

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

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### **1. Financial Statements**

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#### **1.1 Audit opinion**

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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 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. 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 31 May 2022 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 09 August 2022 in terms of Section 11(2) of the National Audit Act. This report is submitted to the Parliament 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.

In my opinion, the financial statements give a true and fair view of the financial position of the State Ministry 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 Opinion**

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities 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**

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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 State 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 State Ministry 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 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 State 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**

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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.

## 2. Financial Review

### 2.1 Management of Expenditure

The following observations are made.

<b>Audit Observation</b>	<b>Comments of Accounting Officer</b>	<b>Recommendation</b>
(a) Out of the net allocations made for the year under review, provision of Rs.11,460,000 related to 7 expenditure subjects had been completely saved.	That due to unavoidable reasons caused by the Covid-19 situation in the year 2021, office activities were limited, and all requested cash was not received, which has led to the remaining of these provisions.	Under the existing conditions, arrangements should be made to utilize the allocations to the maximum extent.
(b) Out of the net allocation allocated for 11 subjects in the year under review, a sum of Rs.619,920,621 were saved without utilizing and it was ranged from 25 to 91 per cent from the net allocation.	- Do -	- Do -
(c) Although the allocations from Expenditure subjects have been transferred to other Expenditure subjects as per Financial Regulation 66, out of that, provisions transferred on 3 instances, a sum of Rs.143,979,702 was saved and it was ranged from 56 to 100 per cent from the provisions.	In the year 2021, due to the Covid-19 situation, office activities were limited due to unavoidable reasons, and bills were not submitted for incurring expenses.	Action should be taken to make maximum use of the transferred provisions by F.R.66.

- (d) As per Financial Regulation 50, the Accounting Officer shall take special care on that the estimates have been prepared as fully and accurately as possible and that the estimates have been prepared with due regard for economy and efficiency. But in relation to 15 expenditure subjects of the ministry, the budget estimates were revised in the range of Rs.200,000 to Rs.4,760,000 and it was in the range of 40 per cent to 190 per cent.
- That the making of provisions under F.R. 66 had led to these changes.
- It should be ensured that the estimates are prepared in such a way that the possible variations are taken into account and subject to minimum revisions.

### 3. Operational review

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#### 3.1 Annual Performance Report

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of Accounting Officer</b>	<b>Recommendation</b>
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(a) Due to the closure of schools due to the Covid-19 epidemic in 2020, in order to continue the education of students whose education has been interrupted, aggregating a sum of Rs.226.9 million had been paid to National Television as Rs.28.6 million and Rs.198.3 million in the years 2020 and 2021, respectively for broadcasting the Guru Gedara educational programs. The Ministry had not carried out follow-up activities on how many school students have watched these programmes or an evaluation of the effectiveness of the programme.	That the information regarding the number of students who have watched the programs has been formally obtained through Forms No. 2-7 of the Circular No. 15/2021 and dated 19.07.2021 on Distance Education Guidelines for School Education in Sri Lanka.	Action should be taken to Monitor the effectiveness of broadcasted educational programs and taking appropriate action if there is a low level of effectiveness.

- (b) Although the State Ministry had purchased equipment on the proposal to build studios in the Provincial Education Departments in the nine provinces for the use of the “e Taksalawa” learning management system in the Regional Information and Communication Technology Education Centres under the 2021 budget proposals, due to the fact that the studios in 05 provinces had not been established till the date of the report, the equipment costing Rs.15,273,225 which had been given to those provinces remained idle.
- According to the National Budget Circular No. 03/2022 dated 26.04.2022, expenditure related to projects using local funds has been temporarily suspended. Therefore, although these works have been temporarily stopped, the related works will be carried out when the situation is restored.
- Urgent measures should be taken to fulfil the relevant purpose through the spent funds and to use the relevant equipment without delay before the warranty period of the purchased equipment expires.

### 3.2 Procurement

----- <b>Audit Observation</b> -----	----- <b>Comments of Accounting Officer</b> -----	----- <b>Recommendation</b> -----
Office equipment amounting to Rs.3.2 million had been purchased without identifying the requirements relating to the year under review and incorporating them into the procurement plan.	That the office equipment requirements were not identified at the time of preparation of the procurement plan and at the time of preparation of the revised procurement plan, due to an omission it has not been possible to include the information relating to this office equipment.	Revised procurement plan should be prepared covering all purchases.

**4. Human Resource Management**

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**Audit Observation**  
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**Comments of Accounting Officer**  
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**Recommendation**  
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An officer had been appointed to cover the duties of the post of Deputy Director (Planning) of the Western Province Education Department from 30 November 2020 without issuing a formal letter of appointment for the post of Deputy Director (Planning) and no allowances has been paid since that date up to the date of the report.

This officer has been temporarily assigned to this Ministry by the letter of the Provincial Education Director dated 30.11.2020, and this officer has been appointed to cover the duties of Deputy Director of Education in the Education Reforms section by the Ministry Secretary from the letter No. ED/RFF/02/01/01 dated 04.12.2020 under internal attachment. Also, that necessary arrangement is being made to issue a formal appointment letter.

Cover-up duty appointments should be made on a formal letter of appointment.