

## **Head 335 – National Education Commission**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the National Education Commission for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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. My comments and observations on these financial statements presented to the Chief Accounting Officer of the National Education Commission on 15 June 2022 in terms of Section 11(1) of the National Audit Act, No.19 of 2018 appear in this report. The Annual Detailed Management Audit Report was issued to the Chief Accounting Officer on 18 July 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report is presented to 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 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 2021, 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**

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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 is 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**

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The Chief 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 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

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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 judgment 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

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I express the following matters in terms of Section 6 (1) (d) and Section 38 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

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### 1.6.1 Accounting Deficiencies

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#### (a) Deposits

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Audit Observation	Comments of the Accounting Officer	Recommendation
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The amount of Rs.1,424,400 paid as guarantee deposit for obtaining Bandaranaike International Conference Hall premises on rental basis for running the Commission office, was not accounted for in the year 2021.	It was decided not to account for the guarantee deposit amount in the year 2021 because if the said amount was paid as an advance, it would continue to remain in the accounts at the end of the year as an unpaid advance.	Building rent security deposit amount should be accounted under rent and work advance.

#### (b) Property, Plant and Equipment

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Audit Observation	Comments of the Accounting Officer	Recommendation
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(i) As on December 31, 2021, there were differences in the range of Rs.90,500 to Rs.751,320 on the comparison of Treasury printed with CIGAS register of 03 items of fixed assets.	As it was observed that the total value of the goods purchased in 2021 did not add to the total of the assets of the treasury, the treasury was informed to rectify it. These differences had occurred based on the delay in correcting it. That the error will be rectified in consultation with the Treasury during this year.	The Fixed Assets Register should be maintained to match the CIGAS Register and Treasury Print outs.

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| (ii)  | The value of equipment purchased by the Commission during the year 2021 amounting to Rs.1,242,517 was not included under purchases (in CIGAS accounts) in the declaration of non-financial assets in the final accounts. | As it was observed that the total value of the goods purchased in 2021 did not add to the total of the assets of the treasury, the treasury was informed to rectify it. These differences had occurred based on the delay in correcting it. | All asset items purchased should be included in the statement of non-financial assets. |
| (iii) | The commission had not taken steps to remove the fixed asset disposal value of Rs.2,405,140 during the year 2021 from the final accounts.  | That the disposed value will be corrected through the 2022 accounts.  | Values of assets disposed of, should be removed from the financial statements.         |

## 1.6.2 Non-maintenance of Registers and Books

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) <b>Fixed Asset Register of Computers, Accessories and Software</b></p> <p>-----</p> <p>A fixed asset register of computers, accessories and software was not maintained as per the Treasury Circular No. IAI/2002/02 dated 28 November 2002.</p>	<p>That the relevant documents will be prepared from the year 2022.</p>	<p>A fixed asset register of computers, accessories and software should be maintained as per the Treasury Circular.</p>
<p>(b) <b>Security Register</b></p> <p>-----</p> <p>A Security Register containing the details of all officers and employees required to give security had not been prepared in terms of Financial Regulation 891(1).</p>	<p>That the relevant documents will be prepared from the year 2022.</p>	<p>A security register should be maintained of the officers required to give security as per the Finance Regulations.</p>

(c) **Register of Damages**  
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A register of damages had not been maintained as per the Financial Regulations 110.

That the relevant documents will be prepared from the year 2022.

A register of damages should be maintained as per the Financial Regulations.

(d) **register of registered suppliers**  
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A register of registered suppliers was not maintained in accordance with Section 3.4.3 of the Government Procurement Guidelines dated 25 January 2006.

That the Register of registered suppliers will be prepared from the year 2023.

A register of registered suppliers should be maintained as per the Code of Procurement Guidelines.

**2. Financial Review**  
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**2.1 Expenditure Management**  
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	<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
(a)	From the net allocation reserved for the year under review to achieve the aims and objectives of the Commission, Rs.3,140,564 related to 04 expenditure subjects was saved without utilized and it was in the range of 20 percent to 100 percent of the net allocation.	That these provisions have been saved due to unavoidable reasons arising from the Covid-19 situation in the year 2021.	Arrangements should be made to utilize the allocations to the maximum extent possible.
(b)	Although the allocations made by the supplementary estimates should be fully utilized in the respective work without making any savings in any case, a total of Rs.2,014,500 allocations saved in relation to 02 expenditure subjects and it was in the range of 92 percent to 100 percent.	That the procurement activities had to be delayed due to the Covid-19 situation in 2021 and the suppliers failed to supply the ordered goods, which led to the saving of these provisions.	Arrangements should be made to utilize the allocations to the maximum extent possible.

- (c) In accordance with Finance Regulation 50, the accounting officer should take special care that the estimates are prepared as fully and accurately as possible and that the estimates are prepared with due regard for organization and efficiency, but the basic estimate of 12 items of expenditure has been revised in the range of 25 per cent to 1000 per cent. That these preliminary estimates had to be revised due to insufficient budget allocations at the beginning of the year for the works to be carried out in the year 2021. Estimates should be prepared realistically.

## 2.2 Incurring of Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
06 liability items worth Rs.100,185 for the year 2021 was not included in the statement of liabilities for the year 2021.	The liabilities could not be included in the 2021 accounts due to an error.	All the liabilities related to the accounting period should be included in the statement.

## 2.3 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Observation to Non-compliance	Comments of the Accounting Officer	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka  Financial Regulations 1646	In relation to 3 pool vehicles owned by the commission, the running records for the year 2021 was not submitted as per the financial regulations.	That the relevant officials have been instructed to carry out the necessary activities to carry out the work in time.	Arrangements should be made to submit running charts as per relevant financial regulations.

### 3. Operating Review

#### 3.1 Management Weaknesses

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Among the 25 sub-activities listed under 03 main activities included in the objectives of the action plan of the Commission in 2021, 08 sub-activities were not implemented during the year under review.	Although the preliminary activities related to the planned activities were carried out, these activities had to be delayed due to the prevailing Covid situation and the travel restrictions and curfews that arose from time to time.	Actions should be taken to fulfill the planned tasks to the maximum and the action plan should be revised according to the tasks that can be implemented under the existing situation.

#### 3.2 Procurement

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The commission's office premises were maintained in a building in Nugegoda with a 10,000 square feet for a monthly rent of Rs.650,000. But due to the establishment of the Commission's office in Bandaranaike International Conference Hall premises with 4748 square feet with a monthly rent of Rs.1,424,400 from 01 July 2021. An additional cost of Rs.7,184,596 had to be incurred annually.	Due to the various difficulties faced while running the National Education Commission in the building located at 126 Nawala Road, Nugegoda and as per the request made by the Heads of the Institutions to install all the Government Institutions in the Government Buildings as per the vision of His Excellency the President, consideration was given to moving the institution to another suitable institution premises. After learning about the space available for lease in the BMICH premises, it was decided to set up the office in the BMICH premises due to the fact that the office could be run without the major problems faced in the old office premises.	While entering into service contracts, management should make decisions to enter into the most effective and profitable service contracts, considering the competitive rates prevailing in the market.

**4. Achievement of Sustainable Development Goals**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The Commission was not aware of the United Nations 2030 Agenda for Sustainable Development and identified sustainable development goals and objectives that the Commission could apply.	I observe that the criteria for measuring the achievement of sustainable development goals and targets are related to the institutions that implement these policies, so it is not necessary for this institution to identify indicators in that regard. I further state that attention will be paid to these objectives in the policy formulation work.	Since the Commission is the organization that takes the lead in the education policy making activities, it should focus on sustainable development goals and objectives.

**5. Good Governance**

**5.1 Internal Audit**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
In accordance with Section 40 of the National Audit Act No. 19 of 2018, without establishing a separate unit for the internal audit work of the Commission, the audit work is carried out under the Ministry of Education and only one audit and management meeting was held in relation to the year under review.	Due to the bad health situation, it has not been possible to conduct an internal audit for the year 2020.	Attention should be given to accomplishing the internal audit functions through the audit division of the line ministry.



**6. Human resource Management**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
For more than a year, acting appointments had been made for the posts of Accountant, Program Officer (Finance) and Development Officer in the Commission's approved cadre without any action being taken to fill the vacancies.	That all recruitments are suspended as per the instructions received.	Attention should be given to recruitment as soon as vacancies arise.