

South Eastern University of Sri Lanka Development Project - Phase 1B - 2018

The audit of the financial statements of the South Eastern University of Sri Lanka Development Project - Phase 1B for the period ended 30 September 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 provisions in the Loan Agreement No. 836 dated 20 December 2011 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

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Loan Agreement, then Ministry of Higher Education, presently Ministry of City Planning, Water Supply and Higher Education is the Executing Agency of the Project. The objectives of the Project are to develop the South Eastern University of Sri Lanka in Ampara that aims to support the social development and economic growth of Sri Lanka by improving the quality of degree courses of the University to reflect regional and national needs and increase the student intakes by developing the necessary academic development plan and introducing new demand driven degree programs with providing facilities for students and staff accommodation, recreation and welfare purposes. As per the Loan Agreement, the estimated total cost of the Project amounted Kuwait Dinar 3.5 million equivalent to Rs.1,812 million and out of that Kuwait Dinar 3 million equivalent to Rs.1,421 million was agreed to be financed by the Kuwait Fund for Arab Economic Development. The Project had commenced its activities on 01 September 2012 and scheduled to be completed by 30 September 2018. However, the date of completion of the activities of the Project had been extended up to 30 September 2019.

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 30 September 2018, financial performance and its cash flow for the period 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 identify 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 construction works of the buildings for hydrology laboratory, common canteen, academic program centre, student hostels in Samanturei and Oluwil and the construction of the playground and extension of the existing pavilion building scheduled to be implemented by the Project had been completed as at 31 December 2016. The remaining construction works of the Auditorium had been completed only on 31 May 2018.

2.2 Unutilized Financial Resources

Audit issue	Impact	Comments of the Management	Auditor's Recommendations
The proceeds of the Loan of Kuwait Dinar 91,502 equivalent to Rs. 53.70 million had remained unspent as at 30 September 2018.	Possibility to use the funds for other works.	The Director General of the Department of External Resources had made a request on 09 October 2018 from the Secretary to the Ministry of Higher Education to submit a proposal on unutilized balance of the Loan.	(a) Need to investigate the reasons for savings of the proceeds of the Loan. (b) Action should be taken to use the funds in fruitful manner.

2.3 System and Control

Audit issue	Impact	Comments of the Management	Auditor's Recommendation
As per Letter dated 06 February 2019 of Director General of the External Resource Department, the period of the Project had been extended up to 30 September 2019. However, the financial statements of the Project had been prepared for the period of 09 months as at 30 September 2018 and presented for audit.	The basis on the financial year of the Project was not applied consistently.	Not commented.	Need to prepare the financial statements for the 03 months period ended as at 31 December 2018 and subsequent financial years.