Science and Technology Human Resource Development Project - 2024

The audit of financial statements of the Science and Technology Human Resource Development Project for the year ended 31 December 2024 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 Section 4.03 of Article IV of Loan Agreement No. 3698 SRI 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 reported to Parliament appear in this report

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Loan Agreement of the Project, the Ministry of Higher Education and Cultural Affairs, presently the Ministry of Education is the Executing Agency and the University of Kelaniya, Rajarata, Sabaragamuwa and Sri Jayewardenepura 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 system of the country.

As per the Loan Agreement, the initial estimated total cost of the Project amount to US$ 165 million equivalent to Rs.26,400 million and out of that US$ 145 million equivalent to Rs.23,200 million was agreed to be financed by Asian Development Bank**.** The balance amount of US$ 20 million equivalent to Rs.3,200 million is expected to be financed by the Government of Sri Lanka.

The Project had commenced its activities under the retroactive financing on 17 April 2018 and scheduled to be completed by 31 December 2023. However, the date of the completion of the activities of the Project had been extended up to 31 December 2024

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 2024, statement of expenditure 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 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. Physical Performance

2.1 Physical Progress of the activities of the Project

The Project had commenced its activities on 17 April 2018 under the 05 project components and it was scheduled to be completed by 31 December 2023. Subsequently it had been extended up to 31

December 2024. As per the progress report of the Project, the overall physical and financial progress of the Project as at 31 December 2024 were 85 percent and 77 percent respectively even after a lapse of 06 years and 08 months from the commencement date of the activities of the Project.

2.2 Contract Administration

Audit Issue	Response of the Management / Reasons for Delays	Auditor's Recommendation
Construction of buildings for the Faculty of Engineering of the University of Sri Jayewardenepura was scheduled to be completed within 913 days from the commencement date of the construction on 21 January 2021. However, Project had given six times extensions up to 31 May 2025 due to slow progress of the constructions. As per the progress reports of the contract, only 81 percent of physical progress had been achieved as at 31 December 2024 after lapse of 4 years from the date of commencement.	The Project Management Unit, in collaboration with the University of Sri Jayewardenepura, the line ministry, and the ADB, continues to closely monitor construction activities. Regular review meetings are held to assess progress, address challenges, and ensure timely and successful project completion	Action should be taken to closely monitor the contractor's works to complete the project within the contract period.

2.3 Underutilized Resources

	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	Out of the total allocation of US$ 145 million representing 87.9 percent made by the Lending Agency, only US$ 101.04 million representing 69.68 percent had been utilized as at 31 December 2024 even after laps of 06 years and 8 months from the commencement date of the activities of the Project. As a result of that US$ 434,852 equivalent to Rs.99,283,527	Since all the contracts have been awarded l it was committed to the total Loan ount. As of 31.05.2025, USD 114.34 has :n disbursed. The balance will be utilized the loan closing date, since it has already :n committed.	Action should be taken to expedite the works to complete the project within the loan period.

	of commitment charges had been paid for the unutilized loan balances as at 31 December 2024.		
(b)	The laboratory and teaching equipment Amounting to Rs.10,257,078 purchased in 2024 By the University of Sri Jayewardenepura under the Science and Technology Human Resource Development Project (STHRD) implemented by the Asian Development Bank (ADB) loan, was not utilized even by the end of the year.	The unforeseen delays of the construction process have led to delaying the installation of the equipment at the new laboratory.	Action should be taken to utilize equipment effectively.

2.4 Matters in Contentious Nature

	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	The main objective of the construction of Engineering faculty of University of Sri Jayewardenepura is to increase the intake of the students from 120 to 400 to the Engineering faculty for the academic year 2024. However, it had to intake 180 students at present due to the delay of the Completion of the Project. In addition to that University had to be paid amounted to Rs.49,707,850 as rental charges for the rented building for the Period from July 2023 to March 2025.	The intake has already been increased from 120 to 180 over the last few years without additional infrastructure or human resources, utilizing the current maximum capacity.	Maximum efforts should be taken to complete the Engineering faculty as planned.
(b)	Building Facilities and other faculty facilities was planned to provide to establish an Engineering faculty to the University of Sri Jayewardenepura under the Project. Even though the 400 students was planned to intake annually to the faculty, hostel facilities for the university students had not been included to the scope of faculty facilities.	Later proposals for residential halls were submitted but approval from the National Planning Department was not granted as per the Government Policy	Prompt action should be taken to provide hostel facilities.

(c)	In the purchase of library books for the Faculty of Technology of the University of Sabaragamuwa in the year 2021 under this Project, 421 units belonging to 118 types of books ad been purchased for a value of Rs.20,200,200 or 76 percent of the total procurement by choosing a supplier with no prior experience without complying with the Government Procurement Guidelines. 114 units out of it belong to 33 types of books worth Rs.7,596,400 were used books. Similarly, 179 units of 69 types of books that were not related to the syllabus had been purchased at a cost of Rs.6,922,982. In this procurement, there was a financial loss of Rs.12,116,310 due to purchase of 227 units of 63 types of books at a higher price with compared to the minimum prices at which old and new books are sold in the International market.	Obtaining a clear understanding of market prices proved challenging due to several factors, such as the unavailability of book prices online etc. Additionally, it was found that some Lower prices mentioned online adding other costs such as taxes and shipping for the final price and some books were not applicable as some suppliers did not deliver to Sri Lanka.	Government Procurement Guidelines should be followed.