

Early Childhood Development Project - 2022

The audit of financial statements of the Early childhood Development Project for the year ended 31 December 2022 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, Child Affairs and Social Empowerment 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 and again extended 15 June 2023.

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 2022, 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

Reference to the Laws Rules and Regulations	Non Compliance	Responses of the Management	Auditor's Recommendations
Financial Regulations 371(5) of the Democratic Socialist Republic of Sri Lanka	when an interim advance is issued, the unspent amount should be settled on or before 31 December of the fiscal year in which the	Out of Rs. 28.6 mn unspent advances Rs. 28.3 mn consist of the advances issued by the this project and the	Financial Regulation should be followed.

	advance was issued, however the outstanding advance balance of the project as of 31 December 2022 was Rs.28.6 million	National Children's Secretariat to the District Secretaries and Divisional Secretaries for the purpose of training programs and other functions.	
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3. Physical Performance

3.2 Contract Administration

Audit Issues	Responses of the Management	Auditor's Recommendations
The construction works of 19 construction projects awarded by the Plantation Human Resources Trust for an amount of Rs.214 million had been liquidated by 31 December 2022 and an amount of Rs.37 million had been paid for those projects by the end of the financial year. These 19 liquidated projects had been re-awarded for Rs.330 million in the months of March and April 2023. Accordingly, it was observed that due to the weakness of the contract administration, the early childhood development project has incurred a loss of Rs.153 million.	As mentioned in the paragraph (b), it is clear that loss occurred not because of the weakness of the contract administration, but because of the uncontrollable situation in the country. Since that situation cannot be controlled by the project, with the consent of the World Bank the former Secretary to the Ministry of Women, Children Affairs and Social Empowerment approved to recall the bids for balance work and complete	The contract administration should be managed to minimize the extra expenditure.

3.1 Utilization of Resources

No	Audit Issues	Responses of the Management	Auditor's Recommendations
(a)	The allocation of Rs. 135 million had been received as project development expenditure and the amount had been held idle as cash and cash equivalent balance without being used in related activities as at 31 December 2022.	Due to delay in the approval from the world bank to implement the morning meal program and the unexpected termination of 19 construction, this balance was occurred (rs.134,910,632/-).However, it has spent during the month of January ,2023 (Annexure 1), there has been no retention of the money for a long time.	Financial Controls on cash in hand should be strong

(b)	As per the bank statements as at 31 December 2022 the amount of Rs. 2 million received for the project however it had not been recognized.	The project has to regularly contact the bank to identify the depositors and sometimes bank also fail to identify the deposits which made through the automated teller machines. Due to this, unrecognized receipts are constantly found in bank accounts and their identification takes time due to the above reasons.	Financial Controls on direct deposits should be strong
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