

Strengthening of Water Sanitation and Hygiene Project - 2018

The audit of financial statements of the Water Sanitation and Hygiene Project for the period from 01 January 2018 to 16 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 Article 3.3 of the Project Financing Agreement dated 17 December 2014 entered into between the Democratic Socialist Republic of Sri Lanka and the SAARC Development Fund. 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 Financing Agreement, the Ministry of Agriculture is the Executing Agency and the Department of Agrarian Development is the Implementing Agency of the Project. The objective of the Project are to ensure the sustainable improvement of the quality of life of rural communities who depend on village irrigation system for their water and ecological need and improve water use efficiency in watershed management of the irrigation schemes and watershed in 09 villages benefiting 2,800 families in Batticaloa and Monagarala districts. As per the Financing Agreement, the estimated total cost of the Project was US\$ 0.94 million equivalent to Rs.119 million and entire amount was agreed to be financed by the SAARC Development Fund. The Project commenced its activities on 17 December 2014 and scheduled to be completed by 16 December 2017. Subsequently, the period of the Project had been extended up to 16 December 2018.

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 16 December 2018 and financial performance 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.

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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 the project's internal control.
- 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

The improvement works such as strengthening of watershed management, planning of usage of lands, reduction of water borne diseases, adoption of improved technologies to ensure the quality of sanitation and health facilities and conducting of awareness programmes to ensure the hygiene condition of villages of Vaharai, Thoppigala and Kalavanchikudy in Batticaloa district and Sellakatharagama, Kahakurullanpellesa, Kimbulkema and Kandasurindugama in Monaragala district expected to be carried out by the Project under the work plans of the Project had been completed as at 31 December 2018. However, the rehabilitation works of Indipallssa Tank, Girikatuwa Tank and Kukulkatuwa Tank in Monaragala district commenced by the Project in 2016 had not been completed even up to 10 September 2019.