

Central Expressway Project - Phase IV - 2017

The audit of financial statements of the Central Expressway Project - Phase IV 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

Then Ministry of Highways and Road Development, presently the Ministry of Roads and Highways is the Executing Agency and Road Development Authority is the Implementing Agency of the Project. The objective of the Project is to develop the road network according to the Road Master Plan 2007-2017 in order to create new economic avenues to the general public and therefore, it was expected to construct a section of the Expressway of 58.70 kilometres from Kurunegala to Dambulla under the Phase IV of the Central Expressway at an estimated cost of Rs.161.60 billion.

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 risk of material misstatements 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 from the funds of the Government of Sri Lanka, the progress of the Project in financial and physical terms, the assets and liabilities arising from the operations of the Project, the identifications of the purchases made out of the fund, etc.
- (d) Whether the expenditure had been correctly identified according to the classification adopted for the implementation of the Project.
- (e) Whether the financial statements had been prepared on the basis of Sri Lanka Public Sector Accounting Standards, and
- (f) Whether the satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report.

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 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,
- (b) the funds provided had been utilized for the purposes for which they were provided, and
- (c) the satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report.

3. Financial and Physical Performance

3.1 Utilization of Funds

According to the information received, allocation amounting to Rs. 100 million had been made in the Budget Estimate – 2017 under the Ministry of Roads and Highways and out of that a sum of Rs. 77.40 million had been utilized during the year under review. According to the financial statements presented, a sum of Rs. 122.40 million had been utilized as at 31 December 2017 to implement the initial activities of the Project.

3.2 Physical Progress

According to the information received, the activities under the acquisition of lands for the construction of the Expressway had been initiated in June 2016 and therefore, the acquisition of 3,109 plots of land had remained in process as at 31 December 2017.

3.3 Extraneous Activities

The following observations are made.

- (a) It was observed that 03 local Consultants had been deployed by the Road Development Authority and allowances aggregating Rs.1.68 million had been paid them up to May 2018 without being obtained the concurrence of the Department of Management Services.
- (b) It was observed that a sum of Rs. 9.40 million spent for the development activities of the Polonnaruwa district had not been directly related to achieve the objectives of the Project.

3.4 Issues on Financial Controls

Action had not been taken by the Project to conduct Board of Surveys on property and equipment procured by the Project in terms of Financial Regulation 756, as enable verify the physical existence of the respective assets at the end of the year under review.