

Report of the Auditor General on Head 213 –Education Publications Department - Year 2015

The audit of the Appropriation Account, Commercial Advance Account and the Reconciliation Statements including the financial records, reconciliation statements, books, registers and other records of the Head 213, Education Publications Department, for the year ended 31 December 2015 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 Commissioner General of the Department on 14 July 2016. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the Accounts and the 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 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, Commercial Advance Account and Reconciliation Statements in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, and the Public Finance and Administrative Regulations. This responsibility includes the 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. Accounts

2.1 Appropriation Account

Total Provisions and Expenditure

The total net provision made for the Department amounted to Rs. 111.30 Million and out of that, a sum of Rs. 96.65 Million had been utilized by the end of the year under review. Accordingly, the savings of the total net provision had been Rs. 14.65 Million or 13.16 per cent. Details appear below.

Expenditure	As at 31 December 2015			Saving as a percentage of total Net Provision
	Net Provision	Utilization	Savings	
	Rs Millions	Rs Millions	Rs Millions	
Recurrent	55.40	47.26	8.14	14.69
Capital	55.90	49.39	6.51	11.65
Total	111.30	96.65	14.65	13.16

2.2 Advance Accounts

2.2.1 Advances to Public Officers' Account

Limits authorized by Parliament

Limits authorized by Parliament for Advances to Public Officer's Account Item No: 21301 relevant to the Department and the actual values are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
6.93	6.84	5.43	6.34	33.00	17.92

2.2.2 Commercial Advance Account

The Department had operated a Commercial Advance Account.

(a) Limits authorized by Parliament

Limits authorized by Parliament for the Commercial Advance Account under Item No: 21302 operated by the Department and the actual values are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>		<u>Liabilities</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual	Maximum Limit	Actual
Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
3,950.00	3,931.82	3000.00	4,038.81	4000.0	803.51	2,500.00	2,499.90

(b) Financial Result

The financial result of the Commercial Advance Account had been as follows:

Item Number	Advance Account Activity	Financial Result			
		2015		2014	
		Profit excluding Hypothetical Charges	Profit including Hypothetical Charges	Profit excluding Hypothetical Charges	(Loss) including Hypothetical Charges
		Rs Millions	Rs Millions	Rs Millions	Rs Millions
21302	Printing, advertising and sale of books	2,034.1	1,171.4	262.6	(665.7)

2.3 General Deposit Account

The balances of the 03 Imprest Accounts under the Department as at 31 December 2015 totalled Rs. 3.97 Millions Details appear below:

Deposit Account Number	Balance as at 31 December 2015
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	Rs.Millions
6000/0000/00/0001/0088/000	3.10
6000/0000/00/0013/0078/000	0.34
6000/0000/00/0016/0066/000	0.53

Total	3.97
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2.4 Audit Observation

The Appropriation Account, the Commercial Advance Account and the Reconciliation Statements of the Education Publications Department for the year ended 31 December, 2015, had been prepared satisfactorily, subject to Audit Observations appearing in the Management Audit Report referred to in paragraph 1.1 above. The material and significant Audit Observations out of the Audit Observations included in that Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account as at 31 December 2015 bearing item no 21301, the balances that could not be recovered or where no action had been taken to write off was Rs.538,290, and this has been continuing for a period ranging from 01 year to 05 years.

3.2 Commercial Advance Account

The Department had performed the activities of a Commercial Advance in respect of the printing, advertising and sale of books bearing object no 21302 during the year under review. The following deficiencies were observed during audit test checks carried out in respect of these financial statements.

- (a) An audit opinion could not be expressed with regard to the Advance Account for the year 2015, and it was not possible to express audit opinions with regard to the accounts of the preceding years as well.

- (b) The total of the recovery of outstanding balances of the Advance Account was a sum of Rs.632,557, and the Department had failed to recover these outstanding balances even by the end of the year under review. Out of this, the approval of the Commissioner General of Education Publications had been received on 15 July 2016 to write off a balance of Rs.28,996.
- (c) The overall expenditure totalling Rs.3,909,742,737 according to the Votes Ledgers of the Department and the total monthly expenditure had been identified as Provincial Expenditure for each month without apportioning and the total monthly expenditure had been debited to one Provincial Sales Account.
- (d) Even though Treasury provisions had been made from the year 2010 to the end of the year 2014 to distribute text books free to Government Schools, a sum of Rs.9,662,075,550 being the value of these books had been shown in the accounts as a debtors' balance.
- (e) Even though a statement of trade debtors, creditors, finished goods, goods and supplies, a statement on the Limits of the Advance Accounts and a Profit and Loss Account had to be prepared and forwarded to the Chief Accounting Officer with a copy to the Auditor General at the end of each quarter in accordance with Financial Regulation 504, no such action had been taken even by 31 March 2016.
- (f) Even though the Shroff or a responsible officer should go accompanied with a Police guard in transporting Departmental cash in accordance with Financial Regulation 326, action had not been taken accordingly in transporting cash on days where the sales income had exceeded Rs.200,000 in respect of Commercial Advance activity and on specialized days when the sales income had exceeded a sum of Rs.600,000.
- (g) The accumulated profit from year 2004 to year 2014 had been valued at Rs.6,732,120,091 relevant to the Commercial Advance Account as at 31 December 2015. The profit for the year under review had been a sum of Rs.2,034,156,417. These profits had not been credited to Government Revenue, in terms of the Financial Regulation 510(2)(b).

3.3 Management Weaknesses

The following weaknesses were observed during the audit test checks:

- (a) A quantity of 6,835 counterfoil books amounting to Rs.1,127,775 printed in the year 2008 had been used even by the year 2015, out of which a quantity of 30 per cent remainins even by 31 December 2015. Attention had not been paid to matters such as the requirement for large stores accommodation, damage to books and making the way for misuse of the books due to printing of invoice books unnecessarily. Similarly, necessary action had not been taken in terms of Financial Regulation 343 with regard to the misplaced, used and unused counterfoil books valued at Rs.1,127,775.

- (b) A sum of Rs.3,651,746,650 had been paid to the State and the Private Sector for the printing of 44,073,100 copies of 409 text books for the year 2016. A quota of 30 per cent should be given to the state sector for printing text books in terms of the Cabinet Memorandum No 403/15/0597/622/002-01 dated 28 May 2015. Only a quota of 20 per cent had been given to the State Sector in respect of the text books printed for the year 2016. Even though the Commissioner of Educational Publications had notified the audit by that the text books should be printed during the stipulated period and that printing had been assigned based on the performance of the preceding years, instances were observed where even the Private Sector had not carried out the printing during the stipulated period.
- (c) Even though a laboratory was available to obtain inspection reports on the quality of the books, it had not been possible to obtain accurate reports due to the absence of a trained inspecting officer. While the audit had obtained quality reports in respect of 6 types of books from the Industrial Technology Institute, there was no tensile index in 5 items and there was no brightness in the paper in 1 item.
- (d) The Monitoring Committee of the Department had released fines amounting to Rs.407,600,350 in respect of 7,407,500 text books. Out of this value, 12 per cent from the state sector and 88 per cent from the Private Sector had been released, and no acceptable reasons were adduced to audit which led to the release of fines.
- (e) A sum of Rs 20 Million had been allocated for the Project of Transforming the School Education System as the foundation of a Knowledge Hub (TSEP) and it had been planned to achieve 5 objectives thereby. Out of these, only 2 objectives had been achieved, and provisions amounting to Rupees 5.6 Million allocated for the project had been saved.

3.4 Human Resources Management

Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2015 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	45	40	05	-
(ii) Tertiary Level	04	03	01	-
(iii) Secondary Level	120	74	46	-
(iv) Primary Level	73	175	-	102
Total	242	292	52	102

Fifty two posts remained vacant as at the end of the year under review, and action had not taken by the Department to fill these vacancies. The following observations are made in this connection:

- (a) Fines recoverable from the printers had to be released due to the delay caused by the lack of sufficient officers, in printing of books.
- (b) Even though plans had been prepared to executive the functions of the Project, sufficient staff was not available to execute them.