

## **1.1 Qualified Opinion**

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The audit of the financial statements of the Sri Lanka Printing Institute for the year ended 31 December 2018 comprising 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 reported 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 2018 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 enterprises.

## **1.2 Basis for Qualified Opinion**

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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**

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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

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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 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 scale and medium scale business enterprises

| Non Compliance with the reference to particular Standard   | Management's Comment  | Recommendation  |
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| (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 notes no 2.1 (A) submitted along with financial statements based on Sri Lanka Accounting Standards applied for small and medium scale business enterprises. | Necessary action will be taken in this regard in due course.          | Accounting Standards should be made applicable depending on the nature of the business in the preparation of financial statements of the institution. |
| (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  | It is noted to take necessary action in this regard in the next year. | Financial statements should be prepared in consistent with accounting standards.  |

for small and medium scale business enterprises in relation to the employees' benefits.

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| <p>(c) Particulars of 223 assets belonged to 09 items, which were being used and of which the cost was Rs. 8,826,619, have been revealed in financial statements under zero value 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>The accurate value of assets should be indicated in financial statements.</p> |
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### 1.5.3 Accounting Deficiencies

| -----<br><b>Audit Observations</b><br>-----  | -----<br><b>Management's Comment</b><br>-----          | -----<br><b>Recommendation</b><br>-----                          |
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| <p>The value of the land, which has been alienated to the printing institute in 2013, has not been valued and accounted.</p> | <p>Necessary action is being taken in this regard.</p> | <p>The value of the land should be assessed and accounted. .</p> |

### 1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Following observations are made in this regard.

| -----<br><b>Reference to Laws,<br/>Rules<br/>Regulations etc.</b><br>-----  | -----<br><b>Non-compliance</b><br>-----  | -----<br><b>Management's<br/>Comment</b><br>-----   | -----<br><b>Recommendation</b><br>-----  |
|---|--|---|--|
| <p><b>(a) Establishments</b><br/><b>Code of the<br/>Democratic<br/>Socialist Republic<br/>of Sri Lanka</b></p> <p>i. Section 1.4 of Chapter XXX</p> | <p>The total amount of Rs. 241,627 has been paid during the year under review for 383 hours for lectures obtaining the participation of 05 officers, who were serving in the Department of</p> | <p>These lecturers have been appointed for the awarding of certificate of NVQ (5) course to 88 trainees recruited to the Department of Government Printer. For this purpose it was required to obtain the</p> | <p>When the service of the officers in the permanent cadre of the public service is obtained as lecturers the laws, rules, and regulations of the government should be followed.</p> |

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|   | Government Printer, as lecturers of the institute outside their routing duties without obtaining approval of the Secretary of the line Ministry.  | service of a panel of lecturers with technological skills and the knowledge in printing field and therefore the service of them has to be obtained.  |   |
| ii. Section 2, chapter IX and chapter XXX                               | Rs. 141,850 has been paid as the fee for lecturing to 07 officers serving in the Department of Government Printer without deducting royalty for the period from January 2018 to July 2019 as revealed by the sample audit test.   | It has become difficult to deduct 10% only at several occasions relevant to consolidated fund from the lecture fees for these lecturers.   | Action should be taken to deduct the due amounts to the revenue of the Government.  |
| iii. Section 2, chapter IX and chapter XXX                              | The amount of 25%, which should have been remitted to the consolidated fund for Rs. 589,500 and 18,000 respectively paid to 8 officers of the permanent cadre of Department of Government Printer and the Director of the Printing Institute for the lectures conducted in the Printing and Graphic Technology Diploma during officer hours, has not been remitted. | It has become impossible to remit the surcharge of 25% to the consolidated fund as we were not aware of such requirement. However a cheque has been sent to the Department of Government Printer deducting 10% from the lecture fees from those lecturers. | Action should be taken in consistent with the Establishments Code of the Democratic Socialist Republic of Sri Lanka.  |
| (b) Section 10 and 12 of Sri Lanka Printing Institute Act No 18 of 1984 | A loan scheme has been implemented outside the loan schemes approved for the officers and in contrary to the objectives set out at the establishments of the institute and a loan amounted to Rs. 200,000   | The institute earns an interest of 4.2% from this loan, which has been approved by the Governing Council of the institute. This is an investment from the part of the institute. Further the Printing institute is a                                       | Since this is implemented in contrary to the provisions stipulated in the Printing Institute Act, action should be taken to implement the loan scheme for employees under |

has been paid in self-income generating proper methodology. November 2018 from institute. Therefore the that loan scheme to the loans obtained by this Government Printer, officer from the who serves as the Department of Chairman of the Government Printer as Governing Council of the Government Printer the institute, who has no and the loan obtained entitlement to obtain from the Printing loans as per the institute should be taken provisions of Sri Lanka in to account separately. Printing Institute Act.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 9,348,743 and the corresponding surplus in the preceding year amounted to Rs. 8,896,260. Therefore an improvement amounting to Rs. 452,483 of the financial result was observed.

## 3. Operational Review

### 3.1 Inefficient operations

| Audit Observation   | Management's Comment   | Recommendation   |
|---|--|--|
| (a) As per the sample tests conducted relevant to the courses , which have been planned to conduct during the year under review, it has to refund a total amount of Rs. 162,250 to 14 students , who have applied for such courses, as they could not participated in them due to not conducting the courses within due time frame. | The course fees are refunded if any applicant requests for refunding course fees, when the date of commencement of courses is delayed due to completion of the required number of students. However no loss incurs to the institution at such occasions if the institute enroll another applicant who applies alter. | Management should pay attention to conduct courses within the due time frame.        |
| (b) Even though a printing machine has been purchased in February 2019 spending Rs. 68,065,681 under skill sector development with a view to obtain National Vocational Qualification (NVQ 5) for Diploma Course in Printing and Graphics Technology, it has failed to obtain National Vocational Qualification                     | Action is being taken to obtain National Vocational Qualification (NVQ 5)  | Action should be taken promptly to obtain National Vocational Qualification (NVQ 5). |

(NVQ 5) to the course even by 06 July 2020, which is the date for audit.

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| <p>(c) A total amount of Rs. 420,000 has been paid without proper approval to three officers including the Government Printer , who serves as the Chairman of the Governing Council for the coordination of the Diploma in Printing and Graphics Technology commenced by the institute.</p> | <p>Payment has been made on the approval of the Chairman of the Governing Council subject to the approval of the Governing Council.</p> | <p>Action should be taken to cover the losses which incur as a result of the payments made without proper approval.</p> |
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#### **4. Accountability and Good Governance**

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##### **4.1 Submission of Financial Statements**

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| <b>Audit Observation.</b>   | <b>Management Comment</b>   | <b>Recommendation</b>   |
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| -----   | -----   | -----   |
| <p>Even though the financial statements are required to submitted to the Auditor General within 60 days from the end of the financial year as per the 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 delayed up to 27 May 2020.</p> | <p>The delay has occurred due to the non-appointment of Governing Council and the crisis situation prevailing in the country.</p> | <p>Action should be taken to submit financial statements before due date.</p> |