

## **General Education Modernization Project Component - II - 2023**

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The audit of financial statements of the General Education Modernization Project Component-II for the year ended 31 December 2023 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 25 July 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 the 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 strengthen 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\$ 2900 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. However, the date of completion of the activities of the Project had been extended up to June 2026.

### **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 2023, 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 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 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 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. Comments on Financial Statements

### 2.1 Accounting Deficiencies

No	Accounting Deficiency / Audit Issue	Amount Rs.Million	Response of the Management	Auditor's Recommendations
(a)	The expenditure of the year under review had been overstated due to the expenditure of the previous year had been shown as the expenditure of the year under review.	65	This expenditure had been stated as an expenditure of the year 2023 in the Final Accounts of the year 2023 instead of noting as an expenditure of the year 2022 by mistake. However, action would be taken to rectify this expenditure in preparing the Final Accounts of the year 2024 as indicated by the Audit.	Financial statements should be prepared for the financial year.
(b)	The School- based Learning expenditure provided by the Component II of the Project had been stated in the financial statements as Capacity Development Expenditure. Promotional Grants	144.2	Action would be taken to rectify this Accounting error in preparing the Financial statement of the year 2024.	Expenses should be properly classified.

### 2.2 Non Compliance with Laws, Rules and Regulations

No	Reference to the Laws Rules and Regulations	Non Compliance/Audit Issue	Response of the Management	Auditor's Recommendations
(a)	The Secretary to the Ministry of Public Administration Circular No.11/2015 dated 20 May 2015,	Even though Meetings, Seminars, Ceremonies should not be organized within the Public Day, Seminars had been conducted on the Public Day as well.	Made aware of refraining from conducting workshops on Mondays.	Rules and regulations should be followed.
(b)	Paragraph 96 of the Project Operational Manual	Even though an Internal Audit should be carried out by the Internal Audit Unit of the Ministry, the project had not been identified in the Internal Audit Plan furnished relating to the year 2023. However, even though an Internal Audit Report had been issued relating to the Mathematics, English and Foreign Languages Branch covering the	This GEMP project also plans to be done under a foreign project through the eight actions mentioned in the internal audit plan.	Rules and regulations should be followed.

years 2019 and 2020 of this Project in May 2023, reports had not been issued covering the years 2021, 2022 and 2023.

### 3. Physical Performance

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

Component	Activity	As at 31 December 2023		Audit Issue	Reasons for delays
		Expected physical performance	Performance achieved		
		Units	Units		
II	School grant	69	0	Even though action had been taken to extend the closing at spending a sum of Rs.50.2 million provided by Grants for 69 schools on 16 December 2022 for the year 2022, to 31 August 2023, the financial progress relating to a sum of Rs.50.2 million provided for 69 schools had not been furnished to the Ministry of Education even by 31 December 2023.	Delay in depositing fund to the schools.

**Response of the Management** Due to delay in depositing fund to the schools and extension was given to schools to implement the activities under the grant till 2024 March.

**Auditor's Recommendations** Project funds should be used efficiently and effectively.

#### 3.2 Project Administration

Audit Issue	Response of the Management	Auditor's Recommendation
Even though the implementation of the Disbursement Linked Indicators should be carried out under the Component I of the project in terms of the Operational Manual, a sum of Rs.144.2 million had been provided to schools under the Component II.	Since almost most of the activities under GEM project is conducted as school-based activities, schools also have operational activities as well as need technical supports. Considering this the school-based learning enhancement grant has been to send to schools utilizing component II.	Financing should be done towards the project objective.

### 3.3 Systems and Controls

No	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	The expenditure amounting to Rs.2 million incurred for the execution of the duties under the purview of the subject- related functions of the branches as well as the Sectors included in the List of Duties of the Executive Officer of those branches had been stated as Capacity Development Expenditure.	The project DLIs and the duties of the relevant branches are almost interconnected and it cannot be separately identified. Therefore, the capacity development mentioned here are conducted specifically related to the DLIs.	Expenses should be properly managed.
(b)	Even though school provisions should be provided in a manner that the relevant targets could be achieved and in a planned manner, a sum of Rs.65 million had been provided to 130 schools on 5 September 2023 and a sum of Rs.29 million had been provided on 29 December 2023 respectively, without paying attention in this regard. However, a successful progress could not be observed in the school provisions provided within the preceding 02 years as well.	Due to lack of fund in C2, the funds allocated for the SBLEG under C2 was not sent to schools and only the funds allocated through C1 for the SBLEG has been distributed.	Project funds should be used productively.
(c)	Even though the Third Party Confirmation Report on the achievement of the Disbursement Linked Indicators (DLI) of the Project should be furnished to the World Bank before 28 February of the following year of the year of the audit, those reports had not been furnished for the year 2023. It was observed that the evaluations relating to the submission of those reports had not been completed even by May 2024	Accordingly due to covid and other crisis situation the process related to third party validation was delayed. For the Academic year 2023 also, since the academic year 2023 ended in February 2024, at the moment third party validation is in process.	Reports should be submitted in due time.
(d)	The Action Plan prepared for the General Education Modernization Project had not been furnished to the audit.	It has been sent earlier also.	Action Plan should be prepared for the project.