

1. Financial statements

1.1 Qualified audit opinion

The audit of financial statements for the year ended 31 December 2019 comprising of the Statement of Financial Position at 31 December 2019, Statement of Financial Performance for the year ended 31 December 2019 and cash flow statement was carried out in pursuance of provisions of the National Audit Act No 19 of 2018 and provisions of article 154(1) of the Democratic Socialist Republic of Sri Lanka under my direction. The summary report was issued to the Accounting Officer on 31 May 2019 in terms of section 11(2) of the National Audit Act. The detail management report was issued to the Accounting Officer on 30 May 2019 terms of Section 11 (1) of the National Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018, read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, excluding the impact of paragraph 1.6 of this report, the financial statements of Government Printing Department prepared in accordance with regulations stipulated in the Public Accounts Circular No 271/2019 show a true and fair view of department's financial position as at 31 December 2019 and financial performance for the year ended 31 December 2019 in terms of generally accepted accounting principles.

1.2 Basis for the qualified opinion

I have conducted the audit in accordance with Sri Lanka Auditing Standards. My responsibility financial statements are further explained in the section auditor's responsibility. I believe the audit evidence I have obtained to provide a basis for my opinion is sufficient and appropriate.

1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer on financial statements

It is the responsibility of the Chief Accounting officers and Accounting Officers to decide the internal controls in order to prepare financial statements in accordance with generally accepted accounting principles and complying with provisions of section 38 of the National Audit Act No. 19 of 2018, to show a true and fair view and prepare financial statements devoid of material misstatements. Department shall keep

proper books and records on its income, expenditure, assets and liabilities to prepare annual and timely financial statements in accordance with section 16(1) of National Audit Act No 19 of 2018.

The Accounting Officer shall ensure that an effective internal control system is developed and maintained for the financial control of the department in terms of subsection 38 (1) (c) of the National Audit Act, and the periodic review of the effectiveness of the system shall be conducted. Changes must be made to the system for effective operation of the same.

1.4 Auditor's Responsibility in Auditing Financial Statements

My objective is to provide a reasonable assurance that the overall financial statements are free from any material misstatements resulting from fraud or error and issuance of Auditor General's report. While fair certification is a high-quality guarantee, it does not always ensure that material misstatements do not contain in financial statements when audited in accordance with Sri Lanka Auditing Standards. While effects of frauds or errors, either individually or collectively cause material misstatements, users of financial statements shall be careful when making financial decisions based on them. I have carried out the audit in accordance with Sri Lanka Auditing Standards with professional judgment and professional skepticism. Further I have

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit 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 department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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 accounting officer was made aware of key internal control deficiencies and other important audit findings identified in my audit.

1.5 Report on other legal requirements

In terms of Section 6(1) (d) and Section 38 of the National Audit Act No. 19 of 2018, I declare the following.

- (a) It could be stated that the financial statements for the year under review corresponded to the previous year.

- (b) The Government Printing Department had carried out my recommendations on financial statements.

1.6 Comments on financial statements

1.6.1 Statement of financial performance

Audit observation -----	Recommendation -----	Comments of the Accounting Officer -----
According to treasury printout the value of property plant and equipment at the end of the year under review was Rs.1099.97 million while according to the statement of financial position it was Rs. 1099.04 million. Thus there was an unreconciled difference of Rs.0.9 million.	If there are any differences between treasury printout and department books, it should be rectified promptly.	Inclusion of Clearing charges and local suppliers charges pertaining to the purchase of Polymer Plate Making machine in the CIGAS programme was the reason for the said difference of Rs.928, 131.

1.6.2 Non compliance of laws, rules and regulations

Reference to laws, rules and regulations	Non compliance	Recommendation	Comments of the Accounting Officer
Paragraph 1.3.1 of Public Administration circular No.22/99(xxxiii) dated 07 November 2017	It was revealed that department vehicles were used for personal transport violating the circular instructions. In a sample check of 4 months of the year under review the department vehicles were used exceeding the limits stipulated in the circular by 10,353 Km.	Vehicles should be used in accordance with circular instructions.	Due to work going on until late hours was one of the reasons to violate the circular instructions.

2. Financial Review

2.1 Revenue Management

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting officer
(a) The outstanding balance of income as at 01 January of the year under review for the period until 2009 was Rs.166, 058,339. No amount was recovered from that sum during the year under review.	Proper action should be taken to recover these outstanding balances.	Request had been forwarded to the Public Finance Department of the General Treasury on 28 January seeking to write off these outstanding amounts.
(b) Total outstanding balance as at 01 January for the 2010-2016 period was Rs.122, 782,608. Out of that only 15,183,634 representing only 12 percent of the outstanding sum was recovered during the year under review.	Outstanding sum of money should be recovered.	Rs. 15,303,039 had been recovered by 31 May 2020.Action will be taken to recover the balance money.
(c) Although department books show a sum of Rs.1,269,269 to be received from 5 institutions as at 31 December 2019,the said institutions informed that no amount is payable to the department.	Discussions should be held with relevant institutions to recover the said outstanding balances.	Most institutions do not respond to our inquiries.

2.2 Liabilities and commitments

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting officer
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Although according to the chapter 2(d) of Department of Public Accounts circular No 225/2017 liabilities of a financial year should be settled within that year, sum totaling Rs.9, 094,996 relating to 12 expenditure items been overspent with unpaid liabilities.	Circular instructions should be followed.	According to FR94 (2), liabilities can be accounted for recurrent supplies expenditure.

2.3 Reconciliation statement on advances to government officers

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting officer
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(a) Outstanding balance totaling Rs.356,300 due from 04 retired officers had not been recovered for 2 to 5 years.	These balances had been existing for the past few years also. Therefore action should be taken to recover the amounts according to existing regulations stipulated by the Establishment Code.	No answer had been given.

(b) According to clause 4.2.5 of chapter xxiv of the Establishment Code of the Democratic Socialist Republic of Sri Lanka, when the main borrower is not available the loan balances should be recovered from the sureties. Loan balances of 70 such officers totaling Rs.3, 990,395 had not been recovered from sureties. No answer had been given. per regulations.

3. Operational review

3.1 Management deficiencies

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting officer
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(a) Cabinet approval had been given on 16 December 1981 to make a piece rate based payment in lieu of overtime payment to expedite printing works of the department. Further the Public Accounts Committee in	Action should be taken according to the order made by the Public Accounts Committee.	Public Accounts Committee, National Salaries and Cadre Commission and the Director General of Establishment had instructed to formulate a new scheme to simplify the existing incentive payment. Accordingly action should be taken to do so.

its meeting on 11 September 2009 ordered the department to prepare a scheme for the payment of the incentive. However no action had been taken in this regard.

Although the above mentioned cabinet decision gave the authority to make a piece rate payment to the printing works only the department paid the said piece rate to non-printing works also. It was revealed during a sample audit that sum of Rs.2, 561,775 paid for non-printing works.

- (b) Although a piece rate based payment was introduced in lieu of overtime payment as per the above mentioned cabinet decision, the department's technical and non-technical (Except executive grade officers) were paid a piece rate and an overtime payment for the same work. A sample audit check revealed that during the first six months of the year under review, the department's foremen

As per the cabinet decision no overtime payment shall be made when piece rate payment is made.

Further production norms should be updated and workers should be given production targets.

When overtime and piece rate payments are made for all services their works are identified.

were paid a sum of Rs.26, 879,603 as overtime and piece rate payment.

Further although approval has to be taken from the Director of Establishment to pay allowances, no such approval was taken when paying allowances totaling Rs, 824,339,563 during the year under review.

- (c) According to clause No 2.2 of the bid awarding letter of sale of waste paper, before removing the purchased waste paper from the department's premises the successful bidder shall pay an advance payment of Rs.200,000 and according to clause No 2.5 once the weight of the purchased waste paper is ascertained balance amount shall be paid. Although no waste paper stock could be removed without settling outstanding bills, on 13 occasions a private company paid Rs.2.1 million after delay of 30 to 160 days for the purchase of 47,912 Kg.

As per the agreement action should be taken to recover the outstanding money without any delay. Further the waste paper must be stored securely.

Two buyers have to settle a certain amount of money. They were informed in writing to pay the amounts promptly or face legal action. The waste paper storage building will be enlarged to manage this situation and necessary construction has commenced.

Further an individual settled Rs. 1,398,800 after a delay of 34 to 62 days for the purchase of 38,377 Kg.

Further as no action had been taken to securely store the waste paper they were exposed to the elements and thus the opportunity to get a higher price had been lost.

(d) According to the letter No.EST/ALLOW/03/0720 dated 28 March 2019 of the Ministry of Public Administration and Disaster management trainees shall be paid a daily allowance of Rs.700 only during the period of training. However they were paid allowances and overtime totaling Rs. 21,813,006 during the year under review.

Trainees should be paid allowances stipulated by the circular instructions only.

The need to complete the NVQ -5 stage made the department pay for the Sri Lanka Institute of Printing. Trainees were paid overtime and other allowances due to service reasons.

Further the department paid Rs. 7,321,600 to the Sri Lanka Institute of Printing to conduct NVQ level 5 course in printing which has not been established in Sri

Lanka.

- (e) The Election Commission had paid a sum of Rs.349, 885,286 inclusive of value added tax to print ballot papers and other election materials for the 2019 presidential election. Following observations are made.

- (i) Without giving any acceptable reason, paper cost of printing ballot papers was increased by Rs.13,543,814. Further without giving any acceptable reason Rs. 80 was added to the invoice price of each ballot book, thus increasing the invoice price by Rs. 28,568,000. This resulted in the increase of total invoice value by Rs. 42,111,814 for the printing of 357,100 ballot books.

Similarly without giving any acceptable reason Rs.42 was added to the cost of printing a tender ballot book. Thus the invoice value had increased by Rs.750, 456. Therefore the printing

The Election Commission finances its operations using treasury grants. Therefore the printing department must not arbitrarily increase the cost of printing ballot papers.

No answer had been given.

department had over charged Rs. 42,862,270 from the Election Commission. By doing so the department over paid its 24 executive grade officers Rs.965,684 as commercial printing allowance which is based on the value of commercial printing works done in a month.

- (ii) The treasury had allocated Rs.745,580,000 to pay for piece rate based allowances other allowances and special allowances to the staff of the department during the year under review. However the Printing Department had paid a total of Rs.128,200,493 to the non-executive grade officers as piece rate based payments and special allowance. Further the Printing Department paid its executive grade staff a total of Rs.7,290,826 as commercial printing allowance for the election printing work. The sum total of

Payment of piece rate based allowances and special allowances from the money received from the Election Commission and the payment of same using treasury funds allocated to the Printing Department should not have done.

17.9 million ballot papers had to be printed within 28 days. Payment of Rs.135,102,656 resulted in a ballot book's cost increased from Rs.400 to Rs.677. Similarly a tender ballot book's cost had increased to Rs. 296.

Rs.135, 491,319 paid as allowances for both categories of staff was added to the invoice submitted to the Election Commission. Due to that a ballot paper book's cost had increased from Rs.400 to Rs.677. Although the said Rs. 128,200,493 had been recovered from the Election Commission the Printing Department paid the same staff who engaged in election printing work piece rate based allowance, special allowance and overtime payment using the above mentioned treasury grant of Rs.745,580,000. Further free food was also given during the printing work period. Sample check revealed that Rs.1,172,469 was paid as piece rate payment.

3.2 Delays in concluding projects.

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting officer
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(a) Although according to the agreement entered into between the Printing department and the Buddhist Affairs department the text books for 2020 academic year of Sunday schools had to be printed and delivered by 30 June 2019, they were delivered after a delay of 01 to 37 days.	Action should be taken according to agreements.	No answer had been given.
(b) Although the Printing department had submitted bids to print 22 categories of school text books for the academic year 2020, it was able to win only 06 categories of books. Its bid price was 4 to 31 percent higher than the bid prices of successful bidders was the reason.	The department should investigate the reasons why it lost the bids and bid prices should be decided accordingly.	No answer had been given.

3.3 Procurements

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting officer
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(a) The department had called for quotations for renovations worth Rs.4,468,788 on 14 occasions from institutions which were neither registered with the department nor included in the Rainbow pages contrary to chapter No 33 and paragraph No 2.1.4.1 of the Government Procurement guideline.	When carrying out procurements the department must follow the Procurement Guideline.	Some emergency and essential procurement were done without adhering to Procurements Guideline.
(b) Although the minimum time for bidders to bid is 7 days when bids are called under shopping method according to paragraph No 6.22 of Procurement Guideline, the department's procurement committee disregarded it on 17 occasions with the value of procurements at Rs. 6,474,558.	When carrying out procurements the department must follow the Procurement Guidelines.	This situation will be rectified in future.

(c) 1700 floor tiles totaling Rs.1, 219,563 were purchased to tile the floors of reading and computer sections. When this job was inspected it was revealed that only 1000 tiles were laid and the balance of 700 tiles valued at Rs. 502,173 were not returned to the store and the relevant officers were not able to give any explanation for it. Further 700 tiles totaling Rs.578, 263 were purchased from another place.

An investigation should be carried out to ascertain the shortfall and responsible persons should be identified.

Floor tiles were laid in the computer section and balance were laid in the reading section. No new stock of tiles was purchased.

3.4 Uneconomic Transactions

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting officer
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Rs. 18,445,912 had been spent to give liquid milk to the department staff during the year under review. Although the department made arrangements to give its staff liquid milk in order to prevent any ill effects of the presence of harmful substances in the air of the department's premises, the Deputy Labor Commissioner's (Professional Health) letter No O/H/M/33 dated 07 February 1986 instructed the Government Printer to stop giving milk as it did not prevent harmful substances entering the body.	First, necessary tests should be carried out to ascertain whether the air in the department's premises is contaminated with harmful substances. If the tests show the presence of any harmful substances then necessary remedial action should be taken after consultations with specialists.	This welfare scheme has been going on for a long time and it cannot be withdrawn in a short notice. Further the main reason to give milk is the presence of harmful substances in the air of department's premises.

4. Human Resource Management

Following observations are made.

Audit Observation	Recommendation	Comments of the Accounting officer
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(a)Management Development and Training unit had not been set up in the department as per the Public Administration circular No 11/2001 dated 29 May 2001	Management Development and Training unit has to be set up as per the circular instructions.	I agree that Management Development and Training unit has to be set up.
(b)Although 30 training programs had been conducted in 2018 according to the Performance report of 2018, number of training programs had been reduced to 11 in the year under review. Further out of that 11 training programs only 02 programs were related to the printing industry.	Those who engaged in the printing industry should be given the training opportunities.	After considering the allocation in 2019 training programs had to be curtailed.