

Sri Lanka Institute of Printing - 2013

The audit of financial statements of the Sri Lanka Institute of Printing for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 25(3) of the Sri Lanka Institute of Printing Act, No. 18 of 1984. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 14(2)(c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards relevant to Small and Medium Scale Enterprises and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements 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 Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Subsections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Sri Lanka Institute of Printing as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards relevant to Small and Medium Scale Enterprises.

2.2 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance 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 the meetings of the Board of Governors should be held at least once a month, only 8, 8, 4 and 3 meetings had been held in the years 2010, 2011, 2012 and 2013 respectively.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka i Financial Regulation 245 (1)	Even though the certifying officer should correctly fill the printed certificate in all voucher forms, such certificate had not been included in the voucher forms of the Institute of Printing.
(c) Public Enterprises Circular No. PED/12 of 02 June 2003 i Section 5.2.1	Forecasted balance sheets and cash flow statements had not been presented with the budgets for the years 2010 to 2013.
ii Section 6.5.1	A draft Annual Report had not been presented with the accounts.
iii Section 8.2.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003 and Section 11 of the Finance Act, No. 38 of 1971	Even though the approval of the relevant Minister with the concurrence of the Minister of Finance should be obtained for the investment of surplus cash, such action had not been taken in connection with the sum of Rs.42,140,438 invested in the year under review.

(d) Notification published in the Gazette Extraordinary No. 1530/13 of 01 January 2008

Even though stamp duty of Rs.25 should be recovered for all payments exceeding Rs.25,000 , it had not been so done in connection with payments totalling Rs.2,295,475.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Institute for the year ended 31 December 2013 had resulted in a surplus of Rs.8,130,690 as compared with the corresponding surplus of Rs.7,661,089 for the preceding year. The improvement of the financial results for the year under review by a sum of Rs.469,601 had been mainly due to the increase in the course fees income and the increase in other income.

4. Operating Review

4.1 Performance

The following matters were observed in the examination of the Action Plan for the year under review.

- (a) Even though the conduct of 18 courses had been planned according to the Action Plan, only 07 courses had been conducted. As such it had not been possible to enroll 144 apprentices.
- (b) Even though 152 apprentices had been enrolled for the unplanned 05 courses conducted, action had not been taken to amend the Action Plan.

4.2 Operating Inefficiencies

The following observations are made.

- (a) Formulation of Skills, Standards and Syllabuses for Printing Management Technology, Visual Media and Communications.
 - i. Standards Committee had been appointed under the approval of the Secretary to the Ministry and the activities spelt out in the Terms of Reference of the Committee scheduled for completion by 31 July 2013 had not been completed.
 - ii. The activities such as the machinery required and those to be purchased, the procurement methods in that connection, installation and locating, development of Standard Modules methods in that connection and the supply of guidelines for practical improvements had not been completed.

- iii. Even though an Action Plan including the syllabuses for courses, skills standards, list of machinery and equipment and the connected modules should be prepared, evidence of such action taken was not made available.
 - iv. The Committee had held 40 meetings from 12 June to 01 November 2013 and a sum of Rs.598,107 comprising allowances to members amounting to Rs.587,500 at Rs.2,500 per meeting per member and Rs.10,607 for other expenses had been spent in this connection. The full quorum of the Committee had participated in only 02 meetings. Between 9 – 6 members had participated in 19 days while 1 – 5 members had participated on 19 other days.
- (b) In view of the delays in commencing the courses planned the students had recovered a sum of Rs.37,837 paid by them.
 - (c) Even though the Secretary to the Ministry had informed that the financial and administrative rules and regulations of the Institute of Printing should be prepared, action had not been taken up to date to prepare and obtain approval for the rules and regulations.
 - (d) The profit of the Head Office for the year under review amounted to Rs.2,570,582 while the loss of the Matale Branch amounted to Rs.36,080 despite earning a profit of Rs.306,580 in the preceding year. As such the impact of the Branches to the overall profit of the Institute had been at the minimum level.

4.3 Transactions of Contentious Nature

Even though the Secretary and the Training Director of the Institute had been paid a monthly fuel allowance of Rs.25,000 and Rs.10,000 respectively on the approval of the Board of Directors, a sum of Rs.420,000 had been paid in the year under review without the approval of the Treasury.

4.4 Underutilisation of Funds

Out of the income earned in the year under review, an underutilized cash balance of Rs.2,422,016 had existed in every month of the year and action had not been taken to invest such money to earn income. There were instances in which the balance available at the beginning of each month exceeded 4 to 8 times the monthly expenditure.

4.5 Delayed Projects

The Cabinet of Ministers had granted approval on 09 December 2004 for the construction of a new building and a sum of Rs.227,370 had been spent in the year 2009 for the preparation of building plans. Even though the land had been acquired in September 2013, the construction of the building had not been commenced even by September 2014.

4.6 Personnel Administration

Even though the approved cadre for the year 2013 had been 13, the actual cadre had been 11 thus resulting in 02 vacancies. Action had not been taken even during the year under review to recruit officers for the vacant posts.

5. Accountability and Good Governance

5.1 Corporate Plan

The sub-targets had not been shown among the respective divisions for the achievement of the targets in the Corporate Plan. There were instances where the periods for completion of strategies included and the expenditure and income relating thereto had not been indicated.

5.2 Budgetary Controls

Significant variances between the budgeted and the actual income and expenditure were observed, thus indicating that the budget had not been made use of as an effective instrument of financial control.

6. Systems and Controls

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

- (a) Accounting
- (b) Financial Management
- (c) Budgetary Control
- (d) Personnel Management