

Head 335 - - National Education Commission - 2024

1. Financial Statements

1.1 Qualified Opinion

Head 335 - The audit of the financial statements of the National Education Commission for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 National Education Commission was issued to the Accounting Officer on 22 May 2025 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Commission was issued to the Accounting Officer on 22 May 2025 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a fair view in all the material aspects of the financial position of the National Education Commission as at 31 December 2024 and its financial performance and cash flow in accordance with the basis of preparation of the financial statements set out in Note 1 to the financial statements.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters appear in Paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 qualified opinion.

1.3 Emphasis of Matter - Basis of Preparation of Financial Statements

I draw attention to Note 1 of the financial statements, which describes the basis of preparation of these financial statements. The financial statements had been prepared for the requirement of the National Education Commission, the Treasury and the Parliament in accordance with Financial Regulations 150 and 151 of the Government and State Accounts Guideline No. 06/2024 dated 16 December 2024, as amended on 21 February 2025. Therefore, these financial statements may not be suitable for other purposes. My report is intended only for the use of the National Education Commission, the Treasury and the Parliament of Sri Lanka. My opinion in this regard is not modified.

1.4 Responsibilities of the Chief Accounting Officer and Accounting Officer on Financial Statements

The Accounting Officer is responsible to prepare financial statements that give a true and fair view in all material aspects and to determine such internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error in accordance with Government Finance Regulations 150 and 151 and State Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025 .

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 annual and periodic financial statements to be prepared.

The Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Commission in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.5 Auditor's Responsibility on Audit of 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 exercised professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.

- Evaluate the overall presentation, 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.

The Accounting Officer is made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

Advance Account Balances

Audit Observation	Comments of the Recommendation Accounting Officer
(i) Although the advance account balance should be adjusted to Rs. 2,849,247 in the statement of financial position as at 31 December 2024, the credit cross note balance of Rs. 240,000 included in the SA 50 Treasury Note had been shown as Rs. 3,089,247, without being adjusted by overstating Rs. 240,000 .	Actions have been taken to take over the outstanding loan balance of Rs. 240,000.00 of the officer who transferred to another institution in the year 2024 and to settle the relevant loan balance to our institution through cross-notes under 8493-0-0-335-0-12-0 and accordingly, the Institutes 2024 advance account has been correctly accounted for and the 2024 final account has also been correctly accounted for.
(ii) Due to the overstatement of the advance account balance by Rs. 240,000 in the statement of financial position, total asset balance, total liabilities balance and Treasury net asset balance had been overstated by the same amount.	The financial statements have been prepared accurately.

2. Report on Other Legal Requirements

I declare 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 those of the preceding year.
- (b)** The recommendations made by me regarding the financial statements of the preceding year had been implemented.

3. Financial Review

3.1 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
Although annual estimates should be prepared as accurately as possible and identifying needs, due to failure to prepare estimates accordingly, the percentage of savings of provision in 06 expenditure objects had ranged from 34 to 100 per cent.	Since the existence of the institution was unstable, expenditure was not spent on expenditure items 2102 and 2103, and expenditure on expenditure items 2401 and 2507 were restricted. These savings have occurred due to the limitation of expenditure object 2507, the expenditure on 1402 was also limited.	Actions should be taken to identify needs and prepare estimates and accordingly, arrangements should be made to make available the provisions.

3.2 Certifications to be made by the Accounting Officer

Audit Observation	Comments of the Accounting Officer	Recommendation
The Chief Accounting Officer should ensure, that an effective internal control system is set up and maintained for the financial control and necessary changes should be made to ensure that the system runs efficiently by carrying out reviews on	The Chief Accounting Officer has ensured that an effective internal financial control system is maintained for financial control.	Future arrangements should be made in accordance with the provisions of the Audit Act.

the effectiveness of that system from time to time and although those reviews should be made in writing and a copy submitted to the Auditor General in accordance with Sections 38 (1) and (2) of the National Audit Act, No. 19 of 2018, the statements that such reviews were carried out, had not been submitted to the audit.

3.3 Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with the provisions of the Laws, Rules and Regulations observed during audit test checks are analyzed below.

Observation	Comments of the Recommendation Accounting Officer
Reference to Laws, Rules, Regulations etc.	Non-compliance
(a) Section 2 (1) of the National Education Commission Act No. 19 of 1991 and Section 2 (2) of the Act	Although a National Education Policy should be formulated by considering the recommendations and advice given to the President by the National Education Commission, and also 34 years had elapsed since the establishment of this Commission, a National Education Policy for education in Sri Lanka has not been approved.
(b) Public Administration Circular No. 02/2018 (I) dated 30 November 2023	The Commission had prepared the Human Resources Development Plan for the year under review including only one of the five points about the organization's

		human resources which should be included in the guidelines for preparing a Human Resources Development Plan.	which should be included as per Public Administration Circular 02/2018(I) to the 2024 Human Resources Plan based on staff information remained as at 01 January 2024.
(c)	General Treasury Circular No. 01/2021 dated 16 November 2021 and Annexure 03 of the Guidelines on Public Enterprises	Out of the 12 minimum items that should be included in the Annual Report, 04 items had not been included out of 12 items of the Annual Report prepared for the year 2024 according to the Guidelines.	After the Ministry approves the Annual Report, actions will be taken by the Ministry to present it to Parliament. Actions should be taken according to the Guidelines on Public Enterprises.
(d)	Section 13.3 of Paragraph Two of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	Acting appointments had been made for long periods of 6 months and 52 months respectively to the posts of Secretary and Accountant of the Commission, contrary to the Establishments Code.	Recruitment was postponed in accordance with National Budget Circular 03/2022 and necessary recruitments will be made in the future after the appointment of the ninth (09 th) Commission. Permanent officers should be appointed to chief executive positions.

4. Operating Review

4.1 Failure to Perform Tasks

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
Although 06 tasks had been included in the Action Plan for the year under review, only 2 of these tasks had been completed. One of the tasks was completed by the officers of the Commission and the other by an external party based on a decision of the Commission and the progress in	The new education reform report presented by the then government created an unstable situation regarding the existence of the National Education Commission and the Secretary to the Ministry	Actions should be taken to achieve the expected performance of the Action Plan.

the implementation of 3 out of the 4 remaining tasks was less than 50 per cent and it had been impossible to achieve adequate performance in the year under review.

of Education had verbally informed the Chairman to complete all the work that was to be completed in 2023 during the first period of that year and temporarily not implement the work of the Annual Plan 2024 . The work was resumed in the middle of the year and the percentage of progress was reported accordingly.

4.2 Failure to Achieve the Expected Outcome

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The National Education Commission had completed 8 research proposals during the period 2022-2024 at a cost of Rs. 2,997,075. Although the relevant research reports had been completed and provided to the relevant institutions including the Ministry of Education, their outcomes had not been reviewed even by 05 February 2025. As a result, the impact on the national education sector through the research reports conducted by the Commission could not be identified. There was no national level mechanism in place to enable institutions in the education, higher education and vocational education sectors to submit research proposals and receive research reports, which would enable them to obtain support in fulfilling the Commission's primary functions of making timely recommendations to the President on education policy, formulating national education goals and standards, formulating guidelines</p>	<p>The main objective of the National Education Commission is to provide recommendations on education policies to the President and the relevant Line Ministry according to the National Education Commission Act No. 19 of 1991. The relevant recommendations should be implemented by the respective institutions and Line Ministries that have the authority to implement them. The recommendations we provide, will be discussed at the Commission Meetings held at this institution in respect of the implementation by the line ministry and other institutions that are responsible for it and have</p>	<p>Actions should be taken to develop a mechanism to link research proposals and reports.</p>

for a wide range of issues related to education, implementing, managing and publishing data. the power to implement it.

4.3 Other Observations

Audit Observation	Comments of the Accounting Officer	Recommendation
The National Education Commission, established under Act No. 19 of 1991, carries out accounting functions as an “A” grade Department and all other functions as a corporation, actions had not been taken to identify a specific model to be maintained and to run the Commission within a uniform legal framework.	It is considered and operated as a class A Department as per the letter of the Director General of Treasury Operations dated 14 November 2017 and No. TO/BE2/Common.	Actions should be taken to identify one specific model that should be maintained strictly by the National Education Commission and to maintain a single legal framework.

4.4 Annual Performance Report

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the main tasks set out in the National Education Commission Act No. 19 of 1991 should be prioritized and challenges and targets identified annually, the challenges and targets had not been identified and stated in the Annual Report with the primary objective of fulfilling those key tasks.	The 30-year-old Commission Act has been submitted for amendment based on the urgent need to amend it in a manner that is in line with the current needs and with the powers to operate in each sub-sector of education to expand the powers of the National Education Commission and empower it to carry out the tasks assigned to it more efficiently and effectively.	Actions should be taken to identify the challenges and goals of the National Education Commission and achieve its objectives in a timely manner.

4.5 Procurements

Audit Observation	Comments of the Accounting Officer	Recommendation
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The Commission, which has an actual staff of 21, had obtained an office premises with security, water, electricity and sanitation facilities, with more square footage than the institution required, at a very high rent without calling quotations. Although this matter had been observed during the audit activities since 2021, payment of Rs. 22,861,637 for 3,748 square feet had also been made in the year under review without obtaining a suitable amount of square feet for the institutional needs until the year under review.

Determining to establish the institution at a new location under the Commission, actions will be taken in the future accordingly.

Actions should be taken to establish the Commission in a suitable government-owned location and minimize government expenses.

5. Good Governance

5.1 Audit and Management Committee

Audit Observation	Comments of the Accounting Officer	Recommendation
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Although the Commission is required to hold 04 Audit and Management Committee Meetings in relation to the year under review in accordance with Section 41 of the National Audit Act, No. 19 of 2018, only one meeting had been held.

Due to the situation that arose in the year 2024 the Audit and Management Committee Meetings could not be held as scheduled since the institution had to continue its activities under severe uncertainty.

Actions should be taken according to Section 41 of the Act.