor for the Project under competitive bidding procedures, it had been cancelled after 4 years as per the decision of the Cabinet of Minister on 06 May 2020 and had been granted the authorization to the Ministry of Highway to work with the Board of Investment for the evaluation of investment proposal of the China Harbor Engineering Company Ltd. However, no investor had been selected to the Project even as at 30 September 2021.	A Cabinet Appointed Negotiation Committee and Project Committee to evaluate and structure the proposal and submit recommendation to the Cabinet of Ministers.	Action need to be taken to select investor for the Project without delay to complete activities on targeted date.

2.3 Issues on Land Acquisition

Audit Issue	Response of the Management	Auditor's Recommendations
According to the information, the total plots of land to be acquired by the Project were 2,035. Out of that, 1,214 plots of land including 1,136 plots of crown land to be acquired on New Kelani Bridge to Rajagiriya Section. Whilst 821 plots of land including crown land to be acquired on Rajagiriya to Athurugiriya section. Although the Section 38 (a) had been gazette for 1,214 plots of land on New Kelani Bridge to Rajagiriya Section, compensation under section 17 had not been paid for any plot even as at 31 December 2020. Further, it was observed that, actual physical progress of land acquisition activities for the New Kelani Bridge to Rajagiriya Section and Rajagiriya to Athurugiriya section are 55 per cent and 3 per cent respectively as at the end of the year under review.	The total plots of land to be acquired by the project is 2035. Out of that, 1214 plots of land including 1,136 plots of crown land to be acquired on New Kelani Bridge to Rajagiriya Section. Whilst 821 plots of land to be acquired on Rajagiriya to Athurugiriya Section. The physical progress on New Kelani Bridge to Rajagiriya Section and Rajagiriya to Athurugiriya Section at 55 percent and 03 percent respectively as for the year ended 2020	Action should be taken to maintain proper coordination with the Divisional Secretaries, survey department and valuation department to complete the land acquisition activities on targeted dates.

2.4 Issues Related to Human Resources Management

Audit Issue	Response of the Management	Auditor's Recommendations
The approved carder of the project is 12 employees however as at 31 December 2020 only one technical officer had been employed by the project.	The Department of Management Services has approved 35 cadre positions for 20 posts including the Internal Auditor post for the project. Out of the 35 approved cadre positions, 28 positions have been filled up to 31 October 2021	Action need to be taken by the Project to recruit the required staffs without delay to carry out activities of the Project on timely manner and complete works of the Project on targeted dates.

