

National Institute of Education – 2017

The audit of financial statements of the National Institute of Education for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017, the statement of financial performance, the statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 13(1) of the Finance Act, No. 38 of 1971 and Section 19 of the National Institute of Education Act, No. 28 of 1985. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 14(2)(c) of the Finance Act appear in this report.

1.2 Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute’s preparation and fair presentation of financial statements 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 Institute’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report the financial statements give a true and fair view of the financial position of the National Institute of Education as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

The following observations are made.

(a) Sri Lanka Public Sector Accounting Standard 1

The Employees' Provident Fund and Employees' Trust Fund totalling Rs.72,188,213 and Rs.8,889,405 respectively relating to 09 preceding years had been brought to account as an expenditure of the year under review instead of being adjusted to the Accumulated Fund. As such, the surplus of the year under review had been understated by Rs.81,077,618 and it was observed that the consistency and comparability was not apparent in the financial statements of the years 2016 and 2017 due to failure in identifying expenses in due period.

(b) Sri Lanka Public Sector Accounting Standard 2

The following deficiencies were observed in respect of the cash flow statement.

- (i) According to the financial statements of the year under review, the acquisition of property, plant and equipment had been Rs.46,089,932. Nevertheless, according to the cash flow statement, that value had been Rs.24,421,416, thus understating the cash outflow by Rs.21,668,516.
- (ii) Even though a sum of Rs.114,177 had been shown as increases in other current assets in the working capital changes of the cash flow statement, such an asset had not been shown in the statement of financial position.
- (iii) The changes of short term deposits had been understated by Rs.54,227,194 in the cash flow statement during the year.

- (iv) The increases in accrued expenditure in the changes of working capital of the cash flow statement had been understated by Rs.37,467,998.
- (v) Losses from sale of property, plant and equipment had been overstated by Rs.1,299,765 in operating activities of the cash flow statement.

(c) **Sri Lanka Public Sector Accounting Standard 7**

In terms of paragraph 47 of the Standard, when the fair value of an asset materially differs from its carrying amount, those assets should be revalued. Nevertheless, action had not been taken after the year 2008 to revalue the assets of the Institute, valued at Rs.1,175,975,418 and to account its fair value. .

(d) **Sri Lanka Public Sector Accounting Standard 9**

In terms of paragraph 15 of the Standard, inventories shall be measured at the lower of cost and net realizable value. Nevertheless, the inventory balance had been shown as Rs.24,498,345 under sales price in the financial statements.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) A sum of Rs.50,000,000 invested in fixed deposits had been brought to account as an expenditure and as such, the balance of fixed deposits and the surplus had been understated by the similar amount as at 31 December of the year under review.
- (b) Office equipment valued at Rs.169,000 received as a grant in the year under review had not been brought to account.
- (c) Gratuity expenditure of Rs.5,547,436 paid during the year under review had been debited to the Gratuity Expenditure Account instead of being debited to the Provision for Gratuity Account. As such, the surplus of the year under review had been understated and the balance of the Provision for Gratuity Account had been overstated by the similar amount.
- (d) The interest on Treasury bills of Rs.6,418,346 brought to account during the year under review had been brought to account again as a Treasury interest receivable as at 31 December of the year 2017. As such, the surplus of the year under review and the interest income receivable had been overstated by the similar amount.
- (e) The expenditure amounting to Rs.2,344,710 that should be capitalized under buildings and a sum of Rs.26,656,147 spent for the purchase of machinery had been shown as expenditure on maintenance.

- (f) Even though the expenditure on construction of South Asian Teacher Training Centre in Meepe had been capitalized under buildings in the year 2016, the consultancy fees amounting to Rs.603,235 payable for that building had been shown under work-in-progress even by the end of the year under review instead of being capitalized.

2.2.3 Unreconciled Control Accounts

Unreconciliations totalling Rs.37,957,303 were observed between the balances shown in the financial statements and the balances in ledger accounts relating to 02 Items of Accounts.

2.2.4 Unexplained Differences

An unexplained difference totalling Rs.58,341,508 was observed between the balances indicated in financial statements and the balances of schedules made available to Audit relating to 04 accounts as at 31 December of the year under review.

2.2.5 Lack of Evidence for Audit

The following observations are made.

- (a) Even though an amount of Rs.73,609,665 forecasted as course fees paid in advance as at 31 December 2017 had been shown in accounts, adequate evidence for the confirmation of that balance had not been made available to Audit.
- (b) The dates of purchase of assets such as buildings, computers and accessories, photocopy machines, library books and furniture valued at Rs.514,112,042, had not been mentioned. As such, the amount of depreciation of those assets and the accuracy of computation of accumulated depreciation could not be ascertained.
- (c) Cash books for receipts and payments relating to 05 current accounts had been maintained separately. Even though the monthly total receipts of receipt cash books and daily cash balances of payment cash books can be obtained, it was observed that balances at the end of the month cannot be obtained. Moreover, the monthly closing balance cannot be obtained by adding monthly receipts to the initial cash balance and deducting monthly payments through the computer system of the Institute. Even though a cash balance of Rs.468,696,829 was available in each account as at 31 December 2017, these balances could not be confirmed with the balances of cash book.

2.2.6 Accounts Receivable and Payable

The following observations are made.

- (a) A sum of Rs.3,237,800 receivable from the Ministry of Education in respect of printing of school based evaluation question papers of the year 2008 was recoverable since the year 2008.

- (b) Deposits payable totalling Rs.1,574,603 older than 05 years had not been settled or taken into income.
- (c) Action had not been taken even in the current year to recover the balance of Rs.393,500 recoverable over a period of many years, included in the sundry debtors balance.
- (d) Action had not been taken even by the end of the year under review to settle a sum of Rs.5,027,588 out of advances given for workshops conducted in the years 2016 and 2017 and transport and other advances amounting to Rs.4,072,955 and general advances of Rs.60,431 older than 05 years.

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances with Laws, Rules, Regulations and Management Decisions were observed.

Reference to Laws, Rules and Regulations	Non-compliances
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(a) Circular No.2004/Li/1(2016 revised) of 22 December 2016 of the National Library and Documentation Services Board Section 3.1	A survey on library books had not been carried out and according to the survey on library books, carried out by the Library from 7 November 2015 to 12 May 2016, a number of 11,642 disposable books had been identified. Nevertheless, action had not been taken to dispose of those books.
(b) Public Finance Circular No. 03/2015 of 14 July 2015	In granting Sub-impres (Advances) exceeding the value of Rs.100,000, the prior approval of the Treasury should be obtained in terms of the Circular. However, a sum of Rs.2,661,303 had been granted as sub-impres without obtaining such approval and instances of re-granting of sub-impres were observed before settling the previous sub-impres.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka (i) Financial Regulation 716(2)	In the purchase of Goods, matters such as reliability of supply and speed of delivery should be taken into consideration. Nevertheless, 21 Goods valued at Rs.3,888,687 ordered from May to December 2017 had not been received to the Institute even by the date of audit.

(ii) Financial Regulation 705(5) A blacklist of suppliers including names of defaulting contractors had not been maintained by the Institute.

(d) Public Enterprises Circular No.PED 1/2015 of 25 May 2015

Section 3.5

The officers to whom official vehicles are allocated and the officers who avail the monthly transport allowance are not entitled to use pool or other official vehicles. However, an officer of the Institute, who avail the monthly transport allowance, had used a pool vehicle in 11 instances and the Institute had incurred a cost on fuel amounting to Rs.135,345 therefor.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Institute for the year ended 31 December 2017 had been a surplus of Rs.82,516,985 as compared with the corresponding surplus of Rs.37,792,759 for the preceding year, thus indicating an improvement of Rs.44,724,226 in the financial result of the year under review as compared with the preceding year. Even though the expenses of the year under review had increased by Rs.279,066,913 as compared with the preceding year, the increase in the income from deposits by Rs.115,131,191 and the examination fees by Rs.182,522,154 had mainly attributed to the above improvement.

An analysis of the financial results for the year under review and 04 preceding years revealed that the surplus which was Rs.36,496,150 in the year 2013, had increased up to Rs.157,631,150 in the year 2015. However, it had decreased up to Rs.37,792,759 in the year 2016 and again increased up to Rs.82,516,985 in the year under review. However, after readjustment of the employees' remuneration and the depreciation on property, plant and equipment to the financial result, the contribution of the Institute which was Rs.257,724,220 in the year 2013 had increased to Rs.464,705,488 as at the end of the year 2015. Further, it had decreased to Rs.371,685,653 in the year 2016 and again increased to Rs.404,042,670 in the year under review.

3.2 Analytical Financial Review

In considering the working capital management of the Institute, the current ratio which was 4.7:1 in the preceding year, had been 3.7:1 in the year under review, whilst the quick assets ratio of 4.3:1 in the preceding year had been 3.5:1 in the year under review. The Treasury Bonds and the balances of the Bank Current Accounts represented 88 per cent of the Current Assets and as such, a large amount of assets of the Institute had been retained in liquid assets.

Out of 5 Bank Accounts of the Institute, the balance of one account as at 31 December 2017 amounted to Rs.298 million and the current and quick ratios had taken a high value due to maintenance of such balances exceeding the requirements, making short term investments and the existence of a stock balance valued at Rs.36 million.

3.3 Legal Action Instituted against or by the Institute

The following observations are made.

- (a) The Institute had filed 03 cases in the District Court claiming compensation totalling Rs.4,481,538, in respect of breaching agreements by 03 officers who had proceeded abroad for academic purposes.
- (b) One case in respect of obtaining a Teacher Training Certificate and 11 cases had been filed by 10 employees in courts claiming compensation of Rs.927,091 in respect of non-payment of gratuity including the cost of living allowance. However, necessary disclosures regarding the cases on payment of gratuity had not been made in the financial statements.

4. Operating Review

4.1 Performance

4.1.1 Function and Review

According to the National Institute of Education Act, No. 28 of 1985, the formulation of planned programmes for the development of education in Sri Lanka, conduct and promotion of studies on the education system including its performance, goals, structures, content and methodology and in social, economic and other intended purposes, provide for the development of professional and managerial competence of personnel in the education system and providing postgraduate studies are its major objectives.

Even though an Action Plan had been prepared relating to the achievement of above objectives for the year under review, those plans had not been properly implemented and it was further observed that it may directly affect the learning process of the overall school children of Sri Lanka. Details appear below.

- (i) Even though a number of 22,725 professionals of the education field had been planned to be trained through 49 knowledge and skills development programmes, only 15,743 persons had been trained.
- (ii) Even though 10 Departments had planned to prepare Teachers' Guides for 48 subjects, those hand books had not been prepared for 29 subjects.
- (iii) Even though it had been planned to prepare and complete the resource books relating to 30 subjects, those books relating to 25 subjects had not been prepared and completed as planned.

4.2 Management Activities

In terms of Circular No.257 of 09 October 2013 of the Department of Management Services, earnings made in addition to the salary of the officers, should not exceed 50 per cent of their annual basic salary. However, contrary to that circular, a sum of Rs.4,501,586 had been overpaid as extra earnings, to 48 officers exceeding 50 per cent of their salary from the year 2014 to the end of the year under review and action had not been taken up to April 2018 to recover those overpayments.

4.3 Operating Activities

(a) The following observations are made on the preparation of syllabuses.

(i) Science Subject – Grades 6, 11

New syllabuses for the Science subject had been introduced in the year 2015 for Grades 6, 10, in the year 2016 for Grades 7, 11, in the year 2017 for Grades 8, 12 and in the year 2018 for Grades 9, 13. However, evidence that functions which should be performed before the revision of those syllabuses, had been performed and they had been based for the revision of syllabuses.

(ii) Syllabuses of Chemistry, Physics and Biology for Advanced Level Grades 12, 13

According to the Plan of Implementation of Syllabuses 2012-2020, new syllabuses relating to those subjects should have been implemented in the years 2017 and 2018 respectively. Accordingly, the Council and the Board of Academic Affairs had approved those syllabuses on 15 December 2016 and 08 November 2016. However, neglecting those approvals, the said syllabuses had been reconsidered by the Letter No. ED/01/14/05/02 of 21 February 2017 of the Secretary to the Ministry and again those syllabuses had been approved on 14 November 2017. However, teaching activities of Grade 12 had been commenced in May 2017 and a number of 3,457 Teachers had been trained in May and August of the year 2017 by spending Rs.3,655,207 prior to making relevant revisions therein and as such, it was questionable whether they were aware of those revisions. Further, the content had not changed due to those revisions and as a result, it was questionable whether the time spent therefor and the expenditure of Rs.354,450 incurred therefor had been effective. Moreover, providing opportunity for making Teachers aware of syllabuses by preparing syllabuses without delay and opportunity for studying the accurate syllabuses, were observed in audit as essential matters that should be carried out.

(iii) Information and Communication Technology Subject and General Information Technology Subject

- According to the Letter No ED/01/26/19/01/02 of 14 February 2012 of the Secretary to the Ministry of Education, a proposal had been made for the inclusion of a new subject of Information and Communication Technology from Grade 6 to Grade 9. Moreover, the Internet of Things

(IOT) had been included as a subject unit of the new syllabus for this subject. However, the Board of Academic Affairs had informed in January 2017 that the teaching of this unit for the students who follow this subject at the first time, is not appropriate and that the syllabus should be changed as the standard of this unit is higher than the level of students. Revision and approval of this syllabus had been delayed up to the end of the year 2017 and as such, preparation of relevant text books or conducting trainings for Teachers for teaching the subject had not been carried out even by January 2018.

- Conducting workshops for preparation of syllabuses for Information and Communication Technology for Grade 12 and for General Information Technology for Advanced Level, had been commenced in the year 2015 and completed by March 2016. Further, workshops for preparation of final draft syllabuses, had been conducted from December 2016 to 16 February 2017. According to the Decision No.366 dated 07 March 2017 of the Board of Academic Affairs, it had been decided that the IOT subject unit is not appropriate to school syllabuses. However, contrary to that Decision, that subject unit had been included and approval had been given for syllabuses by the Decision No.413 dated 20 April 2017 of the Council.
- A Three Persons Committee consisting of three professors and lecturers of universities had been appointed by the Decision No.376 dated 05 December 2017 of the Board of Academic Affairs for obtaining recommendations on the computer project and computer language included newly to the syllabus of Grade 13. Even though the teaching of this syllabus had been commenced for G.C.E.(A/L) students in the school system, further revisions had been made for this approved syllabus and as such, it was observed in audit that the students who are due to sit for the G.C.E(Advanced Level) Examination in the year 2019, may have to face problems thereon.

(iv) Preparation of Syllabuses relating to Religions

All activities such as preparation of syllabuses of Buddhism, Buddhist Civilization, Christianity, Catholic Civilization for each religion, conducting workshops, translating them, preparation of reports and Teachers' Guides, are carried out by the same officer and as such, it was observed in audit that the accuracy of those syllabuses prepared, was questionable.

(v) New Syllabus for Communication and Media Studies

According to the Decision No.417 dated 17 August 2017 of the Council, the syllabus and the Teachers' Guide for the subject of Communication and Media Studies for Grade 12 had been prepared and approved. Even though the said syllabus had been scheduled to be implemented in the years 2017/2018, the Director General of the Institute had informed the Secretary to the Ministry of

Education to issue a circular for the implementation of the old syllabus itself which was introduced in the year 2008 according to the proposals of the Board of Academic Affairs on the Level of Bench Marking, at the Advanced Level Examination as well in the year 2019. However, a circular had not been issued therefor and evidence as well was not observed whether the schools were aware of the syllabus which is based for teaching activities of students who sit for the Advanced Level Examination in the year 2019, and as such, it was further observed in audit that it seems unfair on students who sit for the Advanced Level Examination in the year 2019.

(b) Delay in commencing and improper organization of Teacher Training Programmes

The syllabus of Information and Communication Technology and the General Information Technology approved in April 2017 was scheduled to be commenced within the school system in May 2017. However, Teacher trainings had not been commenced even by then and out of 2,223 Teachers to be trained, only 1,023 teachers had been trained after 3 months of commencement of that subject in the school system. Further, teachers had been selected by calling for applications by internet without calling for teachers required for trainings by the province or the zone. As such, it was observed in audit that the unawareness of teachers on the said training due to lack of internet and computer facilities and inability to obtain trainings relating to these subjects, by teachers who are in schools with limited facilities in Sri Lanka, is unfair on these students and teachers.

(c) **Conducting and Administration of Examinations**

(i) Implementation of recommendations of the Preliminary Investigation Report pertaining to the fraud committed at the final examination of the Master of Education 2010/2011, had been approved by the Establishment Council Decision No.4050 dated 28 June 2013. Accordingly, it had been mentioned that the Course Coordinators and Lecturers should be released from duties such as preparation of question papers and examination of answer scripts and those functions should be performed by qualified persons in the Institute and in another parallel institution. However, preparation of question papers and examination of answer scripts had been carried out by the Course Lecturers up to 31 May 2018 and as such, it was observed in audit that the confidentiality and transparency of examinations are questionable.

(ii) The Establishment Council had approved the recommendations given by the said investigation report for the preparation of a more accurate and strict Instruction Manual of Examination, as there are shortcomings in the draft Instruction Manual of Examination dated 31 December 2000 issued by the Institute pertaining to conducting of examinations. Even though 18 workshops had been held from the year 2013 up to now for the preparation of a proper Instruction Manual of Examination, steps had not been taken up to 31 May 2018, the date of audit, to prepare it. Accordingly, organization of examinations, preparation of question papers and evaluation of answer scripts and administration of examinations are not carried out in accordance with a formal legal frame so as to

protect the confidentiality and reliability. As such, irregularities of examinations and violation of rules of examinations may occur and it was further observed that there is an impossibility of taking legal action in that connection.

- (iii) Four examinations planned in the year under review had not been conducted and out of 19 examinations conducted during the year 2017, results of 08 examinations had not been issued even by April 2018. Further, over a period of one year had elapsed to issue results relating to 08 examinations conducted in the years 2015/2016.

(d) Maintaining a Database System relating to the Education Leadership Development and Management

A centralized database system had not been operated so as to find out information that the Degrees and Diploma Courses conducted by the Institute, were completed. Moreover, information that the pupil teachers who had registered for various Degrees and Courses, had completed those courses and courses completed by repeating examinations, were not available in the Institute.

(e) Researches and Development Activities

- (i) Even though policy research on education should be conducted for future development activities connected with curricula development and professional development implemented with a view to providing a qualitative education for children in the country, such researches had not been conducted and evaluations had not been carried out in 06 out of 07 researches conducted from the year 2014 to the year 2017.
- (ii) According to the Plan of implementation of curricula, attention had not been paid on studies carried out in respect of implementation of existing curricular in the school system before making changes and developments once in 8 years, providing comments given by various social groups and new knowledge added to each subject areas and useful researches on teaching methods, to each Department of the Institute and conducting researches by selecting timely research topics on education and make aware of those researches on due periods.

(f) Delay in Printing of Teachers' Guide

According to the plan of implementation of curricula from the year 2012 to the year 2020, the new curriculum should be implemented for Grades 11 and 12 in the years 2016 and 2017 respectively and Teachers' Guide containing syllabuses prepared relating thereto, should be provided to teachers before commencing teaching activities of those subjects. However, only preparation and approval of syllabuses and Teachers' Guides relating to certain subjects had been carried out by the Institute in the year 2017 and action had not been taken even by 31 January 2018 to print softcopies for 14 subjects. Even though the teaching should be commenced according to the new syllabus of G.C.E.(Advanced Level) in the year 2017, it was observed in audit that non-receipt of Teachers' Guides to teachers is a hindrance to proper education.

(g) Examination on the Cafeteria

The Institute had maintained a cafeteria with 09 cooks and the income and the total expenditure thereof in the year 2017 had been Rs.8,375,309 and Rs.14,365,423 respectively. An expenditure of Rs.5,990,114 had been incurred exceeding the income received by supplying food and it was observed that the maintaining of a cafeteria incurring over expenditure is not effective. Further, a number of 17,897 meals for breakfast, 33,774 for lunch and 14,095 for dinner ordered from the cafeteria had been rejected and it was observed that the cafeteria had failed to supply orders placed for food by the Institute.

4.4 Underutilization of Funds

The following observations are made.

- (a) A sum of Rs.3,787,500 had been spent as the printing cost in the year 2016 for printing of 10,000 copies of the Collection of Practicing Question Papers of Grade 10 in Sinhala and Tamil Medium and 3,000 copies of the collection of Revision Question Papers of Grade 11 in English Medium prepared by the Department of Mathematics. Even though, over a period of one year had elapsed therefor by 31 December 2017, no books whatsoever had been printed and distributed to schools.
- (b) Even though a sum of Rs.8,750,000 had remained in the Research and Development Fund since the year 2011, these funds had not been utilized up to 31 December 2017.
- (c) Provision of Rs.15,400,000 had been made for a Fund under the Department of Foreign Affairs and Trade (DFAT/AUSAID) of the Government of Australia in the year 2014 for the compilation and printing of 6 books on Sources for Resources of selected subjects of the General Certificate of Education (Advanced Level). Even though a period of 4 years had elapsed after making such provision, the funds had remained underutilized up to the year under review due to failure in printing those books.
- (d) It was observed that cash balances ranging from Rs.36,934,387 to Rs.313,682,200 had been retained in a current account from January to December of the year under review without being utilized for the intended purposes of the Institute.

4.5 Uneconomic Transactions

In terms of Agreements, the total electricity bill of the milk bar maintained by the Institute and 50 per cent of the electricity bill of the canteen of the Centre for Education Leadership Development at Meepe should be paid by the contractor. However, electricity charges amounting to Rs.136,312 and Rs.108,550 relating to the canteen and the milk bar respectively for the year 2017 had not been recovered from the contractor.

4.6 Staff Administration

The approved cadre and the actual cadre as at 31 December of the year 2017 stood at 652 and 452 respectively, thus indicating 200 vacancies and 24 excess cadre and the following observations are made in that connection.

- (a) The approval for the staff had been obtained for the last time in the year 2011 after the year 2007 and it had been 646 and 652 respectively. Even though the role of the Institute had been greatly expanded from the year 2007 to the year 2018, the staff had not been revised. As such, it was observed that functions of many divisions could not be performed in an optimum manner.
- (b) The number of officers/employees who were in service in the same branch of the Institute for a period between 05 and 26 years had been 69 and it was observed in audit that non-preparation of a proper procedure for internal transfers between branches within the Institute adversely affects the internal control of the Institute.
- (c) Even though newspaper advertisements had been published for the recruitment of 28 posts during the year 2017, no recruitments had been made for 12 posts.
- (d) Even though 11 officers had been approved for the library, it was observed that only 05 officers are in service by April 2018. Moreover, posts such as Director of Library, Assistant Librarian, Library Assistant and Management Assistant had been vacant from many years and as such, it was observed that maintaining daily activities of the Library which comprised of 05 divisions, was questionable.
- (e) In the recruitment of officers for the post of Library Assistant III according to the Scheme of Recruitment of the Institute, the 03 year Diploma Course on Library Information Science should be completed. However, it was further observed that the completion of first examination of the Diploma Course on Library Information Science is considered as an adequate qualification for the said post in other similar libraries (Eg: Libraries belonging to Universities which are under purview of the University Grants Commission and the Colombo Public Library). Moreover, it was observed that this weakness in the Scheme of Recruitment had been the reason for the post of Library Assistant being vacant since the year 2013.

4.7 Utilization of Motor Vehicles

In terms of Guideline 9.3.1 of the Procurement Guidelines, in carrying out repairs to motor vehicles through a local accredited agent, the Procurement Entity should be satisfied that the quotation is reasonable, having taken into account the economy of the repair cost, the age and condition of the motor vehicles. However, it was observed that the Procurement Committee had repaired motor vehicles only through the local accredited agents by incurring a cost of Rs.3,838,823 in 37 instances in the year 2017 without considering the economy of the repair cost.

4.8 Idle or Underutilized Assets

It was observed that the Goods valued at Rs.1,023,115 purchased at the request of relevant divisions during the years 2016 and 2017 had remained idle in the main stores of the Institute without being distributed to relevant divisions even by 30 May 2018, the date of audit.

5. Sustainable Development

5.1 Achievement of Sustainable Development Goals

Every Government Institution should act in terms of the 2030 “Agenda” of the United Nations for Sustainable Development and all Government institutions had been made aware thereon by passing the Sustainable Development Act, No.19 dated 03 October 2017 and through circulars. However, the National Institute of Education had not been aware of the manner in implementing the functions that come under its scope, relating to the year under review. However, action had not been taken to identify the sustainable development goals, targets relating to those functions and focal points to reach those targets and indices for measuring the achievement of targets.

6. Accountability and Good Governance

6.1 Procurements

The following observations are made.

- (a) In terms of Guideline 5.4.10 of the Government Procurement Guidelines, the performance securities had not been obtained for procurements such as furniture and office equipment valued at Rs.4,492,613 and lecture hall chairs and tables valued at Rs.2,113,200 purchased in the year under review.
- (b) The bidding documents relating to the procurement of purchase of air conditioners valued at Rs.789,400 carried out in the year under review, had not been made available to Audit. Further, in terms of Guideline 6.2 of the Procurement Guidelines, at least a period of 07 days should be given in adopting the shopping method. Nevertheless, all procurement activities such as calling for quotations, submission of bids by suppliers, opening bids and awarding bids relating to the said procurement, had been carried out on 28 December 2017. Even though it had been informed in writing that quotations should be submitted by registered post, contrary to Guideline 6.3 of the Procurement Guidelines, a bid sent by a fax on 29 December 2017, had been evaluated and accepted as the winning bid.

6.2 Budgetary Control

Even though the budgeted capital provision for the year under review had been Rs.301,800,000, the actual capital expenditure had been Rs.118,948,846, thus indicating a variance of Rs,182,851,154. Moreover, variances ranging from 14 per cent to 1,131 per cent were observed between the budgeted recurrent income and expenditure and the actual income and expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

7. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director General of the Institute from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls	Observations
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(a) Accounting	Failure in preparing accounts in compliance with the Sri Lanka Public Sector Accounting Standards.
(b) Operating Control	(i) Delays in preparation of syllabuses and failure in taking action to prepare them in a proper manner. (ii) Failure in carrying out researches which help to make decisions regarding the development of curricula. (iii) Failure in maintaining a database system so as to obtain information of registrations and completion of Degrees and Diploma Courses
(c) Administration of Examinations	Informal conducting of examinations and unavailability of a formal legal frame relating to activities of examinations.
(d) Staff Management	Failure to fill vacancies and appointment of officers on acting basis for a long period.
(e) Procurement Process	(i) Failure to take action in accordance with the Procurement Guidelines. (ii) Failure in signing the agreements on Party of the Institute.