

## **Sri Lanka Institute of Printing - 2015**

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The audit of financial statements of the Sri Lanka Institute of Printing for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 25(3) of the Sri Lanka Institute of Printing Act, No.18 of 1984. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 14(2) (c) of the Finance Act appear in this report.

### **1.2 Management's Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards pertaining to Small and Medium Scale Enterprises and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor's Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards, consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements 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 Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **2. Financial Statements**

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### **2.1 Opinion**

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In my opinion, the financial statements give a true and fair view of the financial position of the Sri Lanka Institute of Printing as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards pertaining to Small and Medium Scale Enterprises.

### **2.2 Comments on Financial Statements**

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#### **2.2.1 Non-disclosure of Transactions entered in to with related Parties**

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According to the Sri Lanka Institute of Printing Act, No.18 of 1984, the Government Printer is an ex-officio member of the Board of Governors of the Sri Lanka Institute of Printing, and the authority has been vested in the Minister to appoint a member of the Board of Governors as its Chairman. However, the Government Printer had been appointed as the Government Printer of the Sri Lanka Institute of Printing since its inception. Accommodation, electricity and water facilities required for the maintenance of the Institute are being provided by the Department of Government Printing without a formal agreement or any payment while the officers of the Department are being trained free of charge by the Institute.

#### **2.2.2 Sri Lanka Accounting Standards pertaining to Small and Medium Scale Enterprise**

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The value of land in extent of 0.1012 hectares (40 perches) which was transferred to the Institute by the Divisional Secretary of Thimbirigasyaya on 18 September 2013 had not been assessed and included in the financial statements as per paragraph 17 of the Standard. As the said land and the entire land where the Institute of Printing is located has been vested in the Ministry of Megapolis and Western Development, the Chairman had informed the audit that it was not stated as an asset in the financial statements.

#### **2.2.3 Accounting Deficiencies**

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Even though the provision for debtors impairment should be made on the possibility of non-recovery of loans, the relevant accounting policy thereto had not been disclosed in the financial statements. Nevertheless, provision for debtors impairment had been made for the total outstanding debtor balance as at 31 December of the preceding year in the financial statements.

### **2.3 Receivable and Payable Accounts**

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According to the financial statements, the debtor balance as at 31 December 2014 amounted to Rs.4,612,100 while it was Rs.7,039,574 as at 31 December 2015. Thus, the debtor balance had improved by 52 per cent.

## **2.4 Transactions not supported by Adequate Authority**

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A sum of Rs.227,370 paid as an advance for the designing of plan of the new building in the year 2009 had been written off as an expenditure without the approval of the Board of Governors in the year under review.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented, the financial result of the year under review had been a surplus of Rs.7,137,956 as compared with the corresponding surplus of Rs.6,675,037 for the preceding year, thus indicating an improvement in the financial result of the year under review by Rs.462,919 as compared with the preceding year. The increase in the income by Rs.1,485,774 despite the increase in expenditure of the year under review by Rs.1,022,855 as compared with the preceding year had mainly attributed to the above improvement.

In analyzing the financial results of preceding years, a continuous improvement in the financial surplus from the year 2011 up to 2013 and a decrease in the surplus in the year 2014 were indicated whereas an increase in the surplus was indicated again in the year 2015. In considering the employee remuneration and depreciation on non-current assets, the contribution of the Institute had increased from the year 2011 up to 2013 whereas it had been Rs.12,488,771, Rs.10,961,081 and Rs.11,717,050 from the year 2013 up to 2015 respectively, thus it had been fluctuated since the year 2013.

## **4. Operating Review**

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### **4.1 Performance**

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According to the Sri Lanka Institute of Printing Act, No.28 of 1984, the objectives of the Institute were as follows.

- (a) to train those persons presently employed in the printing trade, to award certificates and to organize training courses in the field of Printing Technology and Management
- (b) to disseminate information regarding new syllabuses, techniques, and processes through a periodical newsletter or other publications
- (c) to attend and participate in trade fairs connected with the printing trade, to sponsor training abroad and to reciprocate training through an exchange system

Out of the above objectives, attention had been paid only to achieve the objective of training those persons presently employed in the printing trade and apprentices, awarding certificates and organizing training courses in the field of Printing Technology and Management.

## **4.2 Management Activities**

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The following observations are made.

- (a) Even though the Establishment Procedure and Financial Procedure for the Sri Lanka Institute of Printing had been prepared by spending a sum of Rs.56,725 in the year 2009 and presented to the Ministry for approval, such approval had not been received even by April 2016.
- (b) A proper methodology for the revision of course fees had not been followed by the Institute in the years 2014 and 2015.

## **4.3 Underutilization of Funds**

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An income of Rs.62,923,559 earned by the Institute as at 31 December 2015 had been invested without utilizing for the achievement of objectives of the Institute.

## **4.4 Personnel Administration**

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The approved cadre of the Institute stood at 13 while the actual cadre was 11, thus 02 vacancies existed. Thirty two visiting lecturers and instructors had been employed for training purposes in the year under review whereas the Management had not taken action to recruit a permanent staff for the above purpose.

## **5. Accountability and Good Governance**

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### **5.1 Corporate Plan**

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The activities included in the Corporate Plan such as, construction of the new building complex, development of a work force with international professional qualifications and multi talents for foreign employment, establishment of a new organization chart for the Institute and obtaining required human resources therefore had not been carried out.

### **5.2 Action Plan**

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Even though a plan had been prepared including only the particulars on enrollments, dropouts and completion of courses relating to the courses conducted by the Institute, it was not prepared in a manner to show the relevant progress of achieving the objectives of the Institute in terms of the Circular No.PFD/RED/01/04/2014/01 of 17 February 2014 issued by the Ministry of Finance and Planning.

### **5.3 Internal Audit**

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An Internal Audit Unit ensuring the efficient and effective functioning of the Institute and implementation of adequate internal control systems, had not been established in terms of Management Audit Circular No.DMA/06 of 23 December 2011.

#### 5.4 Budgetary Control

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Variances ranging from 20 per cent to 446 per cent were observed as compared with the budgeted income and expenditure with the actual income and expenditure of the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

#### 6. 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 from time to time. Special attention is needed in respect of the following areas of control.

<b>Areas of Systems and Controls</b> -----	<b>Observations</b> -----
(a) Income Control	Non-availability of a methodology for the revision of course fees and failure to take adequate action for recovery.
(b) Debtor Control	Non-availability of proper methodology in respect of provision for bad debts.
(c) Expenditure Control	Non-availability of a methodology for the identification of expenditure on the operation of the Institute.