

## **Intelligent Transport System Project - 2015**

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The audit of financial statements of the Intelligent Transport System Project for the year ended 31 December 2015 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 Grant Agreement No. 1260740 dated 18 March 2013 entered into between the Democratic Socialist Republic of Sri Lanka and the Japan International Cooperation Agency.

### **1.2 Implementation, Objectives, Funding and Duration of the Project**

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According to the Grant Agreement of the Project, the Ministry of Higher Education and Highways is the Executing Agency and Road Development Authority is the Implementing Agency of the Project. The objective of the Project is to contribute to implement subsequent projects to develop an Intelligent Transport System for Expressways in Sri Lanka. As per the Grant Agreement, the estimated total cost of the Project amounted to Japan Yen 940 million equivalent to Rs. 1,316 million was agreed to be provided by the Japan International Cooperation Agency. The Project commenced its activities on 29 November 2013 and scheduled to be completed by 31 July 2015. However, financial statements for the year ended 31 December 2015 had been presented for audit.

### **1.3 Responsibility of the Management for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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**

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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 judgement, 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 the 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 from the funds of the Government of Sri Lanka and the Donor Agency, the progress of the Project in financial and physical terms, the assets and liabilities arising from the operations of the Project, the identification of the purchases made out of the Grant etc,
- (d) Whether the funds, materials and equipment supplied under the Grant had been utilized for the purposes of the Project.
- (e) Whether the expenditure had been correctly identified according to the classification adopted for the implementation of the Project.
- (f) Whether the financial statements had been prepared on the basis of the Sri Lanka Public Sector Accounting Standards Principles.
- (g) Whether satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
- (h) Whether financial covenants laid down in the Grant Agreement had been complied with.

## **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, I am of opinion that,

- (a) the Project had maintained proper accounting records for the period ended 31 December 2015 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2015 in accordance with the Sri Lanka Public Sector Accounting Standards,
- (b) the funds provided had been utilized for the purposes for which they were provided,
- (c) the Statements of Expenditure (SOEs) submitted could be fairly relied upon to support the applications for reimbursement in accordance with the requirements specified in the Loan Agreement,

- (d) the satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
- (e) the financial covenants laid down in the Grant Agreement had been complied with.

### 3. Financial and Physical Performance

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#### 3.1 Utilization of Funds

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Certain significant statistics relating to the financing, budgetary allocation for the year under review and the utilization of funds during the year under review and up to 31 December 2015 are shown below.

Source	Amount agreed for financing in the Grant Agreement		Allocation made in the Budget Estimate for the year under review	Funds utilized during the year under review as at 31 December 2015			
	JPY million	Rs. million		Rs. million	JPY million	Rs. million	JPY million
JICA	940	1,316	504.00	296.00	315.52	879.20	1,061.58
GOSL	-	-	50.00	20.24	21.58	61.11	73.34
	<b><u>940</u></b>	<b><u>1,316</u></b>	<b><u>554.00</u></b>	<b><u>316.24</u></b>	<b><u>337.10</u></b>	<b><u>940.31</u></b>	<b><u>1,134.92</u></b>

#### 3.2 Physical Progress

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The equipments for Intelligent Transport System for the operations of the Southern Expressway and the Outer Circular Expressway including traffic counting system, rain monitoring system, traffic management system, variable message signboard indication system and the communication system etc had been procured and fixed during the period of the operations of the Project. The completion tests of the system were carried out on 10 June 2015 and certificate of the installation of equipments had been issued on 25 June 2015. The physical inspections made on 23 June 2015 by the auditors had revealed that the respective items of equipment were in operation successfully.

#### 3.3 Closure of the activities of the Project

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Eventhough the financing arrangements of the Donor Agency were closed as at 30 June 2015, action had not been taken to prepare and present winding up accounts.