

## **Establishment of Colombo Vocational Training Centre and Upgrading of Gampaha Technical College Project - 2018**

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The audit of financial statements of the Establishment of Colombo Vocational Training Centre and Upgrading of Gampaha Technical College Project for the year ended 31 December 2018 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 Loan Agreement No. 2013033/SL-SRI-22 dated 23 July 2013 entered into between the Democratic Socialist Republic of Sri Lanka and the Export – Import Bank of Korea. My comments and observations which I consider should be report to Parliament appear in this report.

### **1.2 Implementation, Objectives, Funding and Duration of the Project**

According to the Loan Agreement, the Ministry of Skills Development, Employment and Labour Relations is the Executing Agency and Implementing Agency of the Project. The objectives of the Project are to establish and develop the Vocational Training Centre in Colombo and Technical College in Gampaha in order to play a key role in purring industrial growth and in human resources development with the assistance of the experts for technical transfers and economic development. As per the Loan Agreement, the estimated total cost of the Project amounted to US\$ 31.41 million equivalent to Rs.4, 083 million and out of that US\$ 26.05 million equivalent to Rs.3, 386 million was agreed to be financed by Export – Import Bank of Korea. The balance amount of Rs.697 million equivalents to US\$ 5.36 is expected to be financed by the Government of Sri Lanka. The Project had commenced its activities on 18 November 2013 and scheduled to be completed by 18 November 2016 However, the date of completion of the activities of the Project had been extended up to 31 December 2018.

### **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 2018, financial performance 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 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. Physical Performance**

### **2.1 Physical and Financial Progress of the activities of the Project**

The activities of the Project are implemented under 05 components of supplying of equipment and facilities for the Vocational Training Centre in Colombo and Technical College in Gampaha, providing overseas trainings, dispatch experts, text books development and providing of consulting services. The improvement and construction works of the buildings had been completed and handed over to the Implementing Agency on 31 May 2019.

## 2.2 Contract Administration

Audit Issue	Impact	Response of the Management	Auditor's Recommendations
(a) The improvement and construction works of the buildings of the training centres commenced on 18 November 2013 which expected to be completed by 18 November 2016 had been extended in 02 instances up to 31 December 2018, due to delays in application of procurement process.	The infrastructural development works had not been completed as enable to commence the academic courses on time.	Not commented.	Need to take urgent action to commence the academic activities.
(b) The scope of the works under the building construction works at Orugodawatta for Vocational Training Centre in Colombo had been changed subsequently, through 100 variation orders as at 31 August 2019 and as a result, the estimated cost of the construction works of US\$ 8.54 million had been increased by US\$ 1.26 million. Further, the works such as establishment of air condition system of the auditorium, drainage system, internal road system and fire door closer systems of the buildings which required to be included in the initial building construction plans had been carried out separately under the variation orders.	Possibility to increase the cost of the construction exceeding the estimations.	-Do-	Need to investigate the reasons on designing weaknesses and impacts on price variation in order to minimize such instances in future.
(c) The laboratory and building equipment valued at US\$ 4.67 million required to supplied and installed by 30 November 2018 had been supplied only on 09 May 2019.	Possibility to delays in commencement of academic activities	The laboratory and building equipment had been supplied with delays due to changes of the specification of such equipment.	Need to take urgent action to commence the academic activities