

## **Accelerating Higher Education Expansion and Development Operation Project (Program Component) - 2022**

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The audit of financial statements of the Accelerating Higher Education Expansion and Development Operation Project (Program Component) for the year ended 31 December 2022 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 of 4.09(b) of the Loan Agreement No. 8743 LK and Financing Agreement No.6026 LK dated 17 July 2017 entered into between the Democratic Socialist Republic of Sri Lanka and the International Bank for Reconstruction and Development and the International Development Association. 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 and Financing Agreements, the Ministry of Higher Education and Highways, presently the Ministry of Education is the Executing Agency and the State Universities, Sri Lanka Institute of Advanced Technological Education, Advanced Technological Institute and Non - State Higher Education Institutes approved by the Ministry and UGC are the Implementing Agencies of the Project.

The objectives of the Project are to increase enrolment in the State Universities, Sri Lanka Institute of Advanced Technological Education, Advanced Technological Institute and Non - State Higher Education Institutions in the priority disciplines (Science, Technology, Engineering, Medicine), improve the quality of degree programs and promote research and innovations in the higher education sector.

As per the Loan and financing Agreements, the estimated total cost of the Project was US\$ 100 million equivalent to Rs.18,136 million was agreed to be financed by International Development Association.

The Project had commenced its activities on 01 March 2018 and scheduled to be completed by 30 June 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 2022, statement of financial performance 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 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. Comments on Financial Statements

### 2.1 Non-Compliance with Laws, Rules and Regulations

Reference to the Laws Rules and Regulations	Non-Compliance/Audit Issue	Response of the Management	Auditor's Recommendations
Financial Regulation 507(2) and the Public Finance Circular No 02/2014 dated 17 October 2014 and provisions stipulated in Section 3.1.7 and 3.2.7 of the Para 03 of the Public Finance Circular No 05/2016	The annual board of survey reports had not been submitted to the Auditor General in respect of items purchased for Rs. 2.671 million during the period of 2018 to 2022.	All the goods and equipment procured through the OTSs of 16 state universities during the period of 2018 to 2022 were directly delivered to the universities. The universities will submit the board of survey reports including these items to the Auditor General.	Need to comply with the financial Regulation

## 3. Physical Performance

### 3.1 Contract Administration

No	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	Under the AHEAD Project, Rs.139 million (VAT free) contract was awarded to a contractor to construct a building for the Department of Pathology, Faculty of Medical Sciences at University of Sri Jayewardenepura. The contract which started on 25 February 2022 was scheduled to complete on 31 August 2022. The percentage of work completed on the date of 31 August 2022 & 31 December 2022 was 38 per cent & 65 per cent respectively. Although the University Council had extended the construction period to 30 April 2023, the construction had not been completed as at 31 May 2023.	The reason was the slow progress of the Contractor. The lack of construction materials, labor shortages and price escalations also may have affected the progress.	Need to take action to catch up the delays and ensure to complete the contract works timely to avoid additional cost.
(b)	The information collected in 17 candidates from University of Peradeniya who followed the PhD program in foreign Universities with the total cost of Rs.118 million. Eight academics were scheduled to complete their PhD/Master degree and expected to return to their university on or before 31 December 2022. However they had failed to complete their programs and return back to the University.	Due to the Covid 19 lock down situation and travel restrictions the PhD awardees could not continue their studies as planned.	Candidates should complete the PhD with in the planned time frame.

- (c) The amount of Rs. 129 million had been spent for 16 candidates of The University of Sri Jayewardenepura on their PhD program for the period of two years, even though their program had been scheduled to be completed by 31 December 2022, it had not been completed.
- Out of 16 candidates, two candidates have assumed duties. Three candidates have resigned from the University. Others have requested extensions and leave approvals from the respective administrative divisions.
- Candidates should complete the PhD with in the planned time frame.

### 3.2 Underutilized Resources

Audit Issue	Response of the Management	Auditor's Recommendation
Due to non-completion of building 10 desktop computers with the value of Rs. 3 million and Rs.505,132 furniture and equipment purchased for English activity program. It was observed that said equipment remained underutilized till 3 January 2023	We would like to inform you that the issue has been addressed and the resources have been put to use since the completion of the relevant building at the Faculty of Applied Sciences, University of Sri Jayewardenepura.	Equipment which has been purchased should be used relevant program.