

Sri Lanka Institute of Printing

1. Financial Statements

1:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Sri Lanka Institute of Printing had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the Sri Lanka Institute of Printing as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1:2 Comments on Financial Statements

1:2:1 Delay in the Presentation of Financial Statements

In terms of paragraph 6:5:1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the financial statements should be presented to audit within 60 days after the close of the financial year. Nevertheless, the financial statements of the Institute for the year under review had been presented to audit only on 30 May 2011.

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

The matters to be disclosed in terms of Sri Lanka Accounting Standard No. 18 (77) when any class of assets is included in the financial statements at the revalued amount had not been disclosed in connection with the revaluation of the machinery of the Head Office and the Beruwala Branch for a sum of Rs.6,535,149.

1:2:3 Lack of Evidence for Audit

The following items shown in the financial statements could not be satisfactorily vouched or accepted in audit due to the unavailability of the evidence indicated against each item.

| Item | Value | Evidence not made available |
|---------------------|-----------|---|
| ----- | ----- | ----- |
| | Rs. | |
| Fixed Assets | 1,468,770 | Particulars of Purchases made during the year |
| Gratuity | 744,163 | Schedule |
| Expenditure Payable | 778,821 | Related Documents and Payment Vouchers |
| Journal Entry 1150 | ---- | Schedule |

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 |
|--|--|
| ----- | ----- |
| (a) Section 8(3) of the Finance Act, No. 38 of 1971 and Section 5:2:1 of the Public Enterprises Circular No. PED/12 of 02 June 2003. | Forecasted balance sheets and Cash Flow Statements had not been furnished with the budgets for the years 2009 and 2010. |
| (b) Section 5:2:5 of the Public Enterprises Circular No. PED/12 of 02 June 2003 | The copies of the budget approved by the Board of Directors had not been presented to the line Ministry, the Department of Public Enterprises, the Ministry of Finance and the Auditor General 15 days before the commencement of the relevant year. |

1:2:5 Transactions without Authority

A donation of Rs.10,000 had been made without the approval of the Board of Directors.

2. Financial and Operating Review2:1 Financial Review2:1:1 Financial Results

According to the financial statements presented, the operations of the Institute for the year ended 31 December 2010 had resulted in a surplus of Rs.4,412,259 as compared with the corresponding surplus of Rs.3,337,971 for the preceding year thus indicating an improvement of Rs.1,074,288 for the year under review.

| | Variances | | Rs. |
|-------------------------------------|------------|-----------|-----------|
| | Favourable | Adverse | |
| | Rs. | Rs. | Rs. |
| Income | 660,531 | --- | |
| Other Operating Income | -- | 1,336,195 | |
| Net Surplus / (Deficit) of Branches | -- | 21,531 | |
| Administration Expenses | 1,845,361 | -- | |
| Finance and Other Expenses | -- | 73,878 | |
| | ----- | ----- | |
| | 2,505,892 | 1,431,604 | 1,074,288 |
| | ===== | ===== | ===== |

2:1:2 Contribution of Branches to Overall Profit remaining at Minimum Level

The profit of the Head Office for the year 2010 amounted to Rs.4,412,259 whereas the profit of the Matale Branch amounted to Rs.50,911 and the loss of the Beruwala Branch amounted to Rs.96,618. 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.

2:2 Operating Review

2:2:1 Performance

The following observations are made.

- (a) Even though 22 courses for the Head Office and 03 courses for the Branches had been planned for the year 2010, eight of the planned courses had not been conducted.
- (b) Even though the enrolment of 85 students for 06 courses planned for the year 2010 had been expected, the expected income of Rs.2,761,000 had not been reached as those courses had not been conducted.
- (c) Even though the expected number of students for the courses conducted by the Beruwala Branch in the year 2010 had been 60 the actual number of student participation had been 33 and represented 55 per cent of the expected number of students. The decrease in the number of students as compared with the preceding year had been about 208 per cent.

2:2:2 Delayed Projects

The approval of the Cabinet of Ministers for the construction of a new building for the Sri Lanka Institute of Printing had been granted on 09 December 2004. Despite the elapse of a period exceeding 05 years, the construction works had not been commenced while the vesting of the proposed land had also not been completed.

2:2:3 Uneconomic Transactions

The following observations are made.

- (a) A sum of Rs.65,000 had been paid for the preparation of the Corporate Plan. Nevertheless the Corporation Plan had not been prepared even by 29 July 2011.
- (b) The function of preparing the financial statements had been entrusted to a firm of Chartered Accountants for an annual fee of Rs.102,747 without entering into an agreement. The financial statements had not been presented on the due date.
- (c) The recommendations made in the Management Audit Report obtained from a private institution at a cost of Rs.90,000 had not been implemented.

2:2:4 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, it had not been prepared.

2:2:5 Budgetary Control

The Head Office and the Branches at Matale and Beruwala had incurred expenditure amounting to Rs.485,898 exceeding the budgeted provision under 10 items while there was a sum of Rs.603,102 under 13 items of expenditure and income amounting to Rs.22,723 not budgeted for. The estimated course income of Branches had decreased by Rs.558,250. 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.

3. Systems and Controls

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