

## **Central Expressway Project - Section-IV - 2016**

-----

The audit of financial statements of the Central Expressway Project (Section-IV) for the first accounting year ended 31 December 2016 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**

According to the decision of the Cabinet of Ministers arrived at its meeting held on 08 July 2015, the construction works of the Central Expressway are expected to be executed and implemented by then Ministry of Highways, Ports and Shipping, presently the Ministry of Highways and Road Development and Petroleum Resource Development and the Road Development Authority respectively. The objective of the Project is to develop the Road network areas according to the Road Master Plan 2007-2017 for the building of a new country and economics avenues to the people of the country. The constructions works of the Expressway had been scheduled to implement under 04 sections. The cost of the Project was estimated at Rs.162 billion.

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

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 from the funds of the Government of Sri Lanka, the progress of the Project in financial and physical terms, and the assets and liabilities arising from the operations 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 Accounting Principles.

## **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 2016 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2016 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**

A sum of Rs. 45 million had been spent by the Line Ministry of implement the activities of the Project, even though there was no allocation made thereon in the Budget Estimate for the year under review.

### **3.2 Physical Progress**

According to the information received, the contract agreements on construction of Section-02 of the Expressway had been signed with the local contractors in December 2016 and no significant progress on physical works had been reported as at 31 December 2016.