

Science and Technology Human Resource Development Project - 2018

The audit of financial statements of the Science and Technology Human Resource Development 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 provisions in the Section 03 of Article IV of the Loan Agreements No. 3698 and 3699 SRI (COL) dated 17 January 2019 entered into between the Democratic Socialist Republic of Sri Lanka and the Asian Development Bank. My comments and observations which I consider should be report to Parliament appear in this report.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Loan Agreements, then Ministry of Higher Education and Cultural Affairs, presently the Ministry of Higher Education and Education is the Executing Agency and Universities of Kalaniya, Rajarata, Sabaragamuwa and Sri Jayawardanapura are the Implementing Agencies of the Project. The objective of the Project is to improve access facilities to employment-oriented technology degree programs in higher education. As per the Loan Agreements, the estimated total cost of the Project amounted to US\$ 165 million equivalent to Rs. 30,051 million and out of that US\$ 145 million equivalent to Rs. 26,408 million was agreed to be financed by the Asian Development Bank and a sum of Rs. 3,543 million is expected to be financed by the Government of Sri Lanka. The Project commenced its activities on 17 April 2018 and scheduled to be completed by 31 December 2023.

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 identify during my audit.

2. Comments on Financial Statements

2.1 Delays in submission of withdrawal applications

No. of the Withdrawal Application	Period	Date of submission	Delay	Impact	Response of the Management	Auditor's Recommendations
01	From 01 May 2018 to 31 December 2018	26 June 2019	04 months	Possibility to impose commitment charges	The withdrawal application had been submitted with delays, due to time taken to sign the Loan Agreement and declaration of the loan effectiveness by the Donor Agency.	Action should be taken to submit the reimbursement claims in timely manner.

3. Physical Performance

3.1 Physical progress of the activities of the Project

The activities of the Project are implemented under 05 components to establish innovative technology learning and research environment, implement quality higher technology education program, strength industry and international research linkages, strengthen faculty management capacity and new Project Development facility. According to the Project Mission Report issued in September 2017, the bid processing activities for the construction of buildings for 04 faculties of the national universities are required to be completed by 30 per cent, in order to ensure the efficiency in Loan financing and procurement readiness purposes before processing of the Loan. However, the bid processing activities had remained at initial stages and no adequate progress had been reported thereon as at 31 December 2018. According to the explanation made, the action will be taken to prepare the bidding documents after being appointed the Project Director and Procurement Specialist.