

Accelerating Higher Education Expansion and Development Operation Project (Project Component) - 2020

The audit of financial statements of the Accelerating Higher Education Expansion and Development Operation Project (Project Component) 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 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 observation which consider should be report to parliament appear in this report.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Loan and Financing Agreements, then 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 innovation in the higher education sector. As per 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 2020, statement of performance and its cash flows for the year then ended in accordance with the 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 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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 skepticism 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**

Information was called from all 15 Universities - OTS and SLIATE. However, the OTS at the University of Colombo, University of Moratuwa, University of Rajarata, University of Sabaragamuwa, South Eastern University, University of Performing Arts, Open University of Sri Lanka and the Sri Lanka Institute of Advanced Technological Education had failed to submit the information.

2.1 **Accounting Deficiency**

Accounting Deficiency	Management Response	Auditor's Recommendation
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The project expenditure mentioned in the Interim un-audited Financial Report (IUFR) POTS Component was less than the financial statements of the Project by Rs. 5,130,003, Rs.1,587,209 and Rs. 36,228,519 in the year 2018,2019 and 2020 respectively. Further, the Project expenditure was more than by Rs. 57,464 Rs.202,373,739 and Rs. 36,253,908 in the financial statements of the Project in the respective years.	The reason for the difference is the transfer of the expenditure of NSHEIs to the Institutional. This will be corrected when the FA of 2021 is prepared.	The differences should be timely identified and necessary corrections to be made in the financial statements prior to submission to Audit.