

General Education Modernization Project - 2020

The audit of financial statements of the General Education Modernization 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 Section 5.09 of the Loan Agreement No.6228 LK dated 25July 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 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 strengthening 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 Opinion

In my opinion, 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 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	Response of the Management	Auditor's Recommendations
(a)	Section 52 of Project Appraisal Document dated 05/04/2018.	Due to non-appointment of a third party validation institution for the year 2020 up to 9 July 2021, the	Third-party validation reports (TPV) for 2020 had not been prepared due to the school closure with the COVID-19.	Actions should be taken to implement the project activities.

Independent
Assessment Report
on the Acquisition of
Indicators had not
been submitted to the
World Bank.

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| (b) | Letter No. HD/21/05/05-01 of 29 May 2020 of the Ministry of Education | Eventhough a sum of Rs. 617.36 million had been released to the Provincial Educational Departments for prevent spreading Covid 19 under component I and II, the physical and financial progress reports had not been submitted by the respective Departments to the Ministry. Therefore, the fund used for the relevant activities could not be verified in audit. | All the Provincial Departments of Education were advised to submit those reports. Due to current situation such reports have not been received as expected. | Action should be taken to comply with the Ministry Guid |
| (c) | Section 07 of the Project Operational Manual, Management Audit Circular No. 02/2016 of 10 June 2016 and Financial Regulation 133 | An internal audit had not been carried out. | If there is a delay in conducting the internal audit of the Ministry of Education, it can be rectified by discussing with the relevant branch. | Action should be taken to conduct an internal audit. |
| (d) | The Section 5.1 of the Project Operational Manual | The steering committee of the project had not held for the year under review. | Since the delaying of funds transfer to the provinces, the Steering Committee were not Summoning until restructuring process is completed | Action should be taken to comply with the Project Operation Manual. |

3. Physical Performance

3.1 Physical progress of the activities of the Project

Component	Activity	As at 31 December 2020		Audit Issues	Reasons for delay	Responses of the Management	Auditor's Recommendations
		Expected physical performance percentage	Performance achieved percentage				
Component I (a)	Procurement Plan	21	9	As per the procurement plan, Rs.105 million had been allocated to the procure of 21 items of furniture and office equipment etc. However, only 9 procurements had been implemented and 7 procurements had been cancelled due to the various reasons. The audit test checks revealed that the remaining balance had been transferred to the branches of the Ministry. Accordingly, it's progress was 42.8 percent.	Some of funds allocated for procurement activities had transferred for prevent the Covid 19 programme.	Facilities have to be provided for school hygiene and school health programmes in order to operation the schools while preventing from the spreading of COVID-19. Since, some of funds allocated for procurement activities transferred to these programmes.	Procurement activities should be completed during the time period given in the Procurement Plan.

Component I (b)	Curriculum development	20	05	A sum of Rs.242 million allocated to conducting 20 master degree programme for SLEAS, for curriculum developers and other human resource activities. Out of that Rs.14.34 million equivalentents to 6 percent had been spent to conduct master degree programme for five officers for the year under review.	Many countries were closed worldwide due to the Covid - 19 pandemic.	Although it was planned to send 20 candidates for reading postgraduate degree programmes abroad this year, due to COVID-19 pandemic worldwide, and these provisions remained. Nonetheless, five officers who can study online started their studies in foreign universities.	Allocation should be utilized for the purpose of planned activities for the year under review to achieve intends purposes.
Component I (c)	Principles competency framework	Rs.40.4 million	Rs. 1.53 million	A sum of Rs.40.4 million had been allocated to the principles competency framework, only Rs.1.53 million had been spent to the allocated purposes.	Initial principal training courses was not conducted due to the Covid - 19	Initial principal training courses were not conducted due to the COVID-19 pandemic. Evaluations of 480 Tamil medium assignments, training, evaluation of provincial resource persons were completed. The cost for these activities was Rs. 1,528,230.	Allocation should be utilized for the planned activities to achieve intended purposes.
Component I (d)	capacity development programme	Rs.10 million	Rs.1.24 million	A sum of Rs.10 million had been allocated to the capacity development programme.	Inability to implement the tasks planned due to the Covid - 19	The conducted three training programmes for SLEAS and SLTES officers. The cost for	Allocation should be utilized for the planned activities to achieve

				Out of that only Rs.1.24 million had been spent to the targeted works.		these programmes is Rs. 1,242,035. The inability to implement the tasks planned for the year 2020 due to the COVID-19 pandemic.	intended purposes.
Component I (e)	purchase of thermometers	Rs.148.9 million	Rs.3.1 million	The Health and Nutrition Branch had planned to purchase thermometers for 10,175 schools with a provision of Rs.148.9 million. However, Consultant of the committee of Ministry of Health had informed that the measuring of body temperature of the student is not necessary. but the MoE had been spent Rs.3.1 million contrary of recommendation of the Ministry of Health.	Ministry of Health informed to the MOE that measuring of body temperature is not necessary.	According to the guideline issued by the Ministry of Health regarding the prevention of COVID-19 pandemic, it was advised to measure the body temperature of the people before entering in to the respective institutions	Action should be taken to comply with the Ministry of Health Guidance.
Component I (f)	purchase and provide face masks	Rs.335 million	Rs.71.2 million	Although the health and Nutrition Branch had planned to purchase and provide face masks for 10,175 schools island wide with a provision of	Planning and monitoring deficiencies.	School-based grants have been provided for all schools as per the imprest received for the MoE. In this context, the School Health and	Action should be taken to achieve the purpose.

Rs.335 million, only Rs.71.2 million had been spent for that purpose. Although its financial progress was 21 percent, physical progress reports had not been submitted to the audit

Nutrition Branch with the approval of the Secretary, MoE, provided grants for all the government schools as an outright grants.

Component II (a)	Curriculum development	Rs.10 million	Not presented for Audit	Although a sum Rs.10 million had been given to the National Institute of Education no evidence was presented to the audit to verify achievement of the project objectives.	Monitoring deficiencies.	The National Institute of Education has informed us that, they used this Rs. 10.0 million for the curriculum development process. The Ministry of Education will take necessary actions to obtain physical progress report with the financial progress from the National Institute of Education in future including previous activities.	Action should be taken to obtain evidence of utilized funds.
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3.2 Contract Administration

Audit issue

The progress report of the project for the year under review had not been prepared in accordance with the action plan. So the physical and financial progress could not be evaluated in comparison with the progress report of the end of the year.

Response of the Management

It is noticed that all the activities implemented according to the Annual Implementation Plan (2020) were included in the performance (progress) report of the respective year.

Auditor's Recommendation

The progress report of the project should be prepared in accordance with the action plan.

3.3 Matters in Contentious Nature

Audit Issue

Allocation amounting to Rs.120 million had been done for the National Institute of Education for the Development of Curricula, Enhancing Professionalism and Engaging in Research. but amounting to Rs. 95 million from that allocation had been spent on activities contrary to the objectives of the project.

Response of the Management

Due to the COVID-19 pandemic situation, priority has been given to the telecasting of education programmes in order to ensure the continuation of student's education during the period of school closure. In this context, the MoE, the NIE and other relevant officers together worked to prepare the audio-visual education programmes, transport facilities are providing them, 300 hours over time payment per month for NIE staff. The payments made for the above activities related to the Guru Gedara Education TV programmes were Rs. 220.15 million.

Auditor's Recommendation

Allocated funds should be utilized for objectives of the Project.

3.4 Underutilized Resources

Audit Issue

A sum of Rs. 5.76 million had been spent for printing and supplying of 155,475 copies of Sinhala medium and 73,475 copies of Tamil medium story books. However, 94,000 books valued at Rs.2.3 million had been remained in the store without been distributed even at 24 February 2021

Response of the Management

155,475 Sinhala copies and 73,475 Tamil copies of the children's story book 'Yalu Yaluwo' were printed and its distribution commenced from January 2020. However, this book could not be distributed properly due to school closure as a result of the COVID-19 pandemic.

Auditor's Recommendation

Action should be taken to distribute the remained stock without further delay.