

Uses of Funds of National Agency for Public Private Partnership Project - 2020

The audit of the Statement of Uses of funds of the National Agency for Public Private Partnership Project for the period of 08 months and 19 days from 01 June 2019 to 19 February 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 the Section 23 of the Project Appraisal Document Report No. 138145 – LK dated 30 January 2019 and Loan Agreement No. 8907 K dated 11 April 2019 entered into between the Democratic Socialist Republic of Sri Lanka and the International Bank for Reconstruction and Development (IBRD). 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 Finance is the Executing Agency and the Implementing Agency of the Project. The objective of the Project is to support the preparation of public private partnership that will enable the Government of Sri Lanka to facilitate private sector financing for the development of its priority infrastructure and services. Subsequently, it was decided to wind up the activities of the Project by the Cabinet of Ministers at the meeting held on 14 January 2020. However, a sum of Rs. 57 million from the International Bank for Reconstruction and Development funds and Rs. 35 million from the GOSL funds had been utilized by the Project for the preparatory works of the Project during the period of 08 months and 19 days.

1.3 Opinion

In my opinion, the Statement of Uses of Funds of the National Agency for Public Private Partnership Project presents fairly, in all material respects for the period of 08 months and 19 days from 01 June 2019 to 19 February 2020.

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 Statements of Uses of Funds section of this report. I believe that the audit evidence I have obtained sufficient and appropriate audit evidence 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 statement of the utilization of funds 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 statement of the utilization of funds 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 statement of the utilization of funds 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 statement of the utilization of funds.

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 statement of the utilization of funds, 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 the Project's internal control.
- 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 statement of the utilization of funds, including the disclosures, and whether statement of the utilization of funds represents 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 Deficiency

Accounting Deficiency	Amount	Management	Auditor's
-----	Rs. million	Response	Recommendation
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	(Rs.)		
Although the expenditure incurred in 2019 from local funds had been included in the	35	Agreed	Project expenditure should be shown separately.

financial statements of Ministry of Finance, those expenditure were not brought to the Statement of Uses of the Funds of the Project.

2.2 Non- Compliance with Rules and Regulations

	Reference to the Laws Rules and Regulations -----	Non-Compliances -----	Management Responses -----	Auditor's Recommendations -----
(a)	Loan Agreement Schedule 02			
	Section 1 - D	Project Operation Manual had not been prepared.	Agreed	Requirements of the Loan Agreement should be complied with.
	Section 1 - E	Annual Work plans and the Budgets had not been prepared.	-Do-	-Do-
(b)	Project Appraisal Document (PAD)			
	Section - 24	Project Financial Statements had not been prepared.	-Do-	Requirements of the PAD should be complied with.
	Section – 2	Manual and excel based accounting system had not been introduced.	-Do-	-Do-
(c)	Management Audit Circular No. 02/2016 and dated 10 June 2016	An Internal Auditor had not been appointed for the Project.	-Do-	Requirements of the Government Circulars should be complied with.

3. Physical Performance

3.1 Delays in commencements/ implementation/completion of activities of the Project

Audit Issue -----	Management Response -----	Auditor's Recommendation -----
Progress reports in respect of achieving the objectives of the Project had not been prepared and submitted.	Agreed.	Progress reports in respect of achieving objectives should be prepared and submitted.