

Sri Lanka Institute of Printing - 2023

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 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity, and cash flow statement for the year then ended and notes to 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 presented 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 Institute as at 31 December 2023, 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 (SLAuS). 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, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend 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 Scope of the 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 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 audit 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 audit 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;
- 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 Non-compliances with Sri Lanka Accounting Standards for Small and Medium-sized Entities

Non-compliance with Reference to the Relevant Standard	Comment of the Management	Recommendation
a) According to Paragraph 27 of Volume 02 of the Sri Lanka Accounting Standards for Small and Medium-sized Entities, the revenue of the year 2023 amounting to Rs. 2,575,925 comprised Rs. 2,504,000 received from an external party with respect to courses not conducted. As such, profit of the current year had been overstated by Rs. 2,504,000.	Ninety per cent of the courses relating to the course fee of Rs. 2,575,925 received from the Department of Government Printing, had been commenced in late 2023 whereas the other courses had been commenced at the beginning of the year 2024.	The income should be recognized at the time of being realized in terms of the relevant Standard.
b) The sum of Rs. 2,034,211 being the revaluation surplus of the year under review, had not been shown under other comprehensive income contrary to Paragraph 15 C of Section 17 of the Sri Lanka Accounting Standards for Small and Medium-sized Entities.	Noted.	According to the relevant Standard, the revaluation surplus should be shown under other comprehensive income.

1.6 Accounts Receivable and Payable

1.6.1 Funds Receivable

Audit Observation	Comment of the Management	Recommendation
Action had not been taken even in the year under review to recover the sum of Rs. 20,131,190 receivable on the courses conducted by the Sri Lanka Institute of Printing during 2016-2023.	The Sri Lanka Institute of Printing conducts courses annually, and around 15 students leave the courses in a year.	Action should be taken for the prompt recovery of due income.

1.7 Non-compliances with Laws, Rules, Regulations, and Management Decisions

Reference to Laws, Rules and Regulations etc.	Non-compliance	Comment of the Management	Recommendation
a) Financial Regulation 395 of the Democratic Socialist Republic of Sri Lanka.	Contrary to Financial Regulations, the bank reconciliation statements had not been prepared with relevance to a bank account being maintained by the Institute and presented to the Auditor General.	We were not aware of that matter, and action will be taken in due course to present the bank reconciliation statements to the Auditor General.	The bank reconciliation statements should be prepared in accordance with the Financial Regulations.
b) Financial Regulation 756.	An annual survey on articles had not been conducted in terms of the Financial Regulation.	The report of the survey has been prepared.	An annual survey on articles should be conducted in terms of the Financial Regulation.
c) Public Enterprises Circular, No. PED/09, dated 21 December 2022.	A sum of Rs. 511,250 had been paid as bonus for the year 2022 in	Those bonuses had been paid from the savings of operations under approval	Action should be taken in accordance with provisions of Circulars.

- spite of the Board of provisions of the Directors of the Circular. Institute.
- d) Sub-sections 40 (1) and 40 (2) of the National Audit Act, No. 19 of 2018. Contrary to Posts of Internal Auditor and Accountants do not exist in the terms of provisions of the National Audit Act. Had permanent appointments been made to those posts, extensive costs would be incurred on salaries and wages.
- e) Sub-sections 41(1) and 41 (2) of the National Audit Act, No. 19 of 2018, and Paragraph 4.2 of the Guidelines on public enterprises dated 16 November 2021. An Audit and Management Committee had not been appointed to discharge functions of the Institute as per the relevant provisions. It was the conclusion of the board of governance that attention should be brought on expenses not productive for the Institute. An Audit and Management Committee should be appointed in terms of provisions of the National Audit Act.
- f) Annexure 01 of Chapter 05 of the Guidelines on Public Enterprises dated 16 November 2021. Key Performance Indicators (KPI) for the year had not been identified and evaluated, and the outcome achieved had not been measured in accordance with provisions of the Guidelines. Further discussions are held at the progress review meeting held quarterly at the Ministry with respect to the Key Performance Indicators and outcomes. The Key Performance Indicators introduced as per Guidelines issued by the Department of Public Enterprises, should be evaluated and the progress achieved should be mentioned.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 23,967,654 as compared to the corresponding surplus of Rs. 10,817,092 for the preceding year, thus observing an improvement of Rs. 13,150,562 in the financial result. This improvement had mainly been attributed by the increase of interest income through short term investments by Rs. 9,214,121.

3. Operating Review

3.1 Operating Inefficiencies

Audit Observation	Comment of the Management	Recommendation
Action had been taken to conduct 05 courses conducted in the year 2022 in the year 2023 as well. However, as compared to the year 2022, the number of students for each course had decreased from 22 per cent to 85 per cent by the year 2023. Five of the courses conducted in the year 2022, had not been conducted in the year 2023.	Some of the printing courses are conducted once in two years by the Sri Lanka Institute of Printing based on the demand for the subjects selected for the relevant period.	Duties sufficient for achieving objects of the Institute, should be planned and put in place.

3.2 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
a) In 04 instances during a period of 07 years from 01 November 2017 to 31 October 2024 after the retired Registrar of the Institute being appointed to the post of Chief Executive Officer on contract basis without approval of the Cabinet, a sum of Rs. 15,141,668, comprising Rs. 10,210,000 as salaries and allowances, a fuel allowance of Rs. 3,731,668 and a vehicle	The board of governance decided that the said retired officer should be allowed to officiate in the post for the betterment of the Institute. Accordingly, his service was extended subject to the approval of the Sri Lanka Institute of Printing. The Secretary to the Ministry was informed thereon.	Officers should be appointed to the relevant posts under proper approvals.

maintenance allowance of Rs. 1,200,000 had been paid by the Institute relating to a period of 06 years and 02 months.

- b) Without being approved by the Cabinet, a retired officer of the Institute had been appointed to the post of academic director on contract basis for a period of one year from 01 March 2023 to 28 February 2024. A sum of Rs. 1,500,000 had been paid by the Institute as his salaries and allowances for a period of 10 months.
- This appointment had been made by the board of governance in accordance with provisions of Section 18 (a) of the Act of Sri Lanka Institute of Printing.
- Officers should be appointed to the relevant posts under proper approvals.