

## Head 211 – Department of Government Printing

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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 Government Printing 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 Government Printing was issued to the Accounting Officers on 28 April 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the Department of Government Printing was issued to the Accounting Officer on 28 April 2021 in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Department of Government Printing as at 31 December 2020, and of its financial performance and its cash flows 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 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 opinion.

### **1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer for the 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 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.

As per Sub-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..

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 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 scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks 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 audit 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- 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.

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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As required by Sub-section 6 (1) (d) of the National Audit Act, No.19 of 2018, I state the following:

- (a) Financial statements presented are consistent with that of the preceding year.
- (b) Recommendations made by me regarding the financial statements of the previous year had been implemented.

### 1.6 Comments on the Financial Statements

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#### 1.6.1 Statement of Financial Performance

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
According to the statement of financial performance, the Value Added Tax was Rs. 393,097,856 and it was Rs. 386,494,948 according to the Treasury Books. Accordingly, the Value Added Tax had been overstated by Rs.6,602,908.	The amount of Rs. 393,097,856 shown in the statement of financial performance under the various receipt includes the Value Added Tax as well as the imprests settlement amount relevant to the preceding year.	Accurate value should be brought to account.

## 1.6.2 Statement of Financial Position

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
The balance of the Value Added Tax Control Account was Rs. 6,947,387 according to the statement of financial position and it was Rs. 37,695,022 according to the books of the Department of Government Printing. Accordingly, a difference of Rs. 30,747,635 was observed.	The total value stated as the receipts of the Value Added Tax Control Account is not brought to account. Only the permitted values are brought to account by the CIGAS programme.	Correct values should be brought to account.

## 2. Financial Review

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### 2.1 Revenue Management

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Revenue in arrears for the year 2009 and the preceding years was Rs. 166,058,339 and any amount of that arrears had not been recovered during the year under review. Similarly, only 6 per cent of total arrears of revenue from the year 2010 to 2018 had been recovered during the year under review.	Relevant entities have been informed by letters regarding recovery of these arrears of revenue and accordingly, arrears are being recovered.	An appropriate and expeditious arrangement should be made to recover the arrears.

## 2.2 Expenditure Management

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### Audit Observation

### Comment of the Accounting Officer Recommendation

Contrary to the Financial Regulations 50 (ii) and (iii), provisions totaling Rs. 53,457,000 of 18 Objects had been saved from 28 per cent to 100 per cent by the end of the year under review.

This saving of provisions was due to not incurring unforeseen expenses in the face of the Covid-19 situation in 2020.

Action should be taken in accordance with Financial Regulations.

## 2.3 Incurring Liabilities and Commitments

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### Audit Observation

### Comment of the Accounting Officer Recommendation

A sum of Rs. 5,516,869 paid to the suppliers in the year 2021 had not been stated as liabilities in the financial statements.

The payments stated in the Record of Liabilities had to be made in the year 2021 due to various reasons.

Action should be taken to identify liabilities and disclose them in the financial statements.

## 2.4 Reconciliation Statement on the Advances to Public Officers Account

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### Audit Observation

### Comment of the Accounting Officer Recommendation

No action had been taken to recover a sum of Rs. 701,065 due from 03 retired officers and 05 officers who had vacated the service.

Steps are being taken again to recover these dues.

Action should be taken to recover this money in accordance with the Establishments Code of the Democratic Socialist Republic of Sri Lanka.

## 2.5 Deposits

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**Audit Observation**

**Comment of the Accounting Officer**      **Recommendation**

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| <p>(i) Thirty deposits older than 02 years totalling Rs. 18,379,027 had not been credited to the Government Revenue in terms of Financial Regulation 571.</p>  | <p>Revenue received for commercial printing is temporarily deposited in this deposit account. Those printing activities have not been completed as yet. It will be removed from the deposit account once the printing activities are completed.</p> | <p>Relevant deposits should be credited to the Revenue in terms of Financial Regulations.</p> |
| <p>(ii) A sum of Rs. 32,570 which was not remitted to the Inland Revenue Department due to the change in the Value Added Tax rate had been retained in a deposit account for more than a period of one year.</p> | <p>The institutes that deposited this money has been informed to settle them. A certain amount of money has been settled and action is being taken to settle the remaining balance expeditiously.</p>   | <p>Action should be taken to settle this amount.</p>  |

## 2.6 Certification to be made by the Accounting Officer.

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**Audit Observation**

**Comment of the Accounting Officer**      **Recommendation**

<p>In terms of provisions in Section 38 of the National Audit Act No.19 of 2018, the Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control is prepared and maintained 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. The review to be carried out shall be in writing and copies of the</p>	<p>Correction of weaknesses identified by the Chief Internal Auditor appointed to the Department through an independent examination of the divisions of the Department, evaluating the success of internal control systems in the Quarterly Audit and Management Committee and providing information of the department to the computer</p>	<p>Action in terms of provisions in Section 38 of the National Audit Act No.19 of 2018 should be taken.</p>
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same should be made available to the Auditor General. Nevertheless, no statements were made available to audit indicating that such a review had been carried.

system of Parliament which has been set up to evaluate financial and performance.

### 3. Operating Review

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#### 3.1 Management Weaknesses

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##### Audit Observation

##### Comment of the Accounting Officer

##### Recommendation

(a) For the Parliamentary Elections held on 5th August 2020, ballot books, dual ballot papers, format sheets etc. had been printed on behalf of the Election Commission for a consideration totalled Rs.413,233,363 including Value Added Tax. Despite the provision of Rs. 3.24 billion by the Treasury during the year under review for all capital and recurrent expenditure related to its printing activities, a sum of Rs. 75,721,385 comprising 20 per cent of the total material and labor cost of Rs.318,852,904 and 9 per cent of the total material cost had been added to the invoice and money had been obtained from the Election Commission without giving any acceptable reason. Due to the increase in the value of the printing invoice, 24 staff officers of the department had been overpaid Rs. 2,068,861 as commercial printing allowance during the year under review.

Thus far in costing, 20 per cent financial value of the total material and labour costs have been added to the invoice.10 per cent of the total material cost is added as MATERIAL HANDLING CHARGES.

As the Treasury provides funds to cover all the capital and recurrent expenditure of the department, allowances should not be obtained by increasing the value of the invoices.

(b) According to the decision of the Cabinet of Ministers dated 16th December 1981, approval had been granted for a method of payment for certain parts of work instead of paying overtime allowances for certain parts for urgent printing work of the department. Similarly, the

The process of preparing the report on the allowances paid to the staff of the department is in the final stage and it will be forwarded to the National Salaries and Cadres

Action should be taken in compliance with the directives of the Committee on Public Accounts made in the year 2009 and an appropriate allowance scheme should be

Committee on Public Accounts met on 11 September 2009, had proposed to formulate a methodology for the payment of these employee incentives, but the recommendation had not been implemented even by August 2021.

Commission within the next two weeks.

expeditiously introduced.

(c) A sum of Rs.150,804,766 had been paid in the year under review as overtime allowances and holiday pay allowances up to 2 hours daily during the period when allowances were paid on a piece rate basis in violation of the above Cabinet decision.

Overtime and piece rate allowances are thus paid due to the poor level of reporting to work by the officers in the factory environment.

Action should be taken in accordance with the relevant Cabinet decision.

(d) By the Letter No. EST / 7 / ALLOW / 03/0120 of the Director General of Establishments of the Ministry of Public Administration Management and Law and Order dated 02nd July 2018 and taking into consideration the recommendations of the National Salaries and Cadres Commission, approval only been granted to make payments up to the year 2018 subject to the terms of the letter dated 04th October 2017 last approved the payment of allowances to the staff of the Department. A sum of Rs.436,781,954 had been paid without any approval in 2020.

Letters have been sent to the Director General of Establishments on 10 June 2019 and 31 December 2020 requesting approvals to pay the allowances for the years 2019 and 2020. The allowances have been paid until the approval is received.

Relevant approval should be obtained before incurring expenditure.

(e) According to the letter No. EST / ALLOW / 03/0720 dated 28th March 2019 of the Secretary to the Ministry of Public Administration and Disaster Management, the daily allowance to be paid for apprentice officers during the training period is Rs.700. Nevertheless, apprentices had been paid Rs. 7,162,261 in addition during the year under review as overtime and piece rate allowance which are entitled to the permanent employees of the department.

Money has thus been paid depending on the service requirements.

Payments should be made in accordance with the circular provisions.



#### 4. Human Resource Management

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**Audit Observation****Comment of the Accounting Officer**      **Recommendation**

Without giving any special reasons, Foremen had been appointed as Assistant Government Printers on acting basis and duty covering basis in the year under review for the 10 divisions for which the Assistant Government Printers have been appointed on a permanent basis and on an Acting basis.

Action will be taken to cancel these appointments in the future.

Such informal appointments should not be made.