

## **Early Childhood Development Project - from 01 January 2023 to 30 September 2023**

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The audit of financial statements of the Early childhood Development Project for the year ended 30 September 2023 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 Paragraph C(3), Section II, Schedule 2 of the Financing Agreement No 5678 dated 23 October 2015 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 Financing Agreement, the Ministry of Women, Child Affairs and Social Empowerment is the Executing Agency and Implementing Agency of the Project and the activities are launched through Plantation Human Development Trust. The objective of the Project is to enhance equitable access to and improve the quality of Early Childhood Development services. The activities of the Project are implemented under 02 components namely Expanding & Strengthening the Delivery of Early Childhood Development Services and Project Management, Monitoring and Evaluation. As per the Financing Agreement, the estimated total cost of the Project was US\$ 50 million equivalent to Rs.7, 250 million and entire amount was agreed to be financed by the International Development Association. The Project had commenced its activities on 01 March 2016 and scheduled to be completed by 30 June 2021. However, the date of completion of the activities of the Project had been extended up to 30 December 2022 and again extended 15 June 2023.

### **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 September 2023, statement of expenditure and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

### **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 Generally Accepted Accounting Principles 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. Physical Performance

### 2.1 Physical progress of the activities of the Project

<b>Audit Issue</b>	<b>Response of the Management</b>	<b>Auditor's Recommendation</b>
The activities expected to be achieved by the Project and the performance thereon as at 30 September 2023 were ranged from 65 to 88 per cent. The details are given below.	Achieved performance is high as a percentage of expected physical performance.	Desired targets should be achieved.

<b>Component</b>	<b>Target</b>	<b>Achievement</b>	<b>Achievement as a percentage (%)</b>
a) Number of Children receiving Tuition Fee	91,000 Children	57,778	65
b) Establishment of Early Childhood Development (ECD) Centres in unsaved/underserved areas	186 Centres	155	85
c) ECD Morning Meal Program	155,000 Children	109,597	71
d) Renovation or Construction of Resource Centres	9 Centres	7	77
e) Receiving Facility Improvement Grants by ECD Centres	7,500 Centres	6,637	88

### 2.2 Contract Administration

<b>No</b>	<b>Audit Issues</b>	<b>Responses of the Management</b>	<b>Auditor's Recommendations</b>
(a)	Although the assets used by the Early Childhood Development Project amounting to Rs.18 million had been transferred to the Ministry of Women, Child Affairs and Social Empowerment and Plantation Human Resource Trust, they were not available to identify separately according to the certificate submitted for audit.	Assets handed over to the Ministry are distributed among institutions and sectors as per requirement.	Information relating to the transferring of asset should be given to the audit.

- (b) Although the project was completed by 30 September 2023, transactions amounting Rs.526,629 had been done through the project's bank account. There was an outstanding advance of Rs.529,985 out of the advance given for providing breakfast project activities. Advances should be settled before windup the project activities. There was an excess of payment during the settlement of advance from some pre-schools, and the excess money was used to settle the advances of pre-schools that had not been settled. After the liquidation of the project, the money credited to the project bank account will be credited back to the government revenue.