

Sri Lanka Institute of Printing - 2022

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 2022 comprising the statement of financial position as at 31 December 2022 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 2022, 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
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- (a) According to paragraph 15B of Part 17 of the Sri Lanka Accounting Standard for Small and Medium –size Enterprises, the residual value of an asset and its useful life should be reviewed at least at the end of each financial year. Although, if the estimated values difference from the expected values, the changes should be accounted for as a change in accounting estimate in accordance with paragraph 16 of Part 10 of the Sri Lanka Accounting Standard for Small and Medium Enterprises , but Rs.1,053,191 worth of property, plant and equipment, which are completely depreciated but still in use, have not been revalued and taken to books over their useful lives.
- In the year 2023, these assets with zero value will be recalculated and disclosed in the financial statements at the end of the year.
- The relevant accounting Action should be taken as per the instructions of the relevant standard.

1.5.3 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
The value of the 0.1012 hectare (40 perches) land assigned to Sri Lanka Institute of Printing on 18 September 2018 by a government institute had not been assessed and accounted for.	The issue regarding ownership of this land has not been resolved yet. A clear decision in this regard should be taken in consultation with the Government Printing Department.	Action should be taken to the value of the land concerned should be assessed and accounted for.

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) Annexure 01 of Chapter Five of the Operational Manual for State Owned Enterprises of the Department of Public Enterprises dated 16 November 2021	Although the organization had introduced Key Performance Indicators (KPI), they had not been evaluated and the extent to which they had been achieved (outcome) had been checked.	The performance report prepared for the year 2022 was sent to the Ministry of Mass Media. Photocopies of the said report are attached herewith. Outcomes have been shown in relation to the performance indicators introduced in that report.	Action should be taken to evaluated and disclosed of identified performance indicators.
b) Subsections 40(1) and 40(2) of the National Audit Act, No. 19 of 2018	An internal auditor was not appointed to carry out the internal audit work of an institute.	Not Commented.	Action should be proceeding as per relevant sub-sections.
c) Subsections 41(1) and 41(2) of the National Audit Act, No. 19 of 2018	An audit and management committee was not appointed to conduct the affairs of the institution.	Not Commented.	Action should be proceeding as per relevant sub-sections.
d) Paragraph 6.7 of the Operational Manual for State Owned Enterprises of the Department of Public Enterprises dated 16 November 2021	Although government-owned corporations should conduct an annual	Not Commented.	Action should be proceeding as per the Operational Manual.

physical verification on fixed assets and stores, the institute has not conducted an annual physical verification in relation to the year 2022.

e) Section 7(1) of Sri Lanka Institute Of Printing Act No. 18 of 1984	A "Director Board" consisting of 09 members should be appointed for the management and administration of the institution. But apart from the four (04) members officially mentioned as members, five (05) members appointed by the Minister had not been appointed by December 31, 2022.	Not Commented.	Action should be proceeding as per relevant sub-sections.
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2. Financial Review

2.1 Financial Result

Operating result of the year under review was a surplus of Rs.10,817,092 as compared to the corresponding surplus of Rs.5,007,595 for the preceding year, thus observing an improvement of Rs.5,809,497 in the financial result. This improvement was mainly due to the increase in interest income from short-term investments by Rs.5,411,319.

3. Operating Review

Audit Observation	Comment of the Management	Recommendation
(i) the Sri Lanka Institute of Printing had invested in a fixed deposit at	As the amount deposited in the Bank of Ceylon mentioned in the	Investment returns should be

the People's Bank on 18 May 2022 at an interest rate of 22% and on 27 May 2022 an amount of Rs.80,130,743 had been invested under a fixed deposit at the Bank of Ceylon at an interest rate of 12%. An interest income of approximately Rs.4,785,891 had been lost.

audit inquiry is a large amount, there is no intention to transfer it to another state bank to get more interest because it is not possible to get the approval of the governing body for that. The reason for that was the lack of quorum to hold a board meeting.

evaluated and action should be proceeding on investing to get maximum returns.

3.2 Human Resource Management

Audit Observation

From 01 November 2017 to 31 October 2023, On 3 occasions for a period of 6 years, the retired registrar of the same institution who attained the age of 60 years was appointed on contract basis without the approval of the Cabinet and was paid an amount of Rs.9,125,000 as salary and allowances for a period of 5 years and 7 months.

Comment of the Management

Sections 17 and 19 of the Sri Lanka Institute of Printing Act , The Board of Directors has full power to appoint or remove staff, including its CEO.

Recommendation

Attention should be given to permanently appoint a properly qualified officer to the post of Registrar.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation

According to the paragraph 6.6 of the Operational Manual for State Owned Enterprises of the Department of Public Enterprises dated 16 November 2021, Although the financial statements should be submitted to the Auditor General within 60 days after the end of the accounting year, the financial statements were submitted to the Auditor General on March 13, 2023.

Comments of the Management

As there was some delay in the preparation of accounts, the report had to be submitted a few days late.

Recommendation

Action should be taken as per the instruction of the Operational Manual for State Owned Enterprises of the Department of Public Enterprises.