

Technological Education Development Programme - 2021

The audit of financial statements of the Technological Education Development Programme 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 provisions in the section 10 to the Aide Memoire dated 20 October 2017 entered into between the Democratic Socialist Republic of Sri Lanka and the OPEC fund for International Development. 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 Programme. The objective of the Programme is to strengthen the capacity of the existing secondary education system in Sri Lanka. The activities of the programme are namely Civil works, Equipment, Furniture, Capacity development. As per the Loan Agreement, the estimated total cost of the programme was US\$60.70 million equivalent to Rs.9,287.1 million and out of that US\$50 million equivalent to Rs.7,650million was agreed to be financed by OPEC fund for International Development. The balance amount of Rs.1,637.1 million is expected to be financed by the Government of Sri Lanka. The programme had commenced its activities in 2019 and scheduled to be completed by 30 September 2022. However, the date of completion of the activities of the programme had been extended up to 30 March 2025.

1.3 Qualified Opinion

In my opinion, except for the effects of the matters described in the paragraph 2.1 of my report the accompanying financial statements give a true and fair view of the financial position of the Programme 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 Qualified Opinion

My opinion is qualified based on the matters described in the Paragraph 2.1 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.

1.5 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 Programme'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

	Audit Issue	Amount Rs. Million	Response of the Management	Auditor's Recommendations
(a)	According to Section 69 of Sri Lanka Public Sector Accounting Standard 07, an asset should be identified as a depreciable asset after it has been brought to a suitable condition for use. However, contrary to that the cost of working progress amounting to Rs.201.18million had been accounted as property, plant and equipment during the year under review	201.18	Agree and necessary action has been taken.	Adhere to the Sri Lanka Public Sector Accounting Standards.
(b)	The Mobilization advance during the year under review was Rs.65.49 million. However, the VAT applicable on Mobilization advance amounting to Rs.5.24 million had not been accounted. As a result, the VAT payable had been understated by Rs.5.24 million in the financial statement of the year under review	5.24	No action was taken to recognize this amount as VAT Payable.	VAT payable should be identified correctly.
(c)	Certified bills amounting to Rs.30.43million and Value Added Tax of Rs.2.45million had not been accounted. As a result, the balance of working progress and VAT Payable for the year under review had been understated by Rs. 32.88 million.	32.88	The related VAT vouchers were also not recognized as payable.	Value of certified bills and VAT amount should be accounted correctly.

2.2 Non Compliance with Laws, Rules and Regulations

	Reference to the Laws Rules and Regulations	Non Compliance/Audit Issue	Response of the Management	Auditor's Recommendation
(a)	As per clause 9.3 of the Management Services Circular 01/2019 dated 15 March 2019 and the section 12 of the implementing agencies and project management unit of the bilateral agreement (AIDE MEMOIRE report).	Although the Steering Committee Meeting should be held once in 2 months, only two Steering Committee Meetings were held on 7 September 2021 and 03 December 2021 during the reviewed year.	During COVID-19 pandemic in 2021, the number of meetings was limited to just two sessions.	Comply with the circular instruction.
(b)	The paragraph 10 – Monitoring Plan of the Aide Memoire of the program	Even though the financial statements prepared including the expenses incurred on behalf of the program should be submitted for audit on an annual basis, financial statements for the year 2021 had been submitted for audit on 30 October 2024.	By 2021, the unit was dissolved, and its responsibilities were transferred to the Ministry. As a result preparation of financial statements was delayed.	Comply with the bilateral agreement (Aide Memoire).

3. Physical Performance

3.1 Physical progress of the activities of the Project

Activity	As at 31 December 2021		Audit Issue	Reasons for delays	Response of the Management	Auditor's Recommendations
	Expected physical performance	Performance achieved				
(a) Repairing of Technical laboratories.	The 15 technical laboratories with an estimated value of Rs.62.61million should be repaired.	Only 15 preparation of bid documents for 5 laboratories and preparation of estimates for 7	15 technical laboratories had not been repaired as planned.	Since provincial department carry out their procurement process at different time period.	Procurement activities are carried out by the Department of Provincial Education.	Project activities Should be carried out within the given time period

laboratories
had been
carried out.

(b)	Engineering technical equipment, bio system technical equipment and furniture.	It was planned to buy engineering technical equipment, bio system technical equipment and furniture for 36 new technical buildings and 15 renovated technical buildings.	no progress had been achieved	No progress had been achieved in the procurement works.	Due to the non-construction of the buildings.	Agreed with the statement	The construction of buildings should be carried out with in the stipulated time.
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3.2 Contract Administration

	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	The total contract value had increased by 85 percent from Rs. 323.5 million to Rs. 598 million due to delays caused by contractors halting the construction of 08 technical laboratory buildings.	The significant increase was due to external economic conditions beyond the employer's control.	Actions should be taken to complete the works without additional cost.
(b)	A sum of Rs.1943.10 million had been spent on civil works of the Technical Education Development Program from July 2018 to September 2022, and the authority of the selection of the contractor in each province had been delegated to the Provincial Engineers. Since the Ministry of Education had not establish a mechanism to supervise the completion of these construction works on time with maximum economic benefits, the audit did not confirm that the objectives of the project had been achieved to the optimum level.	It became difficult to maintain the plan continuously due to the challenges posed by the COVID pandemic situation.	Actions should be taken to establish a sound mechanism to supervise provincial activities.

3.3 System and Controls

Audit Issue	Response of the Management	Auditor's Recommendation
Adjustments identified while comparing the values in balance sheet prepared by the project with the values in treasury balance sheet, journal vouchers approved by a responsible officer should have been prepared and recorded in the ledger accounts, but this was not done accordingly. Due to this, the journal and journal vouchers relating to journal entries had not been submitted for audit and this limited the scope of the audit	Since all transactions of the project are accounted through the CIGAS Program, ledger accounts or journal entries were not maintained.	The main journal and journal vouchers should be submitted for audit.