

Sri Lanka Printing Institute - 2019

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Printing Institute for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance , statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the institution as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards applied for small and medium scale business enterprises.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 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 evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the institution or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the institution's financial reporting process.

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

1.4 Responsibility of the Auditor on the 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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 scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the institution, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the institution has complied with applicable written law, or other general or special directions issued by the governing body of the institution ;
- Whether the institution has performed according to its powers, functions and duties; and
- Whether the resources of the institution had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-Compliance with Sri Lanka Accounting Standard applicable for small and medium scale business enterprises

Non Compliance	Management's Comment	Recommendation
(a) Even though the public enterprises, which supply good or services and institutions with public accountability should not make Sri Lanka Accounting Standards applied for small and medium scale business enterprises. as their base, the institution has prepared its financial statements based on Sri Lanka Accounting Standards applied for small and medium scale business enterprises.	Since this is not an institution, which sell goods or supply service as per your clarification, we are of the view that the financial reports of the institution should be prepared in accordance with Sri Lanka Accounting Standards applicable for small and medium scale business enterprises.	It is clear that this institute, which has been established under Sri Lanka Printing Institute Act No 18 of 1984, is a service provider as per the objectives indicated in section 04 of the Act. Further it is clear that Sri Lanka Accounting Standards applied for small and medium scale business enterprises are applicable to public enterprises which supply goods or services and institutions with public accountability as per chapter 1.1 and 1.2 of part I of the standard. Therefore Accounting Standards

should be made applicable accurately in the preparation of financial statements of the institution.

- | | | |
|---|--|---|
| <p>(b) Even though it is mentioned in notes to the accounts that projected unit credit method is applied for measuring defined benefits, no discounting has been made on benefits as per section 28.17 and 28.18 of chapter 28 of Sri Lanka Accounting Standards applied for small and medium scale business enterprises in relation to the employees ' benefits.</p> | <p>It is noted to take necessary action in this regard in the next year.</p> | <p>Financial statements should be prepared in consistent with accounting standards.</p> |
| <p>(c) Particulars of 228 assets , which were being used and of which the cost was Rs. 12,582,309, have not been revealed in financial statements as a result of not indicating the accurate value of property, plants and equipment in financial statements after reviewing annually the productive life time as per section 17.15A of chapter 17 of Sri Lanka Accounting Standards applied for small and medium scale business enterprises.</p> | <p>Action will be taken in the next year to arrange again these assets with zero value and to calculate and then represent them in financial statements.</p> | <p>Since it is a weakness of the management for not taking action to make necessary rectifications even though this defect has been pointed out constantly, it is required to take measures to avoid this defect in the accounting process.</p> |

1.5.3 Accounting Deficiencies

Audit Observations	Management's Comment	Recommendation
<p>(a) The surplus of the year has been overstated by Rs. 201,837 and the payments in advance have been understated by Rs. 172,402 as a result of accounting the total expenditure of Rs. 302,755 which was borne for the</p>	<p>The private institute, to which the preparation of financial statements of our institute has been entrusted to, has been informed to rectify this defect in due course.</p>	<p>The expenditure relevant to the year should be accounted identifying it accurately.</p>

period from 14 September 2018 to 13 September 2021 for the quality management system of the financial institution as an expenditure of the year under review.

- (b) The value of the land in extent of 0.1012 hectares, which has been alienated to the printing institute in September 2013, has not been valued and included in the financial statements
- It was not possible to estimate and show this land belonging to Sri Lanka Printing Institute in financial statements since a statement has been made that a portion of the land was to be acquired by the Ministry of Mega Police.
- Accurate particulars of the assets belonging to the institute should be included in financial statements.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 14,709,362 and the corresponding surplus in the preceding year amounted to Rs.9,348,743. Therefore an improvement amounting to Rs. 5,360,619 of the financial result was observed. The main reason for the improvement is the growth in the income from courses.

3.1. Operational Inefficiencies

Audit Observations	Management Comment	Recommendation
(a) The institute has enrolled 932 students during the year under review for 13 courses including one course with National Vocational Qualifications and 111 students out of the above have left the courses. The institute has registered for 18 courses in year 2019 but the number of the students registered for 09 courses is less than 20 (50% from the total number of courses)	There are instances where students between 15 to 20 register for certain courses of our institution annually. Such situation depends on the demand for the courses. These courses are fallen under the category of courses, which are conducted for the persons purely engaged in the fields.	Action should be taken to avoid such situation by way of paying attention of the management to identify the reasons, which affect for students to leave the courses and for lack of interest for participating in the courses.
(b) Rs. 50,000 each has been awarded in the prize awarding ceremony held in year 2019 to three officers of the Department of Government	An amount of Rs. 50,000 has been awarded at the ceremony for awarding certificates held in year 2019 in appreciation of the	Action should be taken to recover the loss, which has incurred to the institute due to this improper payment.

Printing including the Head of the Department of Government Printing, who holds office as the chairman of the institution without any approval of the Governing Council, in appreciation of the completion of 20 years of service in the institute. However it was observed that those officers were not permanent employees of the institute and further no documents are available at the institute to prove their service of 20 years and the payment has been approved by the Government Printer herself.

commendable service of four persons , who have provided their services as lecturers for 20 years to the institution.

3.2. Human Resources Management

Audit Observations	Management's Comment	Recommendation
<p>The officer, who has retired after serving in the post of Chief Executive Officer, has been appointed to the same post , which has fallen vacant in the Sri Lanka Printing Institute from 01 November 2017 for a period of 2 years without following proper methodology and without proper approval instead of recruiting a qualified officer as per the approved scheme of recruitment.</p> <p>Further Rs. 120,000 has been paid as the total of salaries and vehicle allowance. Also 150 litres have been provided. The contract period of this officer has been extended by another 2 years from 01 November 2019 and the base for granting allowances and the approval have not been submitted for audit.</p>	<p>This reemployment has been made considering the performance of the officer during his past service and applying the powers vested in the Governing Council by Sri Lanka Printing Institute Act whilst obtaining approval of the Governing Council. However the Governing Council has ceased to hold office at the time when the contract period expired a member out of ex officio members has been appointed by the Minister as the Government Printer of the Department. Accordingly this appointment has been made by me as per the powers vested by the Act. Further as per paragraph 17 of the Act, the Governing Council has the powers to determine salary, wages or remunerations of Chief Executive Officer.</p>	<p>In terms of the Act, powers for making appointment is vested in the Governing Council and the approval of the Governing Council pertaining to the first period of the appointment has not been submitted for the audit. Since the Governing Council has ceased to hold office at the time of extending the contract service period action should be taken to recruit a qualified officer to the post of Chief Executive Officer as per the scheme of recruitment.</p>

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Management's Comment	Recommendation
Even though the financial statements should be submitted to the Auditor General within 60 days from the end of the financial year as per section 6.5.1. of Public Enterprises Circular No PED/12 dated 02 June 2003 and Treasury Circular No 01/2004 dated 24 February 2004, the submission of the financial statements of the year under review has been delayed up to 15 June 2020.	The delay in the appointment of the Governing Council of the institute has caused for the delay. Since the accounts reports, which are submitted to the audit, should have been approved and signed ,such delay is observed.	Action should be taken to submit financial statement before the due date.

4.2. Annual Action Plan

Audit Observation	Management's Comment	Recommendation
The institute has been established under 07 main objectives as per section 4 of Sri Lanka Printing Institute Act and no programme has been planned and implemented to achieve 03 objectives out of the above. Further the institute has been unable to take action for the preparation and implementation of an annual action plan even by the end of the year in order to implement the 05 programmes included in section (c) of para 5 of the Act.	Certain objectives have been set parallel to the development activities of the institute which would take place in future. Even though the institute has achieved mostly the development activities of the introduction of the courses of the institute , no change has been made in infrastructure facilities. The Ministry has been informed in this regard and it would be possible to achieve year by year the other objectives mentioned in the Act when the institute is given a new building.	The objectives which the Government expected to achieve with the establishment of the institute should be satisfied and programmes required to the future development of the field with the enhancement of the technology should be planned and implemented.