

Head 12 – National Education Commission

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Education Commission for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and 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 containing my comments and observations on the financial statements of the National Education Commission was issued to the Chief Accounting Officer on 21 May 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report was issued to the Chief Accounting Officer on 05 October 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. The report of the Auditor General in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No.19 of 2018 will be tabled in Parliament in due course.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the National Education Commission as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for 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 the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Chief 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 the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Commission is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Commission 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'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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief 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 terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

(a) Deposits

Audit Observation -----	Comments of the Accounting Officer -----	Recommendations -----
According to the books of the Commission as per the statement of the deposit account as at 31 December 2020, the balance was Rs.2,450 and according to the Treasury books, the balance was Rs.32,450 and there was a difference of Rs.30,000.	At the time of preparation of the final accounts, a deposit account balance of Rs.30,000 as at 31 December 2020 was not reported by mistake.	The balance of the Statement of Deposit Account of the Commission at the end of the year should be compared with the balance in the Treasury Books.

(b) Property, Plant and Equipment

Following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendations -----
(i) The value of the furniture purchased in the year 2020 amounting to Rs.49,523 had been erroneously accounted under the communication equipment.	Due to an error in the preparation of the final accounts, it was listed under the communication equipment.	Assets should be accounted for under correct classifications.

- (ii) The Fixed asset balance in the statement of financial position was shown as Rs.45,156,061 but according to the treasury printouts it was shown as Rs.45,018,493 and there was a difference of Rs. 137,568.
- Value of fixed assets purchased from September to December 31 had not been updated in Expenditure Head 335. The figures were updated in January 2021 and had not been recorded in the Treasury printed notes at that time.
- The fixed asset balance of the commission should be tally with the treasury printed balance.

(c) **Failure to Maintain Documents and Books**

 Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendations
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(i) A register of obligations and liabilities was not maintained in accordance with Financial Regulation 214.	Action has been taken to update the register of obligations and liabilities from 2021 onwards.	Action should be taken as per the Financial Regulations.
(ii) The General Deposit ledger was not updated in accordance with Financial Regulation 571.	Action has been taken to update the General Deposit ledger from 2021 onwards.	Action should be taken as per the Financial Regulations.

(d) Non-compliance with Laws, Rules and Regulations

Following observations are made.

	Observation -----	Comments of the Accounting Officer	Recommendations -----	
	Reference to laws, rules and regulations -----	Non-compliance -----		
(i)	Financial Regulation No. 756(6) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Although the Annual Board of Survey Reports should have been submitted to the Auditor General before 31 March 2021, the relevant reports had not been submitted even by 31 July 2021.	Due to the non-continuation of office activities due to the Covid epidemic, it was not possible to carry out the disposal of goods which were supposed to be done after the annual inventory survey. As a result, the relevant reports could not be submitted to the audit.	Board of survey reports should be submitted to audit in accordance with Financial regulations.
(ii)	Section 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016	Although after each fuel test, a fuel test should be performed again after a period of 12 months or after a distance of 25,000 km or after major repairs to the engine, no such fuel test was carried out on vehicles owned by the Commission.	The fuel consumption test was not carried out due to the absence of any abnormal change in the fuel consumption of the vehicles of the Commission and it has been instructed to carry out those tests in a timely manner in the future.	Fuel tests should be carried out in accordance with the circular.
(iii)	Public Administration Circular No. 02/2018 dated 24 January 2018	A human resource development plan had not been prepared.	Work is in progress to prepare a Human Resource Development Plan.	Action should be taken in accordance with the Public Administration Circular.

2. Financial Review

2.1 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendations
Out of the net allocation allocated for the objectives of the Commission, the savings for 7 unused expenditure items were Rs.1,491,775 and it ranged from 25 percent to 100 percent of the net provision.	Due to the non-continuation of office activities due to the Covid epidemic, the annual recurring provisions of the year saved.	Utilization of Provisions to Achieve the Objectives of the Commission.

2.2 Commitment to liabilities and obligations

Audit Observation	Comments of the Accounting Officer	Recommendations
Two liability items amounting to Rs.161,110 for the year under review were not mentioned in the statement of liabilities.	Liabilities mentioned in the audit query could not be mentioned in the statement of liabilities bumistake.	All liabilities relevant to the year should be included in the statement of liabilities.

3. Operational Review

3.1 Vision and Mission

Audit Observation	Comments of the Accounting Officer	Recommendations
Although the Education Policy was announced by the President in 1997 based on the Education Policy proposals submitted by the Commission in 1992 Subsequent proposals for education policies had not been published as policies.	The function of this Commission is only to formulate policy proposals and make recommendations to the President and announcing it as a matter of policy is done by the President.	Attention should be paid to the formulation of proposals for education policies based on the proposals made by the Commission.

3.2 Annual Performance Report

Audit Observation	Comments of the Accounting Officer	Recommendations
An Annual Performance Report had not been prepared in accordance with paragraph 10.2 of the Public Finance Circular No. 2/2020 dated 28 August 2020.	The annual performance report for the year 2020 is being prepared.	Should prepare the performance report in accordance with the Public Finance Circular.

3.3 Procurements

Audit Observation	Comments of the Accounting Officer	Recommendations
Although the Review Committee had given approval on 10 February 2021 for 05 research proposals for the year 2020 under the subject of Research and Development Expenditure of the National Education Commission, prior to that approval, a sum of Rs.600,000 as Rs.120,000 each was paid for skilled specialists on 14 December 2020. Also, the guidelines in the Procurement Guidelines Code were not followed in selecting skilled specialists.	The approval of the Chairman has been obtained to make payments on the basis of agreeing to make amendments in accordance with the recommendations of the Review Committee on the inability to fix a date for the meeting of the Review Committee for research proposals.	Should follow the guidelines of the Procurement Guidelines Code and should take action to make payments upon formal approval.

4. Achieving the Sustainable Development Goals

Audit Observation	Comments of the Accounting Officer	Recommendations
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Although the organization is aware of the United Nations 2030 Agenda for Sustainable Development and has identified sustainable development goals and objectives that can be applied to the organization, no action had been taken to identify the milestones to be achieved and the indicators to measure the achievement of the targets.	I observe that this institution does not need to identify indicators in this regard as the criteria for measuring the achievement of sustainable development goals and objectives are applicable by the institutions implementing these policies. I further state that these objectives will be addressed in policy making.	The focus should be on sustainable development goals and objectives in policy making.

5. Good Governance

5.1 Internal Audit

Audit Observation	Comments of the Accounting Officer	Recommendations
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In terms of Section 40 (1) of the National Audit Act No. 19 of 2018, the Board of Directors of the institution is required to appoint an Internal Auditor to conduct internal audits of all institutions, an internal auditor had not been appointed to the Commission and an internal audit unit had not been established. Also, although requests were made to conduct an audit through the Internal Audit Division of the Line Ministry, that activity had not been carried out until the date of the report.	Instead of setting up a separate Internal Audit Unit for the Commission, a request has been made to conduct an audit through the Internal Audit Division of the Line Ministry.	Must comply with Section 40 (1) of the National Audit Act No. 19 of 2018 .

6. Human Resource Management

Audit Observation

**Comments of the Accounting
Officer**

Recommendations

The approved number of employees of the Commission was 45 and the actual staff was 34 while there were 11 more vacancies.

Recruitment for the posts is planned to be done in the future.

Must comply with Section **40 (1)** of the National Audit Act No. **19** of **2018**