

## **Accelerating Higher Education Expansion and Development Operation Project (Project Component) - 2023**

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The audit of financial statements of the Accelerating Higher Education Expansion and Development Operation Project - (Project Component) for the year ended 31 December 2023 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 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 2023, 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 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. Comments on Financial Statements

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

<b>Reference to the Laws Rules and Regulations</b>	<b>Non Compliance</b>	<b>Response of the Management</b>	<b>Auditor's Recommendations</b>
Management Service Circular No 01/2019 dated 05 March 2019 at the Department of Management Services	Out of the approved carder of 08 Management Assistants for the Project Office - OMST has not employed any one as at 31 December 2023. It was also observed that out of the approved carder of 33 only 12 posts were filled with the approved cadre positions. In addition to this there are 10 Technical Assistants were employed for the AHEAD Operation Project Office - OMST during the year 2023 without the approval. They had been paid a total sum of Rs. 10,362,728 during the year 2023 as allowance.	<p>The project implementation was to be terminated on 31 December 2023 and the Management Assistants and other staff gradually resigned from the project due to this reason. The Ministry also instructed to reduce the project staff as the project closing is nearing.</p> <p>Project had to employ Technical Assistants in place of some of the approved cadre positions to ensure the smooth implementation of the project activities since new recruitments have been suspended by the Government. The Project Operations Manual which is a part of the Loan Agreement has provisions for the appointment of TA's. The Steering Committee meeting held on 29th April 2019 has also approved the appointment of the TA's.</p> <p>The salaries paid for the Technical Assistants are compatible with the salary scales of the PS6 of the MSD circular no. 01/2019.</p>	The approval of the General Treasury should obtain as per the circular instructions.

### 2.2 Uneconomical Transaction

<b>Audit Issue</b>	<b>Management Response</b>	<b>Auditor's Recommendation</b>
According to the Financial Statement a sum of Rs 29,350,607 had been incurred during the year 2023 on the premises of the OMST Building which includes Office Rent was Rs. 21,120,000, Office cleaning charges Rs. 1,658,057 and Electricity charges Rs.6,572,550 where only 22 OMST staff are employed.	As we clarified in the previous year, the office premise was selected through a competitive procurement process. Before renting this office premises several buildings were considered and this was the most economical rate of rental. However, during the project closing period only the third floor was rented and the monthly rental is Rs. 700,000/=	Expenditure needs to be incurred economically.