

## **Pooled arrangement of Contingent Emergency Response Component of the World Bank Funded Investment Project - for the year ended 31 July 2023**

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The audit of financial statements of the Pooled Arrangement of Contingent Emergency Response Component of the World Bank Funded Investment Project for the year ended 31 July 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 provision of the Financing Agreements No. 6371 LK, 6228 LK, 8878 LK and 6346 LK dated 08 September 2020 entered into between the Democratic Socialist Republic of Sri Lanka 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 Agreement, the Ministry of Finance, Economic Stabilization and National Policies is the Executing and Implementing Agency of the Project. The objectives of the Project are to activate CERC of the above said projects and pool funds to a single CERC pool account on joint Co-Financing basis to ensure efficient and coordinated response using a single emergency action plan to implement the Government Response and recovery plan of Covid – 19 pandemic situation with short to medium term interventions, covering Health, Social Protection, Agriculture, Education and Transport Sectors and the delivery of Public Services remotely using ICT solutions. As per the Loan Agreement, the estimated total cost of the Project was US\$ 56 million equivalents to Rs. 10,491 million was agreed to be financed by the International Development Association. The project had commenced its activities on 17 June 2020 and scheduled to be completed by 31 March 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 July 2023, statement of use of funds and its cash flows for the period of seven months 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. Physical Performance

### 2.1 Physical Progress of the Activities

Audit Issue	Response of the Management	Auditor's Recommendation
(1)(i) The institutions that financial allocation were made had not been implemented the tasks as specified by the Action Plan. The physical progress of the project as on 31 July 2023 is as follows.	<p>(i) Agree with the achievements mentioned.</p> <p>32 stores under this project had to cancel at the preliminary stage (without starting) of the project due to various reasons;</p> <p>Accordingly, 32 warehouses had to canceled and the 07 contracts had to stop in the middle of the construction due to the lack of a suitable solution from the funding agency to the uncertain situation faced by the contractors Weighing machines could not be purchased due to following reasons.</p> <p>Procurement was done to provide a ladder and a weighing scale for all the constructed stores including this one and accordingly, a ladder was provided for each store. Although the procurement process was done twice to select a suitable supplier to provide the weighing scale, it was not possible to find a supplier to supply the scales locally or by importing due to the imposition of import restrictions by the government.</p>	It is required to take necessary action to achieve all targets intended.
<b>No Overall Physical Targets of the Project</b>	<b>Achievements</b>	
(a) Construction of 102 stores for field crops and supply weighing machines and 102 Ladders	It was only 61 projects were completed and 32 projects had not been commenced and 7 projects were terminated. 2 projects incomplete. It has purchased only 66 ladders purchased and no weighing machines had been purchased.	

(b)	Supply of water for 486 schools	Only 319 schools had been supplied.	Not responded	do
(c)	Capacity development of teachers	Not yet implemented	Not responded	do
(d)	Sanitary facilities for 881 needy schools	Construction of sanitary facilities had been completed in 867 schools.	Not responded	do
(e)	Improvement of sanitary facilities 12 railway stations	Construction 5 toilets units in 5 railway stations are completed	Not responded	do
(f)	Improvement of sanitary facilities 21 SLTB depots	Construction of 16 male and female toilets had been completed	Not responded	do