

Intelligent Transport System Project - 2014

The audit of financial statements of the Intelligent Transport System Project for the first accounting period from 29 November 2013 to 31 December 2014 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

According to the Grant Agreement of the Project, the Ministry of Highways and Investment Promotion 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 a 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 was 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.

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 Generally Accepted Accounting Principles 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 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 equipments 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 Generally Accepted Accounting Principles, and
- g) 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, except for the effects of the adjustments arising from the matters referred to in paragraph 2.2 of this report, I am of opinion that,

- (a) the Project had maintained proper accounting records for the period ended 31 December 2014 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2014 in accordance with Generally Accepted Accounting Principles, and
- (b) the funds provided had been utilized for the purposes for which they were provided.

2.2 Comments on Financial Statements

2.2.1 Accounting Policies

Statement of Compliance had not been presented along with the financial statements for the period ended 31 December 2014.

3. Financial and Physical Performance

3.1 Utilization of Funds

Certain significant statistics relating to the financing, budgetary provision for the year under review and the utilization of funds period up to 31 December 2014 are shown below.

Source	Amount agreed to be financed according to the Grant Agreement		Allocation made in the budget estimate for the year under review	Funds utilized as at 31 December 2014	
	JPY million	Rs. million	Rs. million	JPY million	Rs. million
Donor	940	1,316	1,173.52	583.19	746.06
GOSL	-	-	11.70	-	51.76
	<u>940</u>	<u>1,316</u>	<u>1,185.22</u>	<u>583.19</u>	<u>797.82</u>

3.2 Physical Progress

The main objective of the Project to contribute to implement a Project to develop an Intelligent Transport System for the Expressways in Sri Lanka. The activities such as design and construction of steel structure for the Variable Message Sign Boards and Traffic Counters including procure and installation of equipment thereon and installation of rain gauges, traffic information board at service area, software developments, installing of hand holes, cable laying, site testing and training etc.

It was observed at the audit site visit made on 23 June 2015 that all the installation activities had been completed and the system was fully operated. Site testing thereon had been completed on 09 July 2015.