

Climate Mitigation Action Support Project - 4 months period ended 30 April 2021

The audit of financial statements of the Climate Mitigation Action Support Project for the four months period ended 30 April 2021 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 II, Section II (A) (a) of the Grant Agreement No. TF0B0017 dated 11 April 2019 entered into between the Democratic Socialist Republic of Sri Lanka and the International Bank for Reconstruction and Development. 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 Grant Agreement, the Ministry of Environment is the Executing and Implementing Agency of the Project. The objectives of the Project are to strengthen the Recipient's capacities and systems to implement national climate change policies, strategies and actions and design or strengthen market non-market mitigation instruments. As per the Grant Agreement, the estimated total cost of the Project was US\$ 1.8 million equivalent to Rs.315 million and entire amount agreed to be financed by International Bank for Reconstruction and Development. The Project had commenced its activities on 11 April 2019 and scheduled to be completed by 28 February 2021.

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 30 April 2021, statement of expenditure and its cash flows for the four months period 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. Underutilized Resources

No	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	Amount of Rs.118 million had been disbursed by the World Bank for a period of 04 months from 01 January 2021 to 30 April 2021 and Rs.09 million had been remitted back to the World Bank. Accordingly, it was observed that 7.8 per cent of the funds provided by the World Bank for the above period had not been utilized for planned activities	Consultancy for Delivery Sector Wise Training for Monitoring, Reporting and Verification (MRV) System and Sri Lanka Carbon Registry (SLCR), the deployment, customization, piloting, and maintenance of Monitoring, Reporting, and Verification (MRV) systems and Sri Lanka Carbon Registry (SLCR) and Procurement for upgrading the website of the Climate Change had not been awarded due to the varies	Funds should be utilized for plan activities during the time frame.

- (b) 55 computers valued at Rs.12.4 million had not been utilized for intended purpose at the date of audit. The distributed 55 computers among the potential stakeholders are being used for initial preparatory activities and now they are being fully utilized with the deployment of the National Climate Change Data Sharing Network in the Information Communication Technology Agency (ICTA) of Sri Lanka. Immediate action had to be taken to utilized computers for intended purpose.