

Head 213 – Department of Educational Publications

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Publication for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, and cash flow statement 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 containing my comments and observations on the financial statements of the Department of Publication was issued to the Accounting Officer on 29 May 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Department of Publication was issued to the Accounting Officer on 29 October 2020 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

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 Department of Publication as at 31 December 2019 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

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities 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 Responsibilities of Chief Accounting Officer and the Accounting Officer on Financial Statements

The Chief Accounting Officer and Accounting Officer are responsible for preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 .

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Department of Publication 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.

The Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Department of Publication in terms of sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of Financial Statements

My objective is to express a 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 Summary Report of the Auditor General 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. And 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.
- It is not intended to express an opinion on the effectiveness of internal control of the Department to plan appropriate audit procedures in a timely manner.
- Evaluate the structure of financial statements including disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- The transactions and events underlying the structure and content of the financial statements are appropriately and fairly when submitting financial statements as a whole.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1)(d) and Section 38 of the National Audit Act No. 19 of 2018.

- (a) Financial Statements are consistent with the previous year.
- (b) Recommendations made by me with regard to the previous year financial statement had been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance and Statement of Cash Flow

Audit Observation -----	Recommendation -----	Comments given by the Accounting Officer -----
Deposit receipts and Deposit payments amounting to Rs.1,725,425 had been understated in the Statement of Financial Performance and Statement of Cash Flow.	It should be accounted correctly.	Agreed.

1.6.2 Commercial Advance Account

Following observations are made.

Audit Observation -----	Recommendation -----	Comments given by the Accounting Officer -----
(a) Vehicle depreciation expenditure had been overstated by Rs.1,404,310 due to non-application of correct annual depreciation rate.	It should be accounted correctly.	Agreed.
(b) A sum of Rupees 4,392,207 received from disposing of books and other receipts had been included in the income from books sales of the year under review.	Sales income should be recognized correctly.	Agreed.
(c) Depreciation amounting to Rs. 1,170,974 had been made for the lands valued at Rs.11,709,740 due to Lands and Buildings were not accounted separately.	It should be accounted correctly.	Agreed.

- (d) Whilst settled printing creditors balances amounting to Rs. 38,400,000 had been included in the creditors balances as at 31 December 2019, unsettled balances of creditors amounting to Rs. 59,884,000 had not been included. It should be accounted correctly. Agreed.
- (e) A creditor balance of Rs. 50,000 had not been accounted. It should be accounted correctly. Agreed.
- (f) It had not been able to recover a receivable balance remained from the year 2009 amounting to Rs. 7,431,012 from a private company for printing charges by the end of the year under review. Actions should be taken to recover. Agreed.
- (g) A sum of Rupees 1,334,503 paid to the printers due to shortages of pages in the books had not been accounted. It should be accounted correctly. Agreed.
- (h) Although Rs.826,220,943 had been shown as the net profit of the commercial advance account, it was observed that this net profit had been occurred due to provision of Rs.4,598,736,566 given by Ministry of Education for distribution of school text books and Teachers' guidelines for school students and teachers at free of charge had been stated as expenses and sales income in the accounts. Net profit should be recognized correctly. Agreed.

1.6.3 Non-compliance with Laws, Rules and Regulations

Observation	Recommendation	Comments of the Accounting Officer
Reference to Laws, Rules and Regulations	Non Compliance	
Financial Regulation No. 396 (d) of Financial Regulations of Democratic Socialist Republic of Sri Lanka	Actions had not been taken in accordance with the financial regulations regarding 629 Cheques valued at Rs. 4,887,869 that had issued but not presented for payment more than 06 months.	Actions should be taken in accordance with the Financial Regulations. Agreed

2. Financial Review

2.1 Expenditure Management

Audit Observation	Recommendation	Comments given by the Accounting Officer
Due to lack of proper identification of requirements and complying with specific plans whilst preparation of Annual Estimates the provision amounted to Rs. 8,755,596 had been saved in the range of 21 per cent to 57 per cent with regard to 02 Objects.	Estimates should be prepared in terms of Financial Regulation 50 .	Agreed.

2.2 Statement of Reconciliation of Advance Accounts to Public Officers

Audit Observation -----	Recommendation -----	Comments given by the Accounting Officer -----
(a) It had been impossible to recover the outstanding loan balances amounted to Rs. 9,500 from the officers who were interdicted for more than 3 years at the end of the year under review.	The provisions of Section 4 of Chapter xxiv of the Establishments Code should be followed .	Agreed
(b) There was a balance of Rs. 524,692 remained recoverable as at end of the year under review from the officers who had left the service and a balance of Rs. 459,892 for more than 05 years had been included in that balance.	The provisions of Section 4 of Chapter xxiv of the Establishments Code should be followed .	Agreed

3. Operating Review

3.1 Management weaknesses

Following observations are made

Audit Observation -----	Recommendation -----	Comments given by the Accounting Officer -----
(a) Necessary actions had not been taken regarding 79,505 supplementary books which are not suitable for use and value cannot be ascertained, and 237,846 supplementary books valued at Rs.31,515,577.	Whilst Actions should be taken to print identifying the requirement for supplementary books accurately and necessary actions should be taken regarding books which are not suitable for use.	A report would be obtained through a Department Committee regarding books which are suitable and not suitable for sale, accordingly a decision will be taken regarding these books.
(b) 12,609 Teachers' guides which the syllabus has been changed, valued at Rs.2,590,780 had been disposed at the end of the year under review	Actions should be taken to print identifying the requirement of Teachers' Guidelines accurately .	This disposal of books had been done due to Printing at once the requirement for few years and changing the syllabuses

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| (c) Although 99 percent of distribution activities of text books for the year 2020 had been completed, a stock balance of 7,683,625 in 439 types of text books valued at Rs.1,388,025,219 was remained in the Stores as at 15 January 2020 due to printing books without identifying the requirement accurately. | Text Books requirement should be determined accurately. | A new plan by incorporating the criteria which should be based in calculating the printing requirement of text books in subsequent year has been prepared, and accordingly, actions will be taken in future. |
| (d) Due to Grade 11 Hindu Religion text book had consisted of errors ,actions had been taken to reprint and distribute the same in the year 2019, and 8,945 text books which had consisted with errors valued at Rs.2,326,740 were removed from the usage of students. | Actions should be taken to minimize the errors when preparing text books. | Due to the errors found in this book it has been withdrawn from usage. |
| (e) As per the sample test, Rs.1,475,479 in excess and Rs.1,375,890 in short had been paid respectively for the decreases and increases of pages when the payments were made for the text books related to year 2020 . | Past performance of supplying quality books should be considered when the marks are assigned to printers, in the future procurement activities. | Increases and Decreases of pages are occurred due to technical reasons after awarding the printing of text books to printing firms. |
| (f) A Sum of Rupees 1,099,282 had been charged as fine for 2,678,000 copies due to the low quality of inner paper and outer cover of text books. | Past performance of supplying quality books should be considered when the marks are assigned to printers, in the future procurement activities. | Actions will be taken to get the SGS certificate which is obtained by Printers at the import of papers in order to ensure the quality of printing papers |
| (g) 54 Teachers Guidelines' and 30 types of supplementary books which the printing orders were given in year under review and previous year for a contract amount of Rs.49,353,217 had not been printed and handed over even by the end of the year under review | Actions should be taken to get printed within relevant Time frame | A plan with the time periods for all the steps from the beginning of preparation of supplementary books until end of receiving printed books to the stores will be prepared and actions will be taken to prepare a procedure discussing with the National Institute of Education to avoid the delay in preparing teachers' guidelines. |

