

## **General Education Modernization Project (Component 1- Provincial Part) - 2021**

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The audit of financial statements of the General Education Modernization Project (Component 1- Provincial Part) for the year ended 31 December 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 provisions in the Loan Agreement No. 6228 LK dated 25 July 2018 entered into between the Democratic Socialist Republic of Sri Lanka and International Development Association (IDA). 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 Education is the Executing Agency and Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government (MPAHAPCLG) is the Coordinating Ministry for the provinces and Nine Ministries of Provincial Education are the Implementing Agencies of the Project. The objective of the Project is to enhance quality and strengthen stewardship of the general education system. As per the Loan Agreement, the estimated total cost of the Project was US\$ 100 million equivalent to Rs.15,505 million was agreed to be financed by IDA. The Project had commenced its activities on 30 August 2018 and scheduled to be completed by 30 June 2024.

### **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 2021, statement of expenditure 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 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. Comments on Financial Statements

### 2.1 Non- Compliance with Laws, Rules and Regulations

No	Reference to the Laws, Rules and Regulations	Non- Compliance	Management Response	Auditor's Recommendation
(a)	Paragraph 9.3 of the Management Service Circular No 1/2019 of 15 March 2019	The Meetings of the Project Steering Committee required to be held once in 02 months. However, only 01 meeting had been held during the year under review.	No Comments have been made	The meetings of the Project Steering Committee required to be held as per the Circular Instruction.
(b)	Department of Management Audit Circular No 01/2019 of 12 January 2019	The Audit and Management Committee shall meet at least once in a quarter in order to meet 4 times per year. However, no AMC meeting had been held during the year under review.	It was proposed to conduct internal audit review committee by the MOE.	The meetings of the Audit and Management Committees required to be held regularly.

### 3. Physical Performance

#### 3.1 Physical Progress of the Activities of the Project

No.	Audit Issues	Response of the Management	Auditor's Recommendations
(a)	Although 09 Disbursement Linked Indicators (DLI) should be achieved under this Project, progress details indicating that the targets to be achieved by the end of 2021 was not submitted to the audit.	The DLIs are measured by the Ministry of Education. Hence, the information and responsibility in this regard are the responsibility of the Ministry of Education.	DLI progress reports and other information requested by the auditor should be submitted within the given time period.
(b)	Although Four Project Development Objectives (PDO) had been introduced for this project, progress reports had not been submitted to the audit.	-Do-	PDO progress reports and other information requested by the auditor should be submitted within the given time period.

#### 3.2 Idle/ Unutilized/ Underutilized Resources

No	Idle Assets	Period of Idle Years	Cost incurred Rs. million	Reason	Responses of the Management	Auditor's Recommendations
(a)	Teachers quarters of Giribawa Central College – (NWP)	1 year	1.09	Not mentioned	Payments have been made according to DLI 5- Increase in the quantity of new professionally qualified teachers.	Action should be taken to utilize the quarters.
(b)	English and Math Learning Center at Wariyapola Education Development Center	1 year	53	(i) Delay in handing over to the Education Development Center.  ii) Non available of electricity and water, office equipmen,	Equipment is being provided and arrangement has been made to use a bulk electricity supply.	Action should be taken to utilize the training center for intended purposes without further delay.

learning equipment and access to the premises had not been arranged.

### 3.3 Matters in Contentious Nature

Audit Issue	Management Response	Auditor's Recommendations
A sum of Rs.8 million salaries had been paid to the consultants in the year 2021 contrary to the provisions mentioned in paragraphs 2.5 (i), 4.3 and 4.4 of the procurement guidelines code for the employment of consultants, and it was not ascertained during the audit that the recruited consultants had performed sufficient service related to the project.	I would like to inform that there has been no contravention of the provisions of the procurement guidelines code for the employment of consultants. I would like to mention that at the time of need, I received great service from these officers compared to the amount paid.	Unnecessary positions should be abolished and accordingly government expenses should be reduced.

### 3.4 Financial Progress of the Project

Audit Issues	Management Responses	Auditor's Recommendations
According to the Project Appraisal Document, total amount US\$ 49.36 million equivalent to Rs.9,773 million had to spent for project activities at end of the year under review. However only Rs.1,888 million had been spent as at 31 December 2021. Cumulative Financial Progress of the project is 19.32 percent.	No comments. have been given	Action should be taken by the executing agencies to cover the delays.

### 3.5 System and Controls

No	Audit Issue	Management Response	Auditor's Recommendations
(a)	Although funds had been received separately for the project, basic books and accounts required for preparation of financial statements had not been maintained properly.	The relevant officers were instructed to maintain basic books of accounts properly, required for preparations of financial statements.	Action should be taken to maintain books and accounts properly.
(b)	120 desktop computers purchased at a cost of Rs.19.51 million by Eastern Provincial Education Department were handed over to	No Comments have been made.	Records should be kept properly and submitted to the audit

the 20 schools, each per 6. However written evidence was not submitted to the audit to confirm whether the said computers had been received by the schools.

when requested.

- (c) Based on the number of students in the school, for 860 schools, Rs. 52.75 million had been given in the year under review. The funds had been distributed to the respective schools by the Regional Education Offices however the Provincial Education Department or the Provincial Ministry of Education in Uva province had not been checked that the funds were being used to fulfill the objectives of Project.
- Progress had been reviewed by Provincial Educational department and Provincial Ministry of Education through guidelines and formats.
- Follow up procedures should be carried out timely by responsible parties.