Consolidated Program for Central Institutions of the Secondary Education Sector Improvement Program - 2024

The audit of the Consolidated Program Expenditure Statement for Central Institutions 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 Qualified Opinion

In my opinion, except for the effects of the matters described in the paragraph 2.1 of my report, the accompanying Consolidated Program Expenditure Statement 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 Qualified 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 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 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 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 Consolidated Program Expenditure 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 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 Statements, including the disclosures, and whether the Consolidated Program Expenditure 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

Accounting Deficiency	Amount Rs.	Response of the Management	Auditor's Recommendations
A sum of Rs.1,077,193,526 had been incurred under the Secondary Education Sector Improvement Programme (SESIP) by the Ministry of Education, Higher Education and Vocational Education during the year under review. However, it had not been included as expenditure of the Programme. As a result, the expenditure of program had been understated by similar amount.	1,077,193,526	The Consolidated Financial Statement for the Program has been prepared in accordance with Project Implementation Document	The total expenditure related to the program should be accounted.

2.2 Non Compliance with Laws, Rules and Regulations

Reference to the Laws Rules and Regulations	Non Compliance	Response of the Management	Auditor's Recommendations
Paragraph 17 of the Program Implementation Document (PID)	Although the National Steering Committee was required to meet on quarterly, the committee had met only once in the year 2024.	Comments had not been received	Actions should be taken to comply with the Program Implementation Document (PID)

3. Physical Performance

3.1 Physical progress of the activities of the Project

	Activity	As at 31 December 2024		Delay/ Audit Issue	Reasons for delays	Response of the Management	Auditor's Recommendations
		Expected physical performance	**Performance achieved**				
(a)	Funds Utilization	USD 56.10 Million	USD 37.93 Million	A sum of USD 161.33 million had been allocated for the year 2024 for 32 sub-disbursement linked indicators 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 Educational policy	Due to the non-approval of the National Education Policy, no DLI targets for the year 2023 could be achieved.	The Ministry should take the necessary actions to formulate the National Education Policy promptly and Should achieve the DLI Targets with in the given period.

(b)	Loan Disbursement	100%	63%	Even though the total loan 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.	Due to DLIs could not be achieved	The shortfall in achieving the remaining targets is primarily due to the temporary withholding of the National Education Reform Policy Framework.	The Ministry should take the necessary actions to formulate the National Education Policy promptly and Should achieve the DLI Targets with in the given period.
(c)	Department of Examinations	12 activities	4 activities	An amount of Rs.4,076,230 had been incurred for the implementation of Disbursement Linked Indicator 01 (DLI 01) However, 08 activities out of 12 had not been completed.	Failure to obtain policy approvals for new educational reforms	Many activities had to be temporarily suspended, bearing financial costs, until final policy decisions.	The Ministry should take the necessary actions to formulate the National Education Policy promptly and Should achieve the DLI Targets with in the given period.
(d)	Progress report of NIE	24 activities	6% to 67%	Even though an amount of Rs.12,182,416 had been incurred as at 31 December 2024 for 24 activities such activities had not been completed.	Since new educational reforms have not been confirmed.	Comments had not been received.	The Ministry should take the necessary actions to formulate the National Education Policy promptly and Should achieve the DLI Targets with in the given period.

(e)	Activities of NIE	31 activities	0	31 activities valued Rs.24,907,000 had been allocated but it had not been completed even up to 31 December 2024.	Since new educational reforms have not been confirmed.	Comments had not been received.	The Ministry should take the necessary actions to formulate the National Education Policy promptly and Should achieve the DLI Targets with in the given period.

3.2 Unutilized Resources

	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	The electronic equipment purchased at a cost of Rs.493,062,994 for Applied Resource Hubs had been idled without utilization for the objectives.	The responsibility of designing, conducting, and verifying teacher training programs lies with the National Institute of Education (NIE) and other relevant institutions.	Action should be taken to achieve the desired results.
(b)	No online training program for teachers had been commenced in Applied Resource Centers established in 105 schools and 15 Professional development centers, in 15 District.	Comments had not been received	Action should be taken to achieve the desired results.
(c)	Electronic equipment worth Rs.16,455,000 at Applied Resource Hub was kept idle.	Comments had not been received	Action should be taken to utilize the equipment for achieve desired result.
(d)	Even though the direction of the teachers training should be carried out by the National Institute of Education by connecting Applied Resource Hubs established in Island wide via online, the activities in relation to this Applied Resource Hub had not been included in any plan from 2021 to 2025 of the National Institute of Education.	Comments had not been received	This activity should be included in the action plan of the National Institute of Education to achieve desired objectives.

3.3 Matters in Contentious Nature

	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	As per the paragraph 5.2 of the National Budget Circular No. 01/2024 dated 10 January 2024, training workshops implemented through foreign aid project funds should not be held in expensive hotels but should be held using institutions facilitated by the Government at a minimum cost so that the desired objectives can be achieved, but contrary to this, the workshop had been held at a hotel in the Thulahiriya area at a cost of Rs.3,768,072.	Comments had not been received	Actions should be taken to comply with the circular.
(b)	The Monitoring and Evaluation Framework related to the 07 Disbursement Linked Indicators consists of 65 Key Performance Indicators (KPIS) and even if a National Education Management Information System(NEMIS) that covers all 09 provinces should have been developed in the Ministry of Education in order to collect relevant data, the respective tasks had not been accomplished even by 30 August 2025.	Comments had not been received	Achieve the DLI targets with in the scheduled time period.
(c)	Total amount totalling to Rs.600,000,000 had been provided to the schools by Rs.800,000 for each school during 2021-2024 for implementation of the innovative laboratories in 750 schools selected under Disbursement Linked Indicators (DLI) 05 of the Program and it had been also planned to provide the benefits to	Comments had not been received	Achieve the DLI targets with in the scheduled time period.

cluster schools affiliated to 750 leading schools. The provision had been granted on 10 December 2024 for 691 schools out of 750. However the innovative laboratories had not been implemented at satisfactory level.

3.4 Issues Related to System and Controls

	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	A grant of Rs.209,027,000 had been provided to 171 national schools and 579 provincial schools in the year 2023 with the aim of increasing the achievement levels of 13 targeted subjects in 750 selected schools. However, the progress of 26 national schools and 57 provincial schools had not been reported to the Ministry even by 30 August 2025. Similarly, a sum of Rs.8,000,000 had been provided in the year 2024 for 154 schools but 16 national schools and 56 provincial schools had not reported progress even by 30 August 2025.	To obtain the progress of the grants provided in the year 2023, periodic reminders have been provided to the Provincial SESIP Coordinators and National School Principals through letters, emails and WhatsApp.	The Ministry should conduct follow-up activities to ensure that school grants are used for their intended purpose.
(b)	Even though an amount of Rs.15,000,000 had been credited to the account of the School Development Societies of 215 selected schools on 04 November 2024 for practical activities of the G.C.E. (A.L) Bio Systems Technology subject. An amount of Rs.11,512,550 had not been utilized by 158 schools as at 13 August 2025.	The relevant schools have been informed that the financial grant has been received.	The Ministry should conduct follow-up activities to ensure that school grants are used for their intended purpose.
(c)	Even though an amount of Rs.21,493,742 had been credited to the School Development Society Accounts of 467schools on 26 November 2024 to purchase the consumables and equipment related to the Engineering Technology	The delay is mainly due to the absence of a proper Direct communication mechanism with the school principals.	The Ministry should conduct follow-up activities to ensure that school grants were utilized for their intended purpose.

	subject of the G.C.E. (A/L) Technology stream, the progress regarding the grants of Rs. 17,763,588 had not been reported from 402 schools to the Ministry even as of 30 August 2025.		
(d)	An interest amounting to Rs.4,217,376,215 had been paid on the disbursed amount of US$ 254,200,000 and a commitment fee of Rs. 85,875,966 had been paid on the undisbursed amount of US$ 145,800,000 for the year ending 31 December 2024 due to non-achievement of the disbursement linked indicators. In addition to that, a sum of Rs.336,393,217 had been paid as commitment fee from the inception of the programme up to end of the year 2024.	The Ministry is taking steps to expedite the necessary reforms to minimize further commitment charges and optimize disbursement.	Efforts should be taken to avoid the commitment fee by completing the program within a specified time frame or restructuring the program.
(e)	Under the Disbursement Linked Indicator No. 02, Rs.27,685,833 was provided to the National Institute of Education from 2022 to 2024 for the development of subjects for each grade of G.C.E. (O.L) and G.C.E. (A.L), but the Program Management Unit had not carried out a comprehensive study on the number of modules related to the subjects developed as at 15 September 2025.	Comments had not been received	The Project Management Unit should conduct progress review to achieve the DLI goals.