

## **Early childhood Development Project - 2021**

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The audit of financial statements of the Early childhood Development Project 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 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**

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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**

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In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2021, statement of expenditure and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

### **1.4 Basis for Opinion**

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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**

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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

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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 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

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No	Reference to the Laws Rules and Regulations	Non Compliance	Responses of the Management	Auditor's Recommendations
(a)	Financial Regulations 371 of the Democratic Socialist Republic of Sri Lanka	Although the necessary steps should be taken to settle the advance as soon as the work has been completed, no action had been taken regarding a sum of Rs. 115,000, which had been paid at 6 occasions accordingly.	These advances have not been settled due to Covid 19 pandemic.	Financial controls on imprest should be strengthening.

### 3. Physical Performance

#### 3.1 Physical progress of the activities of the Project

##### Audit Issues

##### Responses of the Management

##### Auditor's Recommendations

6,000 Early Childhood Development Centers had been allocated Rs.221.475 million for providing teacher learning educational kits and reading material kits during the project period, however the equipment for 3,386 centers had not been distributed by the end of the year 2021.

Expected to be complete by September 2022.

Need to conduct the programmes according to the initial action plan.

#### 3.2 Contract Administration

##### No Audit Issues

##### Responses of the Management

##### Auditor's Recommendations

(a) The constructions of the Kilinochchi Center agreed to be established at a cost of Rs. 7.76 million however it was not finalized up to the end of the year under review. The contract period for this construction was extended from 30 November 2018 to 30 December 2019 at 3 occasions and it was 216 percent of the due contract period. Also, the reasons for the extension were not presented to the audit.

The contractor abandoned the project, and contract was terminated and a new contractor has been awarded to complete the remaining work.

Need to complete the contract within the agreed time period.

(ii) The action had not been taken to recover the late fee of Rs.776, 500 of above Kilinochchi Construction for 632 days from 30 December 2019 to 24 September 2021, when the agreement was terminated due to non-extension of time from that date. The action had not been taken to recover the loss of Performance Bond valued at Rs. 388,250 before the maturity.

Performance bond was expired in 2020 and the contractor had not been renew the bond.

Action had been taken to recover the late fees from performance bond.

(b) An Agreement was signed on 26 January 2018 for the construction of the Early Childhood Development Resource Center in Galle, Kalegana at an estimated cost of Rs. 6.7 million. Although the project should be completed by 180 days from the date that the agreement was signed, however it was delayed until 20 December 2018. Accordingly, Rs. 674,956 had not been charged as late fee from this contractor.

District and province supervision had not been adequate of this project, hence additional 5 months have been taken to complete the task.

Need to be charge the Late fee from the contractor.