

General Education Modernization Project (Component 1- Provincial Part) - 2024

The audit of financial statements of the General Education Modernization Project (Component 1- Provincial Part) for the year ended 31 December 2024 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 Loan Agreement No. 6228 LK dated 25 July 2018 entered into between the Democratic Socialist Republic of Sri Lanka and International Development Association (IDA). 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 Ministry of Public Administration, Provincial Councils and Local Government is the coordinating Ministry for the provinces and Nine Ministries of Provincial Education are the Implementing Agencies of the Project. The objective of the Project is to enhance quality and strengthen stewardship of the general education system. As per the Loan Agreement, the estimated total cost of the Project was US\$ 100 million equivalent to Rs.15,505 million was agreed to be financed by IDA.

The Project had commenced its activities on 30 August 2018 and scheduled to be completed by 30 June 2024. However, the date of the completion of the activities of the project had been extended up to 30 June 2025.

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 2024, 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 section of 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 Non Compliance with Laws, Rules and Regulations

	Reference to the Laws Rules and Regulations	Non Compliance/Audit Issue	Response of the Management	Auditors recommendation
(a)	Financial Regulations of Sri Lanka 626	Although separate books should be maintained under the double-entry system in addition to the expenditure	Comments had not been received.	Financial statements should comply with applicable financial framework

ledger for the said project such arrangements had not been made in maintaining the accounts of the North Western Province project.

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| (b) Sri Lanka Public Sector Accounting Standards – SLPAS 01 | As per note to the Basis of Accounting, it had been stated that the financial statements had been prepared in conformity of the Sri Lanka Public Sector Accounting Standards as far as possible. However financial statements had been prepared according to the cash basis | Noted and instructed to rectify in future financial statements | Adhere to the SLPSAS. |
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3 . Physical performance

3.1 Physical performance of the project

Delay/Audit issue	Response of the Management	Auditor's Recommendations
<p>The North western Provincial Council had been allocated Rs. 1,699 million from 2020 to 31 December 2024 under the General Education Modernization Project and Rs. 1,387 million had been spent.</p> <p>Following observations were made in this regard.</p> <p>(i) A decline in the results in 08 Regions was observed in the analysis of the results related to English and Mathematics compared to the previous year.</p> <p>(ii) It was noticed that the objectives of the project have not been achieved as the relative growth of these 02 subjects has been very slow and the results in 2023 have declined as a whole considering the past 05 years.</p> <p>(iii) In the analysis of the results for the years 2019–2023, the Puttalam region had recorded the lowest pass percentage in Mathematics and English among the 8 regions in the North Western Province.</p>	<p>Comments had not been received.</p>	<p>Action should be taken to achieve project objectives as planned.</p>

3.2 Disbursement Link Indicators Progress of the activities of the Project

	DLI No.	Audit Issues	Responses of the Management	Auditor's Recommendations
(a)	DLI 01	Improving the English learning outcome of students is the objective of this Disbursement-Linked Indicator and 55 schools had been selected within the Southern Province therefor and, 14 programmes had been conducted as well. In terms of Section 9 of the Project Operations Manual, a targeted result of 80 per cent had been expected in improving the English learning outcome of students at the end of the year 2024. According to the audit test check, this annual evaluation had been conducted in the years 2023 and 2024 and, in the two examinations before and after, the students who sat the before examination had not sat the after examination. As such, it could not be accurately confirmed whether the English learning outcome of students had improved through this.	Accept the audit observations.	The expected outcome should be achieved through each DLI.
(b)	DLI 02	The Improved Mathematics Learning Outcomes had been implemented by selecting 38 schools in the Southern Province and in terms of Section 9 of the Project Operations Manual, a targeted result of 80 per cent had been expected for the Mathematics subject of students at the end of the year 2024. According to the audit test check thereon, even though the Mathematics examination had been held in certain schools in the years 2022, 2023 and 2024, as they had not been held before and after	Accept the audit observations.	The expected outcome should be achieved through each DLI.

annually, it was observed that an accurate evaluation could not be carried out on Mathematical knowledge through the results of those examinations.

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| (c) | DLI 03 | Even though a sum of Rs.9 million had been allocated in the year under review for providing relevant technical tools and related computer programmes, websites, CDs, DVDs etc., the actual expenditure incurred for this Disbursement-Linked Indicator from the year 2021 up to the year 2024 was not revealed in audit. | Accept the audit observations. | The expected outcome should be achieved through each DLI. |
| (d) | DLI 04 | In terms of the Development Objective Indicator included in Section 9 of the Project Operations Manual, 75 per cent at least of the Mathematics and English teachers, improvement in teacher knowledge, pedagogical skills, teacher motivation, or classroom management skills had been expected in the year under review. A sum of Rs.6.1 million had been spent for 04 of 06 activities planned therefor. However, it was observed in audit that of the activities carried out, no contribution had been made towards improvement of teacher development of teachers. | Accept the audit observations. | The expected outcome should be achieved through each DLI. |

3.3 Observation made on site visits

	Audit Issue	Management Response	Auditor's Recommendations
(a)	In terms of Section 9 of the Project Operations Manual, even though digital equipment (Smart Boards) had been provided to schools for improved Mathematics and English language learning outcomes, action had not been taken to provide CDs, DVDs etc. with the syllabus and educational websites to the	The province has reported that referred activity is the responsibility of the department of education publications but the provinces have not received any digitally enabled books as expected.	All procedures should be complied with operational manual.

students in southern province. As such, it was observed that the said digital equipment cannot be properly made use of.

(b) In 2024, a total of 192,673,826 devices were purchased and distributed to schools and educational resource centers in the Northern Central Province. However, due to some reasons the expected objectives were not achieved, and some devices remain unutilized.	The relevant installation work has been completed.	Project Assets should be utilized effectively.
<p>(c) Out of the provision of Rs. 560 million allocated for the North Western Province, an expenditure of Rs.54 million had been incurred during the year under review to implement 31 building construction, maintenance, and renovation projects.</p> <p>Following observations were made in this regard.</p> <p>(i) The construction of the Mathematics activity rooms and English activity rooms at Ibbagamuwa Kumbukwewa Maha Vidyalaya and Medamulla de Mel Maha Vidyalaya, valued at Rs. 4,071,847, had been halted midway as at the audit date of 23 May 2025.</p> <p>(ii) Although equipment valued at Rs. 2,820,684 had been provided for the said activity rooms, were remained unutilized.</p> <p>(iii) At Lakdas de Mel Maha Vidyalaya and T.B. Wijesuriya Maha Vidyalaya, smart classrooms renovated at a cost of Rs. 4,872,973 had not been opened even by the audit date of 23 May 2025. Similarly, furniture and office equipment valued at Rs. 11,041,232, which had been issued as at 31 December 2024, remained unutilized.</p>	Comments had not been received.	Fund should be utilized effectively.

3.4 Extraneous Activities/Payments made out of the project objective

Audit Issue	Management Response	Auditor's Recommendations
(a) Southern Province Even though 35 per cent of the overall expenditure could be incurred for new constructions, maintenance and renovations and 38.54 per cent of the overall expenditure had been incurred for repairs of school buildings and side walls and not for creating specific English or Mathematics classrooms, which is the objective of the project.	All expenditure made are either directly or indirectly relevant to the project objectives.	Funds should be utilized according to the project objectives.
(b) A total of Rs. 2,616,572 had been incurred by the GEM Project for renovation of the planning division of the Department of Education – Southern Province and purchase of furniture and equipment for the said division.	It has been strengthened with the approval of MoE and agreement of WB through the AIP.	Funds should be utilized according to the project objectives
(c) At Namal Anga Vidyalaya, an expenditure of Rs. 2,475,606 had been incurred on the Counseling Unit, which did not make a direct contribution to the main objective of the project. Despite having adequate inventory items, during the year under review, additional furniture and equipment valued at Rs. 615,140 had also been provided.	Comments had not been received.	Funds should be utilized according to the project objectives
(d) In 2022, the Special Education Unit of Gnanodaya Central College had been renovated at a cost of Rs. 4,444,879. During the year under review, furniture and equipment valued at Rs. 985,306 had also been provided for this activity, which was outside the intended objectives of the project. In addition, the said unit had been renovated through non-governmental organizations as well.	Comments had not been received.	Funds should be utilized according to the project objectives

3.5 Idle/ Underutilized Resources

Audit Issue	Management Response	Auditor's Recommendations
(a) It was observed that Rs. 69 million, which is 15 per cent of the initial allocation of Rs. 475 million for this project in the Southern Province, remained idle at the end of the year under review.	The province has reported that this amount has now been fruitfully utilized.	Funds should be utilized effectively.
(b) It was observed that Rs.1,963,496, which is 23% of the allocation of Rs.8,694,530 given to the Galawela and Hanguranketha areas in the Central Province, has been retained without spending for the intended purpose during the year under review. Mathematical equipment worth Rs. 230,216 purchased in 2023 had not been delivered to the relevant schools and was still being stored in the store rooms of the Teldeniya and Kotmale Zonal Offices as at 30 November 2024.	These activities have now been duly performed and allocations utilized.	Funds should be utilized effectively.
(c) Even though a sum of Rs. 12.63 million had been spent in the year under review for Mathematical learning sets, Smart Boards and computers in Southern province, it was revealed at the audit test check that these equipment are not used in certain schools in a manner that learning outcomes of English and Mathematics are improved and that they had remained idle in certain schools.	The province has reported that to avoid this situation in the future, necessary awareness will be given to relevant parties	Project assets should be utilized effective manner.