

Head 213 – Department of Educational Publications

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head 213, the Department of Educational Publications for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, and cash flow statements for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. The Summary Report including my comments and observations on the financial statements of the Department of Educational Publications was issued to the Accounting Officer on 24 May 2023 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018. The Annual Detailed Management Audit Report of the Department was issued to the Accounting Officer on 31 May 2023 in terms of Section 11 (2) of the Audit Act. This report is presented in Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 20.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Educational Publications as at 31 December 2022 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, under those standards is further described in the Auditor's Responsibility for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibility of the Accounting Officer on Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16 (1) of the National Audit Act, No. 19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Department.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

In accordance with Section 6 (1) (d) of the National Audit Act No. 19 of 2018, I state the followings;

- (a) The financial statements are in consistent with those of the preceding year
- (b) The recommendations made by me regarding the financial statements of the preceding year had been implemented.

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

(a) Commercial Advance Accounts

	Audit Observation	Comment of the Accounting Officer	Recommendation
(i)	Even though the net value of lands and buildings as at 31 December 2021 in the balance sheet should be Rs. 192,233,776, it had been stated as Rs. 115,492,778. Accordingly, that value had been understated by Rs. 76,740,998 in the financial statements.	Action will be taken to prepare final accounts accurately in the ensuing years.	The comparative values related to the preceding year should be accurately stated in the balance sheet.
(ii)	The payable balance of Rs. 877,525 that had been accounted for as accrued expenses as at 31 December 2022 was not included in the record of liability.	Action will be taken to make corrections in due course.	The payable balances should be correctly included in the record of liability.
(iii)	Four printers creditors balance totaling Rs. 1,650,634 continued to exist since the year 2013 had not been settled even by 20 April 2023.	Further action is being taken to settle this payable balance.	Necessary measures should be taken to settle as soon as possible these creditors balances that continued to exist over a number of years.
(iv)	Six creditors balances of Rs. 1,763,792 stated in the register for payments to the printers had not been included in the creditors balances as at 31 December 2022 of the approved advance account and as a result, the creditors balance as at 31 December 2022 had been understated by that amount.	Action will be taken to make corrections in due course.	Creditors balances should be accounted for correctly.

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| (v) | A sum of Rs. 6,208,462 paid on 21 March 2022 in relation to the Grade 7 Tamil second language text book printed by the Department of Government Printing had not been included in the register for payments to the printers. | Action will be taken to correct this. | Action should be taken to correctly include the amount in the registers at the time of making payment. |
| (vi) | As the balance confirmations had not been presented to the audit for the confirmation of creditors balances of Rs. 13,450,484,491 payable to 26 printers as at 31 December 2022 in the approved advance account, accuracy of those creditors balances could not be confirmed. | Action will be taken to make corrections in due course. | Arrangements should be made to provide the balance confirmations directly to the audit. |
| (vii) | An amount of Rs. 7,431,012 recoverable from the National Paper Company since the year 2009 had not been recovered even in the year under review. | In consultation with the relevant institutions, necessary measures will be taken for the recovery of due amount in the future. | Necessary arrangements should be made to recover the due amounts. |
| (viii) | Fines of Rs. 1,635,455 recovered during the year under review from the printers due to their failure to provide text books on the due date had not been accounted for. As a result, the net profit of the year under review and the creditors balance had been respectively understated and overstated by that amount in the accounts. | Action will be taken to correct this. | Action should be taken to correctly account for the fines. |

(b) Property Plant and Equipment

Audit Observation	Comment of the Accounting Officer	Recommendation
The value of 06 items of asset as per the register of fixed assets was Rs. 135,971,166 in the approved advance account and the value of those fixed assets as per the statement of non-financial assets was Rs. 96,474,071, resulting in a difference of Rs. 39,497,095.	Action will be taken to make corrections in due course.	Necessary steps should be taken to correctly identify and account for the fixed assets.

(c) **Non-maintenance of Registers and Books**

Audit Observation	Comment of the Accounting Officer	Recommendation
Security Register A Security Register containing the names of all officers and employees required to give security had not been prepared as required by Financial Regulation 891 (1).	Action will be taken to prepare the Security Register in due course.	A Security Register containing the details of the officers required to give security should be prepared as per Financial Regulation 891 (1).

(d) **Lack of Audit Evidence**

Audit Observation	Comment of the Accounting Officer	Recommendation
Information that confirms the value of the land worth Rs. 92,145,416 and the buildings worth Rs. 187,950,284 indicated in the statement of non-financial assets had not been furnished to audit.	Action will be taken to submit the relevant information in the future.	The information related to confirm the value of fixed assets should be furnished to audit.

1.7 Non-compliance with laws, rules and regulations.

The following observations are made.

Observation	Comment of the Accounting Officer	Recommendation
Reference to laws, rules and regulations (i) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R.395 (c)	Non-compliance Even though the bank reconciliation statements should be prepared every month and furnished to the audit before 15 of the following month, action had not been taken accordingly.	Action will be taken to make corrections in due course. Bank statements should be prepared and furnished in accordance with Financial Regulations.

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| (ii) | Paragraphs 3 and 3 (b) of the Public Finance Circular No.02/2020 dated 28 August 2020. | The annual action plan had not been prepared elaborately and clearly in keeping with the circular provisions. | Action will be taken to make corrections in due course. | Annual action plan should be prepared in accordance with circular provisions. |
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2. Operating Review

2.1 Foreign Aid Projects

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) With the use of funds of the General Education Modernization Project, 551 digital learning aids videos had been produced at a cost of Rs. 27,007,620 for the e- Thaksalawa programme in the year 2021, out of which only 431 videos had been uploaded to the website in the year 2021, out of which only 431 videos had been uploaded to the website in the year 2022. The average number of views of one of those uploaded videos was as low as 150, whereas the Department had taken steps to produce 480 digital learning aids videos for the e- Thaksalawa programme at a cost of Rs. 25,473,288 even in the year 2022. Only 420 of the above videos had been uploaded by August 2023.	Out of the videos produced in the year 2021, several videos with technical faults could not be uploaded in the e- Thaksalawa programme in the year 2021 and action will be taken to correct them and upload to the website.	Action should be taken to utilize the funds of this project productively and efficiently.

- (b) Although the approval of the Commissioner General of Education Publication had been given to produce an E-Book on the reproductive health for the students in Grades 12 and 13 with the objective of imparting the knowledge of the reproductive health among the school students under the above project, subsequently, the Department had taken steps to prepare it as a printed book. Consequently, the Department had incurred an additional printing cost of Rs. 7,258,500 for printing 15,000 copies of this book and 2,800 copies of the book costing Rs. 1,354,920 remained in the warehouse even by August 2023.
- Necessary arrangements will be made to distribute these books in the future.
- It has to be produced as an E-Book as per the approval and opportunities should be provided to refer the same as a printed book.

2.2 Procurement

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Quotations had been called for from 35 qualified printers to print the supplementary reading book on the reproductive health referred to in the paragraph 2.1 (b) above and due to the failure to appoint the Technical Evaluation Committee in terms of Guidelines 2.3.2 (b) and (c) of the Government Procurement Guidelines, the Technical Evaluation Committee had not involved in the activities such as drafting bid documents and preparing specifications. Furthermore, this Procurement Committee had not been adhered to the Guideline 2.5.1.(a),(c) and (d) of the Government Procurement Guidelines.	The Technical Evaluation Committee has been appointed after the receipt of quotations for these books.	The Technical Evaluation Committee should be appointed in terms of the Procurement Guidelines.
(b) Since it takes a significant time before printing of text books to compose, submit first, second and third proof reading, submit 10 dummy books and to print and bind the total number of books, a period of 03 months from the date of the agreement had been given to the	The time taken for printing differs according to the facilities available in the printers and action has been taken to provide the printed books to the warehouse within 03	The process of printing and delivering books should be in keeping with the practical conditions according to the procurement process.

printer to print and deliver the books to the warehouses. However, 14 printers contracted for the year 2023 had provided 3,310,100 copies of text books to the warehouse on 30 January 2023, even before the expiry of one month. It was observed during the audit that the provision of text books within a short period of time is not practical.

months according to the priority.

2.3 Securities of the Public Officers

Audit Observation	Comment of the Accounting Officer	Recommendation
According to Financial Regulation 880, although securities should be given in accordance with Public Officers' Security Ordinance, any officers of the Department who hold the responsibility regarding the financial affairs had not given such securities.	Arrangements will be made to recover the money for securities and deposit in the accounts in the future.	Action should be taken in accordance with the Financial Regulation 880.

2.4 Management Weaknesses

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Although the Department had entered into agreements with 23 printers in the year 2022 for printing 32,890,400 copies of text books for the year 2023, the Department had failed to provide 15,645,654 books to the text book distribution centres at the time of commencing the first school term on 20 March 2023.	Necessary arrangements will be made to achieve the objectives of the Department by utilizing the resources of the Department with maximum efficiency.	Since it is a prime objective of the Department to print and distribute the text books to the schools during the prescribed timeline, the management should pay its attention thereon.
(b) Although the first school term of the year 2022 had commenced 18 April 2022, it had not been possible to distribute 67 per cent of the total number of printed text books on time.	Currently, 83 per cent of the text books have been distributed.	The management should take steps to fulfill the responsibility of the Department to deliver the text books to the schools before the commencement of the first school term.

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| (c) | A CCTV camera system had not been installed so as to cover the entire textbook warehouse complex including the Stores A, B and C in Pitipana. | Necessary arrangements will be made to install the CCTV system in the ensuing year. | Action should be taken to install a CCTV camera system so as to cover the entire warehouse complex. |
| (d) | As the text books had been printed without identifying the need, 6,191 copies of text books had been disposed of in the year and 5,307 English medium text books on Entrepreneurship Studies of the Grade 10 and printed in the year 2017 remained unusable. | The statistics for the printing of text books have been prepared by identifying the annual requirement. | Action should be taken to print text books by identifying the annual requirement. |
| (e) | Due to the reasons such as the books were not in usable condition and the changes of syllabuses, 241,056 copies of supplementary reading books and 162,663 question and answer books had been removed from using. | Arrangements have been made to print supplementary reading books for the ensuing year after identifying their requirements. | The requirement of the supplementary reading books and the question and answer books should be precisely determine annually and books should be printed accordingly. |
| (f) | The books valued at Rs. 312,831,071 disposed of according to two Cabinet decisions received in the year 2008 had been eliminated from the financial statements in 2017 and the Department had again identified Rs. 93,420,366 as the unusable books as at 31 December 2022. | The requirement of the text books for the year 2024 has been assessed by computing the stores balance and the reusable percentage. | The quantity of books to be printed should be determined by correctly identifying the annual requirement for the text books. |
| (g) | The land on which the Homagama, Pitipana text books warehouse complex is built and owned by the Urban Development Authority had not been legally taken over by the Department even by the end of the year under review. | Relevant arrangements are being made to vest the land in the Department. | Action should be taken to vest the land, on which the warehouse complex is located, in the Department. |