

Early childhood Development Project – 2020

The audit of financial statements of the Early childhood Development Project for the year ended 31 December 2020 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 Paragraph C(3), Section II, Schedule 2 of the Financing Agreement No 5678 dated 23 October 2015 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 Financing Agreement, the Ministry of Women and Child Development, Pre-School & Primary Education, School Infrastructure & Education Services is the Executing Agency and Implementing Agency of the Project and the activities are launched through Plantation Human Development Trust. The objective of the Project is to enhance equitable access to and improve the quality of Early Childhood Development services. The activities of the Project are implemented under 02 components namely Expanding & Strengthening the Delivery of Early Childhood Development Services and Project Management, Monitoring and Evaluation. As per the Financing Agreement, the estimated total cost of the Project was US\$ 50 million equivalent to Rs.7,250 million and entire amount was agreed to be financed by the International Development Association. The Project had commenced its activities on 01 March 2016 and scheduled to be completed by 30 June 2021. However, the date of completion of the activities of the Project had been extended up to 31 December 2022.

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 2020, statement of expenditure and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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 Generally Accepted Accounting Principles 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.

2.1 Non-Compliance with Laws, Rules and Regulations

No	Reference to the Laws Rules and Regulations	Non Compliance	Responses of the Management	Auditor's Recommendations
(a)	Public Finance Circular No. 03/2015 of 14 July 2015 and Financial Regulations 371 (2)(b)	Imprest amounting to Rs.2.9 million had been granted in 20 instances prior to the period ranging from 14 days to 09 months to the due date of the purpose which expected to be utilized. Further sub imprest amounting to Rs.1.61 million granted during the year under review to conduct 15 programmes had not been utilized.	Due to covid 19 pandemic there was a delay in conducting the training programmes and settling the imprest	Financial controls on imprest should be strengthening.
(b)	Financial Regulations No.371 (5)	Sub imprest amounted to Rs.1.44 million had been paid during the years 2018 and 2019 in 28 occasions had not been settled within the financial year. Sub imprest amounting to Rs.10.59 million paid in 211 occasions had been settled after delaying 01 month to 11 months.	There was a delay in receiving the settlement vouchers from the divisional secretariats Due to the curfew imposed to the country, office was not conducted in full capacity and delay in postal service was caused to the delay.	Financial controls on imprest should be strengthening. Financial controls on imprest should be strengthening.

3. Physical Performance

3.1 Physical progress of the activities of the Project

No	Audit Issues	Responses of the Management	Auditor's Recommendations
(a)	Allocation amounted to Rs.37.95 million had been made to improve 09 Provincial resources centres during the year under review. However, only one resource centre had been improved by spending Rs.1.94 million.	Construction works of 03 provincial resources centres were started and 02 centres had been completed the agreed works.	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 stake holders within the project period.

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| (b) | Eventhough it was planned to establish 45 new Early Childhood Development centres in unserved and underserved areas out of the allocated amount of Rs.351 million within the project period from year 2016 to 30 June 2021. However, non- of the centres had been completed even by the end of the year under review. | In February 2020 constructions of 11 centers were started and due to the covid 19 there was a delay in conducting the works. The preliminary activities were completed to start the works of the balance 34 centers. | 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 stake holders within the project period. |
| (c) | A sum of Rs.2,747 million had been allocated from year 2017 to 2020 to provide facility improvement grant to 6,477 Early Childhood Development Centers. However, Rs.1,588 million only had been released to 4,634 centers at the end of the year under review. Out of that improvements work of 1,312 centers had not been completed even by the end of the year under review. | By the 30 April 2021 4,007 centers completed the improvement works. | 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 stake holders within the project period. |

3.2 Contract Administration

No	Audit Issues	Responses of the Management	Auditor's Recommendations
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(a)	Eventhough approval had been granted to procure 1,400 thermometers by International Development Association, 4,500 thermometers at a cost of Rs.73.8 million had been procured under direct procurement method on urgent needs basis in May. Further, Project had procured another thermometers at a cost of Rs.6,250 per unit from the same supplier in December. Therefore, a loss of Rs.45.67 million had to be incurred, due to procure in May on urgent need basis at a cost Rs.16,400 per unit where pre- schools are closed background.	The prices were reduced in December 2020 due to the normal situation in the country, the procurement was done on competitive bidding	Procurement should be done economically, efficiently and effectively without incurring loss.
(b)	4,500 Number of wash basins had been purchased during the year under review at a cost of Rs.109.91 million under direct procurement method. However, there was a delay in supplying of the items ranging 14 days to 27 days since the date of the agreement.	Not commented	The agreement should be implemented in accordance with the terms and the conditions.

- (c) Construction of Early Childhood Development Centre at Hanguranketha in NuwaraEliya district was commenced in 2017 and the project was abandoned during the year 2019. In this connection fines and mobilization advances amounting to Rs.0.48 million and Rs 0.77 million respectively had not been recovered. Further, performance bond and advance bond had been expired and poor supervision of the project were observed.
- Actions been taking to recover the fines and mobilization advances, by mistake performance bond was not able to extend and action being taken to supervise the site in formal manner.
- Action should be taken to carry out the construction effectively.