

General Education Modernization Project - Component- II - 2024

The audit of financial statements of the General Education Modernization Project Component-II for the year ended 31 December 2024 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 Opinion

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2024, statement of expenditure and its cash flows for the year then ended in accordance with Section 07 of the Project Operational Manual.

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 Section 07 of the Project operational Manual 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

Reference to the Laws Rules and Regulations	Non Compliance/Audit Issue	Response of the Management	Auditor's Recommendations
Paragraph 96 of the Project Appraisal Document	Even though the internal audit of the project should be carried out by Internal Audit Unit of ministry, General Education Modernization Project had not been identified as a separate unit for audit within internal audit plan in the year under review.	Internal audit has been started for GEMP in 2024 December.	Actions should be taken to comply with the provision of the project Appraisal Document.

3. Physical Performance

3.1 Matters in contentious Nature

Audit Issue	Response of the Management	Auditor's Recommendation
Even though a lecturer at the Pasdunrata National College of Education was paid Rs. 6.07 million as course fees to follow the Master of Education degree course in New Zealand from 13 July 2020 to 30 November 2021, the audit observed that this officer had not completed the course. Accordingly, the audit observed that the entire amount paid as course fees was an idle expenditure. Although 41 months had passed since the completion of the course, the Ministry had failed to recover the money spent from the relevant officer	A letter was sent to legal division in ministry for instructions regarding this matter.	Actions should be taken to recover the losses from the responsible officers by the Ministry.

3.2 System and Controls

	Audit Issue	Response of the Management	Auditor's Recommendations
(a)	<p>A sum of Rs. 133.32 million was provided to 202 schools for the Enhanced Program for School Improvement (EPSI) under School Based Learning Enhancement Grants (SBLEG) in the year 2024. As per Circular No. 34/2022 dated 14 October 2022 relating to the provision of School Based Learning Enhancement Grants, after the relevant grant is credited to the School Development Society account and before spending this Learning Enhancement Grants, the school should prepare a sub-plan including the expected expenditure details and submit the same to the Director of National Schools with the recommendation of the Zonal Director of Education for approval and a photocopy of the receipt certified by the Principal should also be sent to the Director of Education, National Schools after the relevant grant is received by the school. However, neither the Director in charge of the project of the Ministry nor the Directors in charge of subjects had taken steps to maintain the progress of the utilization of these school grants, such as preparing and submitting sub-plans in accordance with the said Circular regarding the School Based Learning Enhancement Grants provided to schools during the year under review, forwarding the relevant receipts to the Ministry etc.</p>	<p>The grant was given to utilize the funds for the already approved plan of School which is approved by National schools director.</p>	<p>Progress of the utilization of school grants should be followed up by the Ministry.</p>
(b)	<p>During the year under review, two external consultants were recruited under the project and paid Rs.120, 000 per month for 8 months, totaling Rs.1.92 million and as per the</p>	<p>Consultants are playing the main role monitoring of implementing the EPSI and SBPTD programmes at school levels and</p>	<p>The Ministry should take further actions using the consultants progress reports to achieve project objectives.</p>

agreement entered with them, one consultant was assigned the task of the Enhanced Program for School Improvement (EPSI) and the other consultant was assigned the task of School Based Professional Teacher Development (SBPTD). The consultants had submitted a monthly work plan in this regard and had made suggestions, weaknesses, recommendations and comments regarding the above tasks in reporting the progress accordingly. However, it was observed that the amount of Rs.1.92million paid to the consultants was not used for the intended purpose as the project management had not paid attention to the progress reports of the consultants to efficiently achieve the project objectives.

accordingly they are submitting the reports. Schools are usually provided with school grants, and accordingly consultants who are visiting the schools in various provinces will be observing about the implementation of grants and they will also guide the schools to implement EPSI and SBPTD activities through School grants.

- (c) Separate action plans had not been prepared for Components I and II in relation to the General Education Modernization Project. The action plan and timeframe for Components I and II of the project, which was established with specific objectives, should have included separate activities and although evaluation of performance as per the progress related thereto should have been made, it was not clearly stated which component the tasks included in the action plan and progress review report submitted to the audit .
- In The 2025 Annual Plan, C2 activities are added under different section as suggested by Audit such as DLI, IOI and Operation, likes wise.
- Separate action plans should be prepared for Components I and II in relation to the General Education Modernization Project.