

Jaffna Kilinochchi Water Supply and Sanitation Project - 2020

The audit of the financial statements of Jaffna Kilinochchi Water Supply and Sanitation Project Iranamadu Component Project for the year ended 31 December 2020 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 II B of the Loan Agreement No.2711 08 February 2011 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, the Ministry of Internal and Home Affairs and Provincial Council and Local Government is the Executing Agency and Northern Provincial Council is the Implementing Agency of the Project. The objectives of the Project are strengthening and augment the Iranamadu Tank to increase its water holding capacity. The activities of the Project are implemented under Iranamadu components namely Jaffna Kilinochchi Water Supply and Sanitation Project As per the Loan Agreement, the estimated total cost of the Project was US\$ 16.91 million equivalent to Rs 2,198.30 million and out of that US\$ 13.49 million equivalent to Rs 1,753.70 million was agreed to be financed by Asian Development Bank. The balance amount of Rs 444.60 million is expected to be financed by the Government of Sri Lanka. The Project had commenced its activities on 06 May 2011 and scheduled to be completed by 31 December 2018. However, the date of completion of the activities of the Project had been extended up to 31 December 2020.

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 2020, financial performance and its cash flows for the year then ended in accordance with Sri Lanka 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 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. Comments on Financial Statements

2.1 Accounting Deficiencies

No	Accounting Deficiency / Audit Issue	Amount Rs.million	Response of the Management	Auditor's Recommendations
01	Although two vehicles and equipment including computers worth of Rs. 46.77 million had been handed over to the Northern Provincial Irrigation Department in 2018 and 2019, their value had been stated in the financial statements as non-current assets.	46.77	Currently Provincial Irrigation Department is utilizing these vehicles for operation and maintenance of Iranamadu scheme which has nearly 22,000 Acres. Action will be taken to permanently transfer all noncurrent assets to Department of irrigation, Northern Province with the concurrence of ADB	Action should be taken to wind up the PMU activities and hand over the asset of the project to implementing or Executing agency