

## **General Education Modernization Project Component II - 2021**

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The audit of financial statements of the General Education Modernization Project Component II 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 Section 5.09 of the Loan Agreement No.6228 dated 25 July 2018 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**

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According to the Loan Agreement, the Ministry of Education is the Executing Agency and the Implementing Agency of the Project. The objective of the Project is to enhance quality and strengthen stewardship of the general education system. The activities of the Project are implemented under 02 components namely, enhancing quality and strengthen stewardship of primary and secondary education, programme operation and technical support. As per the Loan Agreement, the estimated total cost of the Project was US\$ 2,900 million equivalent to Rs.449,645 million and out of that US\$ 100 million equivalent to Rs. 15,505 million was agreed to be financed by International Development Association. The balance amount of Rs.434,140 million is expected to be financed by the Government of Sri Lanka. The Project had commenced its activities on 30 August 2018 and scheduled to be completed by 30 June 2024.

### **1.3 Opinion**

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In my opinion, 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**

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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**

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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

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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- compliances	Responses of the Management	Auditor's Recommendations
(a)	Paragraph 52 of the Project Appraisal Document	Eventhough Third-party validation report on the acquisition of the Disbursement Link Indicators of the Project (DLI) for the year 2021 should be submitted to the World Bank before 28 February 2022, third party independent body consisting of independent and educational experts had not been appointed for the year 2021 until 30 June 2022.	Third-party validation (TPV) is done to measure the achievement of the disbursement link indicators (DLIs) for the respective fiscal year. However, the Ministry of Education was able to withdraw the funds allocated for the 2020 DLIs in the corresponding year (2021) after submitting the TPV reports to the World Bank.	The instruction in the Project Appraisal Document should be followed.
(b)	Paragraph 9.3 of the Management Service Circular No. 01/2019 dated 15 March 2019, and Section 5.1 of the Project Operational Manual	The project steering committee would meet at least once in two months. However, only one steering committee had been held for the year under review.	The Ministry of Education will take necessary actions to conduct the national level steering committee as planned in the ToR in the future.	Action should be taken to comply with the circular and operational manual instructions.
(c)	Paragraph 96 of the Project Appraisal Document	The internal audit had not been conducted as per the requirement.	Accepted.	Action should be taken to conduct an internal audit.

### 3. Physical Performance

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

Component	Activity	As at 31 December 2021		Audit Issue/ Delay	Reasons for delay
		Expected physical performance	Performance achieved		
		Percentage	Percentage		
II	Preparation of the ordinary level examination centers	100	Not presented for Audit	The provisions had been made for covid-19 under the Disbursement Link Indicator 09 (DLI 09) of component 1 and an amount of Rs.13.4 million had been provided to the Provincial Departments of Education. However, the enough physical and financial progress regarding the above funds given to the Provincial Departments of Education had not been obtained by the Ministry.	The physical and financial progress which regarding the above funds given to the provincial had not been obtained by the Ministry.
<b>Response of the Management</b>	<b>the</b>	The Ministry of Education has already informed the Provincial Departments of Education to submit the progress several times. However, the MoE will take necessary action to obtain the progress of these activities in the future.			

#### Auditor's Recommendation

Action should be taken to obtain evidence of utilized funds.

### 3.2 System and Controls

Audit Issue	Response of the Management	Auditor's Recommendation
As per the financial statement, the cost of property, plant and equipment was Rs.4 million as at 31 December 2021. As the Project had not maintained proper fixed assets register and details schedules, the audit was unable to ascertain the accuracy of such balances.	Assets Register is being prepared and will be submitted within one week period of time to the General Audit branch.	Fixed assets register and detailed schedules should be maintained properly.