

## **Report of the Auditor General on Head 213 – Department of Education Publication - Year 2016**

---

The audit of the Appropriation Account, Commercial Advance Account and the Reconciliation Statements including the financial records, books, registers and other records of the Department of Education Publication for the year ended 31 December 2016 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 29 September 2017. The audit observations, comments and findings on the accounts and 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 Responsibilities 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 Article 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: designing, implementing, 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 Provision and Expenditure

---

The total net provision made for the Department amounted to Rs.153.21 million and out of that Rs.105.20 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provisions of the Department amounted to Rs.48.01 million or 31.34 per cent of the net provision. Details appear below.

Head	As at 31 December 2016			Savings as a percentage of Net Provisions
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	58.88	56.87	2.01	3.41
Capital	94.33	48.33	46.00	48.76
Total	153.21	105.20	48.01	31.34

## 2.2 Advance Account

### 2.2.1. Advances to Public Officers Accounts

Limits authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the Department under Item No.21301 and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
10.00	9.04	5.00	6.19	35.00	21.99

### 2.2.2

#### Commercial Advance Account

##### (a) Limits authorized by Parliament

The limits authorized by Parliament for the Commercial Advance Accounts Operated by the Departments are given below.

Expenditure		Receipts		Debit Balance		Liabilities	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual	Maximum Limit	Actual
Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
5,615.00	2,188.87	4,000.00	5,580.99	4,000.00	679.26	1,900.0	1,534.3

(a) Financial Results

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

Advance Account Activity	Financial Results			
	2016		2015	
	Profit excluding Hypothetical Charges	Profit including Hypothetical Charges	Profit excluding Hypothetical Charges	Profit including Hypothetical Charges
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
Printing, publication and sale of books	1,095.38	343.53	2,034.2	1,171.4

2:3 Imprest Account

The balances of the Imprest Account No. 7002/0000/00/0172/0016/000 operated under the Department as at 31 December 2016 totalled Rs.24.02 million.

## 2:4 General Deposit Account

---

The balances of 03 Deposit Accounts of the Department as at 31 December 2016 totalled Rs. 3.87 million, Details appear below.

General Deposit Account Number	Balance as at 31 December 2016
-----	-----
	Rs. Millions
6000/0000/000/0001/0088/000	3.10
6000/0000/000/0013/0078/000	0.40
6000/0000/000/0016/0066/000	0.37
	-----
Total	<u>3.87</u>

## 2:5 Audit Observation

---

According to the Financial Records and Books for the year ended 31 December 2016, it was observed that subject to the audit observations appearing in paragraph 1.1 of the Management Audit Report, the Appropriation Account, Commercial Advance Account and the Reconciliation Statements of the Department of Education Publications have been prepared satisfactorily. The material and important observations out of the observations included in those Management Audit Reports appear in paragraph 3 herein.

## 3. Material and Significant Audit Observations

---

### 3.1 Reconciliation Statement on the Advances to Public Officers Account

---

According to the Reconciliation Statement presented to audit as at 31 December 2016 the balances that remained outstanding in the Advances to Public Officers Account Item No.21301 as at that date totalled Rs. 201,832. Even though those outstanding balances remained over periods of 05 years, it had been failed to recover that outstanding balances.

## 3.2 Commercial Advance Account

-----

The Department had dealt with a Commercial Advance activity Item No.21302 relating to printing, publication and sale of books during the year under review. The following deficiencies were observed during the course of audit test check carried out on the accounts made available to audit.

- (a) An audit opinion could not be expressed on the Advance Account for the year 2016 and an audit opinion could not be expressed even on the accounts of the preceding years.
- (b) The outstanding balances of the Advance Account totalled Rs.603,560 and the Department had failed to recover those outstanding balances.
- (c) Total printing advance amounting to Rs.668.87 million paid to the printers in the year 2016 had been shown as the charges of the Production Account. Therefore, it could not be determined the amount of unsettled advance and whether the advance had been totally spent .
- (d) Without mentioning a value, a list of 102 slow moving books had been presented together with the accounts in the year 2016 and the Department had made a provision of Rs.3,000,000 annually in respect of slow moving books without any base. Accordingly, the balance of that account as at the end of the year under review amounted to Rs.42,046,773.
- (e) A sum of Rs.364,466,325 had been overstated in the Creditors Account and having recorded that balance as the adjustment of creditors, it had been understated in the Profit and Loss Appropriation Account.
- (f) There existed a balance of unusable stock of books valued at Rs.114,448,637 as at 01 January 2016 and a stock of books valued at Rs.87,667,015 had been sold at Rs.6,738,174 to a private company during the year under review. The resulting net loss amounting to Rs.63,808,154 had not been adjusted to the profit of the year and the unusable stock of books as at 31 December 2016 amounted to Rs.43,902,309.
- (g) When the number of pages of the books ordered by the Department for printing are more or less than the number of pages indicated in the specification, a recovery or a payment is made from or to the printer as applicable. The net difference of Rs.19,206,008 relating to less or more number of pages thus recorded in the year 2016 had not been shown as a separate item in the profit and loss account and it had been included in the printing charges expenditure.
- (h) The unusable stock of books valued at Rs.303,469,564 had been continuously brought forward in the balance sheet as a stock of books removed from using over a period of 8 years and any evidence on the physical existence of this unusable stock of books had not been made available to Audit.
- (i) Even though provisions amounting to Rs.43,902,309 had been made for the books removed from using annually and a balance totalling Rs.838,081,734 existed as at 31

December 2016, a stock balance of unusable books relating to that amount had not been shown in accounts.

- (j) A balance of Rs.312,831,071 had been shown as cost scheduled for dispose of over 06 years from 31 December 2010 in the balance sheet under the liabilities, whereas evidence had not been made available to audit as to whether the disposal had been made or that cost had been eliminated.
- (k) Although only the net profit of the Profit and Loss Appropriation Account should be made use of for the appropriation, in addition to the net profit of the year, a balance of Rs.7,161,239,761 brought forward for the preceding year ,too, had been used for the appropriation.
- (l) The building rent amounting to Rs.4,464,177 paid in respect of the Orugodawatta Warehouse in the year 2015 had been stated as the building rental of the year 2016.
- (m) Although the stock balance as at 01 January 2016 amounted to Rs.1,401,355,548, it had been stated as Rs.1,399,965,822 in the Trade Account. Accordingly, gross profit had been overstated by Rs.1,389,726.

### **3.3 Non-compliance**

-----

Non-compliance with Laws, Rules and Regulations

-----

The profit of Rs.1,596.92 million in the Approved Advance Account had not been assigned to the Government Revenue in terms of Financial Regulations 510 (2) (b).

### **3.4 Management Weaknesses**

-----

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

- (a) A lorry loaded with textbooks had been damaged on 29 December 2015 after hitting with the Textbook Warehouse of the Kurunegala Divisional Education Office and the expenditure on repair amounted to Rs.229,000 according to the estimates of the Department of Engineering. Nevertheless, the person who was responsible for the accident had not been determined even as at 31 December 2017 and repairs, too, had not been carried out.
- (b) Distribution of School Textbooks

-----

The following weaknesses were observed in connection with the distribution of school text books.

- (i) The textbooks for the year 2016 had not been distributed even up to October 2016.
  - (ii) There were some instances where books had been distributed in excess or less quantities than the number of textbooks ordered.
  - (iii) There were lapses in the distribution centres of textbooks.
- (c) A sum of Rs.66,613,601 had been paid for the excess pages contained in the printed books than the pages stated in the specification while a sum of Rs.57,359,362 had been underpaid in respect of books with less number of pages.
- In reprinting, a sum of Rs.3,176,989 had been overpaid relating to the excess pages and a sum of Rs.2,166,555 had been underpaid due to the number of pages being less than the prescribed amount. The reasons attributed to these differences of the number of pages and the revisions effected to the text books had not been revealed in audit.
- (d) For the print of 44,073,100 textbooks for the year 2016, orders valued at Rs.3,651,746,650 had been placed with the Government and private printing press and the following matters were observed in the examination carried out on the recovery and exemption of fines.
- (i) Departmental circular had not been issued or other provisions had not been made in relation to the recovery of fines.
  - (ii) Instead of rejecting the books printed deviating from the specifications, those had been taken over and having recovered fines, low quality textbooks had been taken over.
  - (iv) Softcopies relating to printing of books should be given at the time of placing the relevant orders. However, some instances were observed that softcopies had not been given to the printers even by the date scheduled for the handing over of textbooks on completion of printing in terms of the agreements.
  - (v) Delays occurred in the printing of text books are calculated as the delay of the printers and the delay of the Department, there was no proper methodology for the calculation of number of delayed days.
- (e) School textbooks had been distributed by the Divisional Education Offices and distribution centres in the selected schools. The following matters were observed at the physical examination carried out in the distribution centers of the Kaduwela Divisional Education Office.
- (i) Textbooks had been issued exceeding the number of textbooks demanded according to the registers of order.
  - (ii) Textbooks had been distributed even up to the end of the first school term of the year 2017.

### 3.5 Human Resources Management

#### Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2016 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i)	Senior Level	45	39	06	-
(ii)	Tertiary Level	04	03	01	-
(iii)	Secondary Level	120	83	37	-
(iv)	Primary Level	73	63	10	-
(v)	Other	-	102	-	102
	<b>Total</b>	<b>242</b>	<b>290</b>	<b>54</b>	<b>102</b>