

Central Expressway (Section II) Project - 2016

The audit of financial statements of the Central Expressway Project Section II for the 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 was excepted to be executed and implemented by then Ministry of Highways, Ports and Shipping, presently known as the Ministry of Highways and Road Development and Petroleum Resources Development and the Road Development and the Road Development Authority respectively. Therefore, the construction works of the Expressway had been divided in to 04 Section and the observation on the constructions work of 39.29 Kilometers of the Expresswar from Meerigama to Kurunegala carried out under the Section-02 of the Project is contained in this report. The construction works of the Expressway was expected to be commenced on 29 December 2016 and scheduled to completed by 31 August 2020.

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 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 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, 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,
- (e) Whether the financial statements had been prepared on the basis of Sri Lanka Public Sector Accounting Standards

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 Generally Accepted Accounting Principles, 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

According to the Budget Estimate – 2016, an allocation amounting to Rs.2,943.80 million had been made to implement the activities of the project. Out of that only a sum of Rs.144.30 million had been utilized as at 31 December.

3.2 Physical Progress

According to the information received, the contract agreement 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.

3.3 Land Acquisition Activates

According to the information received, it was scheduled to acquire 5,231 plots of land including 4,518 plots of crown lands and no significant progress on acquisition of lands and settlement activities had been reported as at 31 December.