

## **pooled arrangement of Contingent Emergency Response Component of the World Bank Funded Investment Project - 2021**

The audit of financial statements of the pooled arrangement of Contingent Emergency Response Component of the World Bank Funded Investment Project for the year ended 31 December 2021 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 provision of the Financing Agreements No. 6371 LK, 6228 LK, 8878 LK and 6346 LK dated 08 September 2020 entered into between the Democratic Socialist Republic of Sri Lanka and the International Development Association. 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 Finance, Economic Stabilization and National Policies is the Executing and Implementing Agency of the Project. The objectives of the Project are to activate CERC of the above said projects and pool funds to a single CERC pool account on joint Co-Financing basis to ensure efficient and coordinated response using a single emergency action plan to implement the Government Response and recovery plan of Covid – 19 pandemic situation with short to medium term interventions, covering Health, Social Protection, Agriculture, Education and Transport Sectors and the delivery of Public Services remotely using ICT solutions. As per the Loan Agreement, the estimated total cost of the Project was US\$ 56 million equivalent to Rs.10,491 million was agreed to be financed by the International Development Association. The project had commenced its activities on 17 June 2020 and scheduled to be completed by 31 December 2021.

### **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 2021, statement of use of funds and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

### **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 Generally Accepted Accounting Principles 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 scepticism 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. Financial Performance

### 2.1 Financial Progress of the activities of the Project

No.	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	Out of the total net provision amounting to Rs.3,068 million made under the foreign loan and Rs. 2,500 million made under the Foreign Finance Associated costs, a sum of Rs.2,138.6 million and Rs. 952.84 million had only been utilized during the year under review.	Comments had not been furnished.	Provision should be utilized effectively and efficiently.
(b)	The purpose of the Project is to implement a response plan with short to medium term interventions covering Health, Social protection, Agriculture, Education and Transport sectors and the delivery of Public Services remotely using ICT solutions. The Project had identified the agricultural crop production to strengthen food security as the first priority. However, it was observed that a sum of Rs.2,014 million representing 66 percent from the total provision was provided for the Ministry of Education whereas the provision for the Ministry of Agriculture was Rs.116 million which indicates a 04 percent from the total provision.	Comments had not been furnished	Funds should be utilized according to the allocated purposes