

Sri Lanka Institute of Printing - 2011

1. Financial Statements

1:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Institute of Printing as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1:2 Comments on Financial Statements

1:2:1 Non – compliance with Sri Lanka Accounting Standards

The matters that should be disclosed in terms of Section 70 of Sri Lanka Accounting Standard No. 18 in connection with the revaluation of the machinery of the Head Office and the Beruwala Branch for of Rs.6,535,149 had not been disclosed.

1.2.2 Accounting Deficiencies

The following deficiencies were observed.

- (a) Four cheques valued at Rs. 21,500 drawn in favour of creditors had been cancelled as those had lapsed for more than 06 months. Even though the amount should have been brought to account again as creditors or written back to income, that had been written off from the expenditure for the year.
- (b) Even though the audit fees for the years 2010 and 2011 amounted to Rs. 196,000, the provision made in the accounts amounted only to Rs. 96,000.
- (c) The building maintenance expenses amounting to Rs. 33,950 paid in respect of the year 2010 had been shown as expenditure of the year under review.
- (d) A sum of Rs. 16,250 which should have been debited to income in the rectification of errors had been debited to the Bank Charges Account.
- (e) The Provisions for gratuity had been understated by a sum of Rs. 13,238 in the year under review.
- (f) Receipts amounting to Rs. 1,171,152 and payments amounting to Rs. 2,998,049 had been adjusted in the cash book by journal entries instead of recording in the cash book through the receipts and payment vouchers respectively.

1:2:3 Lack of Evidence for Audit

The evidence indicated against the following item of account appearing in the financial statements had not been made available to audit.

Item	Value	Documentary Evidence not made available
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	Rs.	
Expenditure Payable	620,296	Schedules
Bank Balance	2,841,278	Confirmation of Balances
Payments (Cash)	1,376,495	Bills, Quotations and Files
Payments	613,184	Payment Vouchers
Petty Cash Payments	182,426	Bills
Journal Entries	--	Approvals, Information , Notes
Exhibition Expenditure	134,709	Bills, Estimates and Files
Production of a Video Film	366,000	Estimates , Quotations and Basis of Selection of Contractor
Repair Expenses on Air Conditioners and Buildings	381,017	Estimates and Quotations.

1:2:4 Non – compliance with Laws, Rules, Regulations and Management Decisions

The following non – compliances 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(4)	Even though the quorum for the meetings of Board of Directors is 05 Members, 05 instances of meetings held without quorum were observed.

- (b) Finance Act, No. 38 of 1971  
Section 11
- Even though the investment of money of State Corporation should have the written approval of the relevant Minister, it had not been so done in connection with the investment of Rs. 3,190,864.
- (c) Public Enterprises Circular  
No. PED/12 of 02 June 2003.  
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- i. Section 5.2.1
- Forecasted Balance Sheets and Cash Flow Statements had not been furnished with the budgets for the years 2009 ,2010 and 2011.
- ii. Section 5.2.5
- Even though the Budget approved by the Board of Directors should be furnished the relevant Ministry, the Department of Public Enterprises, the Finance Ministry and the Auditor General 15 days before the beginning of the respective year, it had not been so done.
- iii. Section 6.5.1
- A draft of the Annual Report had not been prepared and furnished.
- iv. Section 6.6
- The Annual Report for the year 2010 had not been tabled in Parliament.
- (d) Letter No. DMS/E4/37/7/235/2 dated 23 February 2011 of the Department of Management Services.  
Paragraph 07
- Even though the Scheme of Recruitment and promotions in accordance with the provisions in the Management Services Circular No. 30 should have been prepared and approval obtained, those had not been prepared and approval obtained.

(e) Financial Regulations of the Democratic Socialist Republic of Sri Lanka  
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| i. Financial Regulation 225 (1) and (2) | It was observed that payments had been made on 1,257 payment vouchers prepared by the Institute on forms outside in specified format, without the signatures of the offices responsible for the preparation, recommendation of payments, approval and payment.   |
| ii. Financial Regulation 371(2)(c)      | The Institute had not maintained a register for recording the adhoc such imprest paid, those advances had not been settled immediately after the completion of the purpose.  |
| iii. Financial Regulation 371(3)        | The Institute had not specified the maximum payments that can be made from the petty cash imprest in terms of Financial Regulation. As such 39 instances of payments ranging from Rs. 1,000 to Rs.4,710 made from the petty cash imprest were observed. Action had also not been taken to settle the petty cash imprest on 31 December 2011. |
| iv. Financial Regulation 395(c)         | Even though a Bank Reconciliation Statement showing the position of transactions as at the end of each month should be prepared before the 15 <sup>th</sup> day of the month following it had not been so done.  |

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| v.  | Financial Regulation<br>396(d)(ii)   | Action in terms of the Financial Regulation had not been taken on 02 cheques valued at Rs. 12,000 issued but not presented for payment for more than 06 months.                               |
| (f) | Establishments Code of the Democratic Socialist Republic of Sri Lanka<br>-----<br>Chapter IX Section 2 | Even though 10 per cent of the charges paid to the officers of the Institute for the delivery of lectures for courses should be recovered and credited to revenue , it had not been so done.  |
| (g) | Ministry Circulars<br>Circular No. TVET/1/Circular/2004/1 dated 28 January 2004<br>Paragraph 1.1.1     | Even though the approval of the Ministry should be obtained for the conduct of courses with less than the minimum number of apprentices , 10 instances of the failure to do so were observed. |
| (h) | Notification Published in the Gazette Extraordinary No.1530/3 of 21 January 2008.                      | Even though Stamp Duty of Rs. 25 should be charged on payments exceeding Rs.25,000, it had not been so done in respect of all payments exceeding that amount.                                 |

1.2.5 Transactions not Supported by Adequate Authority  
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Instead of following the provisions in the Government Financial Regulations and the Establishments Code in connection with the annual leave and overtime, the provision in the Shop and Office Employees Ordinance had been followed. As such a sum of Rs. 50,419 had been overpaid as overtime during the year under review.

1.2.6 Transactions of Contentious Nature  
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The following matters were observed.

- (a) Sri Lanka Institute of Printing is maintained in a part of the building of the Department of Government Printer. A sum of Rs. 93,000 on monthly basis had been paid to 03 employees without the approval of the Department in connection with the maintenance of electrical installations, furniture and the computer laboratory.
- (b) The salary scales relating to all the Staff of Sri Lanka Institute of Printing according to the Management Services Circular No. 30(1) had been specified in the letter No. DMS/E4/37/7/235/2 dated 23 February 2011 of the Department of Management

Services . Nevertheless payment of salaries had been made by placing the different salary scales contrary to that Circular resulting in an overpayment of Rs. 601,320.

**2. Financial Review**  
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**2.1 Financial Results**  
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According to the financial statements presented, the operations of the Institute for the year ended 31 December 2011 had resulted in a surplus of Rs.3,111,389 as compared with the corresponding surplus of Rs.4,412,259 for the preceding year. The reasons for the deterioration of Rs. 1,300,870 in the financial results for the year under review are given below.

Particulars -----	Variance -----		Rs.
	Favourable ----- Rs.	Adverse ----- Rs.	
Income	929,452	--	
Other Operating Income	--	22,795	
Administration Expenses	--	715,714	
Finance and Other Expenses	--	1,554,258	
Net Surplus / (Deficit) of Branches	62,445	--	
	----- 991,897	----- 2,292,767	----- 1,300,870
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**3. Operating Review**  
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**3.1 Performance**  
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The following observations are made.

- (a) Even though 22 Courses of the Head Office and 03 Courses of Branch Offices had been planned for the year 2011 six of the Planned Courses had not been conducted.
- (b) Even though the enrolment of 119 students for 06 courses planned for the year 2011 had been expected , the expected income could not be achieved as those courses had not been conducted.
- (c) The expected number of students for the Courses conducted by the Beruwala Branch in the year 2011 had been 50 but the actual participants had been 09 only.

That represented 18 per cent of the expected number of students. The decrease in the number of students as compared with the year 2010 had been 244 per cent.

- (d) The non – achievement of the targeted student enrolment for the courses conducted in the year under review ranged between 11 per cent and 80 per cent. Details appear below.

Courses	Expected Enrolment	Actual Enrolment	Non-achievement of Targets	Non- achievement of Targets as a Percentage of Expected Enrolment %
Offset Lithography	30	21	9	30
Computer Typesetting and Desktop Publishing	180	161	19	11
Web Design	60	21	39	65
Non - Linear Editing	30	15	15	50
Computer Hardware and PC Assembly for Graphic Art Industry	28	11	17	61
MS Office	20	11	9	45
Advanced Diploma in Print Technology Management	15	9	6	40
Computer Graphic Designing (Matale)	40	32	8	20
Web Design (Matale)	10	4	6	60
Computer Graphic Designing (Beruwala)	25	5	20	80
Microsoft Office (Beruwala)	10	4	6	60



(e) **Contribution of Branches to Overall Profit remaining at Minimum Level**

The profit of the Head Office for the year 2011 amounted to Rs. 3,111,389 whereas the profit of the Matale Branch amounted to Rs. 86,870 and the loss of the Beruwala Branch amounted to Rs. 70,132. The contribution made by these two Branches maintained by the Sri Lanka Institute of Printing to the overall profit of the Institute remains at the minimum level. According to the financial statements for the year 2011, the expenditure of the Beruwala Branch, which did not earn any income, amounted to Rs. 70,132.

**3.2 Management Inefficiencies**

**Payment of Lecture Fees**

The following matters were observed.

- i. The Institute had not maintained files containing the approvals obtained for the payments made to the lecturers and instructors deployed for each course. In 53 instances the fees paid had not been approved by the Board of Directors.
- ii. Payments exceeding the lecture fees approved by the Board of Directors had also been made and a test check of 06 months revealed over payments amounting to Rs. 93,092.
- iii. Even though the overtime to the lecturers should be paid on the overtime hours completed after covering the late adjustment, it had not been so done.

**3.3 Underutilization of Funds**

Out of the Income earned in the year under review, a sum of Rs. 2,452,805 had been held as at the end of the year in a Bank Current Account without being utilized. Action had not been taken to invest the money and earn income. The balance as at the beginning a month held in one Bank Account, in certain instances exceeded the monthly expenditure by four times to ten times.

**3.4 Idle and Underutilized Assets**

An advance of Rs. 1,999,975 paid for the purchase of training equipment from the Tertiary and Vocational Education Commission had been idling and as such equipment had not been purchased.

3.5 Uneconomic Transactions

The following matters were observed.

(a) A sum of Rs. 65,000 had been spent in the preceding year on the preparation of the Corporate Plan and that had not been finalized even by 20 April 2012. A sum of Rs. 37,000 had been spent in the year under review after submitting that to the Board of Directors. Nevertheless, the Corporate Plan had not been furnished to audit even by 30 April 2012.

(b) Even though an officer had been recruited at a monthly salary of Rs. 16,390 to attend to the book keeping and accounting work of the Institute, a sum of Rs. 121,316 had been paid to an external party for the preparation of Bank Reconciliations Statements and the accounts.

3.6 Delayed Projects

Even though the approval of the Cabinet of Ministers for the contractions of a new building for Sri Lanka Institute of Printing had been granted on 09 December 2004, the construction work had not been commenced even after the elapse of more than 05 years. Even the vesting of the proposed land had not been completed. Nevertheless, a sum of Rs. 227,370 had been spent in the year 2009 for the preparation of the building plan even before the acquisition of the land.

4. Accountability and Good Governance

4.1 Corporate Plan and its Implementation

Even though a Corporate Plan should be prepared in terms of Section 5:1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the preparation had been entrusted to an external person. It had not been finalized up to date.

4.2 Budgetary Control

The Head Office and the Branches at Matale and Beruwala had incurred expenditure amounting to Rs.1,769,161 exceeding the budgeted provision under 18 items while savings under 10 items of expenditure amounting to Rs.1,325,558 were observed. There was an income of Rs. 967,604 not budgeted for. The course fee income of the Head Office and the Branch Office had decreased by Rs.1,053,390 and Rs.740,850 respectively. In view of such significant variances between the budgeted and the actual

expenditure, it was observed that the budget had not been made use of as an effective instrument of management control.

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

- (a) Accounting
- (b) Preparation of the Corporate Plan
- (c) Conduct of Courses
- (d) Maintenance of Books and Registers
- (e) Bank Reconciliations and Cash Book
- (f) Internal Control