

Head 404 - State Ministry of Education Reforms, Open Universities and Distance Learning Promotion

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the State Ministry of Education Reforms, Open Universities and Distance Learning Promotion 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 Ministry of Education Reforms, Open Universities and Distance Education Promotion was issued to the Accounting Officer on 16 June 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 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 Ministry of Education Reforms, Open Universities and Distance Learning Promotios 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 Accounting Officer are 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 Ministry 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 Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry Secretariat 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 Ministry'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 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.

As the State Ministry of Education Reforms, Open Universities and Distance Learning Promotion is a new Ministry, financial statements have not been prepared for the last year.

1.6 Comments on Financial Statements

1.6.1 Advance Account balances

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
The advance account balance of Rs.295,906 as at 31 December 2020 was not recorded in the statement of financial position.	Action will be taken to show the balance of the public officers advance “B” account in the statement of financial position from the year 2021.	The year end balance of the advance account should be shown in the statement of financial position.

1.6.2 Non-maintenance of Registers and Books

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
The register of liabilities and obligations was not maintained in accordance with Monetary Regulation 214.	There was no need to maintain a record of obligations and liabilities during this period as there was no activity required to establish obligations.	Maintain a register of obligations and liabilities in accordance with financial regulations.

2. Financial Review

2.1 Management of Expenditure

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Out of the net allocation allocated for 12 subjects for the aims and objectives of the State Ministry, a sum of Rs.6,171,757 were saved and it was ranged from 25 to 100 percent from the net allocation.	Maintaining the activities of the State Ministry with minimum use of staff, vehicles, office facilities etc. and inability to carry out activities including training courses on covid-19 status resulted to savings.	Necessary action should be taken to make maximum use of the allocations made annually to achieve the aims and objectives of the Ministry.
(b) Out of the provisions transferred in accordance with the Financial Regulation 66 on 5 instances, a sum of Rs.3,599,760 was saved and it was ranged from 30 to 100 percent from the provisions.	Maintaining the activities of the State Ministry with minimum use of staff, vehicles, office facilities etc. and inability to carry out activities including training courses on covid-19 status resulted to savings.	Necessary action should be taken to make maximum use of the allocations made annually to achieve the aims and objectives of the Ministry.

2.2 Incurring of Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
Four liabilities amounting to Rs.87,909 for the year 2020 were not mentioned in the statement of liabilities.	That these liabilities were not known at the time of preparation of the final financial statements.	Liabilities relevant to the financial year should be included in the liability register.

2.3 Non-compliance with Laws, Rules and Regulations

Following observations are made.

Reference with Laws, Rules and Regulations	Non-Compliance	Comments of the Accounting Officer	Recommendation
(i) Financial Regulations 756 (6) of the Democratic Socialist Republic of Sri Lanka.	Although the annual board of surveys should have been conducted and submitted to the Auditor General before 31 March 2021, the relevant reports had not been submitted even by 31 July 2021.	Action will be taken to conduct Board of Survey according to the Financial Regulations from the year 2021.	In accordance with financial regulations, the board of survey should be conducted and the relevant reports submitted to the audit.
(ii) Public Administration Circular No.02/2018 dated 24 January 2018.	A human resource development plan had not been prepared.	Action will be taken to comply with the circular for the year 2021.	A Human Resource Development Plan should be prepared in accordance with the Circular..

3. Operational Review

3.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the Public Finance Circular No.01/2014 dated 17 February 2014, no action plan has been prepared for the relevant accounting period for the year 2020.	Due to the lack of permanent staff and the specific office premises of the newly formed Ministry, it was not possible to prepare an action plan for the relevant period of 2020.	Preparation of action plan in accordance with the public finance circular.

3.2 Annual Performance Report

Audit Observation	Comments of the Accounting Officer	Recommendation
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No performance report has been prepared in terms of Public Finance Circular No. 2/2020 dated 28 August 2020.	Prepared.	The performance report should be prepared in accordance with the guidelines set out in the circular.

4. Achieving Sustainable Development Goals

Audit Observation	Comments of the Accounting Officer	Recommendation
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The State Ministry was aware of the United Nations 2030 Agenda for Sustainable Development and had not identified the Sustainable Development Goals and Objectives that the State Ministry could apply.	National Institutes of Education are initiating and implementing all activities on curriculum revision and training of principals and teachers.	Identify the Sustainable Development Goals and Objectives relevant to the Ministry.

5. Good Governance

5.1 Internal Audit

Audit Observation	Comments of the Accounting Officer	Recommendation
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An Internal Auditor Unit had not been established by appointing an Internal Auditor in terms of Section 40 (1) of the National Audit Act No. 19 of 2018.	Necessary steps are being taken to appoint an internal auditor.	Action Should be taken in accordance with Section 40(1) of the National Audit Act No.19 Of 2018.