

Technological Education Development Programme - 2019

The audit of financial statements of the Technological Education Development Programme for the year ended 31 December 2019 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 section 10 to the Aide Memoire dated 20 October 2017 entered into between the Democratic Socialist Republic of Sri Lanka and the OPEC fund for International Development. 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 Programme

According to the Loan Agreement, the Ministry of Education is the Executing Agency and the Implementing Agency of the Programme. The objective of the Programme is to strengthen the capacity of the existing secondary education system in Sri Lanka. The activities of the Project are namely Civil works, Equipment, Furniture, Capacity development. As per the Loan Agreement, the estimated total cost of the Programme was US\$ 60.70 million equivalent to Rs 9287.1 million and out of that US\$ 50 million equivalent to Rs 7,650 million was agreed to be financed by OPEC fund for International Development. The balance amount of Rs 1637.1 million is expected to be financed by the Government of Sri Lanka. The Project had commenced its activities in 2019 and scheduled to be completed by 30 September 2022. However, the date of completion of the activities of the Project had been extended up to 30 March 2024.

1.3 Opinion

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Programme as at 31 December 2019, statement of financial position, statement of expenditure and its cash flow statement 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)	The paragraph 10 of the Monitoring Plan of the Aide	Even though the accounts prepared including the expenses incurred on behalf	In the previous years no expenditure was incurred from the loan amount and	Financial Accounts should be submitted for the audit on an annual

Memoire of the programme. of the program should be submitted for audit on an annual basis. However financial statements for the year 2019 had been submitted for audit on 06 June 2023. only the local fund was incurred. However, I will make sure to do so in the future.

- (b) According to paragraph 09.3 of the Management Service Circular No. 01/ 2019 dated 15 March, 2019, and the paragraph 12 of the Aide Memoire
- The Line Ministries Secretary / Provincial Council Chief Secretary should ensure that the Project Steering Committee meets at least once in 02 months. However project steering committee had not been held during the year under consideration.
- Since the project was officially started in December 2019, Steering Committee meetings have not been held.
- Action should be taken to comply with the circular and project operational manual instructions.

3. Physical Performance

3.1 Physical and Financial Progress of the Activities of the Programme

Activity	As at 31 December 2019	Delay/ Audit Issue	Reasons for delays	Response of the Management	Auditor's Recommendation s
	Expected physical performance Units/ percentage	Performance achieved Units/ percentage			
Buildings and Structures, Furniture and Office Equipment ,Plant, Machinery and Equipment , Other	100	0.12	As per the financial statements of the Ministry of Education for the year ended 31 December 2019 a sum of Rs.3,630,000,000 had been allocated for 8 subjects and out of that allocation only Rs.4,296,396 or 0.12 percent had been spent.	Since all the construction work of the project was officially started in April 2021. Since all the construction work of the project was officially started in April 2021, the expenses related to each budget subject of the year 2019 are remained.	Project activities Should be achieved within the given time period.

3.2 Idle Resources

Audit Issue	Response of the Management	Auditor's Recommendation
According to the paragraph 09-Disbursement Plan of the Aide Memoire, a sum of USD 4.97 million of loan funds were to be obtained from OFID funds in the year 2019. However, no any loan disbursements had been made by the programme in 2019.	Although this project was started in 2018, no expenditure was incurred under foreign funds in 2018, 2019 and 2020 and a new internal staff was appointed and restarted from April 2021. Therefore, the loan amount related to the year 2019 was not utilized.	Loan funds should be disbursed and utilized in the prescribed periods.