

Sri Lanka Institute of Printing - 2012

1. Financial Statements

1:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Institute of Printing as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1:2 Comments on Financial Statements

1:2:1 Accounting Policies

Even though accounting on the accrual basis is the accounting policy of the Institute, it was observed that the income from the courses with a duration less than one year had been brought to account on the cash basis.

1:2:2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) A sum of Rs.242,847 paid as the hire charge of photocopying machine and publicity expenses relating to the year 2011 had been brought to account as an expenditure of the year under review.
- (b) Audit fees payable had been understated by a sum of Rs.96,000.
- (c) A sum of Rs.1,999,975 received in the year 2011 from the Tertiary and Vocational Education Commission as capital grants had been brought to account as income for the year under review.

1:2:3 Accounts Receivable

The debtors balance receivable included a sum of Rs.2,096,850 receivable as course fees from 275 apprentices and a proper course of action had not been taken for the recovery of those debtors balances. Out of that, a sum of Rs.639,250, that is, 30.48 per cent had been written off as bad debts without obtaining the approval.

1:2:4 Transactions not supported by Adequate Authority

In terms of the decision No. 1024 F/600/29/CD dated 30 November 1963 of the Cabinet of Ministers, Public Corporations should formulate Financial and Administrative Regulations without delay. The Institute of Printing had not formulated those regulations in compliance with that decision. Even though the Government Financial Regulations and the Establishments Code should be followed in that connection, the provisions of the Shop and Office Employees Ordinance had been followed only in connection with the annual leave and overtime. As such an overpayment of overtime amounting to Rs.47,778 had been made in the year under review.

1:2:5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Sri Lanka Institute of Printing Act, No. 18 of 1984	

Section 14(1)	Even though at least one meeting of the Board of Governors should be held in each month, 8, 4 and 3 meetings only had been held in the years 2010, 2011 and 2012 respectively.

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| (b) Finance Act, No. 38 of 1971
Section 8(3) and Section 5.2.1 of
the Public Enterprises Circular
No. PED/12 of 02 June 2003. | A budgeted balance sheet and a cash flow
statement had not been presented with the
budget for the year under review. |
| (c) Financial Regulations of the
Democratic Socialist Republic of
Sri Lanka.

Financial Regulation 225(1) and
(2) | There were 22 instances of payments made
on vouchers without signatures of the
officers responsible for preparing the
voucher, recommending the payment,
approving and making the payment while
the voucher format did not conform to the
specified format. |
| (d) Notification published in the
Gazette Extraordinary No. 1530/3
of 21 January 2008 | Even though stamp fee of Rs. 25 should be
charged on each payment exceeding
Rs.25,000, it had not been so done in
connection with all payments. |
| (e) Public Enterprises Circular No.
PED/12 of 2 June 2003
Section 6.5.1 | A draft Annual Report for the year under
review had not been prepared and
presented. |
| (f) Paragraph 07 of the letter No.
DMS/E4/37/7/235/2 dated 23
February 2011 of the Director
General of the Department of
Management Services. | Even though the Schemes of Recruitment
and Promotions should be prepared in
accordance with the provisions in the
Management Services Circular No. 30 and
approval obtained, the approval for the
Scheme of Recruitment had not been
obtained. |

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the operations of the Institute for the year ended 31 December 2012 had resulted in a surplus of Rs.7,661,089 as compared with the corresponding surplus of Rs.2,859,389 for the preceding year. The improvement of the financial results for the year under review as compared with the preceding year by a sum of Rs.4,801,700 had been mainly due to the accounting for the capital grant of Rs.1,999,975 received from the Tertiary and Vocational Education Commission as income.

3. Operating Review

3:1 Performance

The following observations are made.

- (a) Even though 19 courses for the Head Office and 03 courses for the Matale Branch had been planned for the year 2012, five courses planned had not been conducted. Even though it was expected to admit 60 students for those 05 courses, the expected income had not been achieved due to the non-conduct of those courses.
- (b) The expected number of students for the 02 courses conducted by the Matale Branch in the year 2012 had been 60 while only 42 students had participated. As such the non-achievement of the targets had been 30 per cent.
- (c) The expected number of students for the 05 courses conducted by the Head Office and the Matale Branch in the year under review had been 188, the actual number of student admitted had been 97. As such it was observed that it had not been possible to admit students in the range of 7 per cent to 57 per cent.

3:2 Management Inefficiencies

The following observations are made.

- (a) Quotations in terms of the provisions in the Government Procurement Guidelines had not been invited in 04 instances for purchases amounting to Rs.1,349,449. The information on the selection of suppliers, orders made, receipt of goods, etc. had not been recorded in the files on purchases.
- (b) The Institute had obtained a photocopying machine on hire basis from the year 2009 for photocopying purposes and a sum of Rs.191,640 had been spent thereon in the year under review. A register of photocopies made had not been maintained. The benefits accruing from the purchase of a photocopying machine had not been considered.
- (d) Expenditure of Seminars

The following matters were observed.

- (i) A sum of Rs.60,000 for 03 days at the rate of Rs.20,000 per day for 02 resource persons had been spent for the conduct of seminars on 21, 22 and 28 January 2012 at the Deyata Kirula Exhibition held in Anuradhapura. A file with information thereon was not available.
- (ii) Even though a sum of Rs.78,750 at the rate of Rs.750 per day per participant for 03 days for 35 participants had been spent for accommodation, the participation on the 03 days had been only 19, 18 and 16 respectively.

3:3 Delayed Projects

Even though the approval of the Cabinet of Ministers for the construction of a new building for the Sri Lanka Institute of Printing had been received on 09 December 2004, the construction work had not been commenced despite the elapse of over 06 years. The transfer of the proposed land had also not been completed. Prior to the transfer of the land, a sum of Rs.227,370 had been spent in the year 2009 for the preparation of the building plans.

3:4 Uneconomic Transactions

Even though an accounts clerk had been recruited for book keeping and accounts work of the Institute, sums of Rs.42,000 for the preparation of Bank Reconciliations, Rs.87,798 for the preparation of accounts and a sum of Rs.13,424 for the preparation of financial statements for the year under review had been paid to a private firm of Accountants.

3:5 Transactions of Contentious Nature

The salary scales of all the officers of the Sri Lanka Institute of Printing in accordance with the Management Services Circular No. 30(1) had been shown in the letter No. DMS/E4/37/7/235/2 dated 23 February 2011 of the Department of Management Services. Contrary to those provisions salaries had been paid to the officers placing them on different salary scales and as such the Institute had to make overpayments amounting to Rs.601,320 annually.

4. Accountability and Good Governance

4:1 Corporate Plan

Even though a Corporate Plan had been prepared in terms of the Public Enterprises Circular No. PED/12 of 02 June 2003, the particulars of the periods for the implementation of the targets of that plan had not been indicated.

4:2 Budgetary Control

The variances between the budgeted and the actual expenditure of the Head Office and the Matale Branch for the year under review ranged between 10 per cent to 36 per cent, thus indicating that the budget had not been made use of as an effective instrument of management control.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Institute from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Conduct of Courses
- (c) Maintenance of Books
- (d) Financial Control
- (e) Funds Control