

## **Head 2 13 – Department of Educational Publications**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Department of Educational Publications for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Educational Publications was issued to the Accounting Officer on 30 June 2021 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 22 July 2021 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 prepared give a true and fair view of the Department of Educational Publications as at 31 December 2020 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**

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My opinion is qualified based on the matters appear in Paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are further described in the Auditor's Responsibilities Section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Responsibilities of Chief Accounting Officer and the Accounting Officer on Financial Statements**

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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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that 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 the preparation of annual and periodic financial statements.

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 Responsibilities for the Audit of the Financial Statements**

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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. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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

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

- (a) The financial statements are in consistent with those of the preceding year.
- (b) The following recommendation made by me regarding the financial statements of the preceding year had not been implemented .

<b>Reference to the Paragraph</b>	<b>Audit Observation</b>	<b>Recommendation</b>
1.6.2 (a) 1.6.1. (iii)	Due to failure to use the annual depreciation percentage accurately, the vehicle depreciation cost had been overstated by Rs. 1,404,310 .	It should be accurately accounted for.

## 1.6 Comments on Financial Statements

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### 1.6.1 Property , Plant and Equipment

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The following deficiencies were revealed in accounting for the property , plant and equipment.

<b>Audit Observation</b>	<b>Comments of the Accountng Officer</b>	<b>Recommendation</b>
(a) It had been overstated the opening and closing balances of land and buildings by Rs 83,766,584 and Rs.30,104,542 respectively and the depreciation and cumulative depreciation by Rs.57,139,805 and Rs.62,040,873 respectively due to depreciation errors .	Action will be taken to correct.	It should be accurately accounted for.

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| (b) | The opening balance and the depreciation of vehicles for the year under review had been understated by Rs.1,182,260 and Rs.118,226 respectively and the cumulative depreciation had been overstated by Rs. 245,519 in the financial statements due to a depreciation error. | Actions will be taken to correct. | It should be accurately accounted for. |
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**1.6.2 Commercial Advance Account**

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The following observations are made in this regard.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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(a) It had failed to recover a sum of Rs.7,431,012 receivable from a private company since 2009 for printing charges even by the year under review.	The actions will be taken to obtain advices from the Department of Public Finance.	Actions should be taken to recover the balance receivable.
(b) The total creditor balance for the year under review had been overstated by Rs.100,078,738 and the creditor balance of 02 printing presses had been understated by Rs.12,384,798 in the financial statements. Necessary actions had not been taken to settle the debtor balance of Rs.1,521,750 remaining from the year 2013 .	Agree.	Actions should be taken to rectify.

## 2. Financial Review

### 2.1 Revenue Management

The following deficiencies were observed in accounting for the relevant revenue receipts by the Department.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
A revenue of Rs.62,258,364 related to preceding year had been accounted for as a revenue for the year under review.	Agree.	It should be accurately accounted for.

### 2.2 Expenditure Management

The following observations are made in this regard.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The provision of Rs.15,675,287 ranging from 18 per cent to 95 per cent for 05 expenditure objects had been saved.	Agree.	Estimates should be made accurately.

### 2.3 Entered into Liabilities and Commitments

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The liabilities for the year under review had been shown in the statement of liabilities, register of liabilities and the vote ledger 2021 as Rs.143,978 , Rs. 68,070 and Rs.167,233 respectively.	It was not mentioned in the vote ledger 2019 .	It should be accurately documented.

## 2.4 Non-compliance with Laws, Rules and Regulations

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The following observations are made in this regard.

<b>Observation</b> ----- <b>Reference to Laws, Rules and Regulations</b>	<b>Non- compliance</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b> -----
<b>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>			
Financial Regulations 104 and 109	Actions had not been taken in respect of the books valued at Rs. 8,484,244 which were unsuitable to use and the books that cannot be used in terms of Financial Regulations.	Agree	Actions should be taken in terms of Financial Regulations.
<b>(b) Assets Management Circulars</b>			
<b>(i)</b> Assets Management Circular of the Ministry of Finance and Mass Media No. 01/2017 dated 28 June 2017	Although details on all the assets belonging to the Department should be provided to the Comptroller General Office, actions had not been so taken.	Agree.	Actions should be taken in terms of the Circular.

(ii)	Assets Management Circular of the Ministry of Finance and Mass Media No. 4/2018 dated 31 December 2018	Actions had not been taken to assess the assets as effective 01 January 2019 for government assets and cost management in terms of Circular 1/2017 .	Agree.	Actions should be taken in terms of the Circular.
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**2.5 Operating Bank Accounts**

----- <b>Audit Observation</b> -----	----- <b>Comments of the Accounting Officer</b> -----	----- <b>Recommendation</b> -----
Actions had not been taken to identify an unidentified balance of Rs. 17,321,538 and to settle.	Actions are being taken to take future measures.	Actions should be taken to identify and settle.

**2.6 Reconciliation Statement on Advances to Public Officers' Accounts**

----- <b>Audit Observation</b> -----	----- <b>Comments of the Accounting Officer</b> -----	----- <b>Recommendation</b> -----
Actions had not been taken to recover the debt balance of Rs. 458,592 from the officers who had left the service for more than 5 years .	Actions are being taken to recover.	Recovery of old loan balances.

### 3. Operating Review

#### 3.1 Annual Performance Report

<b>Audit Observation</b>	<b>Comments of the Accountng Officer</b>	<b>Recommendation</b>
The Annual Performance Report had not been prepared in terms of Public Finance Circular No. 2/2020 dated 28 August 2020 .	The answer has not been given.	To act in accordance with the Circular.

#### 3.2 Foreign Funded Projects

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accountng Officer</b>	<b>Recommendation</b>
(a) A sum of Rs. 35 Million had been provided for the years 2019 and 2020 for the promotion of English and Mathematics subjects under the General Education Modernization Project and a sum of Rs. 20,474,489 had been spent for improving the capacity of the officers of the Department, creating a children's story book in Sinhala and Tamil medium, conducting Grade 5 text book review workshops, purchasing equipment in contrary to the objectives of the Project.	The approval of the Secretary of Education has been obtained for these purposes.	Action should be taken to achieve the objectives of the project.



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| (b) | Similarly, incurring the cost of Rs. 5,758,993 from the project for a writer to write a children's story book with a view at developing attitudes in the minds of children and a number of 155,475 of Sinhala and 73,475 Tamil versions had been printed. A number of 82,900 books out of these books valued at Rs. 2,072,500 had remained in the store without distributing even by 20 May 2021. | Agree.                   | Take actions to distribute books in a systematic manner and follow the indicators.    |
| (c) | Even though it had been planned to computerize the methodology of distribution and sale of text books of the Department at a cost of Rs. 39 Million as per the project implementation plan , it had not been so acted during the year under review as well.   | Actions are being taken. | Taking actions according to a plan to implement indicators relevant to project funds. |

### 3.3 Management Weaknesses

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Even though the works on distribution of textbooks for the year under review had been completely over, a stock of 4,761,461 text books valued at Rs. 593,839,740 belonging to 128 types of text books exceeding stock balance of 20,000 books had remained in the store by 31 January 2021 .	Agree.	Identify the requirement for text books relevant to the year and act accordingly.

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| <p><b>(b)</b> Due to printing of textbooks without correctly identifying the textbook requirement for the year, a stock of 412,632 books valued at Rs. 48,239,420 belonging to 07 types of books exceeding the stock balance 25,000 books had remained in the store by 31 January 2021 even after the publication of the printed books for 02 years.</p>   | <p>Agree.</p> | <p>Identify the requirement for text books relevant to the year and print accordingly.</p>            |
| <p><b>(c)</b> When paying for textbooks for the year under review, a sum of Rs.17,039,257 and Rs.16,636,231 had been charged respectively for increasing and decreasing pages and a fine of Rs.62,696,397 had been paid because of delays, changes in GSM value .<br/>Since the students may be embarrassed by the change in the content of the textbooks as the pages increase and decrease as this, attention had not been drawn with regard to that when paying and planning.</p> | <p>Agree.</p> | <p>To act carefully when making payments and planning.</p>  |
| <p><b>(d)</b> A number of 1,584,066 supplementary books printed in previous years valued at Rs. 333,945,008, a number of 605,369 teachers' guides valued at Rs. 96,915,726 a number of 23,742 value unidentified supplementary books and 158,775 teachers' guides had remained in stores without distributing by 31 December 2020.</p>   | <p>Agree.</p> | <p>Taking actions to print books considering the annual book requirement and the remaining stock.</p> |

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| (e) | The number of textbooks, teacher guides and supplementary books valued at Rs. 22,551,350 relating to the previous years and the year under review, it had not been printed and delivered even by 28 February 2021 . | Agree. | Arrange a programme to get the printed books on the due date. |
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**04. Human Resources Management**

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<b>Audit Observation</b>	<b>Comments of the Accountng Officer</b>	<b>Recommendation</b>
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(a) There are 48 vacancies in the approved staff and 01 post of artist and 04 posts of computer page editing required to prepare the textbooks had been consisted of these vacancies .	Agreed.	Taking actions to fill the vacancies.