

Southern Highway Investment Programme (SHIP) - 2013

The audit of financial statements of the Southern Highway Investment Programme (SHIP) for the year 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. The Project is implemented under the Technical Assistance Framework Agreement TA No.8271-SRI dated 09 November 1995 entered by the Government of Sri Lanka with the Asian Development Bank.

1.2 Implementation, Objectives, Funding and Duration of the Project

The Executing Agency and Implementing Agency of the Programme are then Ministry of Highways, ports and Shipping presently, Ministry of Highways, Higher Education Investment Promotions and Road Development Authority (RDA) respectively. The objectives of the Program are to improve the institutional and policy frameworks for expressway development and operation with technical assistance of Asian Development Bank and Road Project preparatory Faculty to prepare a feasibility study and preliminary design including technical, commercial financial economic and safeguard aspect of Southern Expressway. An allocation of Rs.US \$ 01 million had been provided in 2012 and a team of consultants were selected in 2013 by the Asian /development Bank to assist the Program. The Consultants are required to deliver reports on construction, technical and policy framework strengthening and training programs in 2013 and report on implementation of the Action Plan 2014.

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 to preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting the applying appropriate accounting policies, and making accounting estimates are reasonable in the circumstances.

2. Auditor's Responsibility

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 transitions. The scope and extent of such review and tests were such as to enable as wide as 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 evidenced supporting the amounts and disclosures in financial statements and assessment of accounting 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 Project management and the reliability of books, records, etc. relating to the operations of the Program,
- (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 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 identifications of the purchases made out of the Grant, etc.
- (c) Whether withdrawals under the Grant had been made in accordance with the specifications laid down in the Grant Agreement.
- (d) Whether the funds, materials and equipment supplied under the Grant had been utilized for the purposes of the Program.
- (e) Whether the expenditure had been correctly identified according to the classification adopted for the implementation of the Program, and
- (f) 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, 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 Program 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 program 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 presented and information made available, the expenditure of the programe for the first accounting period ended 31 December 2013 amounted to Rs.3,665,498. The following statements shows a summary of the expenditure for the year under review.

Description -----	Expenditure incurred for the year ended 31 December 2013 -----
Project Management Expenses	3,566,528
Advances	98,970

	3,665,498
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5. Audit Observation

Out of the Grants of US \$ 01 million equivalent to Rs.130 million allocated for the Program, direct payments of US\$ 61,023 equivalent to Rs.7,932,990 made during of year under review had not been brought to account. Further, provision made under supplementary allocation of Rs.45 million had been shown as unspent balance in the Annual Appropriation Account of the Ministry of Highways, ports and Shipping for the year 2013.

6. Financial and Performance Review

6.1 Utilization of Funds

Certain significant statistics relating to the financing, budgetary provision and the utilization of funds for the period under review are given below.

Source -----	Amount agreed to be financed under the Grant Agreement -----		Budgetary Provision for the year 2013 -----		Funds utilised during the year 2013 -----
	US\$ Million	Rs. Million	US\$. Million	Rs. Million	Rs. Million
ADB – TA- 8271 SRI	01	130	45	0.06	7.90
GOSL	-		30		3.66
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	01	130	75	0.06	11.56*
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- This figure does not agree with the balance shown under paragraph 4.1 of the report as the direct payments had not been recorded by the program

6.2 Consultancy Services

According to the Terms of Reference of the Consultants, the reports on construction, technology, strengthening of institutional policy framework and training programs were required to be submitted before June 2013. However, no reports on training programs to be carried out had been submitted even as at 31 October 2014.