

Head 126 – Report of the Auditor General on the Ministry of Education and the Departments under the Ministry – Year 2014

Paragraphs 1 and 2 of this Report contain the general information on the Accounts of the Ministry and the Departments under the Ministry and the Audit Observations on each Head appear in paragraph 3 onwards.

1. Departments under the Ministry

Head	Name of Department
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212	Department of Examinations
213	Department of Educational Publications
-	Winding up Financial Statements of the National Book Publication Board of Sri Lanka

1.1 Scope of Audit

The audit of the Appropriation Accounts and the Reconciliation Statements including the financial records, reconciliation statements, books, registers and other records of the Ministry of Education and the Departments under the Ministry appearing in paragraph 1 above for the year ended 31 December 2014 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 Reports for the year under review was issued to the Chief Accounting Officer of the Ministry and the Accounting Officers of the Departments on the undermentioned dates. 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.

Head	Ministry/ Departments	Date of Issue of Management Audit Report
126	Ministry of Education	25 September 2015
212	Department of Examinations	21 October 2015
213	Department of Educational Publications	21 October 2015

1.2 Responsibilities of the Chief Accounting Officer and the Accounting Officers 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 Accounts, Revenue Account, Commercial Advance Account, Reconciliation Statements and the Financial 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. The 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. Accounts

2.1 Appropriation Accounts

(a) Total Provision and Expenditure

The total net provision made for the Ministry and the two Departments under the Ministry amounted to Rs.44,046 million and out of that a sum of Rs.43,510 million had been utilized by the end of the year under review. Accordingly, the savings out of the provisions of the Ministry and the Departments ranged between Rs.31 million and Rs.447 million or between 1.08 per cent and 28.18 per cent of the net provision. Details appear below.

Head	As at 31 December 2014			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Million	Rs. Million	Rs. Million	
126	41,231	40,784	447	1.08
212	2,705	2,647	58	2.14
213	110	79	31	28.18
Total	44,046	43,510	536	1.22

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

The Ministry of Education had made available provisions totalling Rs.10.6 million to the Department of Examinations, Sri Lanka for various activities and out of that Rs.8.6 million only had been utilized, thus a sum of Rs.2 million had been saved.

2.2 Revenue Account

Estimated and Actual Revenue

A Department under the Ministry had prepared Revenue estimate totalling Rs.200 million in respect of one Revenue Code for the year 2014 and revenue totalling Rs.229.4 million had been collected during the year under review. Accordingly, 114.7 per cent of the estimated revenue had been collected. Details appear below.

Revenue Code	As at 31 December 2014			Excess as a Percentage of the Estimate
	Estimated Revenue	Actual Revenue	Excess	
	Rs. Million	Rs. Million	Rs. Million	
20.03.02.13	200	229.4	29.4	14.7

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. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
12601	820.0	800.7	675.0	678.7	2,500.0	1,548.0
21201	18.0	17.6	13.0	16.2	100.0	70.9
21301	5.5	5.2	4.0	6.5	37.0	17.2

2.3.2 Commercial Advance Accounts

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

(a) Limits Authorized by Parliament

The limits authorized 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. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
21302	2,900	2,724	2,500	2,781.4	4,000	910.4	2,250	2,181

(b) Financial Results

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

Item Number	Advance Account Activity	Financial Results			
		2014		2013	
		Profit Excluding Hypothetical Charges	Profit Including Hypothetical Charges	Profit Excluding Hypothetical Charges	Profit Including Hypothetical Charges
		Rs. Million	Rs. Million	Rs. Million	Rs. Million
21302	Printing, Publishing and Sale of Books	262.6	(665.7)	1,394.7	433.0

2.4 Imprest Accounts

The total of the balances of the Imprests of the Ministry and the two Departments under the Ministry as at 31 December 2014 amounted to Rs.124.3 million. Details appear below.

Ministry/Department	Imprest Account Number	Balance as at 31 December 2014
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		Rs. Million
Ministry of Education	7002/0000/00/0254/0014/000	2.0
Ministry of Education	7003/0000/00/0013/0014/000	0.4
Department of Examinations	7002/0000/00/0055/0014/000	22.8
Department of Educational Publications	7002/0000/00/0172/0014/000	99.1
Total		124.3
		=====

2.5 General Deposit Accounts

The total of the balances of the General Deposit Accounts of the Ministry and the two Departments under the Ministry as at 31 December 2014 totalled Rs.929.9 million. Details appear below.

Ministry / Department	Deposit Account Number	Balance as at 31 December 2014
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		Rs.Million
Ministry of Education	6000-0000-00-0006-0064-000	0.3
Ministry of Education	6000-0000-00-0015-0039-000	833.2
Ministry of Education	6000-0000-00-0015-0177-000	0.2
Department of Examinations	6000-0000-00-0006-0066-000	3.9
Department of Examinations	6000-0000-00-0015-0094-000	84.3
Department of Educational Publications	6000-0000-00-0015-0095-000	8.0

Total

929.9
=====**2.6 Audit Observation**

According to the Financial Records and Books for the year ended 31 December 2014, it was observed that subject to the audit observations appearing in paragraph 1.1 of the Management Audit Report Reports, the Appropriation Accounts, Revenue Account, Commercial Advance Account and the Reconciliation Statements of the Ministry of Education and the Departments under that have been prepared satisfactorily. The material and important observations out of the observations included in those Management Audit Reports appear in paragraph 3 to 5 herein.

3. Head 126 – Ministry of Education
-----**3:1 Non-maintenance of Registers and Books**

It was observed during audit test checks that the Ministry had not maintained the following registers.

Type of Register -----	Relevant Regulation -----
Register of Fixed Assets on Lands and Buildings	Treasury Circular No.842 of 19 December 1978
Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No. IAI/2002/02 of 28 November 2002
Security Register	Financial Regulation 891 (1)
Records of Liabilities	Financial Regulation 214
Register of Motor Vehicles	Financial Regulation 1647(e)

3.2 Lack of Evidence for Audit

The following observations are made.

- (a) According to the directives issued by the Secretary to the Ministry, 5,191 students , 3,714 students and 424 students had been admitted during the years 2013, 2014 and 2015 respectively to 20 National Schools for Grade 1 and other classes exceeding the maximum limit of students to be admitted to a class. The files including the required documentary evidence as to check whether those admissions of students were made in compliance with the circular provisions had not been made available to audit.
- (b) Information requested from 63 National Schools for the annual audit of the year 2014 had not been made available to audit even by 14 August 2015.

3.3 Replies to Audit Queries

Replies to 26 Audit queries issued to the Ministry in the year under review had not been furnished even by 14 September 2015. The value of quantifiable transactions relating to those audit queries amounted to Rs.3,940,046.

3.4 Irregular Payments

Purchase of a motor vehicle at a cost of Rs.3,000,000 or less than that value for the Ministry had been approved by the Department of National Budget during the year 2014. Even though provision therefor should be made from the Department of National Budget by the Ministry, it had not been so done and a sum of Rs.3,187,991 had been spent from the Bank Account to import a motor vehicle on a Standing Order exceeding the financial limit imposed by the Department of National Budget. That payment had not been brought to account properly, thus adjustments had been made under unidentified payments in the Bank Reconciliation Statements prepared during the year 2014.

3.5 Appropriation Account

Budgetary Variance

The capital provision totalling Rs.376,445,247 had been saved due to reasons such as the failure to take necessary action timely, failure to take proper action to obtain foreign aid and non-receipt of adequate imprest. That saving include the entire provision of Rs.36,681,000 made for 06 projects and a saving of Rs.15,850,533 out of the capital provisions made for another 03 projects. It ranged between 47 per cent and 83 per cent of the provision made.

3.6 Imprest Account

Even though the ad hoc sub-imprest obtained should be settled immediately after the completion of the purpose in terms of provisions in Financial Regulation 371, ad hoc sub-imprest totalling Rs.1,971,208 granted in 133 instances had not been settled by 14 National Schools even by 31 December 2014.

3.7 General Deposit Account

The following observations are made.

- (a) The total of the balances of three Deposit Accounts maintained by the Ministry as at 31 December 2014 amounted to Rs.833,611,495. Action in terms of Financial Regulation 571 had not been taken on the balances of lapsed deposits totalling Rs.52,231,015 relating to the said accounts.
- (b) In terms of the provisions of Pensions Circular No.4/2010 of 25 May 2010, a sum of Rs.664,565 abated from the salaries of casual employees during the period from the year 2012 up to 2014 had not been remitted to the Public Service Provident Fund. That money had been retained in the General Deposit Accounts of each Department of Provincial Education, Zonal Education Offices and Colleges of Education.
- (c) In terms of Paragraph 8.2.2 of the Circular No.2006/27 of 20 June 2006 issued by the Ministry of Education, the bursaries received monthly for the payments in respect of

scholarship holders in Grade 5 should have been deposited in the Bank Accounts of the relevant students before 25th day of that month after being received by the relevant Zonal Education Office. The bursaries totalling Rs.1,734,235 received by the Zonal Education Offices during the period from the year 2009 up to 2014 had been retained in the General Deposit Accounts of each Zonal Education Office without being deposited in the Accounts of scholarship holders.

3.8 Reconciliation Statement of the Advances to Public Officers Account

The following deficiencies were observed at the audit test check carried out in respect of the Reconciliation Statement on Advances to Public Officers Account Item No. 12601 as at 31 December 2014.

- (a) A balance totalling Rs.4,303,692 arisen due to accounting errors included in the debit balance as at 31 December 2014. Out of that, a total of Rs.2,048,694 from a period of over 5 years and a total of Rs.2,254,998 during a period ranging from 1 to 5 years had been existing as well. The Ministry had failed to identify and rectify those errors even by 31 December 2014.
- (b) An unidentified difference of Rs.2,602,735 existed between the total of the Individual Balance Classification Summary and the balance of the Control Account as at 31 December 2014.
- (c) According to the reconciliation statement as at 31 December 2014, the total of loan balances completely outstanding for over a period of 5 years amounted to Rs. 127,929,636. An adequate and proper methodology had not been adopted to recover those outstanding loan balances. The Ministry had not paid attention on the deed which was kept as security relating to the property loan balance amounting to Rs.128,150 and to take action to recover that balance. Further, those balances could not be recovered due to unavailability of any information whatsoever in respect of

loan balances totalling Rs.2,180,908 of 22 officers who had transferred, 14 retired officers and 19 officers who were interdicted and vacated of the post.

3.9 Good Governance and Accountability

Internal Audit

An adequate internal audit had not been carried out in respect of transactions of Rs.6,225 million of 03 foreign loans and foreign funded projects implemented in the year 2014.

3.10 Assets Management

The following deficiencies were observed during the audit test check carried out in respect of assets of the Ministry.

(a) Idle and Underutilized Assets

Twenty motor vehicles and 02 motor bicycles owned by the Ministry had remained either idle or underutilized over a period of 3 years.

(b) Conduct of Boards of Survey

The Boards of Survey for the year 2014 should be conducted and submitted the report thereon to the Auditor General before 17 March 2015 in terms of the Public Finance Circular No.2/2014 dated 17 October 2014. Nevertheless, the Ministry had not furnished those reports relating to 146 National Schools and 03 National Colleges of Education to the audit even by 31 May 2015. The last Board of Survey had been conducted for the year 2013.

(c) Assets given to External Parties

According to the Register of Fixed Assets maintained by the Ministry, 04 motor vehicles owned by the Ministry had been released to the State Ministry of Education, the National Institute of Education and the Leadership Development Centre. However, no action had been taken to transfer the ownership of those motor vehicles to those Institutes and eliminate from the Register of Fixed Assets.

(d) Irregular use of Assets not Vested

Buildings had been constructed on the land with an extent of 1.9329 hectares belonging to the Urban Development Authority by incurring a sum of Rs.1,098,236,071 out of the provisions of Rs.1,191,970,840 made for the Ministry of Education since the year 2008 for construction of buildings necessary for the Defense Services College. However, no action had been taken to vest the legal title of the land with the Ministry of Education.

3.11 Non-compliances
-----**Non-compliance with Laws, Rules, Regulations etc,**

The instances of non-compliance 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 ----- Rs.	Non-compliance -----
(i) Establishments Code of the Democratic Socialist Republic of Sri Lanka ----- - <ul style="list-style-type: none"> • Section 1.6 of Chapter VII of the Establishments Code • Section 1 of Chapter XII of the Establishments 	-	No-pay leave had been taken for 12,093 days by 724 members of the academic and non-academic staff of 151 National Schools in the year 2014 and during the previous period. The Ministry had not taken action to recover the salaries for that period from those officers. A proper approval should be obtained for

Code

leave in terms of the Establishments Code. However, deviating from that, the number of days of no-pay leave taken by 348 members of the academic and non-academic staff of 42 National Schools in the year under review and during the previous period had been 5,744.

- Section 5 of Chapter XIX of the Establishments Code

Water and electricity charges had not been recovered from 04 officers who occupy the official quarters of 02 Teachers' Colleges. Moreover, no money whatsoever had been recovered even for water and electricity consumption from a member of the academic staff of a Teachers' College, who occupies another building of the premises but not official quarters. Further, it was revealed that 02 official quarters of a College and a Teachers' College had remained without utilizing and 08 official quarters of 04 Colleges and 03 Teachers' Colleges could not be utilized due to failure in repairing those quarters.

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

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- Financial Regulation 94

3,943,592,358

Except for the liabilities for annual recurrent supplies and continuous works, liabilities had been committed exceeding

the balance after utilizing provisions made for the year under review.

- Financial Regulations 104 and 109 7,382,351 The preliminary inquiry reports and full reports in terms of the Financial Regulations had not been prepared in respect of losses and damage occurred in 66 instances during the period ranging from 01 year to 15 years by 31 December 2014. Instances where action had not been taken to report to the Treasury in respect of losses and damage exceeding Rs.50,000 were revealed.

(iii) Circulars of the Secretary to the Ministry of Education

- Circulars No.1961/27 of 20 November 1961 and No. 1964/27 of 20 November 1964 and the Letter dated 21 June 1995 of the Secretary to the Ministry - Even though the Principal should be the ex officio Chairman of the Old Boys' Association, members of the Old Boys' Association had been appointed to that post without appointing the Principal to the post of Chairman of the Old Boys' Association of 16 National Schools. It was revealed that among these schools, the acquisition of buildings belonging to many schools had been made by the Old Boys' Association as well as the income from advertising hoardings which should be credited to the

School Development Association had been credited to the Accounts of that Old Boys' Associations.

- Circular No. 2007/20 of 31
December 2007

A number of 4,268 Teachers of 200 National Schools had been deployed in service in the same school without being transferred during the period from 12 years to 35 years due to failure in implementing circular provisions properly.

- Circular No. 2008/37 of 19
September 2008

Seventy five students had been admitted to 07 grades from Grade 06 to the Grade 12 by a Principal of a National School in the Uva Province contrary to provisions of the circular and without the approval of the Ministry.

- Circular No. 42/2012 of 23
November 2012

Even though the teachers recruited for the special educational subject area in terms of provisions of the circular should be employed in the same area, 118 special education trained teachers had been attached to 72 National Schools without special education units contrary to it. Fifty eight trained teachers attached to 40 National Schools with special education units had been deployed in teaching in classes for normal students.

- Circular No.23/2013 of 23
May 2013

Thirty two students had been admitted to two National Schools in Matara for Grade 1

giving marks contrary to provisions of the circular.

- Circular No. 23/2013 of 23 May 2013 and the Circular No. 2008/37 of 19 September 2008

The total number of students admitted to 20 popular National Schools had been 9,329 exceeding 40 and 45, the maximum number of students that should be in a parallel class of the primary grades in a National School and in the secondary grades respectively in the years 2013, 2014 and 2015. Certain children had been subjected to unfairness due to admitting children to school contrary to provisions in the circular.

- Circular No.2003 /38 of 07 November 2013

In view of the failure to follow a proper policy in attaching new Teachers to National Schools and the failure to implement the Teacher transfer policy properly, action had not been taken to minimize the shortage of 2,248 teachers in 193 National Schools and excess of 1,387 teachers identified in 163 National Schools as at 31 December 2014 in accordance with the circular provisions. Out of those, a National School in the Matara, Weligama did not have even a single Teacher for teaching the Advanced Level subjects of Geography, Buddhist Civilisation, English and Technology.

- Circular No.2003 /38 of 07

A minimum of 10 and 12 periods of

November 2013

teaching work per week should be assigned to the Deputy Principals and Assistant Principals respectively. Not even a single period of teaching had been allocated to the 121 Deputy Principals of 64 National Schools and 61 Assistant Principals of 28 National Schools. A number of periods ranging from 02 to 06 of teaching work per week had been assigned to 20 Deputy Principals of 14 National Schools and 06 Assistant Principals of 04 National Schools.

- Circular No.2003 /38 of 07 November 2013

Even though teachers should be deployed in teaching 35 periods with duration of 40 minutes in terms of provisions of the circular, not even a single period of teaching had been allocated to 160 teachers of 39 National Schools. A number of less than 20 teaching periods had been allocated for 1390 teachers in another 147 National Schools.

(b) Non- compliance with Tax Requirements

Value Added Tax totalling Rs.1,731,204,344 had been paid including Rs.913,161,535 in the years 2012, 2013 and 2014 to the contractors of the constructions of 860 Mahindodaya Technological Laboratories, and Rs.818,042,809 in the year 2014 to the contractors of the constructions of 250 Mahindodaya Colleges. The Commissioner of Inland Revenue and the Auditor General had not been notified of those particulars in terms of Guideline 5.4.12 of the Government Procurement Guidelines.

3.12 Foreign Funded Projects and Programmes

The Ministry had implemented 02 projects and a programme under the foreign finance in the year under review. According to foreign loans and grant agreements, the total estimated cost of those projects had been Rs.42,967 million and a sum of Rs.6,225 had been utilized in the year under review for those projects. The following observations are made in respect of these foreign funded projects.

(a) Educational Sectorial Development Programme

The following deficiencies were observed at the audit test check carried out in respect of transactions relating to the above programme.

- (i) Even though a sum of US\$ 33.32 million had been obtained by the General Treasury out of the loan amount approved for the programme, out of that only imprests amounting to US\$ 23.7 million had been sent to the Ministry.
- (ii) The total cost estimate of Rs.7,000,000,000 had been approved for the construction of 250 Mahindodaya Colleges in respect of the Technology stream newly introduced to the General Certificate of Education Advanced Level in the year 2013,. Only 02 colleges had been completed by 31 December 2014 spending Rs.2,791,049,122 out of that amount. The 248 colleges had been half completed.
- (iii) Even though the agreements had been terminated due to breach of agreements by the building contractor of a half completed college, action had not been taken to convert into cash amounting to Rs.5,794,500 from advances and performance guarantee bonds even by 30 June 2015.
- (iv) As furniture and relevant technical equipment had been purchased in the year 2014 for 250 colleges spending a sum of Rs.970,286,092 from the Consolidated Fund and the “Education for a Knowledgeable Society” project,

prior to completing constructions of colleges, those assets had remained idle for over a period of one year and the guarantee certificates had expired.

- (v) Students had been recruited for the Technology stream without providing the required physical and human resources and the relevant infrastructure facilities. As such, the students who could not be given practical training, which is 15 per cent of the syllabus, had to be presented at the Advanced Level Examination that was scheduled in August 2015. Not even a single student had enrolled for that stream in 13 schools and between another 20 to 62 schools the students who follow this stream had been in a very low number ranging from 1 to 9. The entire shortage of teachers for each subject had been 165.
- (vi) A number of students exceeding 300 had been admitted into two national schools in Colombo and Kegalle to teach the Technology stream on the approval of the Ministry of Education subject to the condition of constructing the college and purchasing the necessary equipment by the financial provisions of the relevant school. Nevertheless, neither the constructions nor the purchases had been carried out even by 10 July 2015.
- (vii) Civil engineering equipment and electrical equipment had been purchased for 100 Mahindodaya Technical colleges spending a sum of Rs.9,284,240. A loss of Rs.2,550,512 had been sustained as a result of purchasings made by calling bids for each item without taking action to evaluate the bids received for each item of equipment.
- (viii) A sum of Rs. 3,845,400 had been spent for programmes not included in the indices connected with issue of provisions of the programme and out of it, a sum of Rs.2,052,000 and a sum of Rs. 481,000 had been for entertainment expenses and unnecessary advertising expenses respectively. A follow up on the progress of this programme as well had not been carried out.

- (ix) Steps had been taken to conduct the two courses of International Computer Driving License and International Information Communication Technology Certificate by 77 regional Information Communication Technology Centres which is a matter irrelevant to the index connected with issue of provisions of the programme. A sum of Rs. 3,487,000 had been spent in the year under review for the registration for conducting those two courses at two private institutions that bear the local representation of those two courses. However, action had not been taken even by 20 June 2015 to obtain certificates of registration, determine the validity period of the registration and identify the criteria in conducting those courses. Not even a single course had been conducted in the year under review due to failure in providing matters such as computers, hardware, software, internet facilities and human and other facilities.
- (x) The index of making the community aware on motivating and encouraging to follow the Advanced Level Technology stream had been included in the indices connected with the issue of provisions of programmes. A book with 100,000 copies had been printed in the year under review spending a sum of Rs. 13,800,000 without a procurement procedure of transparency for this. Adequate matters in respect of motivating students and parents to follow the Advanced Level Technology stream had not been included in this book. It had been noted that 100,000 copies of this book had been taken over by the Policy and Performance Review Division without handing over to the stores. However, no written evidence whatsoever had been maintained so as to confirm the assurance of distribution.
- (xi) A sum of Rs. 2,507,722 had been spent in the year under review for publishing newspaper advertisements to make the teachers aware of the new Service Minute for Principals, which is not included in the indices connected with the issue of provisions of the programme and a purpose for which advertising is not required.

(b) Education Project for a Knowledgeable Society

The following deficiencies were observed in the audit test check in respect of transactions carried out by the above project fund.

- (i) A sum of Rs. 64,060,373 had been spent within the period from the year 2011 to 31 December 2014 to establish an education management information system for fulfilling various objectives such as information relating to human resources, physical resources and financial matters of all educational institutions in schools, divisions, zones, provinces and in the ministerial level as well as duties connected with the personal file of the teacher directly through internet, checking the teachers' information by themselves, entering new information, applying for transfers and training opportunities, obtaining numerical reports required by the Ministry. It was revealed as well that there is no effectiveness or performance of the expenditure and objectives could not be achieved in this respect.
- (ii) Advances of Rs.10,900,000 issued to 37 schools for decorations of the relevant schools before the opening ceremonies of the Mahindodaya Technological Laboratories had been debited to the staff training expenditure item and settled by 31 December 2014. A proper voucher with bills and receipts had not been prepared for settlement of advances.
- (iii) A sum of Rs. 294,347,823 from the project fund and a sum of Rs. 540,993,862 from the Consolidated Fund had been spent during the period from year 2008 to 2014 for operating activities of the school computer network provided for 1,724 schools and educational institutions, providing equipment and settling telephone bills. Telephone bills amounting to Rs.813,905,729 had been settled in the years 2011, 2012, 2013 and 2014 alone without identifying the school or institution for which the bills are relevant and without obtaining recommendations on its efficiency and effectiveness before the payment of

monthly telephone bills relating to the school computer network. It was confirmed that many schools had disposed of this due to a number of various reasons such as the slowness of the school computer network and lack of connecting signals most of the time.

- (iv) A sum of Rs. 1,207,133 had been spent for publishing advertisements for publicity of opening the Mahindodaya technological laboratories, deviating from the objectives of the project utilizing the provisions made under the expenditure item for staff training, which was an objective of the project.
 - (v) A sum of Rs. 3,891,003 had been spent on purchasing a stock of library books from a publisher in the year 2014, without prior identification of the requirement, obtaining authority for the transaction and without inquiring regarding the books of other book publishers in terms of Guideline 9.4.1 of the Government Procurement Guidelines. Provisions made for that had been obtained from the staff training expenditure item. Even though these books had been retained in the central store of the Ministry of Education from 16 December 2014, action had not been taken to distribute those books among schools even by 09 June 2015.
- (c) **Project on recreating the School Education System as a Knowledge centred Basis**

 The following deficiencies were observed in the audit test check in respect of transactions carried out through the above project funds.

- (i) Even though the entire net provisions approved for the three years 2012, 2013 and 2014 amounted to Rs. 1,545,356,146, the expected total performance of the project could not be achieved due to existence of the entire actual expenditure at a low level of Rs. 1,248,503,649 as at 31 December 2014.

- (ii) An interest rate of 1.25 per cent should have been paid for loans obtained in terms of the loan agreement entered into with the World Bank relating to this project. Cash balances of Rs. 35,954,362 for over a period of 07 months from 03 September 2012 to 09 April 2013, Rs. 420,786,511 for over a period of one year from 10 April 2013 to 30 April 2014 and Rs.26,714,875 for over a period of nine months from 30 April 2014 to 31 December 2014 had remained idle in a bank current account.

- (iii) Five hundred and eighty six categories of science equipment and chemicals had been purchased in the year 2014 for the Mahindodaya Technical Laboratories by spending a sum totalling Rs.107,691,007 comprising a sum of Rs.47,915,633 from the project and Rs. 59,775,374 from the domestic funds. Without taking action to evaluate each item separately, purchasing had been made by calling for quotations and carrying out evaluations after being categorized them into 11 categories. As such, the Government had incurred a loss of Rs.12, 306,485.

- (iv) Fourteen items of furniture had been purchased in the year 2014 for the Mahindodaya Technical Laboratories by spending Rs.41, 283,609 by the project. Without carrying out evaluation separately for each item of furniture according to the evaluation criteria approved by the Technical Evaluation Committee, purchasing had been made by calling for quotations and carrying out evaluations after being categorized them into 04 categories. As such, the Government had incurred a loss of Rs.706,160.

- (v) For the Guru Prathiba Tribute Festival conducted in the year 2014, 850 plaques had been purchased at a cost of Rs.1,165,248 at Rs.1,200 per plaque. Purchasing had been made upon the documents prepared to establish the fact that the purchasing would be made after selecting the suppliers on the shopping method. It was revealed that a plaque of the similar specifications could be purchased at Rs.650 at the normal market.

- (vi) In order to supply and fixed 71 memorial name boards for the Mahindodaya Technical Laboratories at the rate of Rs.174,000 per board excluding Value Added Tax, the total amount of Rs.13,172,913 inclusive of Value Added Tax comprising Rs.12,438,073 from

the Consolidated Fund and Rs.734,840 from this project had been paid to two supplier. National Competitive Biddings had not been called for in terms of the Guideline 3.2 of the Government Procurement Guideline in this regard. Instead, purchasing had been made upon the documents prepared to establish the fact that the purchasing would be made after selecting the suppliers on the shopping method It was revealed that a plaque of the similar specifications could be purchased at Rs.129,000 at the normal market.

- (vii) Provisions made for 04 Objects included in the Annual Action Plan,2014 had not been utilized as planned. As a result, provisions of Rs.76,479,951 had been saved. Provisions of Rs.89,400,000 at the rate of Rs.600,000 per school had been released to 149 schools as at 31 December 2014. Without being precisely identified the capital expenditure requirements and prepared the priority lists, funds had been distributed as at 31 December 2014 and as such it had not been possible to spent Rs.89,400,000 in the year 2014. Nevertheless, that amount had been brought to account as a Government expenditure of the year 2014.
- (viii) In order to achieving the target of increasing the students participation for the Advanced Level Science stream and enhancing the students' performance level relating to the science subject, provisions totalling Rs.11,349,316,686 form the project and the Local Fund had been made for the construction of 860 technical laboratories, purchase of office and laboratory equipment and furniture and the staff trainings from the year 2012 to 2014. Out of which, a sum of Rs. 11,279,749,122 had been spent as at 31 December 2014. It had not been possible to achieve an adequate performance due to the following matters.
- Although the percentage of students who received A passes or B passes for the science subject at the General Certificate of Education Ordinary Level examination in the year 2013 was 16 per cent it had declined up to 13 per cent in the year 2014.
 - Since there was no at least a single student or a teacher for the science stream, 13 schools had failed to commence the science stream as it was planned.

- Within 140 schools in which the Science stream was newly commenced, the total number of students who followed the Science stream in Grade 12 and Grade 13 had been 866 and 712 respectively by the year 2014. Out of those 140 schools there had been 82 schools with the students between 1 to 10 of the both grades and 58 schools with the students between 11 to 22 of the both grades.
 - Inclusive of 08 schools where there was no at least a single teacher, though there was at least one student following the science stream, the total teachers' shortage of 57 schools where the science stream was newly commenced was 88.
- (ix) For the School Based Teachers Development Programme, this project had made provisions of Rs.6,062,459 in the years 2012,2013 and 2014 and a sum of Rs.5,549,381 had been spent within those three years. The following observations are made in this connection.
- The guideline issued in connection with this programme had not been prepared in simple language.
 - Although training and awareness workshops for the officers at various levels in the education field had been conducted by June 2015, those officers had not been assigned duties separately.
 - Proper progress reports had not been obtained from the principals and most principals were not well aware of the implementation of this programme. Due to the matters such as attitudinal and dedication weaknesses, practical issues arisen in the implementation of the programme so as to cover all the teachers during the school period, non-identification of resource persons even by 31 December 2014, and non-preparation of technical equipment kits, lack of adequate physical and financial resources as well as carrying out activities irrelevant to the teachers development under this programme, this programme had not been successful.

- (x) In order to print 17,000 copies of school attendance registers a sum of RS.10,750,000 had been spent in the year 2014. Exceeding the required amount, 3,894 copies had been printed and the cost thereof amounted to Rs.2,622,100.

3.13 Implementation of Projects under Domestic Financing.

Although a school of the Colombo zone had collected a sum of Rs.15,000,000 for a fund for the construction of a swimming pool since year 2007 and deposited in a fixed deposit, construction of the swimming pool had not been completed even by 06 August 2014.

3.14 Performance

The observations on the progress of the Ministry in accordance with the annual budget estimate, 2014 and the Action Plan are given below.

(a) Key Functions not Executed Adequately

- The key functions of the Ministry had not been executed adequately and several instances so revealed at audit test checks are given below.
- (i) In order to construct 860 Mahindodaya Technical Laboratories, provisions amounting to Rs.8,557,156,625 had been made in the years 2012, 2013 and 2014 and the actual expenditure as at 31 December 2014 had been Rs.8,519,672,614. The number of fully completed laboratories as at that date was 822 and the partly completed laboratories had been 38. Construction of partly completed 04 laboratories had been abandoned by the contractor. Nevertheless, the Ministry had failed to encash the advances and performance bonds of Rs.4,901,818 and to recover a sum of Rs.5,764,641 equal to 20 per cent of the undone works even by 15 June 2015.
- (ii) With the objective of improving schools with lesser number of students by providing facilities, minimizing discrepancies among schools, reducing the existing demand for the popularize schools, minimizing the school vacating by the students and increasing cooperation between the school and the community, a programme for the development of 457 new modal schools had been commenced in the year 2008. In order to provide facilities under this programme within 04 years from the year 2008

to 2011, provisions amounting to Rs.316, 000,000 had been made. Nevertheless, provisions of Rs. 118,000,000 only had been made for the years 2012,2013 and 2014 and out of the above sum Rs.73,467,480 only had been utilized. Four hundred and fifty seven provincial council schools which were receiving facilities under this programme had not properly utilized the provisions made under the Ministry and the Provincials Council had not allocated adequate provisions for that purpose. Accordingly it was observed that there was a risk for a retardation of the future development activities of 457 new modal schools.

(b) Not reporting an Adequate Performance

The following observations are made

- (i) Out of the students who sat the Grade 5 Scholarship Examination in the years 2012,2013 and 2014 of 108 national schools, only a percentage of less than 50 per cent of students had passed the examination.
- (ii) Out of the students who sat the General Certificate of (Advanced Level) Examination in the years 2012,2013 and 2014 schools of 79 national schools, the percentage of the students who failed all the subjects of the three years or two years had increased over 10 per cent.

3.15 Deficiencies in the Operation of Bank Accounts

The following observations are made.

- (a) Three old current accounts with a balance of Rs.1,191,835 and other current account without any balance had not been closed in terms of the Treasury Circular No.2007/05 dated 05 September 2007 even by 31 December 2014.
- (b) Until the funds were granted from the Finance Ministry for the financial requirements of 56 national schools, those schools had not carried out relevant

activities. Nevertheless, a sum totalling Rs.364,140,384 of the School Development Societies of the relevant 56 national schools had been deposited in fixed deposits.

- (c) A sum of Rs.8,693,728 had been granted to 52 national schools for the purchase of qualitative input in the year 2014 and out of that Rs.4,492,228 had been saved as at 31 December 2014. That money had been retained in the current accounts of School Development Societies.

3.16 Transactions of Contentious Nature

 Certain transactions entered into by the Ministry had been of contentious nature. Particulars of several such instances observed during the course of test checks appear below.

- (a) In order to construct an indoor stadium in a national school in Colombo Zone the cost estimate of which amounted to Rs.2,900,000, funds had been raised with the contribution of the old girls and the School Development Society in the year 2001. A sum of Rs.13,024,066 had been spent for that by 30 June 2014. Without being followed the provisions in the Government Procurement Guideline, those constructions had been awarded to three contractors on three occasions during this period. It was not revealed that the works of the first two contractors were completed and the reasons attributed thereto. A sum of Rs.2,336,859 had been paid to the third contractor in respect of the additional works and the relevant approval had not been made available to audit. The reinforced wire structures relating to the construction of the foundations and concrete pillars were decaying as a results of natural disasters since a period of 13 years. Further, out of Rs.25,600,000 collected from the old girls and the parents and set by the school to credit to the General Deposit Account of the Ministry on 27 July 2010 a sum of Rs.8,235,116 only had been spent for this construction. The balance of Rs.17,364,884 had been credited to the Government revenue.

(b) Computers, laptops and other equipment had been procured and installed in 775 computer laboratories as at 20 July 2015 and the total expenditure had been Rs.5,618,503,996. The following observations are made in this connection.

- (i) In terms of the Cabinet Decision No.13/1239/530/031-11 dated 19 September 2013, international branded computers, laptops, and printers and other equipment for 100 computer laboratories should have been purchased by following the national open procurement procedure enabling the local industrialists engaging in the computer assembling to submit bids. Nevertheless, without being carried out a formal evaluation of the qualifications of the supplier, computers, laptops and other equipment which were not of the international branded had been purchased.
- (ii) In terms of the Cabinet Decisions taken on three occasions during the year 2014, computers, laptops and other equipment for another 665 computer laboratories had been purchased from the same supplies and those items as well were not the international branded items.
- (iii) Adopting the procurement procedure, international branded computers laptops, printers and other equipment had been purchased for 40 computer laboratories by spending Rs.277,239,376 from the Transforming the School Education System as the Foundation of a Knowledge Hub Project Fund and a sum of Rs.6,930,984 only had been spent for one laboratory. Nevertheless, a sum of Rs.7, 271,171 had been spent in respect of computers and other equipment which were not the international branded items for one laboratory.
- (iv) Although computers, laptops, printers and other relevant equipment had been supplied for 775 computer laboratories by 20 July 2015, only 345 computer laboratories were being used and due to delays occurred in the supply of electricity and awarding them for the students, the remaining computer laboratories had not been utilized.

3.17 Irregular Transactions

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

(a) Transactions Without Authority

 The following observations are made

- (i) Publicity expenses of Rs.10,046,188 for Mahindodaya Technical Laboratory opening ceremonies and foundation stone laying ceremonies of Mahindodaya Technical Colleges and the other publicity expenses had been spent in the year 2014. In addition, liabilities amounting to Rs.2,529,462 had been committed by 31 December 2014. Further, a sum of Rs.1,100,000 had been spent contrary to the Government Procurement Guideline for hiring equipment required for those ceremonies. Provisions for publicity expenses had not been made for an Object and as such the total expenses of Rs.11,146,188 had been brought to account under two capital Objects.
- (ii) For the improvement of facilities of the Pirivenas, which was an annual budget proposal of 2014, provisions amounting to Rs.300,000,000 had been made. Out of that, a sum of Rs. 4,584,051 had been spent to introduce it as a national programme of the implementation of three years plans of Pirivenas. The expenditure incurred in that respect had been fruitless.
- (iii) The number of students who took part in various sports events of 86 national schools in the year 2014 had been 42,488 and a sum of Rs.5,667,900 had been recovered from 15,790 students out of the above students and a sum of Rs.49,870,800 had been paid to the external coaches.

(b) Other Transactions

 The following observations are made.

(i) The total income received from a concert conducted by a national school of a Colombo zone in the year 2013 had been Rs.10,501,717 and the total expenses had been Rs.10,501,717. The following observations are made in this connection.

- The income of the souvenirs was Rs.7,987,500 and out of 1296 advertisements published in the souvenir 396 advertisements had been published in the names of the students. It was observed in the audit that the condition had been laid that one student should provide at least one advertisement.
- As action had not been taken to keep the specimen made available to the school along with the relevant advertisement, the fact whether the money was received or not had to be examined only for the advertisements published in the souvenir. Accordingly, it could not be established that the money had not been misused without being published the advertisements in the souvenir despite the collection of money.
- The arrears of the income for 148 advertisements had been Rs.933,000 as at 13 July 2015. The amount which had been misused by several teachers and parents and returned after the audit examination was Rs.205,500.
- Although the income earned from the tickets printed for the concert was Rs.1.524,250, the arrears of the income of the tickets by 13 July 2015 was Rs.286,033.
- A sum of Rs. 347,500 had been spent on services obtained in 03 instances for the concert, and a sum of Rs. 662,950 had been spent for purchasing miscellaneous goods and services in 07 instances for other requirements. Forged documents had been presented in order to prove that Government

Procurement Guidelines had been followed in connection with those transactions.

(ii) As per the Cabinet decision No. අම/06/2125/206/072 dated 22 November 2006, the Defense Services College of Colombo had been established with effect from January, 2007 under the administration and supervision of the Ministry of Education with the cooperation of Ministry of Defense with the objective of providing education for the children of the personnel of tri forces and police. The following observations are made in this connection.

- Action had not been taken to establish a legal framework required for maintenance of the College.
- Despite 116 members of both academic and non-academic staff had been attached to the College by the Ministry of Education, 73 officers of the security forces had been attached to various posts of the College by the Ministry of Defense. The decisions taken by the Board of Management appointed by the said Ministry had been implemented in the College. A sum of Rs. 1,200 had been charged from each student annually without any authority or an approval of the Ministry of Education, and the money earned from the canteen , book shop, cloths stall and swimming pool of the College had been credited to a bank account being maintained under the name “Defense Services College”, whereas the expenses in that connection had been debited to the same account. Accordingly, it was observed that the security forces had involved in the administration and supervision of the College.
- It was observed that the presence of security forces personnel and employees attired in civvies and uniforms was during the school time and later on, was incongruous with school environment. The responsibility of the academic staff including the principal over the security , discipline, and etiquette of the students , being transferred to the security forces personnel was questionable.
- As all students belong to the families of security forces personnel , they had been deprived of the opportunity to study among students from different socio-cultural backgrounds, it was questionable on the possibility to produce a good Samaritan. It was observed to be controversial that establishing specific schools of this nature targeting

an exclusive social hierarchy, would be unfair for the citizens from other social classes.

3.18 Transactions in the Nature of Financial Irregularities

Particulars relating to transactions of fraudulent nature observed during sample audit checks are given below.

- (a) It was revealed in the sample check carried out on transactions worth Rs. 2,711,160 performed during 2013 – 2014 that a sum of Rs. 205,080 had been misappropriated by a principal of a national school in Gampola currently officiating as an acting principal after holding different posts of the school throughout 28 years since her first appointment, who had not assigned duties by dividing workload so as to ensure an internal control, and forced her subordinates inappropriately to sign the cheques by breaching the provisions of Financial Regulations and Circulars.
- (b) The manager of the school had made a request that Sirisangabo special school ,Pasyala be registered under the Ministry of Education. Since the time the said request had been received, the officers responsible had delayed the registration improperly. However, the registration had not been refused. It was observed that an external party had meanwhile tried to obtain a bribe of Rs. 1,000,000 from the school manager to get the registration done.

3.19 Losses and Damages

Observations relating to losses and damages observed in the sample audit checks are given below.

- (a) The outstanding income from canteens of 67 national schools that had not been recovered by 31 December 2014 as per agreements amounted to Rs. 4,386,773
- (b) The outstanding rental from auditoria of 03 national schools that had not been recovered by 31 December 2014 amounted to Rs. 26,500.

3.20 Uneconomic Transactions

A sum of Rs. 9,299,125 had been spent in the year 2014 alone for obtaining auditoria or hall facilities from private institutions for various concerts despite the availability of such facilities at the own schools or other schools in the vicinity.

3.21 Unresolved Audit Paragraphs

Reference to the paragraphs in the reports of the Auditor General that indicated the deficiencies relating to the Ministry, but the Ministry had not rectified the said deficiencies, is shown below.

Reference to the Auditor

General's Report

<u>Year</u>	<u>Paragraph No.</u>	<u>Subject Referenced</u>
2013	1.5 (a) (i)	Information and files relating to the order received by the Auditor General that 35 students had been admitted to the Rahula College, Matara by exceeding the maximum number of students of 42 as per the Cabinet decision and contrary to the provisions of the Circulars relating to admission of students.
2013	1.5 (d) and (e)	Fuel valued at Rs. 2,399,914 had been issued for an official vehicle and 02 backup vehicles in excess of the limit for fuel during the preceding year and the year under review. Even though a sum of Rs. 1,676,232 for fuel had been added to the salary and paid for 8 vehicles allocated to 8 officers of the staff of the Minister during the preceding year and the year under review, the value of fuel issued in addition to that, amounted to Rs. 1,230,871.

3.22 Management Weaknesses

The following weaknesses were observed in the sample audit checks.

- (a) A sample of 50 zonal educational offices out of 97, had been carried out regarding the provisions stated in Paragraph 8.2 of the Circular issued by the Secretary to the Ministry of Education in connection with the payment of bursaries to the scholarship holders of the 5th grade. Contrary to the Paragraph 8.2 of the Circular No. 2006/27 of the Ministry of Education dated 20 June 2006, bursaries aggregating to Rs. 57,482,500 including a sum of Rs. 52,956,000 for 24,506 scholarship holders from 119 schools, and a sum of Rs. 4,526,500 for 1,813 scholarship holders from 29 national schools on the failure to present the vouchers properly, had not been paid. It was revealed that bursaries could not be paid to those scholarship holders as the provisions had not been granted by the Ministry of Education by 31 December 2014.
- (b) Due to reasons such as, failure to introduce a methodology to properly prepare annual reports including the average of student's attendance, failure to take follow-up actions properly, failure to obtain provisions properly, and failure to introduce a methodology to distribute donations and aids properly and fairly as per an action plan, student donations and library aids which should be paid to all registered *Pirivenas*, in terms of the Cabinet decision, No. අමප/06/1465/229/083 of 24 August 2006, and the provisions of the 11th schedule of the *Pirivena* Education Ordinance, No. 01 of 1980 had not been paid. The sum that remained due as at 31 December 2014, amounted to Rs. 3,018,700.
- (c) Library books had been borrowed by 788 teachers from 42 national schools in 2,240 instances, but returning of those books had been delayed. However, late payments had not been charged in that connection.

- (d) The number of library books that had not been returned by 383 teachers from 54 national schools under the instances such as, transfers, proceeding abroad, retirements, and resignations , was 1,033 valued at Rs. 156,834. The said teachers had been released from service without recovering those books or their values.
- (e) An adequate number of teachers to teach either Sinhala or Tamil as a second language had not been appointed to 54 national schools. Instead, 76 external teachers had been appointed , and a sum of Rs. 10,619,307 had been paid as salaries by the school development societies during the years 2013 and 2014 alone.
- (f) During the year 2014 and prior to that, 4,732 employees of both academic and non-academic staff from 149 national schools, had habitually reported late for duty. Of them, the delay of 4,123 employees belonging to the academic staff, had directly deprived students of the first period of learning.
- (g) Twenty nine teachers from 15 national schools , had been assigned to subjects except for the ones they had been appointed. Specially ,with regard to 04 national schools, 06 teachers who had not received primary teacher training, had been assigned to primary grades.
- (h) Lessons in connection with grade 6 up to GCE (O/L) had been recorded in Sinhala and Tamil , and 1962 schools had been provided with access to them via 2 channels of Dialog Satellite TV. The Dialog company had provided 2005 TV sets at a cost of Rs. 10,300,020 in this regard. The following observations are made in this connection.
- The series of lessons could not be watched at the school due to reasons such as ,impracticability of including periods for this program in to the timetables , and lack of ample space for all students from the parallel classes. The usefulness of the series of lessons had either been lessened or had become minimal as they had not been compiled contemporaneous with the lessons to be taught in line with the syllabi.
 - TV sets granted to some of the schools had been disposed and the connectivity of antennae had been disconnected.

- As TV sets had not been stored at safe places, 03 sets valued at Rs. 150,732 had been destroyed due to exposure to rain water.
- Although 04 TV sets valued at Rs. 200,976 had been misplaced, no legal actions had been taken properly.

3.23 Human Resources Management

Approved Cadre and Actual Cadre

According to the information presented to the audit, the cadre position as at 31 December 2014 is as follows.

<u>Category of Employee</u>	<u>Approved Cadre</u>	<u>Actual Cadre</u>	<u>Vacancies</u>	<u>Surplus</u>
(i) Senior Level	2,565	1,189	1,408	32
(ii) Tertiary Level	1,554	1,488	70	04
(iii) econdary Level	34,281	38,903	332	4,954
(iv) Primary Level	1,152	4,727	327	3,902
(v)Other (Casual/Temporary/Contract basis)	<u>242</u>	<u>522</u>	<u>106</u>	<u>386</u>
Total	<u>39,794</u>	<u>46,829</u>	<u>2,243</u>	<u>9,278</u>

The following observations are made.

- Action had not been taken by the Ministry to fill 2,243 vacancies that existed as at 31 December 2014, and to obtain proper approval for 9278 surpluses.
- For the posts of lecturer at 07 Teacher's Colleges , 106 Teacher's Centers, and 16 National Colleges of Education, 164 teachers from the Sri Lanka Teachers Service had been attached temporarily.

- (c) The number of non-academic staff members recruited to 75 national schools as at 31 December 2014 by paying salaries either from school development society, or hostel fund, or facilities and service charges account, was 341.

4. Head 212 – Department of Examinations

4.1 Revenue Account

Under the revenue code 20.03.02.13 for exams and other fees, receipts and refunds of income amounted to 4,592,907 and 4,477,734 respectively. However, confirmations relating to those transactions, had not been given by the Divisional Secretariats, and other institutions.

4.2 Reconciliation Statement for Government Officers Advance Account

In accordance with the reconciliation statement for the Government Officers Advance Account under Item No. 21201 as at 31 December 2014, the total of the outstanding balances amounted to Rs. 1,618,008 as at that date. Even though those balances remained outstanding for a duration ranging from 1 -5 years, the Department had not been able to recover such outstanding balances.

4.3 Assets Management

Annual Boards of Survey

According to the Public Finance Circular No. 02/2014 of 17 October 2014, the annual board of survey should have been conducted for the year 2014 and the reports should have been presented to the Auditor General before 17 March 2015. However, the Department had not presented those reports to the audit even by 31 May 2015. The last board of survey had been conducted for the year 2013.

4.4 Non-compliances

Non-compliances with Laws, Rules and Regulations

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

<u>Reference to Laws, Rules and Regulations</u>	<u>Value</u> Rs.	<u>Non-compliance</u>
(a) Financial Regulation 94 (1)	24,313,203	Except for the liabilities for annual recurrent supplies and continuous work, liabilities had been committed for the year under review in excess of the approved provisions.
(b) Financial Regulation 115 (3)(a)	575,075	Cash had been paid in the previous year with a delay of 68-88 working days from the date of invoice without approval of the Chief Accounting Officer.

4.5 Inefficiencies in Operating Bank Accounts

Balances to be Adjusted

According to the bank reconciliation statement prepared by the Department of Examinations for the month of December, 2014, action had not been taken in terms of Financial Regulation 396(d) on cheques totaling Rs. 4,162,619 that had been expired and not presented to the bank despite being issued.

4.6 Human Resources Management

Approved Cadre and Actual Cadre

The cadre position as at 31 December 2014 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
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(i) Senior Level	85	66	19	-
(ii) Tertiary Level	18	06	12	-
(iii) Secondary Level	419	306	113	-
(iv) Primary Level	164	175	-	11
(v) Other (Casual/ temporary/Contract basis)	-	10	-	10
Total	686	563	144	21
	=====	=====	=====	=====

The following observation is made.

The Department had not been taken action to fill 144 vacancies at the end of the year under review.

5. Head 213- Educational Publications Department

5.1 Non-maintenance of Registers and Books

The Department had not been maintained the Register of Losses and Damages in terms of Financial Regulation 110 and a Register of Liabilities in terms of Financial Regulations 214.

5.2 General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on the deposits older than 2 year (except Land Deposits) totalling Rs. 4,790,800.

5.3 Reconciliation Statement of Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account Item No. 21301 as at 31 December 2014, the balances that remained outstanding as at that date totalled Rs.1,171,190. Even though those outstanding balances remained over periods ranging from 01 years to 05 years, the Ministry had failed to recover the outstanding balances.

5.4 Commercial Advances Account

The following deficiencies were revealed during the course of audit test checks in relation to the Commercial Advances Account item No.21302.

- (a) A sum of Rs.5,521,000 payable to 5 printers for the printing of books in the year 2014 had not been shown as debtors in the account .
- (b) The liabilities had been over stated in the same amount as a debtors balance amounting to Rs.2,586,550 paid and not relevant to the year 2014 had shown in the Debtors Account.
- (c) A difference of Rs.7,215,000 was observed as it was Rs.7,280,000 according to the Debtors Register and the debtors balance was amounted to Rs.14,495,000 according to the account.
- (d) The sales income of Rs.87,680 in March 2014 of the Jaffna Sales centre had been shown under the receipts classification in June 2014. The profit had been devaluated in the same amount as it was not included in the Sales Account.
- (e) Furniture valued at Rs.1,296,143 purchased in the year under review of Furniture and Fittings Account had been credited to the Consolidated Fund .That value was amounted to Rs.1,396,143 as the schedule shown in the account. As a result, furniture and fittings had been overstated by Rs.100,000.

- (f) Even though the depreciation amount in accordance with the policy of depreciation for the advances amounted to Rs.209,610 for the office equipment and minor equipment purchased in the year 2013 ,it had been mentioned as Rs.62,883 against the profit of the account. Accordingly , profit of the year and the value of the fixed assets had been exceeded by Rs.146,727.

5.5 Non – compliances

Non – compliance with Laws, Rules, Regulations, etc.

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

Reference to Laws ,Rules and Regulations -----	Value ----- Rs.	Non-compliances -----
Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulation 94	296,269	Commitments had been made exceeding the provisions provided
(ii) Financial Regulation 115	85,025,578	Payments of the preceding year had been made without getting approval of the Secretary to the Ministry or an authorized officer.
(iii) Financial Regulations 187	124,312	Daily sales income had not been promptly banked .

5.6 Fraudulent Assets

The value of books distributed for schools had been accounted as debtors instead of recorded as the payments of the Advances Account in each year . As such, a cumulative balance of Rs.9,662,075,549 was observed as trade debtors by 31 December 2014.

5.7 Human Resources Management

Approved and Actual Cadre

The position of the cadre as at 31 December 2014 is as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	45	38	07	-
(ii) Tertiary Level	04	02	02	-
(iii) Secondary Level	104	65	39	-
(iv) Primary Level	71	171	-	100
(v) Other (Casual/Temporary/Contract Basis	-	27	-	27
Total	224	303	48	127

The Department had not been taken action to fill 48 vacancies at the end of the year under review.

6. Sri Lanka National Book Development Board

6.2 Comments on Winding up Financial Statements

The following observations are made.

- (a) Sri Lanka National Book Development Board had wound up and the activities therein had been handed over to the National Library and Documentation Services Board from 01 February 2012 without vesting the assets and liabilities of that

institute as the decision of the Cabinet of Ministers dated 11 January 2012 .After the handingover, all books belonging to the Board valued at Rs.5,046,870 had donated to schools and transfers had been given to the staff of the Ministry of Education who had been attached to the Board .The final balance of the Board amounting to Rs.9,834,534 had been sent to the General Treasury on 25 July 2012.The financial statement as at 31 July 2012 had been prepared without making settlement of the balance assets and liabilities of Rs.17,085,337 therein. Winding up financial statement had been prepared and furnished on 11 June 2013 after the audit query dated 20 December 2012 in respect of this matter. However, the final revised winding up financial statement prepared and furnished to the Auditor General on 14 October 2014 by amending 3 times due to the deficiencies existed in that financial statements.

- (b) Current assets described below amounting to Rs.4,124,410 in the balances of the accounts had been written off from the balances of rights of the Board and action had not been taken to identify the responsible officers and recover from them or obtain the approval of the General Treasury in terms of Financial Regulations 104 .
- (i) Books amounting to Rs.3,958,405 had not been existed physically according to the balance of the Book Stock Account. This balance of Book Stock Accounts had been made due to a physical examination of book stocks had not done in any occasion, book stocks allowed to be focused on natural and insects hazards ,registers of book stocks had not maintained formally, formal stock procedures had not followed ,errors had existed in book stocks accounting and attention had not paid on the observations pointed out at the audit done in previous years on the above matter. Another balance of stock of books valued at Rs.307,380 had been written off on 31 December 2011 contrary to the provisions of Financial Regulations 104.
- (ii) Even though an advance of Rs.166,005 had been granted for two outside parties for the purchasing of the Children's Dictionary and the book Weera Soliam , action had not been taken to recover that two outstanding balances of advance which had been remained unsettled from several years .

- (c) The Board had paid Rs.1,378,993 in the year 2011 and purchased furniture only at a value of Rs.1,231,244 and action had not been taken to recover the amount of Rs.147,749 overpaid . Afterward, at the time of winding up the Board ,furniture valued at Rs.1,231,244 had been handed over to the Ministry of Education . However, the attention of the responsible parties had not been paid on winding up of the Office Furniture Account of Rs.1,378,993 without being settled the balance of Rs.147,749.