

Head 213 - Report of the Auditor General on the Department of Educational Publications – Year 2017

The Appropriation Account , Reconciliation Statement and the Commercial Advance Account under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No.32 of 2017 were presented to Audit by the Department. The financial and physical performance reflected by those accounts and the reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility of the Chief Accounting Officer for the Financial Management and Accountability

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament 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, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of the Department of Educational Publications – Head 213 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Commissioner General on 16 October 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a

review of the plans, accounts, reconciliation statements and performance reports 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.

1.4 Audit Observation

The audit observations of the Department of Educational Publications for the year ended 31 December 2017 revealed in audit appear in Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.1 to 2.7 of this report. It was observed that the accountability as the Chief Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulations 128 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Accountability of the Chief Accounting Officer in terms of Financial Regulation 128(1)	Non-compliance with that Provision by the Chief Accounting Officer	Reference to the Paragraph of the report which included the Observation
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Financial Regulations		
128(1)(a)	<p>The work of his department is planned and carried out with due despatch ,having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provisions for the activities authorised, and that an endeavour is made to complete the programme of work laid down for the year and /or to attain the targets specified.</p>	<p>2.1</p> <p>2.3</p>

128 (1)(c)	The Financial Regulations and other supplementary instructions of the Government are adhered to in his department, and that they are supplemented by departmental instructions, where necessary.	Non-compliance	2.6
128(1)(d)	An adequate system of internal check for receipts, payments and issues is maintained and tested from time to time .	1. Outstanding loan balances of the Advances to Public Officers Account . 2. Deficiencies in the Commercial Advance Accounts	2.4 2.5
128(1) (i)	The activities of his department are undertaken with due regard to economy, efficiency, propriety and integrity expected in the transactions of public business.	Management Weaknesses	2.2

2. **Material and Significant Audit Observations**

2.1 **Obtain Supplies and Services from Procurement Procedure**

A sum of Rs.2,571,814 had been spent for the covering of the lintels in the stores A of the new text book stores complex at Pitipana. The following matters were observed in that connection.

- (a) An engineering estimate amounting to Rs.5,666,453 had been prepared by the School Building Division of the Ministry of Education for the execution of the said activity and the said engineering estimate had been amended as Rs.2,238,450 through a Chartered Engineer of the Project Management Unit of the Ministry. It was observed an increase of 15 per cent in the price of raw materials in the amended engineering estimate than the first engineering estimate prepared . Due to the quantitative variances in the price of raw materials of two engineering

estimates prepared in the same time period , the accuracy of the preparation of engineering estimates was problematic in audit.

- (b) Even though plans had been made to complete the contract on 02 November 2016 , it was observed that the contract had been commenced only on 31 March 2017.

2.2 Management Weaknesses

Manufacturing of Electronic Text Books

Loan grants amounting to Rs.50 million each had been received in the years 2016 and 2017 under the Reconstruction of the School Education System as the Foundations of the Knowledge Centre Programme and the provisions had been made as a sum of Rs.24.5 million in the year 2016 and a sum of Rs.25 million in the year 2017 respectively for the manufacturing of electronic text books according to the Annual Action Plan prepared based on this project loans. Plans had been made to manufacture the science text book for the year 11 as an electronic text book and distribute among the schools and the following matters were observed in that connection.

- (a) Even though the Department had decided to prepare an electronic text book for the science subject of the year 11, a feasibility study had not been carried out and action had not been taken for the preparation of a formal plan on this new production whether it could be practically implemented in a country like Sri Lanka and the manner it would be implemented in the school system in Sri Lanka.
- (b) According to the information obtained from the Data Management Division of the Ministry of Education , it had been identified that computers are not used in 702 schools which the classes are conducted up to year 11 and one computer or 02 computers are available only in 1,350 schools. Accordingly, it was observed that the opportunity to use of electronic text books for the science subject of the students of year 11 in the schools in remote areas who did not use computers, has been missed .
- (c) According to the Paragraph 18.2 of the conditional paper of calling bids for that purpose , it should be deducted from the bills payable to the supplier 0.5 per cent each from the value of each delayed date as the liquidated damages on failure to supply electronic text books to the due date and the maximum value of the damage could be deducted is 30 per cent of the contract amount . According to the Paragraph 6.5 under the special conditions of the agreement signed between

the Consultancy Company and the Department, the dates which the deliverables prepared by the Company relating to the produce of text books had been shown clearly . However, the relevant deliverables had not been handed over to the Department on the due dates. The total sum amounted to Rs.7,687,290 had been paid to the Consultancy Company without being recovered the liquidated damages amounted to Rs.2,306,187 for the delayed dates.

- (d) A loan interest amounting to Rs.1,882,653 also had been paid for the year 2016 for the loan grants under the Reconstruction of the School Education System as the Foundations of the Knowledge Centre Programme. The Department had failed to distribute those text books even by September 2018 which were commenced under the foreign loan grants by paying a large interest .

2.3 Utilization of the Provisions authorized by the Parliament to Perform Activities.

Information on provisions made for the Department during the period of 05 years ended 31 December 2017 ,utilization and savings thereof and audit observations are given below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
		Rs. millions	Rs. millions	Rs. millions	
2013	Recurrent	23.4	23.2	0.2	0.8
	Capital	54.9	49.7	5.2	9.4
	Total	78.3	72.9	5.4	6.8
2014	Recurrent	29.3	26.8	2.5	8.5
	Capital	80.8	54.2	26.6	32.9
	Total	110.1	81	29.1	26.4
2015	Recurrent	55.4	47.2	8.1	14.6
	Capital	55.9	49.4	6.5	11.6
	Total	111.3	93.6	14.6	13.1
2016	Recurrent	58.9	56.9	2	3.4
	Capital	94.3	48.3	46	48.8
	Total	153.2	105.2	48	31.33

2017	Recurrent	56.7	53.7	2.9	5.1
	Capital	83.5	39	44.5	53.3
	Total	140.2	92.7	47.4	33.8

Appropriation Account

Non-utilization of the Provisions Provided

Provisions amounting to Rs.39,857,863 ranging from 67 per cent to 100 per cent relating to four Capital Objects had been saved due to failure to prepare estimates under a definite plan by identifying the requirements in the preparation of Annual Estimates.

2.4 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account, Item No.21301 of the Department 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
18	12.4	6.5	7	42	27.3

The following observations are made.

Loan Balances Recoverable

(i) Loan Balances Recoverable from the Officers Retired

The Department had failed to recover the loan balance exceeding 01 year amounting to Rs.169,675 recoverable as at 31 December 2017 from an Officer retired.

(ii) Loan Balances Recoverable from the Officers Interdicted

A loan balance amounting to Rs.130,178 recoverable from three Officers interdicted as at 31 December 2017 and out of that loan balance amounting to Rs.55,318 exceeded 5 years and a loan balance amounting to Rs.9,500 exceeded one year are remained. The Department had failed to recover those loan balances even by 30 September 2018.

(iii) Loan Balances Recoverable from the Officers Vacated Posts

A loan balance amounting to Rs.567,853 recoverable as at 31 December 2017 from the officers of the Department who vacated post was remained and out of that a loan balance amounting to Rs.480,072 exceeded from 03 years to 05 years . The said loan balances could not be recovered even by 30 September 2018.

2.5 Commercial Advance Account

According to the financial statements presented for the Commercial Advance activity relating to printing, advertising and sales of books bearing item No.21302 , the financial result therein was as follows.

Advance Account Activity	Financial Results			
	2017		2016	
	Profit Without Hypothetical Charges	(Loss) with Hypothetical Charges	Profit Without Hypothetical Charges	Profit with Hypothetical Charges
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
Printing Advertising and Sale of Books	674.4	(6,473)	343.5	1,095.4

The following observations are made.

- (a) An audit opinion could not be expressed in respect of the Advance Account for the year 2017 and an audit opinion could not be expressed in respect of the accounts in the preceding years as well.
- (b) The opening balance amounting to Rs.36,021,961 shown in the Accrued Expenses Account as at 01 January 2017 had been deducted from the expenditure in the year.
- (c) Expenses amounting to Rs.36,505,028 paid for the increase and decrease in the number of pages in the printing of books had been shown as current assets in the balance sheet.
- (d) The difference amounting to Rs.45,311,159 in the Creditors Account had been shown by transferring to the approved Advance Account and no any information in that connection was not presented to audit.
- (e) A sum of Rs.6,337,676 had been paid for the building rentals in the year and a sum amounting to Rs.540,599 of building rentals for the year 2016 had been included in it. Further, arrears of rentals amounting to Rs.136,143 for the year 2017 had not been shown in the accounts.
- (f) The opening balance of printing creditors amounted to Rs.1,498,258,670 . Nevertheless, agreements valued at Rs.21,869,370 had been cancelled, adjustments thereon had not been carried out.
- (g) A sum of Rs.43,587,570 included in the opening balance of printing creditors in the year 2017 had not been settled in the year 2017 and had not been shown in the printing creditors at the end of the year as well.
- (h) The stores deposit of Rs.946,150 retained for the stores at Colombo Fort and Orugodawatta for the maintaining of book outlets and stores of the Department had been understated by Rs.321,150 in the balance sheet as Rs.625,000 . Similarly, though the storages in the Department had been completed by 30 June 2017 , the deposit amounting to Rs.853,000 for the Orugodawatta stores had not been recovered even by 30 June 2018, the date of audit.
- (i) Even though the net profit of the Profit and Loss Account should be stated in the Appropriation Account and the remaining balance after further appropriation of expenses should be included in the balance sheet , a balance amounting to Rs.7,845,247,957 brought forward in the previous year in this Appropriation Account by recording the net profit had been used for the appropriation. However,

the balance remaining from that account had not been brought to the balance sheet.

- (j) A sum of Rs.3,733,972 allocated from the annual profit for the losses incurred from the slow moving books and the balances amounted to Rs.58,703,933 allocated for the Disposed Book Stock Account had not been adjusted to the Profit and Loss Account.
- (k) An agreement of Rs.122,000 had been entered into with a Private Company for the printing of copies of the Teachers Guide for Islamic Civilization in Tamil Medium for year 12 according to the Register which the payments made to the printers. Even though it had been changed later as Rs.97,000 , a creditors balance amounting to Rs.122,000 had been shown in the account.
- (l) Failure to recover the sum amounting to Rs.7,431,012 receivable from the year 2009 from a Private Company even in the year under review.
- (m) Action had not been taken to rectify the debtors balance totalled Rs.2,954,000,000 shown in the financial statements from the year 2010 to the year 2017 due to the value of books printed annually and sale to the Ministry of Education erroneously recorded as debtors.
- (n) Failure to recover the sum of Rs.110,304 recoverable for the books received to the State Printing Corporation during the period from 1993 to the year 2002 .
- (o) Even though Teachers Guides and 45 categories of text books which the agreed value amounted to Rs.125,410,405 should have been printed and handed over at the end of January 2018, those books had not been printed and handed over even up to 30 June 2018.

2.6 Non-compliances

----- **Non-compliance with Laws, Rules, Regulations** -----

Non – compliances with the provisions in Laws, Rules, and Regulations observed at audit test checks are analysed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
	Rs.	
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulation 396(d)	620,831	Action had not been taken accordingly in respect of 39 cheques issued but not presented to the bank and lapsed for more than 6 months relating to 02 accounts.
(ii) Financial Regulation 510(2)(b)	2,997,188,104	Action had not been taken to credit the profit of the Profit and Loss Account of the Department to the Revenue for the year ended 31 December 2016.

2.7 Human Resources Management

Approved Cadre, Actual Cadre and Expenditure for Personnel Emoluments

Particulars on approved, actual, vacant and excess cadre as at 31 December 2017 for the execution of the duties of the Department are given below. A sum of Rs.35.6 million had been spent for the category of personal emoluments by the Department for the year under review. Accordingly, per capita expenditure had been Rs.110,216.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	45	35	10	
(ii) Tertiary Level	04	02	02	
(iii) Secondary Level	120	87	33	
(iv) Primary Level	73	156	-	83
(v) Casual / Contract Basis	-	43	-	43
Total	242	323	45	126

One hundred and twenty six employees had been recruited exceeding the approved cadre without a proper approval.