

## **Early Childhood Development Project - 2018**

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The audit of financial statements of the Early Childhood Development Project for the year ended 31 December 2018 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 Article paragraph C (3) of the Loan Agreement No. 5678 dated 23 October 2015 entered into between the Democratic Socialist Republic of Sri Lanka and the International Development Association.

### **1.2 Implementation, Objectives, Funding and Duration of the Project**

According to the Loan Agreement, the Ministry of Women and Child Affairs and Dry Zone Development is the Executing Agency and International Development Association is the Implementing Agency of the Project. The objective of the Project is to enhance equitable access to and improve the quality of Early Childhood Development Services. As per the Loan Agreement, the estimated total cost of the Project was US\$ 50 million equivalent to Rs 7,250 million and was agreed to be financed by International Development Association. The Project had commenced its activities on 16 February 2016 and scheduled to be completed by 30 June 2021.

### **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 2018, and of its 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 skepticism 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

The activities of the Project are implemented under 2 components namely Expending & Strengthening the Delivery of Early Childhood Development Services and Project Management, Monitoring and Evaluation. The following observations are made in this connection.

Component	Activity	As at 31 December 2018		Impact	Response of the Management	Auditor's Recommendations
		Expected physical performance Units	Performance achieved Units			
Expending strengthening the delivery of Childhood Development Services	Replacement of the new CDCs Early	28 centres	-	The possibility in cost increases and extensions of the period of the Project.	The posts of the Procurement Specialist and an Engineer. Remained vacant continuously.	Action to be taken to adhere with targets stipulated in the action plan in order to achieve the objectives of the Project and receive the intended benefits for the stakeholders
	Renovation of Child Development Centres	35 Centres	15 Centres	- Do - .	Due to the delays in achieving targets by the contractors	- Do -

Construction of new play area	35 Centres	26 Centres	- Do -	- Do -	- do -
Upgrade existing play area	45 Centres	31 Centres	- Do -	- Do -	- Do-
Establishment of new ECD centres in unserved / underserved areas	25 centres	-	- Do -	Due to delays in acquisition of lands	Need to maintain proper coordination with provincial authorities.
Primary school teachers Orientation programme on transition	6 programe	-	- Do -	Due to lack of proper coordination with other institutions	Need to maintain co-ordinations with related agencies.
Consolidations of a provincial Early Childhood Development Centres registration system	9 provinces	-	The objectives of the Project not achieved.	The activity is remained in complex nature and need to recruit an experience Consultant.	Action to be taken to adhere with targets stipulated in the action plan in order to achieve the objectives of the Project

Facility improvement grant	1,500 centres	259	- Do -.	Due to delays in adopting with administrative procedures.	- Do -
Parental awareness programme	600 programmes	350	- Do -	Due to poor necessary participation of the third parties ,	Action to be taken to adhere with targets stipulated to receive the intended benefits for the stakeholders.
Child assessment programme	3,000 programmes	116	- Do -.	- Do -	- Do -