

Education Sector Development Program - 2018

The audit of Consolidated Program Annual Financial Report of the Education Sector Development Program for the year ended 31 December 2018 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 4.04 of the Article IV of the Loan Agreements No-3008 SRI Ordinary Operations and No-3009 SRI Special Operations dated 19 August 2013 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 Agreements, the Ministry of Education is the Executing Agency and Provincial Ministries of Education of the Provincial Councils are the Implementing Agencies of the Project. The objectives of the Project are to develop a modernized secondary education school system that improved the employability of male and female secondary school graduates. As per the Loan Agreements, the estimated total cost of the Project amounted to US\$ 200 million equivalent to Rs. 26,000 million and out of that US\$ 200 million equivalent to Rs. 26,000 million was agreed to be financed by Asian Development Bank. The Project had commenced its activities on 23 August 2013 and scheduled to be completed by 31 August 2018.

1.3 Opinion

In my opinion, the accompanying Consolidated Program Annual Financial Report of the Education Sector Development Program agrees with the information provided in the financial statements of the provincial Department of Education and Provincial Ministries of Education of 09 Provincial Councils as at 31 December 2018 give a true and fair view of the Program 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 section of Auditor's Responsibilities for the Audit of the Financial Statements appeared in 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 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 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 skepticism 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 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 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	Impact	Response of the Management	Auditor's Recommendation
Circular No. MOFP/ERD/2007/2 of 07 August 2007 of the Ministry of Finance and Planning.	The Consolidated Program Annual Financial Report for the year ended 31 December 2018 required to be submitted on or before 31 March 2019 had been submitted for audit only on 13 June 2019.	Major requirement not complied.	No commented	Need to be submitted the Consolidated Program Annual Financial Report, once the Annual Financial Statements of the Provincial Councils submitted.

3. Physical Performance

3.1 Physical progress of the activities of the Project

According to the schedule 03 of the Financial Agreement the Project, the activities of the Program are scheduled to be implemented to achieve 09 Disbursement Link Results through 33 Disbursement Link Indicators. Further, according to the Consolidated Program Annual Financial Report presented for audit as the financial statement of the Project for the year under review, out of the all sources of funds a total cost of Rs.139,584 million had been spent as at 31 December 2018 to meet the recurrent and capital expenditure of educational sector of

the Provincial Councils. Several key audit observations made on the operations of the Provincial Ministries of Education and Provincial Departments of Education are described below.

	Audit Issue	Impact	Response of the Management	Auditor's Recommendations
(a)	According to the Performance Report of the Department of Examination, out of 218,191 school candidates who sat for the G.C.E Advance Level Examination, 18,203 of school candidates representing 8.34 per cent were failed in all subjects in all streams. Further, it was observed that more than 09 per cent of school students in the North Central, Eastern and Southern Provinces had failed in all subjects in all streams.	Expected targets not achieved in remote areas.	Agreed	Need to investigate the reasons.
(b)	According to the Disbursement Linked Result – 03 an assessment on the performance of the students in Technology Stream in 100 schools to be conducted and time bound plan for gender inclusive expansion of Technology Stream expected to be prepared. However, action had not been taken to conduct the assessment and prepare the time bound plan thereon.	Expected benefit would not be received to the intended parties.	The Quality Improvement Plan for the GCE A/L Technology Stream in Sri Lanka (2018-2022) had been prepared and forwarded to the Lending Agency in December 2017.	Action need be taken to reach the targets.
(c)	According to the Disbursement Linked Result – 06 enrolments of the students of provincial schools for Commerce Stream of G.C.E Advance	Expected benefit would not be received to the intended parties.	After the analysis of the GCE A/L Commerce Stream student enrolment	Need to investigate the reasons.

Level was expected to increase up to 43.01 per cent. However, the overall student enrolments for the Commerce Stream were remained at 22.23 per cent. Further, it was observed that student enrolment for the Commerce Stream in North Western, Eastern and Northern Provinces had remained 13.09 per cent, 16.31 per cent and 17.86 per cent respectively. However, the overall student enrolments for Arts Stream were increased by 1.46 per cent year under review.

data the DLR – 06 was cancelled and with all party agreement.

3.2 Unutilized Resources

Audit Issue	Impact	Response of the Management	Auditor's Recommendation
<p>The allocation aggregating Rs.16,007 million had been made for the year under review for the Provincial Councils to meet the capital expenditure of Provincial Ministries of Education and out of that a sum of Rs.10,717 million had been utilized as at 31 December 2018. Further, out of the allocations amounting to Rs.5,159 million made for the year under review to meet the capital expenditure of the Provincial Ministry of Education of the North Central Province, only a sum of Rs. 2,237 million had been utilized. Further, the allocations amounting to Rs. 700 million made to meet the capital expenditure of the Provincial Education Ministry of the Uva Province and out of that only a sum of Rs. 443 million representing 37 per cent of the total allocations had remained unutilized as at 31 December 2018.</p>	<p>The allocation made under the Project is not utilized for intended purposes.</p>	<p>Agreed.</p>	<p>Instructions need to be issued to the provincial authorities to utilize the allocations to achieve the expected targets.</p>