

Head 212 – Department of Examinations

1. Financial Statements

1.1 Qualified Audit Opinion

The audit of the financial statement of the Department for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018, the statement of financial performance and cash flow statement for the year then ended, 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 of the National Audit Act, No. 19 of 2018. The summary report including my comments and observations on the financial statements of the Department was issued to the Accounting Officer on 31 May 2019 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018. The Detailed Annual Management Audit Report in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 30 May 2019. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Department as at 31 December 2018, and of its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities of the Financial Statements, are further described in the Auditor's Responsibilities section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Chief Accounting Officer and Accounting Officer for the Financial Statements

Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 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 General's summary 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 the Department's internal control.
- Evaluate the structure and content of the financial statements containing the disclosures and the transactions and events that underlie the financial statements in an appropriate and reasonable manner.
- That the transactions and events underlying the structure and content of the financial statements are appropriately and fairly presented when submitting financial statements as a whole.

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

I express the following matters in accordance with Section 6 (d) and Section 38 of National Audit Act, No. 19 of 2018.

- (a) Since there was no need for the preparation of financial statements for the preceding year, it could not be stated that the financial statements presented for the year under review were consistent with the preceding year.

- (b) Since there was no requirement for the Department to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

1.6 Comments on Financial Statements

1.6.1 Non-compliance with financial statements circular provisions

Although the financial statements were to be prepared in accordance with the Public Accounts Circular No. 267/2018 dated 21 November 2018, the following are the exceptions to these requirements.

Audit observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(a) No Imprest Adjustment Account had been prepared and furnished with the financial statements in terms of paragraph 7(VI) of the circular to denote the imprest balance of Rs.44,501,040 as at 31 December 2018 into zero in the financial performance statement.	Imprest reconciliation statement as per the circular should be prepared and forwarded with the financial statements.	That it is unable to submit an adjustment account (Reconciliation statement) with the financial statements of 2018 and that it will be prepared and presented later.
(b) Even though sub-total should be furnished by presenting assets value separately under those classification codes by categorize each fixed assets according to the Non-Financial Assets Statement in Form ACA 06 furnished by the Circular, only the total had been presented without presenting assets values under classification codes as such in the statement of non-financial assets presented with financial statements.	Value of the assets should be stated as per the form given in the circular.	Agreed with observations and will update the statement of non-financial assets for year 2018.

1.6.2 Statement of Financial Performance

The following observations are made.

Audit observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
The imprest balance as at 31 December 2018 had been understated by same amount due two receivable items had been understated by Rs.182,593,185 in	The financial performance statement should be prepared as per Public Accounts	The receipts of Treasury imprests, receipts of Deposits and receipts to Advances to Government Officers were presented under receipts from non-revenues and the rectified imprest

the financial performance Circular statement according to ACA-F No.267/2018. format with financial statements.

balance will be presented as at 31 December 2018 in the financial performance statement.

1.6.3 Statement of Financial Position

The following observations are made.

Audit observation	Recommendation	Comments of the Accounting Officer
(a) The differences were observed in acquisitions during the year in respect of each asset and disposal values amounting to Rs.3,665,059,391 and Rs.4,288,223,166 respectively.	About the acquisitions and disposals of assets by the Department during the year should be reported to the Treasury.	That they agree with the observations and that they will be corrected in the future.
(b) Although Rs.630,000,000 is stated as Lands value in the statement of non-financial assets, no action has been taken to take over the institution's land to the Department.	Actions should be taken to take over to the Department of Lands.	The steps will be taken to prepare a Cabinet paper by the Ministry of Education to address this issue.

1.6.4 Cash Flow Statement

The following observations are made.

Audit observation	Recommendation	Comments of the Accounting Officer
(a) According to the ACA-C format accompanying the financial statements, three cash inflows items had been overstated by Rs.32,383,237 and three cash outflows items had been understated by Rs.52,498,750 under the cash flow generated from the operating activities of the cash flow statement.	The Cash Flow Statement should be prepared in accordance with Public Accounts Circular No.267/2018.	The financial statements had been prepared in accordance with Public Accounts Circular No.267/2018 dated 21 November 2018.
(b) 01 cash outflow item had been understated by Rs.30,374,633 and 02 cash outflows items had been overstated by Rs.54,507,355 under cash flows	-Do-	-Do-

generated from investment activities in the cash flow statement as per format ACA-C.

1.6.5 Statement of Reconciliation of Advance Accounts to Public Officers

The following observations are made.

Audit observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The loan balance of Rs.473,367 receivable over a period of five years as at 31 December 2018 from two interdicted officers had not been recovered .	The provisions of Section 4 in the Chapter xxiv of the Establishments Code should be followed in respect of the loan balances of an officer who is retiring, dying or terminating employment before the loan is repaid.	Steps will be taken to recover the balance due from the interdicted officers from relations and guarantors.
(b) The loan balance amounting to Rs.113,351 should be recovered from 03 officers who vacated the post within the period from 1995 to 2008 could not be able to settled during the year under review.	The provisions of Section 4 in the Chapter xxiv of the Establishments Code should be followed	Legal actions will be taken to recover the loan balances to be recovered from officers who vacated the posts.

1.6.6 Not Maintaining Documents and Books

During the sample audit test, it was observed that the following documents had not been maintained by the Department and some of the documents had not been maintained systematically and up to date.

Audit observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) <u>Fixed Assets Register</u> The Fixed Assets Register had not been maintained as per Appendix 11 of the Financial Regulation 502(2)/Treasury Circular No.842 dated 19 December 1978.	A Fixed Assets Register should be maintained as per Appendix 11 of the Financial Regulation 502(2) and Treasury Circular No.842 dated 19 December 1978.	Accepted and steps will be taken in the future.

(b) Record of Liabilities

A Record of Liabilities had not been updated according to Financial Regulation 214.

The liabilities should be recorded in a Record of Liabilities so that liabilities can be regularly checked in terms of financial regulation 214.

That will be updated and maintained in the future.

1.6.7 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the Laws, Rules and Regulations observed during the sample audit tests are described below.

	Observation	Recommendation	Comments of the Accounting Officer
Reference to Laws, Rules and Regulations	Non-compliance		
Financial Regulations of Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 94(i)	Even though it should not be tied up at any cost or obligation for any work, service or supply unless there are financial provisions in the annual estimates, the obligations had been made for liabilities amounting to Rs.75,299,777 over the provisions for 08 expenditure codes.	Should act in accordance with Financial Regulations.	That this obligation was created by considering the national requirement of examination activities
(ii) Financial Regulation 396(d)	Action had been taken as per the financial regulations regarding 949 cheques issued but not presented	Should act according to the Financial Regulations	These cheques had been paid to the officers engaged in the examination duties and

- | | | | | |
|-------|------------------------------|--|--|---|
| | | amounting to Rs.786,168 over 06 months were issued in respect of two accounts. | regarding the relevant cheques. | by now the relevant payments had been settled as far as possible. |
| (iii) | Financial Regulation 751(5) | Even though adequate security measures should be taken to prevent the stocks deterioration, such measures had not been taken for the Printing Store. | Should act in accordance with the Financial Regulations and to provide security for the stocks | This situation has arisen due to lack of sufficient space and this problem will be solved once the new building is built. |
| (iv) | Financial Regulation 751 (4) | Even though items should be arranged in a systematic manner so that they can be easily and quickly compared with inventory notes, inventory cards etc., the bin card system or other similar improved method was not maintained for record of each stock item. | Maintain proper stock control in compliance with Financial Regulations | Software for this is being developed. |
| (v) | Financial Regulation 762 | Even though care should be taken to maintain stocks only for the necessary items and not to maintain stocks too much, overstocks were being maintained for 18 items comparing to the last two years and 46 stock items had not been used from 1 to 7 years. | Maintain efficient stock control compliance with Financial Regulations. | Actions will be taken to dispose of unused items within the next two weeks. |

2. Financial Review

2.1 Revenue Management

The following observations are made.

Audit observation -----	Recommendation -----	Comments of the Accounting Officer -----
A sum of Rs.350 million had been mentioned as estimated revenues in the preliminary estimates according to the number of examinations planned. However, the initial revenue estimate had been revised later by increased from Rs.100 million and 64 percent of the revenue of the revised estimate could not be collected by the end of the year under review.	Steps should to be taken to prepare income estimates realistically and accurately.	That the estimates were changed by the Treasury.

2.2 Management of Expenditure

The following observations are made.

Audit observation -----	Recommendation -----	Comments of the Accounting Officer -----
The provision of Rs.159,861,267 ranging from 15 percent to 90 percent in 11 expenditure codes had been saved due to lack of proper identification of requirements and not to adhere to a specific plans in preparation of annual estimates.	Steps should be taken to prepare estimates with proper planning and management in terms of Financial Regulation 50.	That the provisions were saved due to the imprest were not received as the requested amount in the last quarter of the year 2018.

2.3 Incurring Commitments and Liabilities

The following observations are made.

Audit observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) A liability balance of Rs.350,663 had shown as liabilities as per Record of Liabilities had not been included in the	Liabilities should be properly recognized and disclosed at the end of the	That will be corrected in future

statement of liabilities presented with year along with the
the financial statements. financial statements.

(b) A balance of Rs.300,000 was shown as commitments as per commitments schedule had not been included in the Statement of Commitments and Liabilities. -do- -do-

(c) A liability should be recorded as Rs.209,934 under the Sri Lanka Transport Board in the Statement of Commitments and Liabilities had been recorded as Rs.335,666 overstated by Rs.125,732. -do- -do-

3. Operating Review

3.1 Management Weakness

The following observations are made.

Audit observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) <u>Distribution of individual result certificates among students</u>		
(i) Although individual result certificates will be sent to school principals with written instructions to hand over the certificates to the students immediately after releasing the results, 16,368 G.C.E. Ordinary Level and G.C.E. Advance Level certificates had been held in schools without distributing among students in 09 schools in the Colombo District from year 2012 to 2016.	The Department should inform the Principals about this.	Accepted and actions had been taken to inform the principals in this regard.
(ii) Follow up actions had not been taken by the Department regarding the systematic handing over of these result certificates sent to the schools to distribute to the students by the Examinations Department.	That the Department should monitor this.	Accepted and that appropriate actions had been taken to follow up.

- (iii) It is observed that a large numbers visit the Department of Examinations daily to obtain the G.C.E. (Ordinary Level) and G.C.E. (Advanced Level) examination result certificates and It is observed that the reason for this was the failure to issuing a highly esteem result certificate by charge a fee or a similar certificate through the school free of charge to the students.
- Steps will be taken to handover the result certificates of the G.C.E. (Ordinary Level) and G.C.E. (Advanced Level) examinations with high quality to the students.
- Steps had been taken to issue these certificates free of charge from the year 2019 and forthcoming G.C.E. (Ordinary Level) and G.C.E. (Advanced Level) examinations in 2019.
- (b) The Printing Store
- (i) It was recommended that the use of 37 storage items be removed and it was observed that the reason for the withdrawal was that the machineries required for the use of these materials were not in use.
- Purchasing machine related items with due consideration of existing machineries
- Unused items will be disposed within the next two weeks
- (ii) Although the paints and toners had recommended for removal could have been reduced the losses by sold before expire date, the items were stored idling for a period from five to seven years.
- Actions should be taken to dispose of obsolete and unused items.
- Action will be taken to dispose unused items within the next two weeks.
- (c) Investigation of Complaints Receive Relating to Examinations
- (i) Investigation activities had not been completed in 17 complaints even as at 30 April 2019 out of the 43 audited complaints were presented from 2015 to 2017 and although five investigations had completed, final reports relevant to those had not been issued.
- Investigations should be carried out expeditiously
- Steps are being taken to finalize investigations and steps are being taken to prepare investigation reports of five complaints.
- (ii) The Complaint had filed by a complainant with regard to issuance of a rehearsal paper including majority of the questions in the Auditing and Investigation question paper at the Limited/open Competitive Examination for Recruitment to Grade III of Sri Lanka Accountancy Service 2017. It was revealed at the inquiry that the rehearsal paper issued by a private institution had been prepared using
- Conduct investigations in a systematic manner
- That the action will be taken to complete the activities of those files immediately.

questions obtained from old examination papers. The administration of the Department had not in satisfactory level in preparing the examination papers and paying for it because it was confirmed that the majority of the questions in the question paper prepared for the above examination had been obtained from previous examinations.

- | | | |
|---|--|---|
| <p>(iii) The legal action should take through the Act against a person who is guilty of altering a certificate issued by the Commissioner General of Examinations according to the Public Examination Act, No. 25 of 1968. However, although an inquiry conducted on the subject found that the applicant who had sat the G.C.E. Ordinary Level Examination in 1999 had been found guilty by the prosecution of producing a fake results certificate, it was observed in audit test check that no legal action had been taken against him according to the Act.</p> | <p>Legal action should take in terms of the Examination Act.</p> | <p>That the files were sent to the Certificate Branch on 19 February 2018 for further action on matters mentioned herein.</p> |
| <p>(iv) The officers had taken into custody of 604 mobile phones of candidates who were kept close inside the examination hall and it was observed that 481 of them were telephones related to the exams conducted between 2014 and 2018. Accordingly, no action has been taken to expedite these investigations and take a decision on the relevant telephones.</p> | <p>Investigations should be completed expeditiously and a decision should be taken regarding the actions taken by mobile phones.</p> | <p>Investigations will be concluded soon and a decision will be taken on mobile phones.</p> |

(d) Activities on Proof of Results

- | | | |
|---|--|--|
| <p>(i) The Department of Examinations receives over 111,500 results annually to verify the results and it was observed that the same staff were responsible for all the activities such as confirming these results and issuing certificates from the one day service and the normal service.</p> | <p>Proof of results should be expedite by employing staff in a proper manner</p> | <p>The permanent staff of the Certificate Branch have been deployed for this purpose as per the formal plan according to the requirements of the duties.</p> |
|---|--|--|

- | | | |
|--|--|---|
| <p>(ii) Most of the officers of the Certificate Branch had been assigned to work in the One Day Service Counter because there were a large number of people coming in each day to obtain the certificates through one day service. Due to this, Sufficient staff could not be deployed to confirm the results and 10,660 confirmations could not be done as at 31 December 2018.</p> | <p>Action should be taken to expedite the confirmation of results.</p> | <p>The Department had empowered the Directors of Education through Circular 5/2018 to verify the results of the Zonal Education Office verification process through Online Results Confirmation method in order to mitigate these issues.</p> |
| <p>(iii) It was observed that the instances of spent over a period of three months to confirm the results and it was observed that promotions, confirmations and transfers of the officers were delayed due to this delay.</p> | <p>Action should be taken to expedite the confirmation of results.</p> | <p>The Staff officers in the Certificate Branch are now carrying out a formal monitoring program to minimize the results confirmation period.</p> |

4. Achievement of Sustainable Development Goals

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
<p>Although the Department is aware of the United Nations “2030 Agenda” for Sustainable Development, no action was taken to identify the indicators for measure achievement of targets and milestones to reach those goals by including the programmes into the plan that reach to the targets and Sustainable Development Goals related to its functions.</p>	<p>Action should be taken in terms of the Circulars</p>	<p>The Department is committed to the goal of quality education and that the indicators for this goal are being made by coordinating the Ministry of Education and all its affiliates according to the 2030 Sustainable Development Goals.</p>

5. Human Resources Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(a) The 19 casual recruited employees were deployed for the purpose of entering the exam application information, entering the marks etc. are the duties of the post of Data Assistant without having recruit a permanent data assistant staff for the Data Entry Branch is one of the branch that should protect the maximum confidentiality. Further a list of 26 persons had been submitted for approval of the Secretary to the Ministry of Education to be recruited as Data Entry Operators on casual basis.	The ability to recruit permanent staff for the Data Entry Branch should be looked into.	It was decided to include the marks of paper I and paper II of G.C.E. (O/L) and G.C.E. (A/L) examination results separately from 2018 because the final score is decided within the evaluation board due to an unusual situation has been observed in the scoring projects. There was a deficit of data entry officers due to the amount of data to be included was greatly increased. The staff were temporarily hired on a casual basis to expedite these tasks.
(b) A written examination, a practical test and an interview were held to recruit 43 Examination Data Entry Assistant positions at a cost of Rs.714,240 in the year 2016. Although 43 persons were formally qualified, only six were recruited on the orders of the Secretary to the Ministry of Education.	Searching the possibility of recruiting permanent data entry assistant staff for the Data Entry Branch.	These 06 were recruited with the approval of the Secretary of Education and such approval had not received to recruit the rest.
(c) Although 49 posts had been approved for the post of Data Assistant according to the Approved Cadre of the Department, it was observed that the actual staff was only 09 and the Department had not taken action to recruit for the remaining 40 vacancies.	Action should be taken to fill the vacancies relevant to the post of Data Assistant.	A request letter had been submitted to the Ministry of Education to seeking approval to fill the vacancies of the Department's Data Entry Assistant and it will take necessary actions after completing it because there are several amendments to the Scheme of Recruitment at the

moment.

- | | | | |
|-----|--|---|---|
| (d) | Service period of 12 casual workers recruited as Data Entry Operators to the Data Assistance Branch under the Digitalization Project of the Department were continued without interruption in contrary to the Paragraph 03 of the Chapter IV of the Establishments Code. | Service should be interrupted as per the provisions of the Establishments Code. | They have been temporarily recruited for the G.C.E. (A/L) and G.C.E. (O/L) in 2018 on a casual basis and the new casual appointment letters have been issued on 15 May 2019 as new casual appointment in order to interrupt the casual appointments under the accelerated project for the A/L and O/L examinations in 2019. |
| (e) | The Department receives more than 2,500 complaints per year and it was observed that the investigators were not properly trained to investigate these complaints systematically. | Should provide formal training to Investigation Officers. | A formal training program for investigating officers will be held on 22 May 2019. |