

**Head - 403 State Ministry of Women and Child Development, Pre-School and Primary Education, School Infrastructure and Education Services**

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**1. Financial Statements**

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**1.1 Qualified Opinion**

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The audit of the financial statements of the State Ministry of Women and Child Development, Pre-School and Primary Education, School Infrastructure and Education Services for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance and cash flow statement for the year then ended 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 of the National Audit Act No. 19 of 2018. The summary report including my comments and observations on the financial statements of the State Ministry of Women and Child Development, Pre-School and Primary Education, School Infrastructure and Education Services was issued to the Accounting Officer on 15 June 2022 in terms of Sub-section 11 (1) of the National Audit Act No. 19 of 2018. The Detailed Annual Management Audit Report relevant to the State Ministry in terms of Section 11 (2) of the National Audit Act was issued to the Accounting Officer on 15 July 2022. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of State Ministry of Women and Child Development, Pre-School and Primary Education, School Infrastructure and Education Services as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.2 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 1.6 of this report. 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.

**1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements**

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The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the State Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the State Ministry exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

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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 the State Ministry's internal control.
- 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 the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

#### **1.5 Report on Other Legal Requirements**

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I express the following matters in accordance with Section 6 (1) (d) of National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year.
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented

## 1.6. Comments on the Financial Statements

### 1.6.1 Statement of financial position

#### Non-financial Assets

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Although the value of property, plant and equipment under non-financial assets as of 31 December 2021 in the statement of financial position was Rs.640,032,832, as per Treasury Computer Printout (SA 82) it was Rs.722,446,259. As such, a difference was Rs. 82,413,427.	As per your observations, in comparison with the value shown in the attached Form SA-82 instead of form ACA-6 in the set of financial statements, agreed that there was a difference of 82,413,427.	Financial statement should be prepared accurately.

## 2. Financial Review

### 2.1 Expenditure Management

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) A total provision of Rs. 5,768,047,016 relevant to 43 subjects was saved as of 31 December of the year under review and the savings was ranged from 24 percent to 100 percent.	Accepted that there were savings in the expenditure subjects of this ministry in the year 2021.	Accurate estimates should be prepared and properly managed the expenditure.
(b) Savings ranged from 64 percent to 100 percent of the allocations transferred for 3 subjects under Finance Regulation 66.	The allocations under F.R.66 have been transferred from the subjects which were expected to have some savings.	-do-

### 2.2 Obligation in Liabilities and Commitments

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
A difference of Rs. 562,365,647 was observed in Liabilities related	Although inquiries were made about the liabilities from the	Obligations and liabilities should be correctly

to building repairs and constructions in the comparison with statement of liabilities submitted with financial statements and engineering reports. Engineer of the Ministry of Education, the relevant liabilities were not confirmed so that the account could be prepared and completed before 28.02.2022. identified and disclosed in the accounts.

### 2.3 Non-compliance with Laws, Rules and Regulations

Reference to laws, rules, regulations	Non compliance	Comments of the Accounting Officer	Recommendation
(a) Public Administration Circular No. 02/2018 dated 24 January 2018	A Human Resource Development plan had not been prepared.	Preparation works of Human Resource Development plan has been completed now.	Should act in accordance with the circular provisions.
(b) Public Administration Circular No. 05/2018 (1) dated 24 January 2018 and Circular No. 05/2018 (amended) dated 06 February 2018	The Citizens / Client Charter had not been prepared by the Ministry in accordance with the Citizens / Clients Charter.	The Citizen/Client Charter has now been finalized and only the printing work is to be done.	-do-

## 3. Operational Review

### 3.1 Action Plan

Audit Observation	Comment of the Accounting Officer	Recommendation
As per paragraph 03 of Public Finance Circular No. 2014/01 dated 17 February 2014, the action plan was not prepared containing the details of the updated organizational structure, approved cadre and actual cadre in relation to the year under review.	It could not be included in the action plan due the organization structure had not been prepared at the beginning of the year 2021.	Should act in accordance with the circular provisions.

### 3.2 Assets Management

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Although 2 vehicles since 2012 and 6 vehicles since 2015 belonging to other ministries have been in use, unable to get transfer those vehicles till the end of the year under review.	Actions are being taken to take over.	Taking over works should be expeditious.

### 3.3 Performance of Foreign Aid Projects

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
According to the action plan of the year 2021, although a sum of Rs. 79 million had been allocated to fulfill the objectives of the Women's Toll Free Help Lines Project, only a sum of Rs. 7.19 million had been spent and it was only 8 percent of the total amount allocated.	No reply was made.	Funds allocated for the projects should be used to achieve the respective objectives.

### 3.4 Management Inefficiencies

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a) "Suraksha" Students Insurance Program		
(i) In the selection of institutions for insurance, the contract was awarded to Allianz Insurance Lanka Limited in one year and to Sri Lanka Insurance Corporation in four years during the period from 01 October 2018 to 01 December 2022, contrary to the procurement guidelines in 2006.	No reply was made.	To comply with the procurement guidelines manual.

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| (ii) | Even though 33,974 applications submitted from the date of implementation of the Suraksha Student Insurance Scheme until December 2021 were rejected, the Ministry had not followed up on the reasons for not receiving the benefits. A computerized data system was not maintained jointly with the insurance corporation to monitor all the information.   | Information regarding rejection from relevant agencies were provided from time to time.   | To take necessary action to provide benefits without delay and to maintain a computerized data system in the school or ministry containing information about insurance applications submitted to the insurance agency. |
| (b)  | Supply of school uniform cloth   |   |  |
| (i)  | The contract for the supply of uniforms cloth for the year 2021 had been awarded without pre-qualifying the capacity of the suppliers to provide all the uniform cloth required for the year 2021 to schools in accordance with paragraph 4.2.2 of the procurement guidelines, as such, the contract period was extended until 31 January 2021.  | No reply was made.  | To comply with the procurement guidelines.   |
| (ii) | Due to the lack of an updated accurate data system on the number of students at the school and regional level and the inability to predict the number of children expected to enroll for the 1st year of 2021, it was decided in the Permanent Procurement Committee meeting on 23 March 2021 to procure 1,279,342 meters of cloth for uniforms again, and a sum of Rs. 299,004,940 had been spent for it. The attention had not been paid on the remaining balance of 54570 fabric packets worth of Rs. 16,090,230 belonging to 15 categories from the first order. | The procurement of uniform cloth in the year 2021 had been done by the Ministry of Education and the uniform cloth of the first year and the balance uniform cloth which were not provided in the original order had been done by the State Ministry. That the relevant suppliers have arranged to distribute the remaining fabric quantities of the 15 categories of school uniforms given from the first order along with the additional order. | An accurate data system should be maintained so that the number of students updates annually and estimates should be prepared accurately.  |

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| (iii) | Although all the uniforms needed for the year 2021 were required to be delivered to the schools before 15 November 2020, the last stock of uniforms was handed over to the regional offices on 19 July 2021 and according to the procurement plan, the overall delay in handing over the uniforms to the regional offices for the year 2021 was more than 7 months. | The delay had been caused due to the supply of school uniforms through an additional order. | The time period specified in the procurement plan should be followed. |
| (c)   | The Ministry had spent a sum of Rs.3,500,000 and created a Digital Marketing Platform for women entrepreneurs in the year 2020. It was designed to register women entrepreneurs under 13 categories but only 8 entrepreneurs were registered under 4 categories even by May 2022.   | No reply was made.  | To use funds in economically useful activities.                       |

### 3.5 Delays in Implementation of Projects

----- Audit Observation -----	----- Comment of the Accounting Officer -----	----- Recommendation -----
(a) Even though 1 year to 4 years have passed from the date of construction to be completed in constructions of 18 school buildings by 31 December 2021 at a contract value of Rs. 423,077,168, the construction was not completed and the reasons for the delays were not submitted to the audit.	No reply was made.	Action should be taken to complete the construction works within the contractual period.
(b) Although it was planned to complete 33 project works in 14 schools under the tri language school building construction project in each district and 72 project works in 69 schools under the cluster school system establishment program in the year 2021, the progress of those was remained in 2 percent to 10 percent respectively.	The reasons were that the epidemic situation in the years 2020, 2021 and the non-receipt of funds from the treasury to settle the bills.	-do-.

### 3.6 Projects without Progress despite the release of Money

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) With the aim of empowering vulnerable women economically and socially, the Diriya Vanitha Garment and Footwear Project and a special Diriya Vanitha Handcraft Finishing Project in Ampara district were started in 2020 and a sum of Rs. 6,863,065 had been spent by the Ministry to procure machinery and equipment and repair buildings by end of 2021. But the total number of beneficiaries of this project remained as low as 20.	No reply was made.	To use funds in economically useful activities.
(b) Although 32,540,750 copies of textbooks belonging to 402 categories for the year 2022 were planned to be distributed by 15 November 2021, 12,365,485 books or 14 percent had not been received to the stores even by 31 December 2021.	No reply was made.	To complete the planned tasks efficiently within the stipulated time.