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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



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எனது இல. }
My No. }

EDU/A/TSEP/5/18/01

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Your No. }

දිනය } 31 July 2019
திகதி }
Date }

TSEP Central Level AR FY 18

The Secretary,
Ministry of Education

Report of the Auditor General on the Consolidated Financial Management Report of the Transforming the School Education System as the Foundation of a Knowledge Hub Project Central Level for the year ended 31 December 2018

The English version of the above mentioned report is sent herewith.

W.P.C. Wickramaratne
Auditor General

- Copies to :-
01. Secretary, Ministry of Finance
 02. Senior Financial Management Specialist, International Development Association, for information





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31 July 2019

The Secretary,
Ministry of Education

28 Aug 2019

Report of the Auditor General on the Consolidated Financial Management Report of the Transforming the School Education System as the Foundation of a Knowledge Hub Project Central Level for the year ended 31 December 2018

1. Financial Statement

1.1 Opinion

The audit of Consolidated Financial Management Report of the Transforming the School Education System as the Foundation of a Knowledge Hub Project 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 provisions in the paragraph B.3 of Section 2 of the Financing Agreement No. 5037-LK dated 18 May 2012 entered into between the Democratic Socialist Republic of Sri Lanka and the International Development Association. According to the Financing Agreement, the activities of the Project are expected to be carried out by the Ministry of Education at national level and the Provincial Councils at provincial level. This report consists of the comments on activities carried out by the Ministry of Education at national level.

In my opinion, the accompanying Consolidated Financial Management Report of the Transforming the School Education System as the Foundation of a Knowledge Hub Project agrees with the information provided in the financial statements of the Ministry of Education, Department of Examinations and Department of Educational Publications as at 31 December 2018 gives a true and fair view of the affairs of the Project.



1.2 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 Consolidated Financial Management Report section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Other information on performance of the Project

The other information as stated below does not include in the Consolidated Financial Management Report and my opinion thereon does not cover the other information.

- The initial Financial Agreement of the Project had been amended by the Financial Agreement No. LK5027 of 07 June 2017 and extended the period of the Project up to 30 June 2018. However, the Consolidated Financial Management Report of the Project for the year ended 31 December 2018 had been prepared and submitted for audit on 22 May 2019, eventhough it was required to be submitted before 31 March 2019, as per the Circular No. MOFP/ERD/2007/2 of 07 August 2007 of the Ministry of Finance and Planning.
- The Ministry of Education had allocated the proceeds of the loan, under the Education Sector Development Framework to construct 1,005 Technological Laboratories in the national and provincial schools, procure equipment for such Laboratories and provide trainings for the teachers in order to increase the students participation for the Advance Level Science Stream through upgrading of student performance. According to the information received, the construction works of the Technological Laboratories had been completed by 30 June 2018 and the activities such as procurement of learning materials and equipment, providing trainings for teachers and School Principals etc had been carried out during the year under review. The following observations are made thereon.

- The Project had procured 166 desktop and 33 laptop computers during the year under review at a cost of Rs. 24.90 million to distribute to the Regional English Supporting Centres. However, it was observed that the selected supplier had not taken action to deliver the computers to the respective Centres, before the date agreed to be supplied on 22 June 2018. Further, the shopping method had been applied to select the supplier, contrary to the Paragraph 2.14.1 of the Government Procurement Guidelines, instead of being applied National Competitive Bidding method.

- The Department of Education Publication had taken action to print 1.20 million copies of English work books, writing books and text books at a cost of Rs. 252 million in line with the proposed changes in the syllabus of English Languages for Grade-03 of the primary schools. However, 27,275 copies of books printed at a cost of Rs. 5.73 million had been discarded in 2019, due to printing errors. Further, it was revealed that the text books had been printed without considering the actual needs of the schools and 265,223 copies of books printed over the requirements were remained in the stores of the Department, even as at 31 December 2018.

- According to the information made available, there were 10,284 students in the Special Education Units in 112 national schools and 704 provincial schools island wide. It was observed that 597 posts of qualified teachers to serve in the Special Education Units had remained vacant as at 31 December 2018 whilst deploying 158 teachers trained for special education purposes to teach other subjects. Further, 189 teachers trained for special education purposes had been assigned to the schools which do not have Special Education Units. A sample audit tests carried out during the year under review had revealed that 98 differently able students were remained in the classes of a national school in Rathnapura, eventhough a Special Education Unit had not been established in the school. Thus, it indicated that proper assessment had not been carried out by the Line Ministry island wide to identify the needs of respective Units and improve the quality of education of the students in the respective sector.

- According to the information received, 258 posts of officers of the Sri Lanka Education Administration had remained vacant as at 31 December 2018 and fruitful action had not been taken by the Line Ministry to recruit officers through competitive examinations to strengthen the school administration service.
- It was observed that out of the allocation amounting to Rs. 50 million made by the Project to the Department of Education Publication, only a sum of Rs. 4.29 million had been utilized and the balance of Rs. 45.71 million returned to the Line Ministry on 28 June 2018.

1.4 Responsibilities of management and those charged with governance for the Consolidated Financial Management Report

Management is responsible for the preparation of Consolidated Financial Management Report 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 Consolidated Financial Management Report 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.

1.5 Auditor's Responsibilities for the Audit of the Consolidated Financial Management Report

My objective is to obtain reasonable assurance about whether the Consolidated Financial Management Report 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 Financial Management Report.

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:

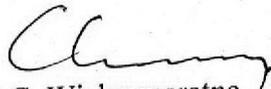
- Identify and assess the risks of material misstatement of the Consolidated Financial Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk 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 the Project's internal control.
- 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 Financial Management Report, including the disclosures, and whether the Consolidated Financial Management Report 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. Report on other requirements of the Donor Agency

As required by the International Development Association, I state the followings:

- (a) The basis of opinion of the audit is as stated above.
- (b) In my opinion:
- the funds provided had been utilized for the purposes for which they were provided,
 - the opening and closing balances, withdrawals from and replenishments to the Deposit Account during the year ended 31 December 2018 had been truly and fairly disclosed in the books and records maintained by the General Treasury and the balance as at 31 December 2018 had been satisfactorily reconciled with the accounting records of the Central Bank of Sri Lanka as at that date,
 - the Statements of Expenditure submitted could be fairly relied upon to support the applications for replenishment in accordance with the requirements specified in the Financing Agreement,
 - the satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
 - the financial covenants laid down in the Financing Agreement had been complied with.


W.P.C. Wickramaratne

Auditor General

Education Sector Development Framework and Program
(IDA) World Bank Loan No. 5037 & Aus Aid TF No.13267
Consolidated Financial Management Report to be submitted to Annual Audit
(All Educational Sector Expenditure from all Sources of Funds)
Period : January to December 2018

Expenditure of all budget heads (MoE,DoP,DoE)	MoE	Expenditure - Sri Rs.		Total
		Publication (DoP)	Examination (DoE)	
Personal Emoluments	32,205,522,849	37,139,433	321,671,956	32,564,334,238
School Uniforms	1,072,582,389	-	-	1,072,582,389
Cost of Land acquisition	-	-	-	-
Expenditure-Non Pooling Donors (other than WB & Aus Aid)	20,772,913,973	-	-	20,772,913,973
Other recurrent Expenditure	13,433,707,155	17,307,802	2,839,333,284	16,290,348,241
AusAid Expenditure	79,856,071	-	-	79,856,071
Other Capital Expenditure	4,791,669,464	68,809,326	662,785,350	5,523,264,140
Total	72,356,251,901	123,256,561	3,823,790,590	76,303,299,052

Appropriation Account total of budget head

72,356,251,901	123,256,561	3,823,790,590
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Difference

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Each of the above totals for each education budget head will have to tally with the total figures reflected in the appropriation account. There would have to be a reconciliation if any differences arise.

Prepared By: K. S. S. S. S.

Checked By: G. M. D. H. S. Gamlath
G. M. D. H. S. Gamlath
 Accountant (Miscellaneous Accounts)
 Ministry of Education
 "Isurupaya"
 Battaramulla

Approved By: M. N. Ranasinghe

o/c

M. N. Ranasinghe
 Secretary
 Ministry of Education
 "Isurupaya"
 Pelawatte,
 Battaramulla.