

Enhancement and Upgrading of Technical Training at the Institute of Engineering Technology Project - 2018

The audit of financial statements of the Enhancement and Upgrading of Technical Training at the Institute of Engineering Technology Project for the first accounting 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 read in conjunction with the Loan Agreement No. 2017025/SL dated 2 November 2018 entered into between the Democratic Socialist Republic of Sri Lanka and the Raiffeisen Bank of Austria. My comments and observations which I consider should be reported to the Parliament appear in this report.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Loan Agreement, the Ministry of Industry & Commerce, Resettlement of Protracted Displaced Persons, Co-operative Development and Vocational Training & Skills Development is the Executing and the Implementing Agency of the Project. The objective of the Project is to upgrade the quality of the National Diploma in Engineering Sciences offered by the Institute of Engineering Technology. As per the Loan Agreement, the estimated total cost of the Project amounted to Euro 9.50 million equivalent to Rs. 1983.60 million and the entire cost of the Project was agreed to be financed by Raiffeisen Bank of Austria. The Project had commenced its activities in February 2018 and scheduled to be completed by April 2020.

1.3 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 flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.4 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.

1.5 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.

1.6 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 identified during my audit.

2. Physical Performance

2.1 Physical Progress of the Activities of the Project

According to the information received, the activities such as procurement of new laboratory equipment, construction of a new building and rehabilitation of existing buildings of the Institute of Engineering Technology at Katunayaka and upgrading the syllabus of the trainings conducted by the said Institute were scheduled to be implemented by the Project to match with the present needs of the industry. According to the progress reports of the Project, the construction works of the new building had been substantially completed as at 31

December 2018 whilst the physical progress of rehabilitation works of existing building had remained at 40 per cent which expected to be completed as at 31 December 2018. However, actions taken to upgrade the syllabus of training courses had remained at initial stages as at 31 December 2018.