

Sri Lanka Institute of Printing - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Institute of 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, 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 the 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 financial statements give a true and fair view of the financial position of the Institute as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium sized Entities.

1.2 Basis for Qualified Opinion

My opinion is qualified based 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 Accounting Standards for Small and Medium sized Entities, and for such internal control as management determines 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 Institute's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

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

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Institute 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 Institute.

1.4 Audit Scope (Auditor's Responsibility for 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 scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk 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 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.
- 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 Institute'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 Institute 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

Institute and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Internal Control over the preparation of Financial Statements

The Institute is 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 Standards for Small and Medium sized Entities

Non-compliance with Reference to the relevant Standard	Comments of the Management	Recommendation
(a) According to first part of first paragraph in Sri Lanka Accounting Standards for Small and Medium sized Entities, public enterprises which supply goods and services or publicly accountable entities should not use these Accounting Standards for preparing accounts. However, Sri Lanka Accounting Standards for Small and	The financial reports of the Sri Lanka Institute of Printing have been prepared in compliance with Sri Lanka Accounting Standards for Small and Medium sized Entities. It had been mentioned in the Audit Report that these financial reports have been prepared on an inaccurate basis. However, according to	Financial statements should be prepared by using prescribed Accounting Standards.

Medium sized Entities had been used in the preparation of financial statements of the Institute. explanations made by you, this Institute is not a public corporation engaged in the sale of goods or the provision of services. As such, we are of the view that financial reports of the Institute should be further prepared in compliance with Sri Lanka Accounting Standards for Small and Medium sized Entities.

- (b) Even though it had been indicated in notes to accounts that the Projected Unit Credit Method is used for the measurement of Defined- Benefit Plans, no discounts had been made on employees benefits in terms of Sections 28.17 or 28.18 of Chapter 28 Sri Lanka Accounting Standards for Small and Medium sized Entities. It was noted to take further action in this connection in an accurate manner. Action should be taken in terms of the relevant Standard.

1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(i) The land of 0.1012 Hectares (40 Perches) in extent vested in the Sri Lanka Institute of Printing by a public institution on 18 September 2018, had not been valued and brought to account.	A portion of this land was acquired by the Ministry of Megapolis for expansion of the Lesley Ranagala Mawatha. Further action will be taken to carry out a survey again and to make necessary arrangements therefor.	It should be valued and brought to account.
(ii) A sum of Rs.72,000 paid annually to a private institution for the	It was noted to take further action in this connection in an accurate manner.	Expenses should be brought to account accurately.

preparation of the debtors report, had not been brought to account and as such, the expenditure of the year under review had been understated by the same amount.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
Section 10.2 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	A sum of Rs.72,215 had been paid in the year under review as distress loan to a member of the Board of Governors of the Institute who is not an employee of the Institute.	Distress loan had been granted to the Chairperson of the Sri Lanka Institute of Printing in terms of agreements and subjected to an interest of 4.2 per cent for the said loan. As a self-generating institute, all funds of the Institute are properly managed and the Institute is maintained profitably.	Action should be taken in terms of provisions in the Establishments Code.

2. Financial Review

2.1 Financial Result

The operations of the year under review resulted in a surplus of Rs.4,871,298 as compared with the corresponding surplus of Rs.14,709,362 of the preceding year. Accordingly, a decline of Rs.9,838,064 was observed in the financial result. The decrease in course fees, registration fees and examination fees of the Institute by Rs.16,964,010 in the year under review had mainly attributed to this decline.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
A sum of Rs.420,000 had been paid in the year under review as the Chairman's allowance to a member of the Board of Governors despite failure in appointing a Chairman.	As the then Government failed to appoint a person to the post of Chairman for a long period, a member of the Board of Governors was elected to the post of Chairman on the consent of other members according to the Service Minute of the Sri Lanka Institute of Printing by briefing the then Secretary to the Ministry. Action has been taken in terms of the Sri Lanka Institute of Printing Act in the exercise of powers therefor.	Illegal payments should be recovered.