

General Education Modernization Project Component-I - 2023

The audit of financial statements of the General Education Modernization Project Component-I for the year ended 31 December 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 Section 5.09 of the Loan Agreement No. 6228-LK 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. However, the date of completion of the activities of the Project had been extended up to June 2026.

1.3 Qualified Opinion

In my opinion, except for the effects of the matters described in the paragraph 2.1 of my report the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2023, 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

Audit Issue	Amount Rs.	Response of the Management	Auditor's Recommendations
According to the note 01 of the financial statements, a sum of Rs.38 million had been shown as grants under the plant machinery and equipment, without being shown under the relevant asset category.	38 million	These have been stated as school grants within the property equipment since period of time has been extended to purchase equipment under this grant up to 31/03/2024. Actions shall be taken to reveal this when the Account 2024 is presented after being received the relevant Asset information by the relevant institution in respect of purchasing equipment relevant to this.	Non-current assets should be properly accounted.

2.2 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)	The paragraph 03 of the circular No.05/2021 dated 23 March 2021 issued by the Secretary of Ministry of Education Circular.	It had been indicated that the action will be taken to provide the grants under the second phase in accordance with the methodology based on the performance achieved by the schools. It had been informed to the audit by the Ministry that the due provisions for 2022 had been provided to the National Schools which had not submitted the progress reports in relation to the provisions in 2021 also.	In a year, the entire process from the approval of the grant to the grantee is unable to be completed within the time frame planned during the year due to unavoidable reasons that arise in the specified time.	Action should be taken to comply with the Circular.
(b)	The letter No. EST/7/EXAMS/05/1007-6 dated 27 April 2017 of the Director General of the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government.	Contrary to the instruction of the letter, all the official who participated in the workshop held during normal daily working hours for 5 provinces were paid Rs.823,000 as resource allowances.	Further As per Circular the technical terms like work shop, session, symposium are not defined or discriminated along with no provision for minimum or maximum no of participants to be called for one session.	Should be comply with the instruction of the Director General.

- c) The paragraph 9.3 of the Circular No. 01/2018 dated 15 March 2019 of the Ministry of Finance, Economic Stabilization and National Policies. The Line Ministries Secretary/ Provincial Council Chief Secretary should ensure for holding the Project Steering Committee meetings at least once in 02 months, however only one Steering Committee meeting had been held in the year under review. Measures have been taken to conduct steering committee meeting accordingly in future. Action should be taken to comply with the circular and instructions stipulated in the project operational manual.
- (d) The paragraph 96 of the Project Appraisal Document. Although internal audit should be carried out by the internal audit unit of the Ministry of Education as per the paragraph 96 of the Project Appraisal Document, however the internal audit reports had not been for the years 2021, 2022 and 2023. This GEMP project also plans to be done under a foreign project through the eight actions mentioned in the internal audit plan. According to 2023 audit plan an interim audit report has been issued by May 10, 2023, for the GEMP project. Steps should be taken to comply with the provision of the project Appraisal Document and the provisions of the Financial Regulation.

3. Physical Performance

3.1 Physical progress of the activities of the Project

NO.	Activity	As at 31 December 2023		Audit Issue	Reasons for delays	Response of the Management	Auditor's Recommendations
		Expected physical performance	Performance achieved				
		Units	Units				
(a)	School grant.	178	92	The progress related to the spending of 86 schools had not been submitted to the Ministry of Education even by 31 December 2023. From the presented financial progress, a sum of Rs. 26 million was remained after	Delay in fund transfer.	With the approval of the secretary of Education, the National school branch has extended the timeline to spend due to the delay in fund transfer	Action should be taken to comply with the circular and records in relation to the utilization of the funds provided and also record should be maintained properly in order to evaluate the

				spending Rs. 65 million from the allocations given to 92 schools.		to many progress of project schools.
(b)	School grant.	270	19	The action had not been taken to report the financial progress in relation to Rs. 267.75 million in 253 schools even by 31 December 2023. From the presented financial progress, a sum of Rs. 16.4 million was remained after spending of Rs. 1.6 million from the allocations given to 19 schools.	Delay in fund transfer.	This was given according to the SBLEG Circular issued in 2022. And due to delay even at the end of the year 2023 some of the funds were sent to schools and the branch is process of getting the progress.
(c)	School grant.	105	0	Granting of Rs.52.5 million for 105 National Schools. Even though the action had been taken to extend the date of completion the incurring of the grants provided in 2022 up to 31 August 2023, the progress in relation to the expenses had not been submitted to the Ministry of Education even up to 31 December 2023	Delay in fund transfer.	Due to delay even at the end of the year 2023 some of the funds were sent to schools and the branch is process of getting the progress.
(d)	Printing of story books	6	0	The School Affairs Branch has spent Rs. 1.2 million for conducting workshops related to printing of story books for the	Spending a lot of time to conduct programs.	It is being processed.

development of emotional skills of school students in the year 2022. Although 02 years had lapsed. The action had not been taken to create and print those 06 small story books by 15 May 2024.

3.2 Extraneous Payments made out of the Project objectives

Audit Issue	Response of the Management	Auditor's Recommendation
Apart from the main objective of the project, Rs.81 million had been spend for conducting workshop and programmes in 12 branches where allocation link indicators are not operational for other purposes.	The branches which are not DLIs or IOIs also contributing for the DLI and IOI like mentioned in earlier query, therefore there was no objection from World Bank for those funds were given.	Funds should be used in the project only to achieve the objectives.

3.3 Unutilized of Resources

Audit Issue	Response of the Management	Auditor's Recommendation
(a) In order to achieve the Disbursement Linked Indicators, a provision of Rs. 467 million has been made and out of that Rs. 234 million had been spent and a sum of Rs 233 million was remained without expending. As the same for the Non-Disbursement Linked Indicators, a provision of Rs. 877 million had been made and out of that Rs. 191 million had been spent and a sum of Rs.686 million was remained without expending.	Around September 2023 a sum of Rs. 200 million were received by changing the vote number, in order to do the repairs at NCOE, but due to the process, till the end of 2023 the works were not started and all of the works were started in 2024. Further the amount which was supposed to paid from the 2023 budget were paid in 2024 beginning due to delay is imprest receiving.	Every effort should be made to utilize the allocated funds in carrying out the required activity within the schedule time.
(b) A sum of Rs. 120 million had been spent for workshops and out of that 62 present thus Rs.74 million had been spent for the capacity development of the school community. Accordingly, only Rs.7 million which was 6	Ministry is solely responsible on training of trainers, even though some programmes conducted for the students by MOE, almost all programme are capacity development programmes and accordingly those trainings are either	The expenditure for the capacity development of school students should be increased.

percent of the total expenditure had been spent for the capacity development of school students.

for provincial officers, teachers and ISAs, so through them the benefits will reach the students. Therefore, we cannot conclude as MOE does not conduct the training programme for students, the capacity is developed in a cascading method.

- | | | | |
|-----|--|---|--|
| (c) | A sum of Rs. 7.5 million had been spent for conducting lectures using the lecture halls of external institutions' premises, although there are auditoriums and committee meeting hall facilities in the Ministry premises. | As per the previous audit query, the Policy and planning Branch has already requested the possibility to refurbish the auditorium, committee halls and other committee rooms to bring them to a proper working condition, but the world bank has stated that, such kind of refurbishment activities for the ministry cannot be incurred using WB funds. | Action should be taken to use ministry resources as available. |
|-----|--|---|--|

3.4 Systems and Controls

No	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	Only a sum of Rs. 168 million had been incurred for one Disbursement Linked Indicator out of 9 to staff training Under capacity development up to 31 December 2022 and a sum of Rs. 247 million which was 48.5 percent of the total cost had been incurred during the year under review. It is 147 percent of the expenditure incurred on staff training for this project up to now.	Human Resources Development branch of the ministry of Education had a large backlog on capacity development programme, Induction training programme last year and all of them have been conducted. Further the exceeding 4000 principal service officers were recruited and they were training provincial level for a month as per their Service minute.	Should be focus on achieving all the objectives of the project.
(b)	An action plan was not prepared for the general education modernization project for the year 2023.	GEMP plan was prepared and already sent to the Audit in 2023, the policy and planning branch usually prepare a GEMP plan and get approval from the secretary of education and with the no objection of the World bank, it was forwarded to the Audit on due time, during the visit of Audit officers, it was shown to them too.	Action plan should be prepared.