

NORTHERN EXPRESSWAY PROJECT - 2013

The audit of financial statements of the Northern Expressway Project for the first accounting period ended 31 December 2013 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

The Executing and Implementing Agencies of the Project are then Ministry of Highways, Ports and Shipping presently, Ministry of Highways, Higher Education and Investment Promotions and the Road Development Authority respectively. The objectives of the Northern Expressway Project is to construction of the Northern Expressway which forms a part of the national expressway network to eventually join Colombo and Jaffna. The first phase of the Project consists with 10 packages to construct the Expressway of 191 kilometres in extent from Colombo to Dambulla with a separate link to the proposed Kandy Expressway. Financial arrangement for Project under foreign assistance and the duration of the Project had not been finalized even as at 31 December 2013.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

2. Scope of Audit and Basis of Opinion

My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting policies used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides reasonable basis for my opinion. The examination also included such test of systems and controls, transactions, assets, liabilities and accounting records 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 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 identification of purchases made out of the funds provided by the government
- c) Whether the funds, materials and equipment supplied under the funds had been utilized for the purposes of the Project.
- 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 Generally Accepted Accounting Principles.

3. 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 2013 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2013 in accordance with Generally Accepted Accounting Principles,
- (b) the funds provided had been utilized for the purposes for which they were provided.

4. Financial Statements

4.1 Financial Performance

According to the financial statements and information made available, the expenditure of the Project for the first accounting period ended 31 December 2013 amounted to Rs. 1,182,299,612. The following statement shows a summary of the expenditure for the year under review.

<u>Item of expenditure</u>	<u>Expenditure for the year ended 31 December 2013</u>
	<u>Rs.</u>
Fixed Assets	995,301
Working – in- Progress	1,181,304,310

	1,182,299,612
	=====

5. Financial and Operating Review

5.1 Utilization of Funds

According to the financial statements and information made available, certain significant statistics relating to the financing of the Project, budgetary provisions and the utilization of funds of the Project during the first accounting period ended 31 December 2013.

	Provisions made in the Budget Estimate for the year 2013 ----- Rs. million	Funds Utilized during the Period under review ----- Rs. million	Funds Utilized Up to 31 December 2013 ----- Rs. million
GOSL	980	734.8	734.8
Total	980	*734.8	*734.8
	=====	=====	=====

*This amount does not agree with the figures shown in the paragraph 4.1 of this report as payables at the end of the year is not included .

5.2 Contract Administration

It was observed that a foreign contractor for consultancy services to carry out feasibility studies , environmental impact assessment and preparation of document to invite Expression of Interest and request for the proposal for the Phase I of the Northern Expressway Project had been selected under the direct contract method. The approval of the Cabinet of Ministers at the meeting held on 19 December 2012 had been made to award the contract for consultancy services at a cost of AUS \$ 3,998,671 equivalent to Rs.552,216,465 for foreign components and Rs. 414,233,734 for local components. However, the feasibility studies of the Project in respect of economic, financial, environmental and social matters and overall Project Plan and Action Plans had not been completed even as at 31 December 2013.