

Building Complex for the Faculty of Health Care Sciences Eastern University of Sri Lanka Project - 2018

The audit of the financial statements of the Building Complex for the Faculty of Health Care Sciences Eastern University of Sri Lanka Project for the year ended 31 December 2018 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. This Project is implemented under the Loan Agreement No. 940 dated 24 March 2016 entered into between the Democratic Socialist Republic of Sri Lanka and the Kuwait Fund For Arabic Economic Development. My comments and observations which I consider should be reported to Parliament appear in this report.

1.1 Implementation, Objectives, Funding and Duration of the Project

According to the Loan Agreement of the Project, then Ministry of Higher Education and Highways, presently the Ministry of City Planning, Water Supply and Higher Education is the Executing Agency of the Project. The objectives of the Project are to enhance the living standards of the people through the construction of new Faculty of Health Care Sciences at Batticaloa and provision of quality health care services to the community. The estimated total cost of the Project amounted to Rs.6,473.28 million and out of that Kuwait Dinar 10 million equivalent to Rs.5,073.10 million was agreed to be financed by the Kuwait Fund for Arab Economic Development. The Project had commenced its activities on 01 August 2016 and scheduled to be completed by 31 May 2021.

1.2 Opinion

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2018, financial performance and its cash flow for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.4 Responsibilities of management and those charged with governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

1.5 Auditor's Responsibilities for the audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Project.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Physical Performance

2.1 Physical progress of the activities of the Project

According to the information made available, the contract for the construction works of the building had been awarded only on 09 May 2019 after lapse of 17 months from the scheduled date of 28 January 2018. However, the construction works had been commenced only on 27 May 2019.

2.2 Underutilized Resources

Audit Issue	Impact	Comments of the Management	Auditor's Recommendation
As a result of the slow progress of the physical works implemented by the Project, a sum of Rs.31.30 million had only been utilized, out of the allocations amounting to Rs.288.70 million made by the Lending Agency under 04 Components of the Project.	Entire allocation of funds would not be utilized at the end of the period of the Project.	Not responded.	Proper financial plan need to be prepared and implemented.

2.3 System of Control

Audit Issue	Impact	Comments of the Management	Auditor's Recommendation
The Project Steering Committee had comprised with 13 members from the Line Ministry, Implementing Agency, Ministry of Finance, Project Monitoring Unit and the staff of the Consultant instead of 04 members to be appointed from the Line Ministry, Ministry of Finance and Project Monitoring Unit, as required by the Department of Management Service Circular No.2016/01 of 24 March 2016.	Regulations not complied	Not responded.	The numbers of members of the Steering Committee need to be reduced as enable to arrive decisions in efficient manner.