

General Education Modernization Project Component I - 2021

The audit of financial statements of the General Education Modernization Project Component I for the year ended 31 December 2021 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\$ 2,900 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 Qualified Opinion

In my opinion, except for the effects of the matters described in the table 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 2021, 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 Accounting Deficiencies

No	Accounting Deficiencies	Amount	Response of the Management	Auditor's Recommendations
-----	-----	-----	-----	-----
		Rs. million		
(a)	Balance of property, plant, equipment and library books show in the financial statement as at 31 December 2021 could not be verified in audit, due to non-availability of proper fixed assets register and details schedules.	296	Assets Register is being prepared and will be submitted within one month.	Action should be taken to maintain proper fixed assets register.
(b)	111 laptops purchased by the National Institute of Education had not been accounted by the project for the year under review.	33.1	These computers will be accounted as assets in the financial statements of the year 2022.	Action should be taken to recognize as assets.

2.2 Non- Compliance with Laws, Rules and Regulations

No	Reference to the Laws Rules and Regulations	Non-Compliance	Response of the Management	Auditor's Recommendations
-----	-----	-----	-----	-----
(a)	Paragraph 9.3 of the Management Service Circular No.01/2019 dated 15 March 2019 and Section 5.1 of the Project Operational Manual.	The project steering committee meeting had not been held as per the circular and Project Operations Manual for the year under review.	The Ministry of Education will take necessary actions to conduct the national level steering committee as planned in the ToR in the future.	Action should be taken to comply with the circular and project operational manual instructions.
(b)	Paragraph 96 of the Project Appraisal Document	It was stated that an Internal Audit should be carried out by the Internal Audit Division of the Ministry. However, the internal audit had not been functioned as above.	The Internal Audit Plan for the year 2021 had included the General Education Modernization Project to be audited, due to the closure of the country in the wake of the Covid-19 pandemic in the year 2021 recommendation made by the Cabinet to conduct an internal audit of the Near School Best School Project, instructions were given to use all the staff of the branch to consider it as a special task. It was not possible to audit the General Education Modernization Project as per the internal audit plan of 2021.	Action should be taken to conduct an internal audit.

3. Physical Performance

3.1 Physical progress of the activities of the Project

Component 1	Activity	As at 31 December 2021		Audit Issue	Response of the Management	Auditor's Recommendation
		Expected physical performance	Performance achieved			
		Units	Units			
(i)	School-based learning enhancement	50	26	Eventhough the Ministry did not follow up on the financial and physical progress related to the grants of 50 million made in previous year, Rs.463.25 million had been provided as school-based learning promotion grants during the year under review.	In 2020 and 2021, schools were closed time to time for a considerable time period, due to the COVID-19 pandemic situation. Therefore, the implementation of some programs was delayed. Considering the situation of the country, the Ministry of Education has decided to extend the deadline for the completion of programs through the SBLEG. Progress was monitored as far as possible facing the unavoidable circumstances raised with prolonged school closing. However, as per the guidelines of circular 26/2021, the necessary actions have been taken in order to strengthen the monitoring mechanism.	Records should be maintained as enable to evaluate the progress of the project.

3.2 Underutilized Resources

----- Audit Issue -----	Response of the Management -----	Auditor's Recommendation -----
A sum of Rs.738 million only had been utilized out of the Rs.844 million funds received from the Treasury during the year under review on the Project and the remaining amount of Rs.106 million were refunded. Accordingly, this money was not utilized at a positive level for the activities in the plans of the year under review.	Most of the time in 2021, schools were closed because of the COVID-19 pandemic. Due to this inability to carry out specified tasks within the agreed time frame, the initial plan had to be periodically amended to ensure that funds were used efficiently. Additionally, because the majority of training sessions and other workshops were delivered online, some money was saved on the budgets allocated for those sessions.	Action should be taken to utilize the funds for the planned activities during the year under review to achieve intended purposes.