

**Report of the Auditor General on Head 126 – Ministry of Education and the
Departments under the Ministry – Year 2013**

This Report comprises two Parts.

Part 1 - Summary Report on the Accounts of the Ministry and the Departments under the Ministry

Part 2 - Detailed Report on each Head

Part 1

**Summary Report on the Accounts of the Ministry of Education and the Departments
under the Ministry**

1. Departments under the Ministry

Head	Name of Department
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212	Department of Examinations
213	Department of Educational Publications

2. Accounts

2.1 Appropriation Accounts

(a) Total Provisions and Expenditure

The total net provisions made for the Ministry and the two Departments under the Ministry amounted to Rs.39,643,980,000 and out of that a sum of Rs.38,336,126,326 had been utilized by the end of the year under review. Accordingly, the savings out of the provisions of the Ministry and each Department ranged between Rs.5,350,039 and Rs.1,158,676,619 or in the ranges of 3 per cent to 7 per cent of the net provisions. Details appear below.

Head	As at 31 December 2013			Savings as a Percentage of Net Provision
	Net Provision	Utilisation	Savings	
	Rs.	Rs.	Rs.	
126	37,358,905,000	36,200,228,381	1,158,676,619	3
212	2,206,750,000	2,062,922,984	143,827,016	6
213	78,325,000	72,974,961	5,350,039	7
Total	39,643,980,000	38,336,126,326	1,307,853,674	

(b) Utilisation of Provisions given by Other Ministries and Departments

The Ministry of Education had made available provisions totalling Rs.16,000,000 for various activities and the particulars of utilization of those provisions are given below.

Department receiving Provisions	Provisions received as at 31 December 2013	Utilization as at 31 December 2013	Savings as at 31 December 2013	Savings as a Percentage of Provisions received
	Rs.	Rs.	Rs.	
Department of Examinations	10,000,000	2,904,272	7,095,728	71
Department of Educational Publications	6,600,000	2,313,362	3,686,638	61

2.2 Revenue Accounts

Estimated and Actual Revenue

The Department of Examinations under the Ministry had prepared estimates of Revenue totalling Rs.165 million under one Revenue Code for the year 2013 and revenue totalling Rs.156 million had been collected during the year under review. Accordingly, 95 per cent of the estimated revenue had been collected. Details appear below.

Revenue Code	As at 31 December 2013			Shortfall as a Percentage of the Estimate
	Estimated Revenue	Actual Revenue	Shortfall	
	Rs.	Rs.	Rs.	
20.03.02.13	165,000,000	156,306,619	8,693,381	5

2.3 Advance Accounts

2.3.1 Advances to Public Officers Accounts

Limits Authorized by Parliament

The limits authorized by the Parliament for the Advances to Public Officers Accounts of the Ministry and the two Departments under the Ministry and the actual amounts are given below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
12601	850,000,000	656,880,103	675,000,000	695,415,936	2,750,000,000	1,421,746,329
21201	19,000,000	16,374,978	14,000,000	17,071,090	100,000,000	69,703,732
21301	7,000,000	5,831,705	3,200,000	6,592,383	33,000,000	18,663,842

2.3.2 Commercial Advance Accounts

A Department under the Ministry had maintained a Commercial Advance Account.

(a) Limits Authorized by Parliament

The limits by the Parliament for a Commercial Advance Account relating to a Department under the Ministry and the actual amounts are given below.

Item Number	Expenditure		Receipts		Debit Balance		Liabilities	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual	Maximum Limit	Actual
-----	-----	-----	-----	-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
21302	2,500,000,000	2,369,186,533	2,350,000,000	2,399,981,154	4,000,000,000	967,840,660	1,950,000,000	1,884,542,544

(b) Financial Results

The financial results of the Commercial Advance Account had been as follows.

Item Number	Advance Account Activity	Financial Results			
		2013		2012	
-----	-----	-----	-----	-----	-----
		Profit Excluding Hypothetical Charges	Profit Including Hypothetical Charges	Profit Excluding Hypothetical Charges	Profit Including Hypothetical Charges
		Rs.	Rs.	Rs.	Rs.
21302	Printing, Publishing and Sale of Books	433,094,651	1,394,771,435	801,531,896	903,764,801

2.4 Imprest and General Deposit Accounts

2.4.1 Imprest Accounts

The balance of the Imprest Account of the Ministry as at 31 December 2013 amounted to Rs.5,731,579. Details appear below.

Ministry	Account Number	Balance as at 31 December 2013
-----	-----	-----
		Rs.
Ministry of Education	7002/0000/00/0254/0013/000	5,371,579

2.4.2 General Deposit Accounts

The balances of the General Deposit Accounts of the Ministry and the two Departments under the Ministry as at 31 December 2013 totalled Rs.685,519,229. Details appear below.

Ministry / Department	Deposit Account Number	Balance as at 31 December 2013
-----	-----	-----
		Rs.
Ministry of Education	6000-0000-00-0006-0064-000	493,328
	6000-0000-00-0006-0065-000	10,290,430
	6000-0000-00-0015-0039-000	570,539,493
	6000-0000-00-0015-0177-000	142,594
Department of Examinations	6000-0000-00-0006-0066-000	19,604,461
	6000-0000-00-0015-0094-000	76,064,370
Department of Educational Publications	6000-0-0-15/95	8,384,553
		----- 685,519,229 =====

Part 2
-----**Detailed Report on each Head**
-----**1. Head 126 – Ministry of Education**
-----**1.1 Scope of Audit**

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Education for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 25 July 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

1.3 Audit Observation

According to the Financial Records and the Books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (f)

and other major audit findings appearing in paragraphs 1.4 to 1.14 herein, the Appropriation Account and the Reconciliation Statement of the Ministry of Education had been prepared satisfactorily.

(a) Lack of Evidence for Audit

The following observations are made.

- (i) The evidence such as the Attendance Registers of Sports Coaches, the number of students trained, formal files, expenditure and income ledgers, etc. relating to 03 items of transactions totalling Rs.22,341,273 of three National Schools had not been furnished.
- (ii) The formal Registers of Fixed Deposits had not been maintained for 30 Fixed Deposit Certificates totalling Rs.26,770,534 of three National Schools in the Colombo, Kandy and Matara Districts.

(b) Replies to Audit Queries

Replies to 07 audit queries issued to the Ministry in the year under review had not been received even by 30 August 2014. The quantifiable value of transactions relating to those audit queries amounted to Rs.385,147,708.

(c) Budgetary Variance

The entire provision totalling Rs.345,671,436 made for 13 Capital Objects had been saved, due to reasons such as the failure to prepare plans timely, delayed release of provision, the failure to identify the requirements, the delayed finalization of the Procurement Process, requests for provision made without taking preliminary action needed for the construction of buildings and the failure to identify appropriate sites, non-receipt of foreign aid expected, request for provision made without identifying the specific projects and the requests for imprests made during the last few days of the year.

(d) Liabilities committed exceeding the Provision

Provision totalling Rs.12,541,375,496 had been made for 25 Objects and the savings after the utilization of Rs.12,290,693,615 out of that, amounted to Rs.250,181,881. Contrary to the provisions in Financial Regulation 94(1), liabilities exceeding that limit by a sum of Rs.6,715,906,570 had been committed.

(e) General Deposit Account

The following observations are made.

- (i) Action in terms of Financial Regulation 571 had not been taken in connection with the deposit balances amounting to Rs.8,178,649 of the Sundry Deposits Account older than 02 years.
- (ii) The contributions to the Public Service Provident Fund amounting to Rs.2,176,888 recovered from the salaries of casual employees during the years 2007 to 2013 had been retained in the General Deposits Account without being remitted to the Public Service Provident Fund.

(f) Advances to Public Officers Account

The following observations are made in connection with the Reconciliation Statement as at 31 December 2013 of the Advances to Public Officers Account.

- (i) The debit balance of the Advances to Public Officers Account as at 31 December 2013 included balances totalling Rs.48,376,165 arising due to accounting errors. Out of that, balances totalling Rs.47,346,582 had been existing over periods exceeding 5 years while balances totalling Rs.357,879 had been existing over periods ranging from one year to 5 years. The Ministry had failed to rectify those errors even by 31 December 2013.
- (ii) According to the Reconciliation Statement as at 31 December 2013 of the Advances to Public Officers Account, the unidentified difference between

the total of the Individual Balances Classification Summary and the balance of the Control Account as at that date amounted to Rs.1,976,928.

- (iii) According to the Reconciliation Statement as at 31 December 2013 of the Advances to Public Officers Account, the balances that remained without being recovered over periods exceeding 05 years totalled Rs.125,058,275 and an adequate and formal methodology had not been followed for the recovery of those outstanding balances. The balances of 03 property loans included therein amounted to Rs.700,158 and action had not been taken to recover those loans by searching for the title deeds that should be with the Ministry.
- (iv) The loan files or the information of 70 officers relating to outstanding loan balances totalling Rs.2,878,133 had not been furnished to audit and as such it was not possible to ascertain the courses of action taken for the recovery of those loans or the reasons for the non-recovery of the loans. The officers responsible for the maintenance of the files or the relevant information informed the audit that these files and information are not traceable.

1.4 Assets Management

(a) Idle and Underutilised Assets

It was observed during the course of audit test checks that 02 motor vehicles and 01 motor cycle belonging to the Ministry had been either idle or underutilised over a period exceeding one year.

(b) Non-conduct of Board of Survey

The following observations are made.

The Reports of Boards of Survey for the year under review in respect of the Ministry, 18 National Colleges of Education, 09 Teachers Training Colleges and 350 National Schools had not been furnished to the Auditor General even by 01 July 2014 in terms of the Public Finance Circular No. 441 of 09 December 2009 as amended by the letter No. PF/Boards of Survey/01 dated 17 December 2010 of the Director General of Public Finance.

(c) Assets given to External Parties

An instance of irregular release of certain assets by the Ministry to external parties was observed. Details appear below.

According to the Register of Fixed Assets maintained by the Ministry the respective officers failed to produce 06 motor vehicles belonging to the Ministry for physical verification. Even though those motor vehicles had been taken over by the Ministry of Wildlife Resources Conservation from 31 January 2013 action had not been taken either to transfer of the ownership of the motor vehicles to that Ministry and eliminate from the Register of Fixed Assets or for the recovery of the motor vehicles.

(d) Irregular use of Assets of other Institutions

The expenditure of the Ministry of Educational Services newly established on 28 January 2013 had been incurred under the Head of the Ministry of Education. A sum of Rs.3,942,247 had been spent by the Ministry of Education in the year under review as the maintenance expenditure of 09 motor vehicles of the Ministry of Youth Affairs and Skills Development used by the Ministry of Educational Services. Action had not been taken even by 31 December 2013 for the transfer of the 09 motor vehicles to the Ministry of Educational Services and record in the Register of Fixed Assets or for the return of those motor vehicles.

1.5 Non-compliances

Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analysed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
-----	-----	-----
(a) Cabinet Decisions	Rs.	
----- Decision No. CM/09/0736/ 316/0/20 dated 13 May 2009 of the Cabinet of Ministers		A test check revealed that the number of students in the Grade 5 classes of 31 National Schools as at 31 December 2013 had exceeded the approved number of students per class by 1,250 students due to the admission of children to the classes in Grades 1 to Grade 5 from time to time exceeding the limit of 42 students per class as approved by the Cabinet of Ministers. The information and files relating to a representation made to the Auditor General on the admission of 35 children exceeding the limit of 42 students per class approved by the Cabinet of Ministers contrary to the provisions in the circulars on the admissions of children, by a National school in Matara had not been made available for examination.
(ii) Decision No. CM/11/0017/530/003		Contrary to the decision of the Cabinet of Ministers that the Investigations Unit

dated 10 February 2011 of
the Cabinet of Ministers

should be strengthened in place of establishing a Special Investigations Unit, such Special Investigation Unit had been established. Twenty officers of the Sri Lanka Principals' Service, Sri Lanka Education Service and Sri Lanka Teachers' Service and a Director had been appointed to the posts of Investigating Officers of the Unit which had not been approved. Nevertheless, action had not been taken for strengthening of the Investigations Unit.

(b) Establishments Code of the
Democratic Socialist Republic
of Sri Lanka

(i) Chapter XII Sections 1, 2
and 3

(i) Formal courses of action had not been taken in connection with the 1,077 days of leave obtained without approval by 89 members of the academic and non-academic staff of two National Schools in the Colombo District and two National Schools in the Kandy and Matara Districts.

(ii) Two National Schools in the Colombo and Matara Districts had not maintained proper and updated Leave Registers. An adequate course of action had not been followed for the control of the academic and non-academic staff of a National School in the Colombo District who are habitually late in reporting for

service. Recoveries in respect of 74 days of no-pay leave of 05 employees in the non-academic staff had not been recovered from the salaries.

- (iii) The salaries obtained by 04 Teachers in a school in the Matara District in the years 2011 and 2012 for 346 days of non-pay leave obtained by them had not been recovered. Salary increments had also been granted to certain Teachers who had obtained no-pay leave regularly by providing ungenune information.

Section 7

Three employees of a National School in the Colombo District had been deployed in service on 76 public holidays without the approval of the Principal. Out of those 76 days, lieu leave had been obtained for 72 days.

- (ii) Chapter XVIII

Rent on the quarters of the master-in-charge of the Hostel of a National School in the Colombo District had not been recovered in terms of provisions in the Establishments Code.

- (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

- (i) Financial Regulations
 104, 105, 107 and 109

- (i) Action in terms of the Financial Regulations had not been taken on the

accidents caused during the year under review to 03 motor vehicles of a National School in the Colombo District and the accidents caused from the year 2006 to the year 2013 to 12 motor vehicles belonging to the Ministry.

- (ii) Action in terms of the Financial Regulations had not been taken in connection with 48 instances of losses and damage of National Schools and various other institutions under the Ministry during the period from the year 1991 to the year 2013.

- (ii) Financial Regulation 371

Audit test checks of 06 National Schools revealed that during the period from the year 2008 to 31 December 2013, ad hoc sub-impressts totalling Rs.4,549,873 had been granted to the members of the staff in 414 instances. Those sub-impressts had not been settled in terms of the Financial Regulation.

- (iii) Financial Regulation
384(2)

Payments from the School Development Societies of a National School in the Kandy District and a Central College in the Colombo District had been made without crossing the cheques.

- (iv) Financial Regulation
395(c), (d) and (h)

The Bank Reconciliation Statements in respect of the Bank Current Account of the School Development Society of a Central

College in the Colombo District for each month had not been prepared before the fifteenth day of the month following.

- (v) Financial Regulation 387 Bank overdrafts amounting to Rs.3,806,579 and Rs.3,839,130 had been obtained in the years 2012 and 2013 respectively by a National School in the Colombo District.
- (vi) Financial Regulations 283,109 396(d) Action in terms of the Financial Regulation had not been taken on 21 cheques issued from the Current Account maintained for the Students Hostel of a National School in the Colombo District not presented to the Bank and lapsed for more than 06 months.
- (vii) Financial Regulations 1645 (a) and (b) The Daily Running Charts and the Register of Fuel of the motor vehicles of a National School in the Colombo District had not been maintained properly. According to the Register of Reimbursement of Fuel Imprests, the value of fuel purchased in the year under review amounted to Rs.1,034,835, the value of fuel used according to the Daily Running Charts amounted to Rs.795,871. Accordingly, the value of the identified shortage of fuel amounted to Rs.233,264. In addition, a motor vehicle had been offered to auction after fitting 04 new tyres at a cost of Rs.44,000.

(d) Circulars of the Presidential Secretariat

Public Expenditure Management

Circulars No. CA/1/17/1 of 14

May 2010

Paragraphs 3.4 and 4

3,689,193

The officers of the Ministerial staff had used 03 motor vehicle exceeding the number of motor vehicles that can be used in terms of the circular provisions and a sum of Rs.1,289,279 had been spent on repairs. Fuel valued at Rs.2,399,914 exceeding the limits on fuel specified in the circular had been supplied to one official motor vehicle and 02 security vehicles in the preceding year and the year under review.

(e) Public Administration Circulars

Circular No. 08/2010 of 24 May

2010

Paragraph 02

1,230,871

Even though a sum of Rs.1,676,232 had been paid with the salary in the preceding year and the year under review on account of the fuel that should be supplied to the 08 motor vehicles attached to 08 officers of the Ministerial staff, the value of additional fuel issued amounted to Rs.1,230,871.

(f) Circulars of the Ministry of Education

(i) Circular No. 2008/37 of 19
September 2008

(i) Contrary to the provisions in the Circular, the authorities of a National School in the Colombo District had taken action to admit 10 students who had obtained low scholarship marks

without taking action to admit 10 students who had obtained higher scholarship marks.

- (ii) Even though the circular provisions do not permit the conduct of separate classes for the English Medium and Sinhala Medium, a National School in the Colombo District had conducted separate classes for the two mediums. As the applications of students who had scored low scholarship marks had been admitted to the English Medium Classes, the school authorities had deprived the opportunity of admission to the Sinhala Medium classes to the students who had scored higher scholarship marks.

- (ii) Circular No. 2003/38 of 07
November 2003

Paragraph 2.1

- (i) In view of the failure to follow a proper policy in attaching new Teachers to schools and the failure to implement the Teacher transfer policy properly, action had not been taken to minimize the shortage of 2,096 Teachers and an excess of 5,078 Teachers relating to different subjects existing in the overall National School System identified in accordance with the circular provisions. Out of those, a National school in the

Matara District did not have even a single Teacher as at 31 December 2013 for teaching the Advanced Level subjects of Geography, Buddhist Civilisation, English and Technology.

- (ii) According to the number of Teachers with Diploma in Special Educational Teaching that should be in service as identified in accordance with circular provisions the number of vacancies of those Teachers as at 31 December 2013 stood at 476. The actual number of Teachers as at that date had not been properly deployed. As such none of the Teachers with Diploma in Special Educational Teaching had been attached to 128 schools in which 1,145 students with special requirements were studying while 176 such Teachers had been attached to 162 schools without any students needing special requirements.

Paragraph 2.2

- (i) Two Deputy Principals and 10 Assistant Principals exceeding the approved number of Deputy Principals and Assistant Principals according to the circular had been appointed to a National School in the Colombo District. Three Deputy Principals and 11 Assistant Principals had not been properly appointed.

- (ii) Even though a minimum of 10 and 12 periods of teaching work per week should be assigned to the Deputy Principals and Assistant Principals respectively, that requirement had not been fulfilled in connection with the five Deputy Principals who had been properly appointed and not so appointed to a National School in the Colombo District. One Deputy Principal had not been deployed in any teaching at all. That requirement in connection with the eleven Assistant Principals who had not been properly appointed had not been fulfilled.
- (iii) Not even a single period of teaching had been allocated to the three Deputy Principals and the Assistant Principal of a National School in the Kandy District and the two Deputy Principals of a National School in the Matara District.

Paragraphs 2.1.2 and 2.1.3

Even though a minimum of 16 and 35 periods of teaching duty should be assigned per week to the Supervisory Teachers and Subject Teachers respectively, the number of teachers assigned with a number of periods less than the number of periods specified in 05 National Schools in the Colombo, Kandy and Matara Districts had been 383.

(iii) Circular No. 2007/20 of
31 December 2007

Teachers who had exceeded the maximum period of 06 years service in a school had not been transferred in accordance with the circular provisions. As such Teachers had been in service without being transferred as shown below.

- (i) Five hundred and twelve Teachers in 20 National Schools in the Colombo Educational Zone for periods ranging from 11 to 30 years.
- (ii) Forty eight Teachers in a National School in the Colombo District for periods ranging from 12 to 27 years.
- (iii) Nineteen Teachers in a National School in the Kandy District for periods ranging from 13 to 26 years.
- (iv) Fifty six Teachers in a National School in the Matara District for periods ranging from 10 to 30 years.
- (v) Eighteen Teachers in a Central College in the Colombo District for periods ranging from 11 to 31 years.
- (vi) Twenty nine Teachers in a National School in the Matara District for periods ranging from 9 to 25 years.
- (vii) Twenty one Teachers in a School in the Matara District for periods ranging from 12 to 26 years.

- (iv) Paragraph 02 of the 5,393,000 A National School in the Colombo District had recruited 32 Sports Coaches without examining the necessary qualifications in terms of circular provisions and had paid allowances totalling Rs.5,393,000.
Circular No. 2009/20 of 30 June 2009
- (v) Circular No. 2007/04 of 28 1,740,000 Scholarships bursaries had been deprived of as shown below due to the failure to furnish full information on the students to enable them to obtain the bursaries.
February 2007
- (i) A sum of Rs.243,000 to 282 students of a National School in Colombo.
 - (ii) A sum of Rs.21,000 to 10 students of a National School in the Kandy District.
 - (iii) A sum of Rs.1,476,000 to 328 students of a National School in the Matara District.
- (vi) Circular No. 2007/02 of 10 According to the circular provisions nutritious local foodstuff such as fruit and cereals such as green peas, chick peas and cowpea should be supplied for the consumption by students. Nevertheless, food prepared from wheat flour had been purchased for the consumption of the hostellers of a National School in Colombo instead of such kinds of food. Lists of Food
January 2007

supplied weekly had not been prepared and exhibited for the information of the students. All the snacks of the canteens of the school had been prepared from wheat flour.

- (vii) Circular No. 2001/24 of 685,970
08 October 2001
- Donations of goods valued at Rs.555,970 received in the year under review by a National School in the Colombo District had not been recorded in the Register of Donations and the Inventory Register. The authorities concerned failed to produce goods valued at Rs.130,000 out those, at the physical inspection carried out on 20 February 2014.
- (viii) Circular No. 57/75 of 05 4,348,860
November 1975
- (i) A National School in the Kandy District had not taken prompt action for the recovery of the School Development Society fees and the Facilities and Services Fees recovered annually from the students in the year itself and as such the arrears recoverable as at 31 December 2013 from 525 students amounted to Rs.4,348,860.
- (ii) Matters such as the non-preparation of an approved budget for the Facilities and Services Fees, non-submission of Four Monthly Accounts Summaries to the respective Divisions and payment of a sum of Rs.89,000 for expenditure not falling under the approved items of expenditure payable out of facilities

and services account were observed in connection with a National School in the Matara District. A sum exceeding Rs.1.2 million over an above the annual financial requirements had been retained in the Bank Current Account maintained for the collection of income from the Facilities and Services Fees without earning an income therefrom.

A national school in the Matara District had admitted 03 students to the year one, contrary to the circular provisions.

1.6 Weaknesses in the Implementation of Projects

(a) Delays in the Implementation of Projects

Delays in the implementation of the following projects by the Ministry were observed.

- (i) Provisions amounting to Rs.232,455,060 and Rs.626,684,325 had been made for the years 2012 and 2013 respectively for the Reconstruction of the School Education System as the Foundations of the Knowledge Centre. Even though the financial progress as at 31 December 2012 had been 84 per cent, progress in the year under review had been only 38 per cent. As such 62 per cent equal to Rs.384,832,149 out of the total funds allocated in the year under review for the objectives of the Project had not been utilised. In addition, the overall financial progress of the Project as at 31 December 2013 had been 51 per cent and as such a sum of Rs.420,786,511 equivalent to 49 per cent of the total funds allocated for the objectives of the Project had not been utilised.

- (ii) Provisions amounting to Rs.4,364,105,710 had been approved for the construction of 859 laboratories in the preceding year and the year under review and the actual expenditure by 31 December 2013 amounted to Rs.4,106,338,371. According to the plans made the work on 859 laboratories should have been completed by 31 December 2013. But the work on 380 laboratories only had been completed by that date. Even though the financial progress had been 94 per cent, the physical progress had been only 44 per cent as the work on 479 laboratories had not been completed.
- (iii) The second floor of the building in the premises of a National School in the Colombo District commenced prior to the year 2004 and the second stage of two other partly constructed buildings had not been commenced. As such the iron rods exposed for the second stage had been deteriorating over a period of about 10 years. Even though the first and the second stages of the construction of a three storied building commenced in the year 2010 had been completed, the second floor could not be used as the third stage had not been implemented. Even though a sum of Rs.8,059,501 required for the third stage had been credited to the General Deposit Account of the Ministry, construction work could not be commenced as the approval had not been received.

1.7 Performance

 The observations on the progress of the Ministry according to the Annual Budget Estimates, the Corporate Plan and the Action Plan for the year 2013 are given below.

(a) Key Functions not executed Adequately

 The Ministry had not executed the key functions adequately and such instances observed are given below.

- (i) A Fund called the “UNESCO Scholarships Fund” had been established and the administration, management and control of the Fund had been assigned to the Board of Management. A sum of Rs.10,290,430 collected from the

year 1999 to the year 2008 for the achievement of the objectives of the Fund had not been utilised for the achievement of the objectives of the Fund and the money had been retained in the General Deposit Account.

- (ii) The Ministry had failed to take action in terms of the Public Administration Circular No. 06/2006 of 25 April 2006 to prepare and obtain the approvals for the Service Minutes of the Sri Lanka Educational Service, the Sri Lanka Principals' Service and the Sri Lanka Teachers' Service.

(b) Activities not executed over long delays

The Braille Machines received in the year 1985 as donations had become inoperative due to lack of proper maintenance. In view of the long delays in the repair of the machines purchased subsequently, the failure to purchase the raw materials required on a timely basis and the shortages of staff, 1,957 out of 3,220 Braille Text Books that should have been printed and distributed in the year 2013 to the visually handicapped students had not been printed up to 31 December 2013 while 656 books out of 1,914 Braille Text Books that should have been printed and distributed for the year 2014 had not been printed even by 20 February 2014.

(c) School Based Learning Promotion Grants

Grants totalling Rs.162,400,000 had been granted in the preceding year to 409 schools comprising 50 National Schools and 359 Provincial Schools selected for the first stage for providing the School Based Learning Promotion Grants while grants of Rs.89,550,000 had been paid in the year under review to 598 schools comprising 132 National Schools and 466 Provincial Schools selected for the second and third stages. The Project Proposal Plans, the intermediate reports and the reports on the overall progress to be prepared by the Principals who utilised the grants had not been obtained from the respective parties. In view of that situation, it was not possible to review the financial and physical progress of the achievement of the expected objectives of the grants.

1.8 Deficiencies in the Operation of Bank Accounts

(a) Dormant Bank Accounts

Eight Bank Current Accounts maintained by the Ministry had been dormant over a period of 06 years by 31 December 2013 and the idle balances of 03 of those accounts totalled Rs.1,192,335. Those 08 Bank Accounts had not been closed down even by 31 December 2013 in terms of paragraph (1) of the Treasury Circular No. 2007/05 dated 05 September 2007.

(b) Balances for Adjustment

According to the Note No. (iv) (b) of the Appropriation Account presented the value of cheques issued but not presented for payment and lapsed amounted to Rs.1,709,647. Action in terms of Financial Regulation 396 had not been taken in that connection.

1.9 Irregular Transactions

Certain transactions entered into by the Ministry had been devoid of regularity. Several such instances observed are given below.

(a) Deviation from the Procurement Guidelines Procedure

The following instances of deviation from the Procurement Guidelines Procedure were revealed during the course of audit test checks.

- (i) Three National Schools in the Colombo, Kandy and Matara Districts had purchased goods and services valued at Rs.4,070,374 in 31 instances without following the provisions in the Procurement Guidelines. Even though it was stated that those goods and services were purchased at the minimum price, the information in the files produced in connection with the 31 instances had been erroneous.
- (ii) A contract valued at Rs.575,000 had been awarded without entering into an agreement to an institutions selected for carrying out repairs and

improvements to the latrines system of a National School in the Kandy District. A contract file had not been maintained and only the bids submitted by that institution were produced for audit. As such it was not possible to ascertain the transparency of the Procurement Procedure followed.

- (iii) A National School in the Colombo District had spent a sum of Rs.3,430,390 from the School Development Society account in the year under review for carrying out repairs to the theatre of the school without following the provisions in the Government Procurement Guidelines. The estimates of expenditure and bills of quantities for the repairs had not been prepared.

(b) Transactions without Authority

The following observations are made.

- (i) A sum of Rs.141,410 had been paid out of the School Development Society account for the settlement of the electricity bills of the official quarters of the Deputy Principal of a National School in the Colombo District. That amount had not been recovered from the officer concerned.
- (ii) The authorities of a National School in the Colombo District had taken action for the collection of Rs.4,339,050 and Rs.6,926,120 in the years 2012 and 2013 respectively for the various activities of the school from the parents without obtaining the approval. In addition a sum of Rs.3,502,500 had been collected from parents in the year 2013 to hold a concert, on the approval granted without verifying whether money could be collected without influencing the students and parents.
- (iii) The authorities of a National School in the Matara District had collected a sum of Rs.636,000 from the students in two instances in the year 2014 without issuing receipts. The money had been kept in the custody of a Deputy Principal without being credited to the School Development Society Account and the money had been spent on various activities without being

supported by bills and receipts. The School Development Society as well had spent a sum of Rs.145,985 on those activities.

- (iv) A school in the Matara District had collected sums of Rs.7,000 and Rs.5,000 per child in the years 2011 and 2012 respectively in the admission of children to Grade I. Any records on the money collected in the year 2011 and the manner of spending that money had not been proved and out of the sum of Rs.463,000 received in this connection in the year 2012, a sum of Rs.70,000 had been retained in hand by an external individual.
- (v) The Past Pupils' Association of a school in the Matara District had established a Sports Development Fund and the Zonal Director of Education had granted approval, contrary to the circular provisions, to the Association to print tickets and collect cash. Tickets priced at Rs.20 had been printed under the Sports Development Fund had been sold. The number of tickets printed and sold and the unsold tickets had not been furnished to audit. There were 21 instances in which the Secretary of the Sports Development Fund had retained money in hand exceeding Rs.50,000 as at the end of each month.
- (vi) Thirty one Teachers of a school in the Colombo District had proceeded abroad on an invitation received from the Government of Thailand to attend a Workshop on Education held from 21 to 28 August 2012. The money required for the tour had been obtained from trading institutions on requests made by using the letterheads of the school. The statements made by the participant Teachers confirmed that they could not participate in the workshop as they could not leave the Island on the specified date.
- (vii) A sum of Rs.6,960,750 at the rate of Rs.2,000 per student and from other parties had been collected through the deployment of teachers and students of the above school for the construction of a swimming pool. The approval for the construction of the swimming pool had not been obtained and the construction work had not been commenced even by July 2013.

(c) **Others**

The following observations are made.

- (i) Six contract agreements valued at Rs.199,285,500 for the supply and installation of furniture and equipment for 150 Mahindodaya Colleges had been entered into in the year under review before the commencement of the construction of buildings. Even though furniture had not been supplied on the specified date in terms of the conditions of the agreements, action had not been taken either for the extension of the contract period or for the recovery of liquidated damages in terms of the conditions of the agreements. The standards certificates had not been obtained for the furniture received as a part of the contract. As the furniture received before the construction of the buildings could not be installed, those had been stored in unprotected condition in the corridors and other places of the school buildings. This situation had caused obstruction to the educational activities of the schools.
- (ii) Even though the furniture and equipment for 17 Mahindodaya Technological Laboratories costing Rs.10,322,314 had been supplied without planning by February 2013, the construction of the laboratory buildings had not been completed even by 31 March 2014. As such those items of furniture and equipment had been stored unprotected in different places in the schools. That situation had caused obstructions to the educational activities.
- (iii) Goods for sale valued at Rs.6,203,772 had been purchased in the preceding year and the year under review for the Bookshop of a National School in the Colombo District without following the provisions in the Government Procurement Guidelines and without preparing a forecast of the sales. According to the accounts prepared for the preceding year the total sales income and the gross profit of the Bookshop amounted to Rs.4,803,035 and Rs.2,475,619 respectively. Even though the goods had been sold at 5 per

cent gross profit to the cost, the actual gross profit amounted to an abnormal 52 per cent.

- (iv) A sum of Rs.5,876,109 had been paid to a supplier on account of different office equipment purchased and directly provided for 62 schools based on the Goods Received Notes without the official seal of the Principals.

1.10 Transactions of Erroneous Nature

The particulars of transactions of erroneous nature observed during the course of audit test checks are given below.

- (a) A Bank Current Account in the name of the school had been opened for the Hostel of a National School in the Kandy District. During the period from 01 January 2013 to 24 February 2014 selected as a sample, money had been obtained on 20 open cheques issued in favour of an ungenue supplier based on fraudulently prepared invoices allegedly for the supply of raw foodstuffs to the Hostel of the school. A sum of Rs.484,494 had been misused during that period alone.
- (b) Instead of banking the hostel fees charged from the students occupying the Hostel of a National School in the Matara District in respect of the period from 01 January 2010 to 31 March 2014, a sum of Rs.1,287,650 had been misused for private purposes.
- (c) Out of a sum of Rs.310,853 received on 08 receipts as the daily income of the School Development Society of a Central College in the Colombo District, a sum of Rs.262,602 had been banked while the balance Rs.48,251 had not been banked.

1.11 Losses an Damage

The observations on the losses and damage observed during the course of audit test checks are given below.

- (a) Even though the members of the academic and the non-academic staff of 04 National Schools in the Colombo and Matara Districts had borrowed books during various periods from the School Libraries, 2,005 books had not been returned.
- (b) In view of the non-recovery of the rent from the canteen caterer of a National School in the Colombo District in accordance with the agreement entered into with him, the outstanding arrears of canteen rent for the year under review amounted to Rs.1,283,000. The total value of electricity bills not recovered amounted to Rs.372,598. Action had been taken for settlement of a part of the arrears from a grant of Rs.300,000 received by the school from an external party.

1.12 Uneconomic Transactions

The particulars of transactions entered into devoid of economy observed during the course of audit test checks are given below.

- (a) The Schools Computer Network had been established in the year 2006 for providing the Internet facilities to the schools with computer facilities. The Internet connection had been provided to 1,724 institutions including schools by 31 December 2013. According, to the agreement in this connection entered into with a Private Institution and a Government Institution, a sum of Rs.37,090,000 approximately for the establishment of the network and a sum of Rs.579,140,248 for the maintenance from the year 2006 to 31 December 2013 had been spent. Out of that Rs.222,327,173 related to the year under review. But 414 schools and institutions had confirmed that they were not satisfied with the effectiveness and efficiency of the utilization of the service. The Educational Management Information System installed at a cost of Rs.16,122,312 by 31 December 2013 as well had become inactive due to the non-operation of the computer network.
- (b) Even though recommendations for the achievement of 06 objectives had been obtained from a Technical Assistant recruited to the Media Unit of the Ministry on the payment of allowances amounting to Rs.180,000, instead of implementing those

recommendations the same officer had been recruited again in the year 2014 on the basis of payment of allowances amounting to Rs.240,000.

- (c) The responsibility for the implementation of the decision of the Cabinet of Ministers to provide an additional set of uniforms and a pair of shoes to the students receiving education in the difficult and the very difficult and isolated schools had been assigned to the Ministry of Educational Services. Even though a sum of Rs.410,972 had been spent on publication of notices in 05 newspapers calling for applications for a contest for designs for the selection of an official emblem from the creations of students to be printed on the box containing the pair of shoes and other matters during the year under review, conduct of the competition and the purchase of shoes had not been done.
- (d) Even though seven sanitary labourers, two casual sanitary labourers and 5 permanent watchers are included in the staff of a National School in the Colombo District, the sanitation and security work of the school had been assigned to a private institution and the payment of a sum of Rs.10,535,770 for that purpose had been made from the School Development Society in the year under review alone. The Secretary to the Ministry commented that the sanitation and security services of the school were privatized in view of the large extent of the school premises, the number of students receiving education, the staff and the large number of external parties visiting the school daily.
- (e) Out of the income from the Theatre of the school referred to in paragraph (d) above a sum of Rs.1,870,256 had been retained in a Bank Current Account without taking action to earn interest income by investing in call deposits.
- (f) Even though the Swimming Coach of the swimming pool of a National School in the Colombo District had been recruited at a monthly salary of Rs.35,000 , a sum of Rs.762,569 out of the sum of Rs.1,016,758 collected from external parties in the year 2013 had been paid as coaching fees. As such a sum of Rs.254,189 only had been credited to the income of the school. The expenditure of the pool in the year

2013 amounted to Rs.686,481 and as such the overall loss of the pool amounted to Rs.432,292.

- (g) Even though a period exceeding 03 years had elapsed after the construction of the swimming pool of a National School in the Kandy District, only 80 students of the school had registered for swimming practices in the year under review. The pool income received from the external parties in the period from January to November 2013 amounted to Rs.957,400 and the total expenditure amounted to Rs.1,324,311, thus resulting in an overall loss of Rs.366,911 for the year under review.
- (h) Even though 03 finger printing machines and a security camera system had been purchased in the year under review at a cost of Rs.143,750 for a Central College in the Colombo District, the three finger printing machines had become inoperative within a short period of 04 months.

1.13 Management Weaknesses

The following weaknesses were observed during the course of audit test checks.

- (a) Provision amounting to Rs.2,847,579 had been made from Supplementary Estimates Allocation during the year under review for the utilization of grants amounting to Rs.3,347,579 made by the United Nations Educational, Scientific and Cultural Organisation in the preceding year. The provisions had not been utilised due to the inability to achieve the relevant objectives. As such, the total provision received from the United Nations Educational Scientific and Cultural Organisation had to be returned at the end of the year under review.
- (b) Under the objective of establishing the national level Integration and Communications Centres in the 09 Provinces for the development of education of children with special educational requirements, such Unit had been established in the Western Province as well. Even though provision for this purpose amounting to Rs.56 million had been made in 04 instances from the year 2007, the provision had not been utilised for the related activity even by 30 June 2014. Out of the provisions made, a sum of Rs.8,694,366 had been utilised for other activities.

- (c) Contrary to the conditions included in the agreement entered into by the trainees selected for the National Colleges of Education Course at the time of admission to the Colleges, a sum of Rs.15,489,323 recoverable as at 31 December 2013 from 37 trainees who had either not completed the course or those who had successfully completed the course but had failed to serve as a teacher at least for a minimum period of 05 years in a Government School under the Ministry of Education had not been recovered.
- (d) Permanent staff could not be appointed for the essential duties of Hostels as certain Hostels of the National Schools had not been taken over by the Government. As the officers of the Teachers' Service and/or casually recruited employees had to be appointed for that purpose, there were weaknesses in the financial control and maintenance work of the Hostels.
- (e) The construction of the Students Hostel building in a school in the Colombo District by the Provincial Department of Education with Ministry provisions had been suspended from the year 2011. Due to the cracks developed in several places and the lack of proper maintenance, the bathrooms, the lavatory system and other places of the first floor continued to deteriorate beyond use. Fifteen mattresses of 6'x3' size and 25 beds of 6'x3' size remained unprotected in the building since 06 April 2012.
- (f) The following observations are made in connection with the repairs carried out to the main building older than 100 years of a school in Weligama, Matara District.
 - (i) Instead of preparing a full estimate in one instance two estimates of Rs.7,727,000 and Rs.3,912,482 had been prepared in two instances and two contracts valued at Rs.5,965,362 and Rs.3,490,287 had been awarded to a selected contractor.
 - (ii) The estimates had been prepared without specifically identifying the sections which should and should not be repaired and the work on the two contracts had not been completed by the dates specified in the agreements.

As such sums of Rs.556,817 and Rs.979,544 had to be paid for additional work and outside work respectively in connection with the first contract.

- (iii) Even though a sum of Rs.995,538 for the supply and fixing of lattice strips and a sum of Rs.68,349 for the application of water based wood preservatives had been spent, those did not conform to the specifications and standards. Even though a sum of Rs.1,381,785 had been paid for concreting and cementing the floor a physical examination revealed that the floor developed cross-wise cracks all over. The timber used for doors and windows and the locks did not conform to specific standards.
- (iv) Item No. 21-A11 included in the first contract had been included in the second contract without being carried out under the first contract. As such the quotation of that had been increased from Rs.780 to Rs.1,350.
- (j) The Sports Hostel for the sportsmen and sportswomen of the Southern Province maintained at a Central College in the Matara District is in a highly dilapidated condition and as such the books, cloths, beds and mattresses of the students had been destroyed by rain water and 10 latrines were not in usable conditions. Money for students meals and employees' salaries had not been received regularly. As such the number of resident sportsmen and sportswomen had decreased from 683 in the year 2011 to 262 in the year 2013. Even though a sum of Rs.3,410,000 had been approved for carrying out repairs to the Hostel, no follow up action had been taken thereon.

1.14 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2013 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(a) Senior Level	3,500	1,971	1,529	-
(b) Tertiary Level - Staff Grades	16	12	6	2
- Principals	16,512	9,070	7,442	-
(c) Secondary Level - Teachers	215,028	216,231	-	1,203
- Non-staff Grades	4,266	3,133	1,220	87
(d) Primary Level - Junior Grade	8,092	4,094	4,002	4
(e) Others	3	1,100	-	1,097
Total	247,417	215,611	14,199	2,393

The following observations are made.

- (i) Action had not been taken to plan its duties, to adjust the staff required and for the specific identification of the functions and responsibilities of each Branch in accordance with the new Organization Chart prepared for the Ministry. As the Staff Grade and Non-staff Grade Officers attached to the respective Divisions established in the Ministry had not been adjusted with the responsibility and the functions of the respective Divisions, it had not been possible to compute the actual shortage or excess of the staff. In addition, a methodology for the flow of information on transfer and retirement of officers and new appointments to the Human Resources Development Branch had not been established and as such it had not been possible for the Human Resources Development Branch to compile and update Information System on the Staff.
- (ii) The appointment of a permanent officer as a Principal of a school is an essential requirement as the quality and effectiveness of the education imparted to the children depend on the proper management and administration of a school and for providing leadership to the staff to maintain the goodwill and dignity of the school. Nevertheless a planned methodology had not been followed in the filling of vacancies. Instead vacancies had been filled by calling for applications per

individual schools. As such, out of the 350 National Schools in the Island the vacancies in the posts of Principals in 100 schools remained without being filled for periods ranging from 01 year to 14 years by 05 February 2014. During such periods, Principals had been appointed on acting or covering up duties basis.

2. Head 212 – Department of Examinations

2.1 Scope of Audit

The audit of the Appropriation Account and the Revenue Account including the financial records, reconciliation statements, books, registers and other records of the Department of Examinations for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Head of Department on 24 July 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

2.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account, Revenue Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2.3 Audit Observation

According to the Financial Records and the Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (c) and other major audit findings appearing in paragraphs 2.4 to 2.9 herein, the Appropriation Account, Revenue Account and the Reconciliation Statement of the Department of Examinations had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

A Register of Fixed Assets in terms of the Treasury Circular No. 842 of 19 December 1978 had not been maintained.

(b) Budgetary Variance

Excess provisions had been made for 05 Objects and as such the savings after the utilization of provisions, amounted to Rs.97,049,060 and represented 46 per cent to 99 per cent of the net provisions of the respective Objects.

(c) Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement as at 31 December 2013 of the Advances to Public Officers Account Item No. 21201, the balances that remained outstanding as at that date totalled Rs.702,755 and the Department had failed to recover those outstanding balances.

2.4 Assets Management

(a) Idle and Underutilized Assets

An area of 1726.93 m² of the buildings of the Bolawalana Training Centre had been idle for over a period exceeding 03 years.

(b) Conduct of Annual Board of Survey

The following observation is made.

According to the Public Finance Circular No. 441 of 09 December 2009 as amended by the letter No.PF/Boards of Survey/01 dated 17 December 2010 of the Director General of Public Finance, the Boards of Survey for the year 2013 should be conducted and the reports thereon should be furnished to the Auditor General before 31 March 2014. Nevertheless, the Department had furnished the Reports of the Boards of Survey for the year under review to the Auditor General only on 27 July 2014.

2.5 Non-compliances

(a) Non-compliance with Laws, Rules, Regulations, etc.,

Instances of non-compliances with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(i) Financial Regulation 94	34,869,087	Liabilities exceeding the savings after the utilization of provisions made for 05 Objects amounting to Rs.1,350,954 had been committed.

- | | | | |
|-------|------------------------------|-----------|--|
| (ii) | Financial Regulation 396(c) | 7,042,607 | Action in terms of the Financial Regulation had not been taken on 4,057 cheques totalling Rs.6,989,045 issued but lapsed. |
| (iii) | Financial Regulation 756(4) | - | The Chief Accounting Officer / Accounting Officer had not appointed a Special Board for the identification of obsolete assets and reporting thereon. |
| (iv) | Financial Regulation 1647(b) | - | A survey of the motor vehicles of the Department had not been conducted. |

2.6 Performance

----- Planning -----

According to the Examinations Plan for the year under review, the conduct of 230 institutional and foreign examinations by the Department had been planned. Nevertheless, only 141 examinations had been conducted.

2.7 Uneconomic Transactions

Envelopes had been purchased without identifying the annual requirements and as such, 1,672,786 envelopes of 12 categories valued at Rs.12,578,410 with the name of the former Commissioner General of Examinations printed remained in the stores without being utilized by September 2013.

2.8 Management Weaknesses

The following observations are made.

- (a) In the deployment of pool motor vehicles for long journeys the advances for fuel had been granted to the Drivers of motor vehicles instead of the officer in charge of the motor vehicle travelling in the motor vehicle. The filling of fuel to the pool motor vehicles had not been done under the supervision of an officers in charge of the motor vehicles.
- (b) A stock of 12,500 reams of Indonesian Wood Free Paper had been purchased for the year 2012 for Rs.41,797,559 from a private institution. According to paragraph 31 of the instructions to the bidders, the goods supplied should conform to the specified specifications. According to the tests carried out on random samples of papers selected by the Department of Educational Publications and the Industrial Technology Institute, instances of non-conformity with the specifications had been reported. Nevertheless, the full amount agreed had been paid even without obtaining the recommendations of the Technical Evaluation Committee.

2.9 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2013 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	84	64	20	-
(ii) Tertiary Level	16	10	06	-
(iii) Secondary Level	394	337	57	-
(iv) Primary Level	166	122	44	-
(v) Others (Casual / Temporary / Contract Basis)	-	69	-	69
	660	602	127	69

3. Head 213 – Department of Educational Publications

3.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Department of Educational Publications for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Head of Department on 21 July 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

3.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

3.3 **Audit Observation**

According to the Financial Records and the Books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (d) and other major audit findings appearing in paragraphs 3.4 to 3.7 herein, the Appropriation Account, Authorized Advance Account and the Reconciliation Statement of the Department of Educational Publications had been prepared satisfactorily.

(a) **Presentation of Accounts**

Even though the Authorised Advance Account Item No.21302 on the Free Production and Distribution of Textbooks to Schools should have been presented to audit by 30 April 2014, that had been presented only on 23 May 2014 after a delay of 23 days.

(b) **Liabilities Committed exceeding the Approved Provisions**

Contrary to the provisions in Financial Regulations 94(1) liabilities amounting to Rs.320,072 which exceeded the savings amounting to Rs.7,420 remaining under 05 Objects after the utilization of the provisions made thereunder, had been committed.

(c) **Reconciliation Statement of the Advances to Public Officers Account**

According to the Reconciliation Statement as at 31 December 2013 of the Advances to Public Officers Account Item No. 21301 the balances that remained outstanding as at that date totalled Rs.479,365 and the Department had failed to recover those outstanding balances.

(d) **Printing, Publicity and Distribution of Textbooks to Schools Authorised Advance Account Item No. 21301**

(i) Even though books valued at Rs.312,831,071 identified as unusable due to the changes in the syllabuses and other reasons according to the Reports of the Boards of Survey had been disposed of in accordance with a decision of

the Cabinet of Ministers, action had not been taken to eliminate that balance from the books.

- (ii) Necessary action had not been taken to eliminate from the books the value of the Stock of Books Eliminated from Use Account amounting to Rs.303,469,564 existing from 31 December 2009.
- (iii) Necessary steps had not been taken to ascertain the reasons and settle the difference of Rs.223,582 between the value of voted input and the cost of fixed assets in the balance sheet pointed out even in the audit of the Advance Account for the year 2012.
- (iv) According to the Annual Budget Estimates for the year 2013, the revised maximum limit of liabilities amounted to Rs.1,950,000,000 and the actual overall liabilities as at 31 December 2013 amounted to Rs.1,884,542,544. Instead of disclosing the actual liabilities in the statement of approved limit of expenditure and the actual expenditure, a 'nil' statement of liabilities had been included.
- (v) The depreciation of Rs.284,982 had not been recognized for the fixed assets totalling Rs.949,940 purchased in the year 2012 and as such the annual profit and the value of the fixed assets had been overstated by that amount.
- (vi) According to the Register of Payments to Printing Creditors a sum of Rs.21,154 had been paid for increase in the number of pages in books while a sum of Rs.4,037 had been deducted from the payments for decrease in the number of pages in books. Even though the different between the two sums amounting to Rs.17,117 should be adjusted to the Creditors Account, a sum of Rs.50,167,130 had been adjusted due to the changes in the pages of the Creditors Account in the ledger. None of the evidence in support of the adjustment had been furnished to audit.

- (vii) According to the Register of Printing Advances, the unsettled advances as at 31 December 2013 amounted to Rs.340,960,140 whereas the balances of the advances according to the ledger amounted to Rs.326,339,399. As such a difference of Rs.14,620,741 in the unsettled advances existed.
- (viii) The recoverable outstanding balances of the Authorised Advance Account totalled Rs.8,323,968 and the Department had failed to recover those outstanding balances.
- (ix) Even though stock in hand should be valued at the cost or the market value whichever is less, the unusable opening stock of finished goods amounting to Rs.11,099,227 and the closing stock of finished goods amounting to Rs.17,262,456 valued at cost had been included without making provision.
- (x) Even though a statement of missing items and losses of trading goods in the Authorised Advance Accounts Activities should be appended to the Profit and Loss Account, it had not been so done in connection with the unusable and obsolete books.

3.4 Deficiencies in the Operation of Bank Accounts

Balances for Adjustment

According to an analysis of the adjustments in the Bank Reconciliation Statements for December 2013 prepared by the Department of Educational Publications, a cheque for Rs.15,194 old between 01 year and 03 years remained without being presented for payment.

3.5 Payments Contrary to Objectives

A sum of Rs.308,000 spent for the publication of a newspaper advertisement on the 1,000 Mahindodaya Schools Programme had been brought to account as an expenditure on the free supply textbooks.

3.6 Operating Inefficiencies

The following observations are made.

- (a) A stock of 2,000 copies of the books on “Economic Growth and Development” had been printed under the Printing of Supplementary Books 2011 under urgent purchases at a higher price through the State Printing Corporation without calling for quotations. An unsold stock of 1,733 books of sales value amounting to Rs.1,836,980 remained in the Olcott Stores even by 31 December 2015.
- (b) Out of the 50,000 copies of the Mathematical Tables of the Sinhala Medium printed in the year 2007, only 8,866 copies had been sold as at 31 March 2014. As such 41,134 books valued at Rs.2,056,700 remained in the stores without being sold.
- (c) Despite the availability of a balance of 44,929 books of Mathematical Tables according to the Reports of the Boards of Survey, a further order for the printing of 10,000 books for Rs.54,500 had been placed on 21 February 2013. None of the copies of those had been sold even by 13 October 2013, the date of audit.
- (d) In view of the inadequate of the number of books supplied under the initial orders placed for the printing of text books for the year 2012, further orders had been placed for the printing of 936,680 copies of 150 categories. According to the Order and the statement of conditions the total penalty on the delayed delivery of books should be recovered. Nevertheless, refund of the penalty recovered by the letter No. EPD/FD/01 of 30 May 2012 had been approved by the members of the Operating Committee even without requests from the printing institutions. The penalty for delays amounting to Rs.866,033 recovered on 30 categories of books had been refunded.

3.7 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2013 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	45	36	09
(ii) Tertiary Level	04	01	03
(iii) Secondary Level	104	57	47
(iv) Primary Level	71	51	20
(v) Others (Casual / Temporary / Contract Basis)	315	130	185
Total	539	275	264