

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 2022 comprising the statement of financial position as at 31 December 2022 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 11 May 2023 in terms of Sub-section 11(1) of the National Audit Act, No. 19 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 30 May 2023. 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 2022, 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 Chief Accounting Officer and 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(c)	A sum of Rs.630,000,000 had been shown in the statement of non-financial assets as being the assessment value of the land where the Department had been established, but that land had not been taken over by the Department.	1.6.1(b)(i)

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

a) Receipts of Revenue

Audit Observation	Comment of the Accounting Officer	Recommendation
The sum of Rs.5,384,958 and exam fees amounting to Rs.1,726,310 received online relating to December 2021 in order to be credited to the Government revenue, had been recognized as revenue of the year 2022. As such, the received revenue had been overstated by Rs.7,111,268 in the cash flow statement and statement of financial performance of the year under review.	Action has been taken to account for the receipts of the relevant year in the same year in due course.	Revenue of the year should be correctly recognized and accounted for.

b) Property, Plant and Equipment The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i.) The land in extent of 1.356 hectares in Battaramulla where the Head Office of the Department had been established, had not been taken over by the Department even by 31 December 2022. Nevertheless, the land had	Action is being taken to present a combined Cabinet Memorandum by the Ministry of Education and Urban Development Authority for acquisition of the land.	Acquisition of the land should be expedited.

been shown in the statement of non-financial assets under a value of Rs.630,000,000.

- (ii.) The land in extent of 0.0960 hectares located at No. 20 Old Camp, Pallegama, Embilipitiya and the land of 0.328 hectares belonging to the Kotmale Division where the Riverside estate bungalow and other buildings had been established that had been vested in the Department of Examinations, Sri Lanka in the years 2020 and 2021 respectively by the Mahaweli Authority of Sri Lanka, could not be assessed and shown in the statement of non-financial assets even in the year 2022.
- Once the letter confirming the rights to the land, is received, action will be taken to show in the statement of non-financial assets.
- The land should be assessed and included in the accounts.

2. Financial Review

2.1 Incurring Liabilities and Commitments

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>a) An agreement had been entered into with a private institution in the year 2021 to scan old documents of the Department containing examination results. Although a sample of scanned documents had been furnished to the Department in November 2021, the Department had not taken action to check for accuracy of that sample thus failing to enter into a formal agreement with that institution. As such, the sum of Rs.14,205,500 had been further shown as commitments.</p>	<p>A formal agreement could not be entered into due to errors identified in examining the sample of data computerized by the said institution. The Committee appointed in this connection has presented recommendations to the main Procurement Committee.</p>	<p>The relevant activity should be executed without delay thus releasing the commitments.</p>

- | | | | |
|----|---|---|---|
| b) | The sum of Rs.7,591,878 payable to the Central Engineering Consultancy Bureau as at 31 December 2022 relating to the construction of 06 storied building for the Department, had not been shown in the financial statements as a liability. | As the invoice dated 19 December 2022 had been presented to the supplies division on 26 January 2023, that value could not be included as a liability as at 31 December 2022. | All the liabilities should be properly disclosed in the financial statements. |
| c) | The sum of Rs.1,735,046 payable to the Urban Development Authority relating to the purchase of 03 official quarters, had not been shown as liabilities. | Agreed. | All the liabilities should be properly disclosed in the financial statements. |

2.2 Non-compliance with Laws, Rules, and Regulations

The following observations are made.

Observation Reference to Laws, Rules, and Regulations	Value Rs.	Non- compliance	Comment of the Accounting Officer	Recommendati on
(i.) Public Administration Circulars. Public Administration - Circular No. 30/2016 dated 29 December 2016.	-	A fuel consumption test should be carried out on all vehicles after 12 months or running for 25,000 km, but it had not been so done.	Action is being taken to conduct such tests in the ensuing years.	Action should be taken in accordance with the Circular.
(ii.) State Accounts Circulars. State Accounts Circular No. 255/2017 dated 27 April 2017.	214,685,262	All the liabilities should be settled within the same year of finance. However, it had not been so done.	Due to delayed receipt of vouchers, payments could not be made prior to 31 December.	Action should be taken in accordance with the Circular.

3. Operating Review
3.1 Planning

Audit Observation	Comment of the Accounting Officer	Recommendation
An Action Plan had not been prepared in accordance with provisions in Section 03 of the Public Finance Circular, No. 02/2020 dated 28 August 2020, nor had a Procurement Plan been prepared in accordance therewith.	Having avoided inefficiencies in the Action Plan of the year 2022, an Action Plan for the year 2023 has been prepared in accordance with the Public Finance Circular, No. 02/2020 and approval of the Secretary to the Ministry of Education has been obtained.	Action should be taken in accordance with Public Finance Circulars.

3.2 Delays in Implementing Projects

Audit Observation	Comment of the Accounting Officer	Recommendation
The Engineering Corporation had been assigned with the contract for constructing the 06 storied multipurpose building during 2017 – 02 February 2019 at a cost of Rs.564,320,835. However, the works had not been completed even by 31 December 2022; and, a total of Rs.369,530,702 comprising sums of Rs.64,858,719 and Rs.304,671,983 paid to the Central Engineering Consultancy Bureau and State Engineering Corporation respectively, had been paid by that date.	Progress of constructing the building is 91 per cent. A Committee will be appointed to supervise the construction process thereby conducting progress review meetings monthly thus expediting the constructions.	Reasons for delay in constructions should be looked into, and the management should take all the measures possible to avoid further delays.

3.3 Projects without Progress Despite the Release of Funds

Audit Observation	Comment of the Accounting Officer	Recommendation
Although a sum of Rs.32,965,888 had been paid to the Urban Development Authority in 2020 and 2021 for purchasing 03 official quarters, ownership of those quarters could not be obtained by the Department of Examinations even by 31 December 2022.	Making payments is being finalized, and acquisition will be done thereafter.	Discussions should be held with the institutions relevant to taking over of the quarters, thus expediting the acquisition process.

3.4 Annual Performance Report

Audit Observation	Comment of the Accounting Officer	Recommendation
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.	The report is being prepared for presentation.	Action should be taken in accordance with the Public Finance Circular.

3.5 Securities of Government Officers

Audit Observation	Comment of the Accounting Officer	Recommendation
According to the Financial Regulation 880 of Democratic Socialist Republic of Sri Lanka, Officers who are administratively responsible for, or who under delegation are entrusted with, the receipt or custody of public money, revenue stamps or stores, or the disbursement of public money or the issue of stamps or stores and those who certify vouchers or sign cheques on Government account will be required to give security in accordance with the Public Officers (Security) Ordinance. Nevertheless, no officer of the Department holding such responsibilities had given securities. Furthermore, it is stated that the Secretary to the Ministry, being the Chief Accounting Officer, would decide on the amount and process of giving securities, but such a decision had not been taken even up to the date of the report.	Action is being taken to prepare a security register for relevant officers in accordance with Financial Regulation 891(1).	Action should be taken in accordance with Financial Regulations and relevant Circulars.

3.6 Uneconomic Transactions

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
a) With the objective of improving confidence of applicants through higher quality of question papers while ensuring maximum safety, a web digital printer had been purchased in November 2018 at an	This situation has arisen due to reasons such as, difficulty in supplying papers for the printer, failure in	Specifications should be prepared in accordance with requirements of the Department, and

expenditure of Rs.546,264,452 to replace the old printers used by the Department to print the question papers. As for printing question papers for the year under review, 18,881,727 question papers had been printed by the old printers whereas only 690,125 question papers had been printed with the new printer indicating a percentage as low as 3.5 per cent of the total number of question papers printed.

obtaining a proper electricity supply, failure in obtaining ink, and technical problems of various nature.

the officers responsible should make sure that the purchases are made accordingly.

Furthermore, the “Wrapping Solution” used to ensure security of the question papers being printed by the web digital printer, had been purchased in the year 2018 at an expenditure of Rs.8,428,637. However, that item remained idle without being used since the date of purchase.

Due to mismatch of Wrapping Solution with the confidential packaging process used by the Department at present, the question papers can not be packaged by using this item.

b) As papers fell off while the Slitch Master Gathering and Wire Sticking Machine No. 32 (001279) purchased in the year 2005 at an unknown value, was functioning, the machine was withdrawn from used by the end of the year under review.

As papers fell off while the machine was functioning, the machine could not be made use of.

A feasibility study should be conducted before being purchased, and the management should consider to restore the machine after having discussions with the seller.

3.7 Management Inefficiencies

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
a) A sum of Rs.38,203,407 remained receivable to the Department from 09 institutions as at 31 December 2022 for conducting institutional examinations. The Treasury had been requested by the Department of Examinations that specific instructions be given for recovery of expenses.	A sum of Rs.615,013 of that amount had been recovered as at 30 July 2023. Instructions of the Ministry of Finance will be sought for recovery of the balance.	Instructions should be obtained in writing from the Treasury.

- | | | | |
|----|---|--|--|
| b) | Without obtaining the fees in full or an advance with respect to examinations conducted by the Department on behalf of other Government institutions, results of 10 examinations conducted in the years 2021 and 2022 had been issued. | The fees have been recovered with respect to 02 examinations. | Action should be taken to put in place a methodology whereby fees are recovered before issuing the results. |
| c) | According to Paragraph 01 of the book on the new fees structure amended by the Letter No. EST/07/EXAMS/05/2018 dated 03 October 2019, the confidential allowance being paid on preparing confidential documents, should be paid subject to a maximum of 06 months per annum. Nevertheless, that allowance had been added to the monthly salary of the officers, and a sum totalling Rs.628,456 had been paid for a period of 12 months. | Action is being taken for recovery. | Action should be taken to recover the overpayments. |
| d) | Action was not taken to upload to the website the amendments made to the names printed on examination certificates as and when such amendments were done. | In order to ensure data security, the main computer network is not linked to the Internet through the online system following expert opinion. The software and accessories required in that connection, are not in possession of the Department. | Measures should be taken to upload names to the website as and when such an amendment is done. |
| e) | A solar system of 250 kW had been installed at the Department of Examinations in the year 2018 at an expenditure of Rs.28,500,000. However, an agreement had not been entered into with the supplier relating to the maintenance. | It is agreed to provide maintenance up to a period of 07 years without being charged. | It was mentioned in bid documents that services would be provided for free of charge only for a period of 02 years. As such, an agreement should be entered into with the institution for maintenance works. |

4. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
A comparison between the approved and actual cadre of the Department as at 31 December 2022 revealed 218 vacancies comprising 15 vacancies in the senior level, 12 vacancies in the tertiary level, 173 vacancies in the secondary level, and 18 vacancies in the primary level.	Requests had been made to the Ministry of Public Administration seeking approval for recruiting officers of the senior, tertiary and secondary levels. The recruitment activities related to departmental appointments are already going on and that 80 employees who have been granted temporary permanent appointment letters have been requested to be given permanent appointment letters.	Action should be taken to fill vacancies in the essential posts.