

Head 212 – Department of Examinations

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of Head 212 - Department of Examinations for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 including my comments and observations on the financial statements of the Department of Examinations was issued to the Accounting Officer on 17 May 2024 in terms of Sub-section 11(1) of the National Audit Act, No. 19 of 2018 and the Detailed Annual Management Audit Report relating to the Department in terms of Sub-section 11(2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 31 May 2024. This report will be presented in Parliament in pursuance of provisions in Article 154(6) of the Constitution 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 Department of Examinations as at 31 December 2023, and its financial performance and cash flow 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 (SLAuS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. 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 Accounting Officer for the Financial Statements

The 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 as management determines 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 of Examinations 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's 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 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 internal control of the Department of Examinations.
- 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 and Regulatory Requirements

I express the following matters in accordance with 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 following recommendation made by me in regard of the financial statements of the preceding year, had not been implemented.

Reference to the Paragraph of the Report of the Preceding Year	Non-implemented Recommendation	Reference to the Paragraph in this Report
1.6.1(b)(i) of the 154(6) report.	Land acquisition activities should be expedited.	3.3
1.6.1(b)(ii) of the 154(6) report	Lands should be valued and entered in the accounts.	1.6.1 (a) (i)

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Property, Plant and Equipment

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i.) The land of 0.0960 hectares located in Embilipitiya Pallegama and the land of 0.328 hectares including the Riverside estate bungalow and other buildings belonging to Kothmale Division had been handed over to the Sri Lanka Examinations Department by the Mahaweli Authority Sri Lanka in June 2020 and April 2021 respectively, but had not been valued and included in the statement of non-financial assets in 2023.	Action has been taken to enter the Embilipitiya Pallegama land into the asset register in the year 2024 and after receiving the letter of handing over of the Riverside estate bungalow and other buildings, they will be entered into the asset register.	The lands handed over to the department should be valued and included in the financial statements
(ii.) The Examination Department had purchased 03 flats from the Viyathpura housing complex belonging to the Urban Development Authority at a value of Rs.34,700,936 during the year	Corrections has been done.	Accurate values of the assets should be accounted for.

under review and the value of the relevant asset in the statement of non-financial assets was stated as Rs.2,045,186. Accordingly, a difference of Rs.32,655,750 was observed..

2. Financial Review

2.1 Non-revenue Receipts

Audit Observation	Comment of the Accounting Officer	Recommendation
A sum of Rs.10,870,520 due to the department from the valaichchenai paper mill from the year 2020 from the sale of waste papers had not been recovered even by 31 December 2023.	Requests for recovery have been made.	Prompt action should be taken for recovery.

2.2 Expenditure Management

Audit Observation	Comment of the Accounting Officer	Recommendation
In the preparation of annual estimates, the actual requirement had not been identified and prepared under a specific plan and savings of the provision in 15 subjects were Rs. 4,190,427,486 and it was in the range of 20 percent to 10 percent. Out of that the savings in 03 subjects were 99 percent and 100 percent.	Due to the lack of unexpected related expenses and the revision of the examination schedule in the year 2023, in all the direct and indirect expenses incurred for the examinations were reduced.	Estimates should be prepared with proper study.

2.3 Obligation in Liabilities and Commitments

Audit Observation	Comment of the Accounting Officer	Recommendation
An amount of Rs.5,367,686 payable to the construction company as on 31 December 2023 for the construction of the six-storied building of the department had not been recognized as liabilities.	That was not included by omission.	All liabilities should be properly stated in the financial statements.

2.4 Non-compliance with Laws, Rules, and Regulations

	Reference to Laws, Rules, and Regulations	Value Rs.	Non-compliance	Comment of the Accounting Officer	Recommendation
	Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i)	Financial Regulation 104	-	Although 07 voice recorders issued to the school examination organization branch by the stores and 16 voice recorders handed over for evaluation purposes were missing, action had not been taken in terms of the financial regulations.	That an investigation has been conducted and the final report is being prepared.	Financial Regulations should be followed.
(ii)	Financial Regulation 756	-	The board of survey report for the year 2023 had not been submitted to the Auditor General even by 15 April 2024.	The submission of the board of survey reports to the Auditor-General was delayed due to the delay in the verification activities of the confidential Press.	According to the Financial Regulations, board of surveys should be carried out within the stipulated time.
(iii)	Financial Regulation 751	-	According to the board of survey report of the year 2022, there was a surplus of 209 units of 45 items in 08 branches and a shortage of 622 units of 102 items in 10 branches. But action had not been taken as per the financial regulations.	Most of those shortages are mentioned in the 2021 board of survey report and actions are being taken in this regard.	Financial Regulations should be followed.

3. Operational Review

3.1 Delays in Implementing Projects

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>The Expert Committee appointed to investigate the issues occurred of the results of the General Certificate of Studies (Advanced Level) examination in the year 2011 had proposed to construct a six-storied multi-purpose building. It was planned to start in the year 2017 and to be completed on 02 February 2019, for a contract amount of Rs.564,320,835 and had been handed over to the Engineering Corporation.</p> <p>Despite a delay of almost 05 years, the progress as on 31 December 2023 of the construction was only 92 percent. But a total sum of Rs.451,285,486 including Rs.81,729,560 to the Central Engineering Consultancy Bureau for engineering work and Rs.369,555,925 to the State Engineering Corporation had been paid as on this date for this construction.</p>	<p>That the construction was delayed due to the Easter attack in April 2019, bad weather conditions, the Covid-19 epidemic situation, and the economic crisis in the country.</p>	<p>Construction works should be completed on time as planned.</p>

3.2 Annual Performance Report

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>The annual performance report had not been presented with the financial statements in accordance with the format given in Guideline 14 issued by the Department of Public Finance as per Section 10.2 of the Public Finance Circular No. 2/2020 dated 28 August 2020.</p>	<p>That the performance report of the year 2023 has been prepared and submitted for translation work.</p>	<p>Action should be taken in accordance with the provisions of the Public Finance Circulars.</p>

3.3 Assets Management

Audit Observation	Comment of the Accounting Officer	Recommendation
The legal rights of the 1.356 hectares land in Battaramulla, where the department's head office is located, valued at Rs.630,000,000 included in the statement of non-financial assets, has not yet been acquired.	A new cabinet paper was submitted to the Secretary of the Education dated 06 March 2024 to take over the land without payment of fees on the decision of the audit management meeting.	Action should be taken to acquire the land.

3.4 Securities of Government Officers

Audit Observation	Comment of the Accounting Officer	Recommendation
According to Section 9 of the Public Finance Circular No.01/2020 dated 28 August 2020 and Section 4 of Authority 612 of the Government Officials Securities Ordinance Act, as the Chief Accounting Officer, the officers to be kept securities, the amount and the method can be decided by the Ministry Secretary. But no such action has been taken regarding the officers of the department so far.	That a new committee will be appointed and further action will be taken soon.	The Financial Regulations and Securities Ordinance Act should be followed.

3.5 Uneconomic Transactions

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The department had printed 78,680,276 question papers for the examinations conducted in the year 2023 using 04 printers owned by the Digital Printing Unit and 06 printers owned by the Secret Press. Out of those machines, only 13,395,680 question papers were printed in the year 2023 using the web digital printing machine which was procured at a cost of Rs.546,264,452 in the year 2018 and that amount was 17 percent of the total number of question papers printed in the year under review. Also, an amount of Rs.5,388,311 had also been spent during the year under review for the repair work of the machine.	Due to some technical faults, the printing work could not be done at the maximum capacity of the machine and the defects was rectified by 28.08.2023. As such, 26.59 percent of the number of the question papers of the G.C.E (A/L) examination of 2023 (2024) have been printed.	The requirement should be identified and the assets should be procured and the procured machines should be utilized with maximum capacity.

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| (b) | To protect the confidentiality of the question papers the Wrapping Solution part of the web digital printer worth of Rs.8,428,637 was procured in the year 2018. But due to the non-compatibility of the part with the currently used confidential document packaging process, that part of the machine remained idle until July 2024. | This part had not been used as it was not matched with the requirement of the Secret School Examination Branch. It has been informed that there is no requirement for any other branch and the action to be taken is being discussed with the relevant agency. | Action should be taken to recover the loss incurred to the government from all the responsible parties involved in the process from application to purchase for the procurement of the relevant part of the machine. |
| (c) | The Stitch Master Gathering and wire Stitching machine purchased in the year 2005 had kept away of using from the time it was first procured to the end of the year under review due to papers going out during operation. Also, the files related to the procurement of the machine were not submitted to the audit. | That the relevant supplier company is being consulted and the machine is being activated as per the requirement. | The performance of the machine on acceptance should have been checked and return the machine when it does not meet the departmental requirement and all parties responsible for not returning the machine should be identified and the government should take necessary actions to recover the loss. |

3.6 Management Inefficiencies

The following observations are made.

	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	The department had not collected an amount of Rs.413,741,500 due as on 31 December 2023 from 17 government institutions for the conducting institutional examinations during the year under review even till July 2024.	That the letters have been sent to the relevant institutes.	Adequate arrangements should be made for prompt recovery.

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| (b) | In the confirmations, promotions and retirements of officers employment in government and semi-government institutions the results of the G.E.C(O/L) and G.E.C (A/L) conducted by the Examination Department should be verified. but as on 31 December 2023, the number of results to be confirmed was around 8,000. | Printers are old and meet frequent breakdowns. That the action to be taken to speed up the confirmation of results are being discussed. | A formal and expeditious arrangement should be made for the mechanism of verification of examination results. |
| (c) | The department had installed a 250 KW solar energy system at a cost of Rs.28,500,000 in the year 2018, and it was stated in the bid documents that the essential maintenance activities should be provided for a period of seven years from the date of installation of the system. Further, it was also stated that before 10 percent retention money is released the supplier should sign an agreement regarding the supply of maintenance services. Even all the money related to this project had been paid by 12 July 2018, a maintenance agreement has not been entered into with the service provider until now. As such, the maintenance works of the solar energy system were not done properly. | Ginso has been informed to submit a new service agreement and once it is received it will be entered into. | Agreements for service supply should be signed and necessary actions should be taken to utilize the capacity to the maximum extent by discussing with the maintenance agencies and carrying out the service activities promptly. |
| (d) | The project implemented in the year 2018 to create a software which could scan and keep the examination result documents from the years before 1990 which would be easy to issue them to the public in the necessary occasions has been cancelled due the deficiencies in the agreement. As a result of this, preservation of the result documents before the year 2000, scanning of the original copy, getting the certificates/confirmation letters as printed copies based on the information included in the result document, preparing the database so that it is possible to get the exam results correctly by entering the exam number and year, as well, it was not possible to achieve the objectives of entering all the details contained in the examination certificate in a computer information system and maintaining that information as a database. | The sample of 5000 documents handed over to the private company as an initial stage in the year 2018 had not met the expected technical specifications. As such, the order letter issued to the relevant company has been canceled. That re-procurement activities have been initiated for this project. | Procedures for preservation of old and new documents should be established properly without delay. |

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| (e) | Although the service agreement related to the official website and e-services of the department had expired on 30 November 2021, the website and e-services had become unsafe due to the inability to update the website. | That procurement activities have been started to select a new institute for maintenance and services. | Action should be taken to maintain the website and electronic services safely. |
| (f) | The department had incurred a cost of Rs.184,689,755 in December 2021 for the procedure of upgrading the AS/400 computer system to IBM Power 9. The service and maintenance agreement for the fourth year has ended on 14 June 2024, but the service agreement could not be extended due to non-receipt of provision of Rs.19,069,527. Further, although the lifetime of this computer system is 05 years, cost benefit analysis to be done before carrying out the updating procedure had not been done. | That no party has requested a cost benefit analysis to be conducted. | A cost benefit analysis should be done before spending government funds. |
| (g) | Also, actions have not been taken to dispose the old AS400 IBM Power 6 computer system used earlier. | That it was unable to obtain the necessary expert advice for the deletion of the data before the disposal activities were carried out. | Ensure that the AS400 IBM Power 6 computer system data is correctly transferred to the new system and delete the old system data, and promptly dispose of it. |
| (h) | Grade 5 scholarship exam for the year 2023, G.C.E (O/L) for the year 2022 and G.C.E (A/L) examinations were held 15 October 2023, from 29 May 2023 to 08 June 2023 and from 23 January 2023 to 17 February 2023 respectively. 03 months, 05 months and 02 months had spent respectively from the date the results were given to release the re-examination results of those exams. | No reply was made. | Re-examination results should be released promptly to avoid any injustice to the candidates. |

4. Human Resource Management

The following observations are made.

	Audit Observation	Comment of the Accounting Officer	Recommendation
(a)	Although the number of approved cadre of Information Technology Assistant Officers in the programs preparation and release of examination results by Computer Branch where the service requirement is high was 20, the actual number of employees was 09 as on 31 December 2023 and there were 11 vacancies.	That the evaluation of the Recruitment for Open Competitive Examination 2021 (2024) of Sri Lanka Information and Communication Technology grade 2 Class II is being conducted.	Recruitment for essential posts should be done promptly.
(b)	The approved cadre of Assistant Examination Data officers whose duties of entering computer data related to the examinations conducted by the examination department, making the necessary revisions, and recording candidate marks was 49, but the actual cadre was 07 and the number of vacancies was 42.	No reply was made.	Recruitment should be done promptly.
(c)	The vacancies in the printing press, which is responsible for printing the documents required for the Ministry of Education on urgent requests, including the question paper guidelines and forms required for the examinations conducted by the department and the documents required to carry out the administrative activities of the department was 29.	No reply was made.	Recruitment should be done promptly.