

## **Head 213 – 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 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, and cash flow statements for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. The Summary Report including my comments and observations on the financial statements of the Department of Educational Publications was issued to the Accounting Officer on 03 July 2022 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 11 July 2022 in terms of Section 11 (2) of the Audit Act. This report is presented in Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Educational Publications as at 31 December 2021 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 described in Paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, under those standards is further described in the Auditor's Responsibility for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **1.3 Responsibility of the 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 in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the

Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

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

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

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

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

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

#### **1.5 Report on Other Legal Requirements**

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

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

## 1.6 Comments on Financial Statements

### 1.6.1 Accounting Deficiencies

#### (a) Non-revenue Receipts

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The balance of the Advance Account under current assets in the statement of financial position as at 31 December 2021 was Rs.6,648,748,415 and according to Treasury reports, the said balance was Rs.6,648,923,249, thus observing a difference of Rs.174,834.	Action will be taken for rectification.	Should be brought to account accurately.

#### (b) Commercial Advance Account

The following observations are made in this connection.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(i) The value of lands and buildings should be Rs.192,233,776 as at 31 December 2021. However, that value had been indicated as Rs.115,492,778 in the balance sheet and the accumulated depreciation value for lands and buildings as at that date should have been Rs.87,861,925. Nevertheless, it had been indicated as Rs.164,602,922 in the balance sheet. As such, lands and buildings had been understated by Rs.76,740,997 while accumulated depreciation value had been overstated by Rs.76,740,997 in the balance sheet.	It is agreed.	Should be brought to account accurately.
(ii) Even though the depreciation for	It is agreed.	Should be brought to

buildings was Rs.11,120,929 in the year under review, a sum of Rs.87,861,925 had been debited to the statement of financial performance as depreciation value of the year. As such, the profit had been understated by Rs. 76,740,997

account accurately.

**(c) Non-financial Assets**

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) Assets valued at Rs.30,439,165 purchased in the year 2021 by utilizing funds of the General Education Modernization Project, had not been brought to account.	Assets are being entered into the CIGAS Programme.	Fixed assets should be brought to account.
(ii) Reports on Board of Survey relating to text books, supplementary books and Teachers' Guides in the Isurupaya and Maharagama bookshops had not been submitted to Audit and those stocks had not been included in the financial statements as well.	The Isurupaya and Maharagama bookshops had not completed activities of Board of Survey and submitted reports thereon.	Boards of Survey should be conducted and action taken accordingly.

**2. Financial Review**

**2.1 Revenue Management**

The following observations are made in this connection.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The income from sale of books amounting to Rs.16,987,250 in the preceding year had been brought to account as income of the year under review and as such, the revenue had been overstated by that amount.	It is agreed.	Should be brought to account accurately.

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| (b) | Funds under the approved Advance Account are provided on expenditure for printing and distribution of text books provided to schools free of charge and the value of those books had been indicated as the <b>trade</b> turnover of the year considering as purchased by the Ministry of Education for free distribution among students. As such, the profit balance to be credited to the Government revenue as at 31 December 2021 had been indicated as Rs. 1,970,635,235. Nevertheless, it was only a nominal value. | No receipt of actual income | Action should be taken to indicate the actual situation in the balance sheet. |
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## 2.2 Operation of Bank Accounts

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
There were unidentified receipts of Rs.15,132,501 as at 31 December 2021 relating to 283 instances.	Further measures will be taken in this regard.	Action should be taken to identify and settle balances.

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

The following observations are made in this connection.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
<b>Reference to Non-compliance Laws, Rules and Regulations</b> -----		
(a) Paragraphs 03 and 03 (b) of Public Finance Circular No.02/2020 of 28 August 2020	The Annual Action Plan had not been clearly prepared in detail in terms of Circular provisions.	Comments have not been made.  Annual Action Plan should be prepared in terms of Circular provisions.
(b) Chapter III of the Establishments Code and Chapter XVIII of the	Thirty eight officers were being deployed in the service of the Department for a period	Comments have not been made.  Transfers should be made in terms of Circular provisions.

Procedural Rules ranging from 05 years to of the Public 26 years contrary to Service Commission these rules and regulations. published in the Gazette Extraordinary No. 1589/30 dated 20 February 2009 of the Democratic Socialist Republic of Sri Lanka

**3. Operating Review**

**3.1 Annual Performance Report**

Audit Observation	Comments of the Accounting Officer	Recommendation
In terms of Section 16(2) of the National Audit Act, No.19 of 2018 and paragraph 10.2 of Public Finance Circular No.2/2020 of 28 August 2020, the Draft Annual Performance Report of the year under review had not been submitted along with financial statements.	It is being prepared.	Taking action in terms of the circular.

**3.2 Foreign Funded Projects**

Audit Observation	Comments of the Accounting Officer	Recommendation
A number of 228,950 copies of a children’s story book named “Yalu Yaluwo” had been printed by spending provision of Rs.5,758,993 received to the General Education Modernization Project in the preceding year. However, 28,600 of those books had remained in the stores as at the end of the year under review.	Distribution of the said stock of books had failed due to the fuel crisis.	Action should be taken to distribute books in a systematic manner and project provision should be utilized according to a proper management.

### 3.3 Procurements

----- <b>Audit Observation</b> -----	----- <b>Comments of the Accounting Officer</b> -----	----- <b>Recommendation</b> -----
Even though vehicles used for the distribution of Text Books had been obtained as per the procurement procedures, it was observed that vehicles, for which bids were not submitted, are used for the transport of books and some contractual vehicles had been sold by transport agencies despite having the relevant agreement coming into force.	Replies have not been received.	Procurement activities should be operated as per bids and conditions set out in agreements.

### 3.4 Management Weaknesses

The following observations are made.

----- <b>Audit Observation</b> -----	----- <b>Comments of the Accounting Officer</b> -----	----- <b>Recommendation</b> -----
(a) Books valued at Rs. 83,680,906 and Rs.8,484,244 had been disposed of in the years 2018 and 2021 respectively due to failure in identifying the requirement of Text Books and books valued at Rs.9,646,512 should have been disposed of in the year under review.	It is agreed.	Action should be taken by identifying the requirement of Text Books accurately for the year.
(b) Action had not been taken to obtain 365,715 and 125,415 copies of books valued at Rs.29,246,583 and Rs. 11,087,962 receivable from private printing institutions and Government printing institutions respectively as at 31 May 2022. As such, there was a delay in distribution of books duly.	Replies have not been received.	Action should be taken to obtain books duly in terms of Conditions set out in agreements.
(c) A number of 153,056 copies of Teachers' Guides of 53 types valued at Rs.3,458,061 and 3,485 copies of Teachers' Guide with unidentified values had remained in stores in Pitipana due to failure in printing,	Replies have not been received.	Action should be taken to print books considering the annual requirements of books and remaining stocks of books

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| (d) | A sum of Rs.7,431,012 receivable from a private company as printing charges since the year 2009 had been failed to recover even in the year under review. | Action will be taken in consultation with the Department of Public Finance. | Action should be taken to recover the balance receivable. |
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**4. Human Resource Management**

----- <b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
There are 48 vacancies in the approved cadre and these vacancies consisted of 01 post of Artist and 04 in the post of Computer Page Editing required to prepare the Text Books.	It is agreed.	Taking action to fill vacancies by identifying requirements.