

General Education Modernization Project component 1 - 2022

The audit of financial statements of the General Education Modernization Project component 1 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 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

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\$ 2900 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

In my opinion, 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 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/Audit Issue	Response of the Management	Auditor's Recommendations
(a)	Paragraph 9.3 of Management Service Circular No. 01/2019 dated 15 March 2019, and	The Secretary of the Line Ministry / Provincial Council Chief Secretary shall ensure that the Project Steering Committee meets at least once	It was unable to conduct steering committee meetings according the situation of the country.	Action should be taken to comply with the circular and instructions stipulated in the

	section 5.1 of the Project Operations Manual	in 02 months. However, only one steering committee had been held for the year under review.		project operational manual.
(b)	Paragraph 96 of the Project Appraisal Document.	Although, the internal audit plan presented by the internal audit unit of the Ministry of Education for the year 2022 was generally stated as coordination, regulation and evaluation of foreign aid programs and general education, the audit activity had not been identified or carried out in relation to the project.	Audit plan of January 2023, the inspection of foreign project implemented in the Ministry of Education has been included.	Action should be taken to conduct an internal audit.

2.2. Un-reconciled Balance

Audit Issue	Response of the Management	Auditor's Recommendation
According to the financial statements, the total expenditure of component 01 for the year 2022 is Rs.291 million and the expenditure of component II is Rs.38 million then the total expenditure incurred under the project in the year 2022 was reported as Rs.329 million. According to the progress report for the year 2022, the total financial progress was Rs.202 million, and it was observed that there was a difference between the expenditure recorded in the financial statements and the financial progress report.	The financial statements are prepared based on actual expenditure and financial progress reports are prepared based on data of the branches. In the future, the progress reports will be made based on the actual cost.	Steps should be taken to accounted the correct expenditure of the project.

3. Physical Performance

3.1 Physical progress of the activities of the Project

Component	Activity	As at 31 December 2022		Delay/ Audit Issue	Reasons for delays	Response of Management	the Auditor's Recommendations
		Expected physical performance Units percentage	/				
(a)	Schools grant	178	65	As per circular No: 05/2021 dated 23 rd March 2021, a grant of Rs.177.5 million had been given to 178 schools in two stages. Although the financial progress related to the utilization of these provisions had to be submitted by 30 April 2021, only 65 schools had submitted the financial progress. Accordingly, out of the total grant given, the expenditure of the year under review was Rs.39 million and it was only 22 per cent of the total grant.	Price hiking and the shortage of the some items being prevailed in the local economy during the last year.	It is observed that some of the schools have been referring the reports currently including relevant progressions consequent to the inability to be completed the relevant projects by the scheduled date due to the price hiking and the shortage of the some items being prevailed in the local economy during the last year.	Records should be maintained as the progress of the project can be evaluated.
(b)	Schools Grant	174	0	Despite the final reports or financial progress related to the grants given in the previous year, had not been submitted, grant of Rs. 102.7 million had been given during the year under review. Grants given in 2022 had been extended up to 31 August 2023 due to releasing funds in the last month of the year.	The declining of the local economy and shortage of finance in local and foreign currencies.	It was unable to release this Grant Amounts to the relevant schools by the scheduled date consequent to the not receiving the imprest by the Treasury Operation.	Every effort should be made to meet the disbursement link indicators.
(c)	Schools grant	270	09	According to Circular No. 25/2021 dated 10 December 2021, a grant of Rs.285.7 million had been given to 270 schools related to the project of increasing the number of National Schools up to 1000. The grants should have been utilized and completed by 31 December 2022. Only 09 schools had been presented the	Being adhered and obeyed to the circulars and rules and regulations due to the global pandemic, Limitation of the capacity of Staff, Teachers Strikes, frequent temporary closures of	It has been able to identify that the actions in respect of obtaining the Approval for the Sub Plan has also been delayed subsequent to the delaying of the receipt of funds to some of the schools	Action should be taken to comply with the circular and records in relation to the utilization of the funds provided should be maintained in order to evaluate the progress of

				financial progress and the Ministry of Education had not been followed up on the utilization of those grants.	schools, Price hiking and Shortage of some items in the market.	and it is observed that the referring of the progression have also been delayed.	the project.
(d)	Mathematics and English learning improvement programme .	60%	Not counted yet	Although the expected progress for the year 2022 of this program implemented in 500 schools in 9 provinces was 60 per cent, due to the extension of the school academic period to March 2023. However the progress measurement of the progress was delayed and the evaluation of the progress of the program had not been carried out even by the date of audit.	Extension of the school academic period	The Ministry of Education received the printed question papers of the General Assessment Test on 17.05.2023 and the distribution of the said question papers to the Provincial Departments of Education has already been started. It has also been informed to conduct these tests at provincial level before 30.06.2023 and to give all the analyses of marks to the Ministry of Education.	Every effort should be made to achieve the specified targets.
(e)	Activities of National Institute of Education	11	0	According to the progress report 11 activities had not been started.	Reform proposals have been hold for the approval of the cabinet of Ministries.	According to the letter dated 13.03.2023 received from the Presidential Secretariat, the submission of the reform proposals has been hold for the approval of the cabinet of Ministries until the Hon. President grant official endorsement to the National Education Policy. Therefore activities related to curriculum have been temporarily stopped from grade 1 to grade 10.	Every effort should be made to achieve the specified targets.

(f)	Progress of the Ministry	32	0	Among the tasks planned to be completed in the year 2022, 32 tasks belonging to 07 branches had not achieved any progress and the progress of 13 tasks belonging to 06 branches was less than 50 per cent.	Unprecedented economic, social and health problematic situation in the country.	During the year under review, Sri Lanka as a country had to face an unprecedented economic, social and health problematic situation. In that situation alternative measures were taken to achieve the objectives. Most of the programs were conducted online and there was no financial progress.	Planned activities should be carried out within the given time period.
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3.2 Payments made out of the Project objectives

No	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	As per the operation manual of the project, more attention had to be paid to the areas of improving mathematics learning, improving English language learning, promoting digital learning, educational leadership management and citizenship education under the project, in the year under review. However a sum of Rs.16 million had been spent on promotion of mathematics and English learning, whilst Rs. 85 million had been incurred for the activities directly not aligned to the above Disbursement Link Indicators.	According to the analysis of the expenditure of component 1 it is clear that project funds had been used mostly within the scope of the project. As no consolidated funds available GEMP funds used to implement for the other activities of secondary education.	Adequate attention should be paid on utilization the funds effectively within the scope of the project.
(b)	Even though it had been transferred Rs.4.6 million under Financial Regulation 66 for the capacity development program under the Commonwealth Fund, the relevant expenditure of the programme had been incurred by this project and it was observed that the expenditure made was outside the scope of the project.	Accepted.	Adequate attention should be paid on utilization the funds effectively within the scope of the project.

3.3 Matters in Contentious Nature

Audit Issue	Response of the Management	Auditor's Recommendation
Although there were 06 lecture halls and committee meeting halls with a capacity of 25 to 320 seats in the ministry premises, a sum of Rs.2.5 million had been paid as hall charges for usage of external lecture halls outside the ministry, for the activities related to various programs implemented under the project.	The objective of conducting programs outside the ministry premises is to ensure full-time contribution and concentration of the resource persons on the assigned work.	Every efforts should be made to minimize the cost by utilizing the resources of the Ministry.