

State Printing Corporation - 2020.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the of State Printing Corporation for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income, 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 tabled in 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 Corporation as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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 (SLAS). 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 Corporation'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 intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 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 District Secretariat's internal control.
- Evaluate the 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.
- 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 Corporation'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 Council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Council;
- Whether the Council has performed according to its powers, functions and duties; and
- Whether the resources of the Council 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 Corporation 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

Non-compliance with Reference to the Relevant Standard	Comment of the Management	Recommendation
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In terms of Paragraph 51 of Sri Lanka Accounting Standard 16, the residual value and the useful life of an assets shall be reviewed at least at each financial year-end and, if expectations differ from previous estimate, the changes	Due to the continues losses sustained during 2016 to 2019, considerable expenditure and time has to be spent for that purpose, and activities were not properly carried out under the Covid pandemic situation, assets have not been revalued	Relevant accounting standard should be followed in the process of accounting.

shall be accounted for as a change in an accounting estimate in accordance with Sri Lanka Accounting Standard 08. Nevertheless, useful life of 270 units of computer accessories totaling Rs. 4,186,450 which were in further use despite fully depreciation had not been reviewed.

for the year 2020. However, action has been taken to carry out revaluation of assets for the year 2021.

1.5.3 Accounting Deficiencies

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
(i) As provisions had not been made for the bonus amounting to Rs.48,528,036 approved to pay on the profit of the year under review as per the Board of Directors' Decision dated 21 January 2021, profit had been overstated by that amount.	It has been accounted for as an expenditure of the year 2021.	Paragraph 9 (c) of Sri Lanka Accounting Standard 10 should be followed in the process of accounting.
(ii) As provision for gratuity of Rs. 12,703,425 for the year under review had not been made, profit had been overstated by that amount.	A specific policy had not so far been followed in the Corporation relating to the payment of bonus/incentives and the Board of Directors' approval had been obtained for the payment of bonus/incentives based on the attendance and the performance as per the decision of the Board of Directors dated 21.01.2021 and approval has been obtained to pay those allowances in the following year based on the previous year's profit. Accordingly, as pointed out by the reports of the year of accounts 2021, those reports for the year ended 31.12.2020	Paragraph 42 of Sri Lanka Accounting Standard 08 should be followed in the process of accounting.

prepared by an external audit firm based on the Actuarial value in terms of Sri Lanka Accounting Standard 19 have been submitted herewith.(Annexure 02). The net value (Net defined benefit liability) has been computed in accordance with LKAS 19 and has been disclosed in Paragraph (5.1) in the financial statement 2020. As the reserves allocated thus far being sufficient, no allocation has been made from the profit for the year 2020.

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| <p>(iii) As 16 unfinished orders worth Rs. 24,356,981 that remained incomplete their printing works as at 31 December of the year under review had been taken into account as a sales income of the year under review, values of sales and debtors had been overstated by that amount.</p> | <p>Although printing works were not completed as at the request of the customers, invoices were issued to them. However, as the printing works relating to the invoices thus issued were at their final stage, action has been taken to eliminate that value from the work-in-progress as well. It prevented a double counting and being an income actually generated relating to the year 2020, it has been adjusted in the accounts for the year under review.</p> | <p>Relevant corrections should be made.</p> |
| <p>(iv) The Enterprise Resource Planning System worth Rs. 685,422 purchased and used during the year under review had not been depreciated and as such, depreciation expenditure of the year under review had been understated by Rs.17,840.</p> | <p>The ERP system was its initial stage during the year of accounts under review and no data had been input in the ERP system by then. Action will be taken to compute the expenditure and initiate the depreciation once it is ready to be used.</p> | <p>Depreciations should be accounted for accurately.</p> |

1.5.4 Non-reconciled Control Account

Audit Observation	Comment of the Management	Recommendation
According to the individual account balance of the ledger of the Printing Corporation, the balance due from 14 institution as at 31 December of the year under review was Rs. 5,010,272, but the balance confirmed to the audit by that institute was Rs. 2,725,010.	If the details in this regard are provided along with the balances submitted by the relevant institute, they can be further examined and provided information accordingly. There are issues regarding the information provided by other institutions.	Receivable balances should be accounted for accurately.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comment of the Management	Recommendation
(i) Guideline 2.6.1(ii) of the Government Procurement Guidelines	Although specifications should be reviewed to ensure that the specifications are generic in nature and competitiveness could be promoted on an equal level, such review had not been done in the purchase of “Lombard 30” machine at a cost of Rs. 113,600,114.	As the scratch lottery had not been handed over to the Corporation by the Lottery Board and the price was high at that time, Technical Committee had rejected it. Only one bid had been received for the above bidding and as the words “Yes” and “No” have been clearly mentioned in the answer of the bidders appeared in the section & schedule of requirement section of the bidding document, it is not necessary to do a comparative analysis with the other competitive bidders as an option.	Action should be taken in accordance with provisions in the Procurement Guidelines

(ii) Circular No.PED 03/2020 dated 18 December 2020 of the Department of Public Enterprises.	Bonus should be paid based on the audited financial statements for the year 2020. Nevertheless, the Board of Directors had decided to pay Rs. 48,528,036 as bonus to 565 employees based on the draft financial statements for the year 2020.	A specific policy had not been followed in the Corporation to pay bonus/incentives and bonus had been paid in accordance with the Board of Directors' Decision dated 21 January 2021.	Bonus should be paid based on the relevant circular.
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2. Operating Review

2.1 Financial Result

The operations of the Corporation for the year under review had resulted in a surplus of Rs.22,914,300 as against the deficit of the preceding year of Rs. 169,428,397. Accordingly, an improvement in the financial result of Rs. 192,342,697 was observed. This improvement was mainly due to increase in the printing income.

3. Operating Review

3.1 Operating Inefficiencies

Audit Observation -----	Comment of the Management -----	Recommendation -----
(i) Due to delay in printing and handing over of the lotteries, a sum of Rs.11,205,760 had been deducted as late fees from the amount paid by the National Lottery Board during the year under review and it was 04 per cent as compared with the lottery income of the year under review amounting to Rs.266,593,026.	The Corporation was kept closed over a considerable period of time due to the Covid pandemic prevailed in the year 2020 and under a problematic situation, delays occurred in printing and handing over the lotteries to the Lottery Board. Hence, fines have thus been charged.	An arrangement should be made to print and had over the productions without delay to prevent the payment of late fees.

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| <p>(ii) Due to delay ranging from 01 day to 49 days in printing and handing over of school text books required for the academic year 2021, sums totaling Rs.14,918,809 out of the text book printing income of the year under review had been deducted by the Department of Education Publications as late fees.</p> | <p>A sum of Rs. 9,879,137 has been recovered as late fees for 17 types of books and Rs. 5,039,672 has been deducted as fines for missing pages.</p> | <p>Arrangements should be made to print and hand over the school text books without delay.</p> |
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3.2 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
<p>Five of 07 senior level posts of the Corporation had fallen vacant by 31 December of the year under review. Out of the above vacant posts, 03 posts remained vacant for a period from 12 days to 26 months. Further, 115 posts which are directly affecting the printing activities had been in vacant, including 04 middle level managers, 11 junior level managers, 14 assistant officers and 86 Management Assistant Officers (Technical). The above number of vacancies represented 44 per cent of the approved cadre of that category of posts. Further, there was an excess of 82 staff in the primary level unskilled category as at 31</p>	<p>The Manager, Supplies has been appointed on acting basis with effect from 29.03.2021 for the post of General Manager. The Chief Accountant of the Education Ministry has been appointed on acting basis with effect from 27.07.2021 for the post of Financial Manager. Director of Dhamma Schools and Pirivenas of the Education Ministry has been appointed on acting basis with effect from 06.05.2021 for the post of Human Resource Manager. Action will be taken to conduct interviews for the post of Sales Manager after the removal of travelling ban. The post of Deputy General Manager is vacant at present and action will be taken to fill the vacancy in due course. Action will be taken to make recruitments to the post of Administrative Officer and Sales</p>	<p>Relevant vacancies should be filled expeditiously.</p>

December of the year under review.

Research Officer in the junior level posts in the future and action is being taken to make recruitments to 14 vacancies of the Associated Officers. Applications have been called for making recruitments to 05 posts of Management Assistant (Technical).