

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 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance statement of changes in equity and cash flow statement and notes to financial statements for the year then ended 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 2021, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standard 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 Standard 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; and
- 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 relating to the Preparation of Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

The Institute is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-compliance with Sri Lanka Accounting Standard for Small and Medium-sized Entities

	Non-compliance with Reference to the Relevant Standard	Comment of the Management	Recommendation
(a)	It was mentioned in Note, No. 2.1(a) presented along with	Financial reports of the Sri Lanka Institute of Printing have	The relevant accounting

the financial statements that the Sri Lanka Accounting Standard for Small and Medium-sized Entities had been followed in preparing the financial statements. It was mentioned in part one of first Paragraph of the said Standard that these standards should not be followed by public enterprises supplying goods or services, and as per Section (a) of Paragraph 1.2, these accounting standards should not be followed by the institutions with public accountability to prepare financial statements. However, the Sri Lanka Institute of Printing had prepared financial statements based on Sri Lanka Accounting Standard for Small and Medium-sized Entities.

- (b) Due to failure in annually reviewing the useful life of Property, Plant and Equipment and showing the accurate value in the financial statements contrary to Section 17.15 B of Chapter 17 and Standard, No. 2.4 of the Sri Lanka Accounting Standard for Small and Medium-sized Entities, the estimate on useful life of 236 items of assets worth Rs. 15,226,482 still in use despite being fully depreciated, had not been shown in the financial statements after being reviewed.

been prepared in accordance with the Sri Lanka Accounting Standard for Small and Medium-sized Entities. It was mentioned in the audit report that those financial reports had been prepared on an incorrect basis. However, according to your explanation, this institution is not a Government Corporation that sells goods or supplies services. As such, it is our belief that the financial reports of the institution should be further prepared in accordance with the Sri Lanka Accounting Standard for Small and Medium-sized Entities.

This activity could not be executed due to Corona pandemic. Action will be taken in the ensuing year to revalue the assets with zero value and show in the financial statements.

standards should be followed to prepare the financial statements.

Provisions under the relevant standard should be followed.

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| (c) | The value of land in extent of 0.1012 hectares (40 perches) vested in Sri Lanka Institute of Printing by a Government institution on 18 September 2018, had not been assessed and brought to accounts. | The issue on the rights to this land has not been resolved thus far. A formal decision should be taken in this connection by discussing with the Department of Government Printing. | The value should be assessed and brought to accounts. |
| (d) | It was mentioned in Note, No. 2.8.2 to the accounts that the Projected Unit Credit Method had been used to measure the defined benefit plans. However, employee benefits had not been discounted in terms of Sections 28.17 and 28.18 of Chapter 28 of the Sri Lanka Accounting Standard for Small and Medium-sized Entities. | It is noted to take action in the ensuing year in this connection. | The relevant standard should be followed. |

1.5.3 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
The annual depreciation on machines and computers purchased in the year under review at a cost totalling Rs. 683,900, amounted to Rs. 74,223, and the amortization thereon had been computed as Rs. 194,133, thus the revenue through realization had been identified for the entire year. As such, revenue of the year had been overstated by Rs. 119,910.	The accounting firm responsible for accounting activities of our institution, has been informed in this regard, and we have been informed that corrective measures will be taken in due course.	The overstated revenue for the year under review should be corrected through the financial statements of the ensuing year.

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

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
a) Section 10.2 of Chapter XXIV of the Establishments Code.	A distress loan of Rs. 77,000 was paid to a member of the Board of Governance who was not an employee in the year under review.	This loan had been granted to the Chairman as per the agreement subject to an interest rate of 4.2 per cent. It is our belief that such decisions would be productive to maintain the institution profitably by properly managing all the funds of the institution which is a self-sufficient entity.	Provisions of the Establishments Code should be followed.
b) Financial Regulation 396 of the Democratic Socialist Republic of Sri Lanka.	Action had not been taken in terms of Financial Regulations on the cheque valued at Rs. 10,750 as at 16 September 2020.	This cheque had been obtained from a student who had enrolled for a course of the Institute. The cheque was given to him as he left the course. However, as the cheque has become dishonored, action will be taken to eliminate that value from	The relevant Financial Regulation should be followed.

the bank
reconciliation
statement in the
ensuing year.

2. Financial Review

2.1 Financial Result

Operating result of the year under review was a surplus of Rs. 5,007,595 as compared to the corresponding surplus of Rs. 4,871,298 for the preceding year, thus observing an improvement of Rs. 136,297 in the financial result. Increase in the course fee income by Rs. 1,048,511 had mainly attributed to that improvement.

3. Operating Review

Audit Observation -----	Comment of the Management -----	Recommendation -----
(i.) Although a Chairman had not been appointed, a sum of Rs. 600,000 was paid as allowance for Chairman in the year under review to the Government Printer who was a member of the Board of Governance.	As the then Government had failed over an extensive period to appoint a Chairman, a Chairman was appointed to the Board of Governance by informing the Secretary to the Ministry. The member selected by the Secretary to the Ministry, was paid the allowance that the Chairman had been entitled to.	As a Chairman was not appointed as per the Act, the said sum paid illegally, should be recovered.
(ii.) As a labour tribunal had concluded that the Sri Lanka Institute of Printing had terminated the service of one of its employees unfairly and unjustifiably, a sum of Rs. 522,000 had been paid to that employee in the year under review.	A sum of Rs. 522,00 had been paid as compensation following the verdict returned for a case filed by the said employee due to his dismissal during the disciplinary inquiry. As appealing against the verdict is a waste of funds, the said amount was paid by terminating the service of the employee.	Action should be taken to avoid similar situations in the future.