

Head 213 – Education Publication Department

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Head 213 – Education Publication Department for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 Head Education Publication Department was issued to the Accounting Officer on 27 May 2024 in terms of Section 11(1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Department was issued to the Accounting Officer on 07 June 2024 in terms of Section 11(2) of the Audit Act. This report will be 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 financial position of the Education Publication Department as at 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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

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 evidences I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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

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 is the responsibility of the Accounting Officer.

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.

The Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Department 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 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 an 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 exercised 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 its internal control.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- Evaluate the overall presentation, 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.

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) of the National Audit Act No. 19 of 2018.

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

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Commercial Advance Account

The following observations are made.

	Audit Observation	Comments of the Accounting Officer	Recommendation
(i)	The value of the closing stock as at 31 December 2022 was Rs.511,397,303 and the opening balance of the production account of the current year was shown as Rs.509,916,122. As such, the production cost and profit of the current year were understated and overstated by Rs.1,481,181 respectively.	That the officers have been instructed to correct and prepare the accounts.	Opening balances should be recorded correctly in the preparation of financial statements.
(ii)	According to the approved advance account, payable to the Government Printing Department and State Printing Corporation were Rs.2,253,600 and Rs.168,097,238 respectively, but according to the financial statements of those institutions, the amounts were Rs.26,044,505 and Rs.715,624,110 respectively. As such, there had been discrepancies of Rs.23,790,905 and Rs.547,526,872 respectively.	A written confirmation will be obtained and submitted.	Creditor balances should be entered correctly in the accounts.
(iii)	The fine amount of Rs.505,236 collected for not printing and delivering the Grade 03 Tamil workbook on time related to the year 2022 was not accounted for and the income from fines was understated by Rs.505,236 in the financial statements.	That has been missed by an omission.	The income should be properly recognized and accounted for.
(iv)	The balance confirmation letters of balance payable to 18 printing companies included in the approved advance account as at 31 December 2023 was not submitted to the audit for verification, as such, it was not possible to verify the accuracy of the creditor balances.	That the relevant printing companies have been informed to confirm the creditor balance.	The balance confirmations of creditors should be directly submitted to the audit.

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| (v) | The department was unable to recover the amount of Rs.7,431,012 due from National Paper Company Limited since 2009 during the year under review. | It is working with the Ministry of Industry regarding the write-off of the respective loans. | Necessary actions should be taken to recover the amount receivables immediately and necessary actions should be taken against the officials who had not taken action to recover the amount due on time. |
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(b) Property, plant and Equipment

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) The legal ownership of the land which the text book stores complex in Homagama, Pitipana, worth Rs.92.14 million included in the statement of non-financial assets had not been confirmed.	The Homagama Divisional Secretary has informed that a legal proceedings related to the land is pending in the Homagama District Court and that the transfer work can be done after its decision.	Actions should be made to obtain the legal ownership of the land to the department.
(ii) There had been a net difference of Rs.39,089,545 in the value of 8 items of fixed assets between the Fixed Assets Register and the Non-Financial Assets Statement relating to the Approved Advance Account.	In the statement of Non-financial assets were recorded as per the classification of the CIGAS data processing and from the year 2022 the assets will be included in the approved advance account as per the CIGAS data process.	The amounts in the financial statements should be compared with other related reports.

(c) Non maintaining of Books and Records

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Register of Losses A register of losses had not been maintained as per Financial Regulation 110.</p>	Action will be taken to prepare the losses register in the future.	As per the Financial Regulations, a register of losses should be maintained in the prescribed format

(d) Evidence not available for Audit

Audit Observation	Comments of the Accounting Officer	Recommendation
The information related to confirming the values of land worth of Rs.92,145,416 and buildings worth of Rs.187,950,284 shown in the statement of non-financial assets was not submitted to the audit.	That the relevant information will be submitted to the audit in the future.	Relevant information should be submitted to audit to ascertain the value of fixed assets.

2. Financial Review

2.1 Expenditure Management

Audit Observation	Comment of the Accounting Officer	Recommendation
In terms of Financial Regulation 50(1), due to annual estimates had not prepared accurately as much as possible by identifying the requirements, the estimated provision for capital expenditure under Program (2) was Rs.84,000,000 and after receiving Rs.1,100,000 under Transfers of F.R. 66 the total net provision became Rs.85,100,000. After spending only Rs.10,675,284, 87 percent was saved.	More than the amount applied from the National Budget Department for the GEM project, an additional provision of Rs. 55 million has been given.	Annual estimates should be prepared as accurately as possible by identifying the requirements.

2.2 Non-compliance with Laws, Rules, Regulations and etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(i) Asset Management Circular No. 02/2017 dated 21 December 2017	Action had not been taken to take over the that the registration rights of three vehicles use by the department until 31 August 2024 and an expenditure of Rs.1,677,331 had been incurred for those 03 vehicles in the year under review.	Action is being taken to submit request letters to the Ministry of Education to transfer to the department.	Circular instructions should be followed.

(ii)	Public Finance Circular No. 2/2020 dated 28 August 2020	The annual action plan had not been prepared in detailed and clear.	Action will be taken to correct in the future.	The annual action plan should be prepared according to the provisions of the circulars.
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2.3 Operating Bank Accounts

Audit Observation	Comment of the Accounting Officer	Recommendation
As per Bank Reconciliation Statement as on 31 March 2024, there were 116 items of unrecognized receivables total amounting to Rs.557,574.	Those ere receipts returned to the bank in the payment of principal payments, which are due to wrong bank account numbers, wrong bank branches and closed bank accounts.	Receipts should be properly identified.

3. Operational Review

3.1 Annual Performance Report

Audit Observation	Comments of the Accounting Officer	Recommendation
The draft annual performance report was not submitted along with the financial statements in the format specified in Guideline No. 14 issued by the Public Finance Department in terms of paragraph 10.2 of Public Finance Circular No. 02/2020 dated 28 August 2020.	Action will be taken to submit with the financial statements in the next year.	Circular provisions should be folloed.

3.2 Foreign Funding Projects

3.2.1 Use of General Education Modernization Project Funds.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) To get related proposals to determine the effectiveness of digital learning aids 05 workshops had been conducted for 21 officers of the Education Administration Service by spending Rs.519,350 in March and April 2023 to	That these proposals were submitted as free proposals.	Action should be taken effectively to accomplish purposeful tasks.

obtain related proposals for conduct a research on 07 selected topics. Although the officers had presented 06 topics, only one topic had been presented related to the required objective.

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| (b) | Sub-activities had not been identified for 6 out of 8 expected activities included in the revised action plan of the year 2023. Further, it was not specified how much digital learning aids planned for 07 subjects would be produced for the students of which grades. | It had been stated that relevant instructions about the content of a plan should be given by the party to whom the plan is approved. | The activities should be in detail to achieving the desired objective of the action plan. |
| (c) | The provision of Rs.80,000,000 allocated to the Education Publication Department from the General Education Modernization Project Fund in the year under review, but out of the allocation only Rs.5,600,025, i.e. 7 percent of the allocated amount had been spent on 05 activities. | That the plans have not been successful due to funds had not been received on time. | Planned activities should be carried out using the allocations related to the year. |
| (d) | 15,000 copies of Resource Book on Reproductive Health (16+) were printed using Rs.7,678,441 project funds in the year 2022. Out of that, 1765 books were left in the stores without delivery as on 30 April 2024. | No reply was made. | Distribution of printed books should be done as planned. |

3.3 Procurements

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to (10.0) under the contract data of the bid documents, an insurance of Rs.1,000,000 should be obtained for the lorry used for transportation and the textbooks, but the same insurance was not obtained for 08 lorries used for the transportation of textbooks by a private transport company.	That the reply will be made later.	The requirements specified in the bid documents should be fulfilled.

- (b) As per the conditions mentioned in the previous notes No. 6.0 and 9.0 of the bid documents, none of the requirements related to the additional vehicle submitted with the bid documents had been fulfilled. That the reply will be made later. The requirements specified in the bid documents should be fulfilled.

3 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Five officers of the department had taken duty leave for 19 ½ man days and were engaged in the institutional examinations of the examination department from 01 June 2023 to 12 September 2023, and 04 officers had not been engaged in the related duties for 09 man days.	That instruction has been sought from the Secretary of Education on the procedures to be followed in engaging for examination duties.	Public officials should take duty leave in accordance with the provisions of the Establishment Code of the Democratic Socialist Republic of Sri Lanka.
(b) The contracts had been signed with 26 printing institutes for a value of Rs.14,211,128,357 or printing of 32,890,400 copies of general textbooks for the academic year 2023. But the department was unable to distribute 4,039 Braille textbooks printed by the department including those textbooks before the start of the first school term.	That the textbooks ordered before the start of the 2024 academic year have been released to schools and distribution centers.	Arrangements should be made to distribute textbooks within the stipulated time so as not to disturb the educational activities.
(c) The date the lorry left the stores and the date it returned to the stores, during the inspection, it was revealed that during those days, the lorry was used for the transportation of textbooks in another area according to the report prepared by the officer in charge of textbooks. Accordingly, the accuracy of the amount of Rs. 2,262,500 paid for the textbook distribution officers could not be confirmed during the audit.	That the necessary actions have been adopted to solve this problem identified in relation to the year 2023 in the year 2024.	Textbook distribution should be done under a formal system.