

Consolidated program for 09 provincial Education Departments of the Secondary Education Sector Improvement Program - 2024

The audit of Consolidated Program Expenditure Statement for 09 Provincial Education Department of the Secondary Education Sector Improvement Program 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 the Loan Agreement No. 4021- SRI dated 01 December 2020 entered into between the Democratic Socialist Republic of Sri Lanka and the Asian Development Bank. 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, Higher Education and Vocational Education is the Executing Agency and Ministry of Education, Higher Education and Vocational Education, Department of Examination, Department of Educational Publication, National Institute of Education and Nine Provincial Education Departments are the Implementing Agency of the Program. The objectives of the Program are strengthening the country's Secondary Education System, Enhancing the quality and relevance of Secondary Science, Technology, Mathematics and Commerce (STMC) Programs, Strengthening Provincial and school capacity to implement education reforms and strengthening Sector Management Capacity. As per the Loan Agreement, the estimated total cost of the Project was US\$ 3,200 million equivalent to Rs 608,000 million and out of that US\$ 400 million equivalent to Rs. 76,000 million was agreed to be financed by Asian Development Bank. The balance amount of Rs. 532,000 million is expected to be financed by the Government of Sri Lanka.

The Program had commenced its activities on 08 December 2020 and scheduled to be completed by 31 December 2025.

1.3 Opinion

In my opinion, the accompanying Consolidated Program Expenditure Statement for 09 Provincial Education Department give a true and fair view of the financial position of the Program 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 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 Consolidated Program Expenditure Statement for 09 Provincial Education Department 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 Expenditure Statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Program'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 Consolidated Program Expenditure Statement for 09 Provincial Education Department 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 Consolidated Program Expenditure Statement for 09 Provincial Education Departments.

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 Consolidated Program Expenditure Statement for 09 Provincial Education Departments, 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 Program.
- 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 Consolidated Program Expenditure Statement for 09 Provincial Education Departments, including the disclosures, and whether the Consolidated Program Expenditure Statement for 09 Provincial Education Departments 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. Physical Performance

2.1 Physical progress of the activities of the Program

Component	Activity	As at 31 December 2024		Delay/ Audit Issue	Reasons for delays	Response of the Management	Auditor's Recommendations
		Expected physical performance	Performanc e achieved				
(a)	Annual Implementation Plan of Central Province	304 Programs	163 Program	According to the Annual Implementation Plan, 304 programs had been planned to be held as of 31 December of the year under review. However, only 163 programs had been held.	Due to inefficiency of provincial program coordinator's in implementation of action plan.	Comments had not been received	The expected performance should be achieved as planned.
(b)	Teacher Training	53,839 Teachers	12,493 Teachers	According to the Annual Action Plan 2024, it had been planned to train 53,839 teachers in Sabaragamuwa province. However, only 12493 teachers had been trained as at 31 December 2024.	Due to inefficiency of provincial program coordinator's in implementation of the action plan.	Comments had not been received	The expected performance should be achieved as planned.

2.2 Idle/Unutilized/Underutilized Resources

	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	Although an expenditure of Rs. 687,017 had been incurred in relation to 07 programs in the Sabaragamuwa Province, no participants have been in those programs.	Comments had not been received	A program should be prepared under the Supervision of the Provincial Program Coordinator to attract teachers to training programs.

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| (b) | During the year under review, it had been observed that out of the total grants provided to provincial schools, a sum of Rs. 61,140,991 remained idle in the school development accounts in eight provinces. | Comments had not been received | The Project Management Unit should review the progress and ensure that the performance is achieved. |
| (c) | A sum of USD 161.33 million had been allocated for the year 2024 for 32 sub-disbursement linked indicators(DLI) but it had been reduced by 34.77 percent to USD 56.10 million due to non-achievement of the disbursement linked indicators | Due to the non-approval of the National Education Policy, no DLI targets for the year 2023 could be achieved. | Ministry should achieve the DLI Targets with in the given period. |
| (d) | Even though the total loan amount of US\$ 400 million, had been allocated from 2021 to 2025, only a sum of US\$ 254.20 million had been utilized until the year under review, and it was 63 percent of the total loan. | The shortfall in achieving the remaining targets is primarily due to the temporary withholding of the National Education Reform Policy Framework in 2023. | The expected performance should be achieved as planned. |

2.3 Matters in Contentious Nature

Audit Issue	Response of the Management	Auditor's Recommendation
(a) A total provision of Rs.15,000,000 had been approved for the Western Province to implement the Partnership Agreement for the year 2024, and a total of Rs.14,238,000 had been spent on the programs to achieve the DLI targets. However, any program to training of Principals/ Deputy Principals/ Assistant Principals under DLI 05 stated in the annual DLI targets had not been included.	Comments had not been received	The action plan should be prepared to include all payment-related indicators relevant to the program.
(b) Although paragraph (II) of the Management Services Circular No. 03/2018 by the Secretary to the Treasury dated 18th July 2018 addressed to all Provincial Chief Secretaries had stated that allowances to	Comments had not been received	Actions should be taken to comply with the circular instructions.

be paid to staff should be avoided without obtaining the prior approval of the Management Services Department of the Treasury. However, allowances of Rs.2,189,269 had been paid under 07 positions in Uva Province.

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| <p>(c) One of the strategies used in the School Development (SDP) in relation to sub-disbursement linkage indicators 40 and 43 aims to reduce the dropout rate of boys from 20 percent to 40 percent in the year of 2022,2023 and 2024, based on reports provided by third parties the information was not updated according to the provincial schools’ observations and the updated information were not in the Programme Management Unit. Accordingly, audit observed that the reports obtained by the third party were based on solely on data and not on results. Moreover, the third-party verification report for the above DLI's had not been submitted during the year 2024.</p> | <p>Comments had not been received</p> | <p>Ministry and provincial education department should plan to achieve the DLI Targets with in the given period.</p> |
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2.4 System and Controls

Audit Issue	Response of the Management	Auditor’s Recommendation
<p>(a) Even though a provision of Rs.2,000,000 had been allocated in Western Province for the subjects such as Chemistry, Physics and Biology in Advance Level with an objective of improvement of literacy in 13 subjects, no provision had been granted for said subjects.</p>	<p>Comments had not been received</p>	<p>Actions should be taken to comply with the guideline issued by the Ministry.</p>
<p>(b) As per the paragraph 03 of the Guidelines for the Implementation of Quality Education Development Programs in the Uva Province introduced by the Internal Circular No. 06/2018 dated 24 July 2018, the resource persons for training programs should be selected from the training pools established by selecting and registering</p>	<p>Comments had not been received</p>	<p>Actions should be taken to recruit resource persons and organize training programs efficiently as per the circular.</p>

the resource persons subsequent to calling applications and conducting interviews. However, the Uva Provincial Department of Education had not taken steps to register the resource persons as per the said provisions even as of the date of audit; 24 July 2025.

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| (c) | Due to lack of focus to the teacher deployment to be carried out within the entire education system in relation to the disbursement -linked indicator no 04 and failure to maintain an up-to-date data system regarding this balance of teacher, which applies to the entire school system, including the 9 provinces, the audit observed that achieving this target was problematic. | Comments had not been received | A management information system containing teacher information should be established and updated according to subjects, and teacher evaluation should be carried out properly. |
| (d) | 15 Education Offices are implemented in Central Province had not been carried out identified criteria, basic methodology for development of relevant subjects through provinces. Therefore, the utilization of SESIP grants for the target of development of students and teachers in effective and optimal level had not been carried out under quantitative monitoring and direction by paying attention to the facts such as number of National and provincial Schools existed in province, difficulties prevailing in provinces, teacher shortage prevailing in the provincial schools and inadequacy of facilities and school leaving. | Comments had not been received | A management information system containing teacher information should be established and updated according to subjects, and teacher evaluation should be carried out properly. |
| (e) | Although school plans should be prepared and implemented by prioritizing STMC (Science, Technology, Maths and Commerce) for each year according to the 2024 annual DLI targets, expenditure had been made based on Science, Commerce, Technology and Information Technology subjects, not a single activity related to Mathematics had been carried out in Nikaweratiya and Maho Zonal Education Offices during the year 2024. | It is reported from the schools that the programs have been conducted as per the approved annual plans of the schools that were inspected. | The Project Management Unit must properly manage, monitor, and review progress, identifying and addressing problems. |

- (f) An amount of Rs.3,327,842 credited by the Provincial Education Department to 03 Zonal Education Offices for 26 schools in the Sabaragamuwa Province on 30 November 2022 but it had not been provided to the said schools.
- Comments had not been received
- The Project Management Unit must properly manage, monitor, and review progress, identifying and addressing problems.