

General Education Modernization Project (Component 1- Provincial Part) - 2022

The audit of financial statements of the General Education Modernization Project (Component 1- Provincial Part) for the year ended 31 December 2022 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 30th August 2018 and scheduled to be completed by 30th June 2024.

1.3 Qualified Opinion

In my opinion, except for the effects of the matters described in the 2.1 section of my report, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2022, 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 Qualified 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. Accounting Deficiencies

Accounting Deficiencies	Responses of the Management	Auditor's Recommendation
World Bank/IDA US\$ credit balance as at 31 December 2022 had not been translated into LKR value of that date and as a result the loan balance and development expenditure balance shown in the statement of financial position had been understated.	No comments.	Financial statements should be prepared and fairly presented in accordance with Sri Public Sector Accounting Standards.

2.2 Non- Compliance with Laws, Rules and Regulations

Reference to the Laws Rules and Regulations	Non Compliance/Audit Issue	Management Response	Auditor's Recommendation
Paragraph II of Management Service Circular No 3/2018 dated on 18 July 2018 and Paragraph 9.4 of Management Service Circular No 1/2019 dated on 15 March 2019	Contrary to the provisions in circulars a sum of Rs.170,500 had been paid for 28 officers for the participation in Provincial Steering Committee Meetings held during the year in Uva Province	Payments had been made as per the Planning services circular No 02/2018 approved by the governor. However payments were temporary suspended.	Payments should be made as per the circular instructions.

3. Physical Performance

3.1 Physical progress of the activities of the Project

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 the year 2022 had not been 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.
(c) Southern Province		
(i) Enhancing English Language Education (DLI 01) 58 Schools were selected in the Southern Province from the year 2018 to 2021 under the enhancement of English language education and although the performance level of students is to be at least 60 percent by the end of the year 2022 under that component, the results of the follow-up inspection conducted in that regard were not released until the	No comments have been made.	Project objectives should be achieved.

audited period of end of May 2023. However while comparing the marks obtained for English language in the final term examination of 07 zonal offices, the average marks of 6243 and 6540 students of grade 8 and 9 were 37.37 and 37.83 per cent respectively.

(ii) Enhancing Mathematics education (DLI 02)

38 Schools were selected in the Southern Province from the year 2018 to 2021 under the improvement of mathematics education and although the performance level of students is expected to be at least 60 percent by the end of year 2022, the results of the related follow-up test were not released until the audited period of end of May 2023. However, while comparing the marks obtained for the subject of mathematics in the final examination of 08 zonal offices, the average of the marks obtained for the subject of mathematics by 4826 and 5090 students of grade 8 and 9 was 47.97 per cent and 44.38 per cent respectively.

-Do-

-Do-

3.2 Transactions of Contentious Nature

Audit Issue	Management Comment	Recommendation
<p>(a) Southern Province</p> <p>(i) According to section 4 of the Circular No. 34/2022 dated 14 October 2022 of the Secretary of Education regarding the provision of school based learning grants to all national and provincial council schools in order to improve the quality of school education, it was identified 10 areas (including project components) which should be used for financial grants. Although payments should be made subject to a maximum of 50 per cent for the purchase, maintenance and repair of school furniture. Spent Rs.67 million had been spent only on the maintenance and repair work of 296 schools.</p>	<p>No comments have been made</p>	<p>Expenses incurred should be comply with project DLIs</p>

(ii) An amount of Rs.85,766,439 was spent in the year under review on the purchase of computers and other electronic equipment. It was not observed that these purchased equipment were used directly to achieve the objectives of the project. It is 24.8 per cent of the total expenditure. -Do- -Do-

(b) **North Western Province**

(i) Although the aim of the DLI 6 indicator of the project is to establish a national system for school quality assurance that results in school community-based quality assurance self-interview and external review, furniture and equipment needed for the libraries had been purchased by spending Rs.6 million using that DLI 6. -Do- -Do-

(ii) While the objectives and targets of the project as well as the Disbursement Linked Indicators (DLI), on the contrary, an amount of Rs.14 million was spent in the year under review for the purchase of agricultural equipment, sports equipment, home science equipment and aesthetic equipment. -Do- -Do-

(iii) The North Western Provincial Education Department had purchased computers and computer accessories at an expenditure of Rs.42 million in the year under review. The need for computers in the province had been fulfilled without correctly interpreting the basic purpose of the project. Accordingly, 68 desktop computers and 30 tab computers which had been purchased on 31 December of the year under review were kept in the warehouse without being distributed. 20 laptop computers that were purchased at Rs.170,000 each were given to the Wariyapola Maths and English training center remained idles as at 18 April 2023. -Do- Expenses incurred should be complied with project DLIs Information and details should be submitted to the audit when requested.

3.3 Idle/ Unutilized/ Underutilized Resources

	Idle Assets	Period of idle Years	Cost incurred Rs Mn	Reason	Responses of the Management	Auditor's Recommendations
(a)	Teachers quarters – Giribawa Central College	2 year	1.1	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)	Principals quarters – Saliya Ashoka Central	2 year	1.9	Principal's home is situated near by the school, non-available of Math teacher and shortage of science teachers in the school	-Do-	-Do-
(c)	Teachers quarters – Angamuwa Junior school	1 ½ year	1.8	Non available of English and Math teachers in the school and two other teachers settled down in the quarters	-Do-	-Do-
(d)	English and Maths learning center- Wariyapola Education Development center	2 year	53.2	<p>a) Delay in handing over to the Education Development Center.</p> <p>b) Non available of electricity and water, access to the premises had not been arranged.</p>	Equipment was 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.

3.4 Defects in Contract Administration

Audit Issue	Management Comment	Recommendation
(a) North Western Province		
Construction of English & Maths learning centre in Wariyapola		
<p>A total value of Rs. 56 million was paid to the construction company for the construction of the said project as Rs. 48.6 million in the years 2020 and 2021 and Rs. 7.4 million in the year 2022. Rs.4.8 million for electricity supply and land preparation and Rs.10 million for furniture and office equipment in the year 2022 were incurred and accordingly, the total cost of the project as at 31 December 2022 was Rs.71 million.</p>	No comments have been made	Actions should be taken to utilize the building as soon as possible for project objectives
<p>i. Although the contract period for the said industry was from 02 November 2019 to 29 November 2020, and extension of another 10 months was granted till 05 October 2021. According to 4.2.2 of the code of government procurement guideline, the reasonable time for the said construction is 40 weeks, but about 100 weeks were spent on this construction.</p>	-Do-	-Do-
<p>ii. According to the final bill, it was confirmed that the irrigation industry had been completed on 05 October 2021 by the Wariyapola divisional engineer, the handing over of the building was delayed by another 06 months due to the said building was formally handed over to the Wariyapola education development centre on 06 April 2022.</p>	-Do-	-Do-
<p>iii. The building had been opened with a temporary access road and a temporary electricity supply by the time of the work was completed on 06 April 2023 and the temporary electricity supply had been ended by the audited date of 18 April 2023 and any programme had not been conducted or planned to be conducted.</p>	-Do-	-Do-
<p>iv. Wariyapola education development centre had requested a three-phase 60 amp supply from Ceylon Electricity Board for the above building. But the electricity board had informed that this supply cannot be given as per the rules of the board as it exceeds the maximum capacity of 42 KVA of the normal supply that can be provided for this premises. Accordingly, the pre-procurement process had not considered the utility services which are a responsibility of the procurement structure according to 2.3 of the code of government procurement guidelines.</p>	-Do-	-Do-

<p>v. The estimated amount of Rs.1.8 million for electricity supply was paid to the Kurunegala Lanka Electricity Board on 05 October 2022. Also, about 05 months later on 20 March 2023, the North Western Provincial engineering department had given an estimate of Rs.5 million for the internal electricity distribution system of this centre, but the procurement was not started till the audited date of 20 April 2023.</p>	-Do-	-Do-
<p>(b) The following defects were observed in the said building which was opened during the on-site inspection conducted on 18 April 2023.</p> <p>(i) It was observed that the fixed doors and door locks were not strong enough and broken.</p> <p>(ii) Large Water Leakages were observed in the toilet system.</p>	No comments have been made	Proper supervision should be carried out in order to certify that the works are being done as prescribed
<p>(c) The North Western Provincial Education Director had contracted construction work with a construction company on 25 October 2022 for an amount of Rs.4.6 million to prepare the site of this centre. The following facts were observed in that regard.</p> <p>(i) A drainage system was not designed in the landscaping. A drain was cut at the back of the building to drain the water, however there was no way to drain the water that collects in it.</p> <p>(ii) The stair and also a system to access the building for people with special needs were not designed in the landscaping. However, it was observed even though such a system was designed inside a building, however there was not a system to access it from the ground and due to that the access route for people with special needs in the building was also idle.</p>	No comments have been made	Proper supervision should be carried out in order to certify that the works are being done as prescribed.

3.5 Matters in Contentious Nature

Audit Issue	Management Response	Auditor's Recommendations
<p>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.</p>	<p>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.</p>	<p>Unnecessary positions should be abolished and government expenses should be reduced.</p>

North Western Province

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| <p>i. 156 Trapezoid tables worth Rs. 3.7 million were purchased and distributed in the year under review to increase Mathematics learning and Mathematics activities under the General Education Modernization Programme. Although suitable tables should be purchased for mathematical activities according to the Maths theory of Trapezoid, it was also observed that these desks, which had been purchased due to the scarcity of procurement and the technical evaluation committee not giving correct recommendations regardless of the need, were not suitable for those mathematical activities. Accordingly, it was observed that the World Bank funds given to develop mathematics knowledge in accordance with modern technology are not effectively used.</p> | <p>No comments have been made</p> | <p>Should be considered about the necessity while making purchases.</p> |
| <p>ii. Under this project, financial allocation of Rs.102 million was given to 08 zonal offices as “School Based Learning Enhancement Grant” (SBLEG) in the year under review. As a final payment by the Out Right Grant, the money of the above grants was directly credited to the School Development Society’s account and follow-up was not done in this regard. It was also observed that the Principals were not aware of the source of the money. Grants were distributed to schools subject to a maximum of Rs. 250,000. It was observed that the amount was not sufficient for school development for achieving the objectives of the project or for the performance of the project.</p> | <p>No comments have been made</p> | <p>Follow-up should be done on how the given money is spent.</p> |

4. Financial Progress of the Project

Audit Issues

Management Responses

Auditor's Recommendations

According to the Project Appraisal Document, total amount US\$ 66.24 million equivalent to Rs.24,161 million had to spent for project activities at end of the year under review. However only Rs.5,086 million had been spent as at 31 December 2022. Cumulative Financial Progress of the project is 21.05 per cent

No comments. have been given

Action to be taken by the executing agencies to cover the delays.

5. System and Controls

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) Failure to follow up on utilization of equipment after distribution

All principals have been informed to fully utilize the equipment and instructions were issued to carry out monitoring activities through Regional Educational Offices

Follow up procedures should be carried out timely by responsible parties.

(c) Although the internal audit of the project is expected to be carried out by the internal units of the MOE,MPAHA & PLG and PEAs, internal audit activities for the project had not been carried out by internal audit units of the Provincial Councils.

Instructions had been given to provincial authorities.

Actions should be taken to carry out Internal Audit functions as required by regulations.