

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the State Printing Corporation for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, 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 report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 Standards and for such internal control as management determine 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Corporation 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 Corporation.

1.4 Audit Scope ((Auditor's responsibility for the audit of 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:

- 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 Corporation'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 Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's 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 auditor's report. However, future events or conditions may cause the Corporation 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 Corporation, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Corporation has complied with applicable written law, or other general or special directions issued by the governing body of the Corporation;
- Whether the Corporation has performed according to its powers, functions and duties; and
- Whether the resources of the Authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standard

| Non Compliance with the reference to particular Standard | Management Comment | Recommendation |
|--|---|--|
| (a) In accordance with paragraph 32 of Sri Lanka Accounting Standard No. 01 (LKAS 01), no asset or liability should be offset unless a requirement or permission is given in a standard. However, as at the end of the year under review, due to the recording of an overdraft of Rs.10,491,746, in cash and cash equivalents of Rs.117,473,259, cash and cash equivalents were under recorded the same amount and total current liabilities were under recorded the same amount as the bank overdraft was not recorded under current liabilities. | Preparation of future accounts will be carried out in accordance with LKAS 32. | Accounting should be done in accordance with accounting standards. |
| (b) In accordance with paragraph 49(a) of Sri Lanka Accounting Standards 08, the nature of the prior period errors should be disclosed in the notes but the Corporation had not disclosed in the notes a revaluation adjustment of Rs.1,918,370 and an income tax adjustment of Rs.132,990,179 made in relation to the prior year | Actions will be taken to show this in the accounting notes in accordance with accounting standards in preparing future accounts | In accordance with accounting standards, when correcting prior period errors, the nature of those errors should be disclosed in the notes. |
| (c) an annual impairment assessment should be made in respect of intangible assets that are not in | Actions will be taken to implement LKAS 36 in the future. | An assessment of impairment losses should be made annually in accordance with accounting |

use in accordance with paragraph 10 (a) of Sri Lanka Accounting Standard No. 36 but a computer software system worth Rs.1,573,932 purchased by the Corporation in the year 2020 was not in a condition to be available for use, the asset had not been tested for impairment losses.

standards.

1.5.2 Accounting Deficiencies

| Audit Observation | Management Comment | Recommendation |
|--|---|--|
| Since the donation of books worth Rs.2,019,710, which were given free of charge, was not accounted for as an expense, the expenses were understated by that amount and the profit was overstated by that amount. | All the of statements value have been zero valued and this stock is not relevant for accounting purposes. | Donations should be accounted for as an expense. |

1.5.3 Documentary Evidences not made available for Audit

| Item | Amount Rs. | Evidence not available | Management Comment | Recommendation |
|-------------------|---------------|---|--|---|
| Deposits received | 2,304,086 | Certificates or supporting documents to verify deposits | These balances are that existed prior to 1 January 2024 and actions are being taken to identify. | Relevant evidence should be maintained to verify the account balance. |

1.6 Accounts Receivable and Payable

1.6.1 Receivables

| Audit Observation | Management Comment | Recommendation |
|---|--|---|
| (a) The balance due as stated in the balance confirmation sent by the National Lottery Board was Rs.164,056,839, while the Corporation's accounts stated the amount due as Rs.271,259,608. The balance had not been settled by reconciling the difference of Rs. 107,202,769. | Actions have been made to settle those balances in stages. | Actions should be taken to settle outstanding debtor balances promptly. |
| (b) The debtor balance as at the end of the year under review was Rs.618,417,892 | Actions are being taken to recover or write off the | Action should be taken to recover the |

and out of the total trade debtor outstanding balances that are outstanding debtor balance, balance confirmations had uncollectable. balance. been received in respect of trade debtor balances of Rs.477,425,985 only for a trade debtor value of Rs.271,259,608. Also, within this total trade debtor balance, the debtor balance of Rs.169,009,992, which had been outstanding for a period of 4 - 10 years, had not been settled by the end of the year under review.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

| Reference to Laws, Rules Regulations etc. | Non-compliance | Management Comment | Recommendation |
|---|--|--|--|
| (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka, F.R 757 (2) | The Accounting Officer should have taken action regarding the shortages and losses but he had not taken such action regarding the shortage of spare parts and hardware stock amounting to Rs.1,0227,793. | An investigation has been initiated through the Corporation's Internal Audit Division regarding the stock shortage that has occurred and further action will be taken in accordance with the recommendations of the audit. | Regarding shortage and losses, action should be taken in accordance with financial regulations. |
| (b) Chapter 3.2 (v) of the Department of Public Enterprises Guidelines No. PED 01/2021 dated 16 November 2021 | The Corporation should have prepared an incentive scheme to evaluate employee performance and obtained the approval of the Director General of Public Enterprises but an amount of Rs.52,572,803 had been paid as incentives in the year 2023 and Rs.43,651,293 in the year 2024 without such approval. In addition, with the aim of | With the aim of providing some welfare and motivation to the employees of the Corporation for the Sinhala New Year of 2024, in accordance with the provisions of Part 5 of the Corporations Act and since there are minimum facilities for welfare of the employees of the Corporation, this | Actions should be taken in accordance with the guidelines of the Department of Public Enterprises. |

increasing employee allowance has been motivation in the year paid in April as an 2024, an amount of incentive allowance, Rs.11,950,000 had been taking this into paid to 478 employees consideration. as incentives at the rate of Rs.25,000 per employee.

1.8 Non-compliance with Tax Regulations

| Audit Observation | Management Comment | Recommendation |
|--|--|---|
| <p>It was observed that the taxes payable under current liabilities as at the end of the year under review, namely, Economic Service Charges of Rs.23,342,409, Nation Building Tax of Rs.80,840,239 and Withholding Tax of Rs.126,300, which are currently cancelled by the Inland Revenue Department, have remained continuously unchanged since 2021. Accordingly, the Corporation had not taken steps to settle these payable balances.</p> | <p>It has been informed that a letter has been submitted to the Commissioner of Inland Revenue to settle the tax balances, but no response has been received and actions will be taken to settle the tax balances in the future.</p> | <p>Action should be taken to settle the tax balances.</p> |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs.108,306,098 and the corresponding profit in the preceding year amounted to Rs.2,762,141,136. Therefore an deterioration amounting to Rs.2,653,835,038 of the financial result was observed. The reasons for the deterioration was mainly due to the decrease in receiving textbook printing orders during the year under review caused.

2.2 Ratio Analysis

The corporation's income, which was Rs.8,323,244,160 in the year 2023, had decreased to Rs.2,788,555,974 by the year 2024. This income had decreased by 66 percent compared to the previous year. This was mainly due to the corporation's failure to identify market needs and produce quality products that matched them, limiting itself to the printing of exercise books and not taking the necessary measures to increase sales. Due to this, the net profit ratio had also decreased by 22 percent.

3. Operational Review

3.1 Management Inefficiencies

| Audit Observation | Management Comment | Recommendation |
|--|--|--|
| (a) Since the Corporation does not have space to store the examination papers printed, a temporary hut measuring 1000 square feet was rented. During the inspection of the space in the buildings of the Corporation, it was observed that about 2000 square feet of unusable books, which were many years old, were stored in the showroom building. If these books were disposed of properly, the required amount of space could have been obtained, but due to the failure of the management to do so, the Corporation had to incur an additional cost of Rs.796,500. | Since the showroom building could not be used in practice, a temporary warehouse was built near the stationery factory out of necessity. | Unusable materials should be disposed of and the corporation's space should be utilized. |
| (b) In the year 2024, the Corporation had produced the Crown Exercise Book and had not obtained any plan or market survey or Board approval for printing 200,000 of these books. Accordingly, only 27 percent of the books printed had been sold | The sales department has prepared a plan to sell all books by reducing discount in the future . | Arrangements should be made to sell the remaining books. |

as at 31 December 2024. Accordingly, 48,251 books costing Rs.6,119,563 remained unsold in the warehouse by the end of the year under review.

- (c) According to the strategic plan of the Corporation for the year under review, a sales revenue target of Rs. 1014 million had been planned. However, according to the operational plan of the Marketing Division for the year under review, that revenue had been estimated at Rs. 700 million. The actual sales revenue during the year under review was Rs. 289,147,344. Accordingly, the Corporation had failed to achieve the sales division targets for the year under review. Sales targets had not been given to the Publishing Division, which is a sub-division of the Marketing Division, and only an income of Rs. 890,841 had been earned in the year under review. Furthermore, Rs. 1,365,100 had been paid to the staff of this division as salaries and allowances. Accordingly, the
- Competitive prices had to be increased as raw material costs increased. Arrangements should be done to achieve sales targets.

management had not taken steps to achieve high performance in the Publishing Division.

3.2 Procurement Management

| Audit Observation | Management Comment | Recommendation |
|---|---|---|
| (a) In terms of Section 2.5.1 (a) of the Government Procurement Guidelines, it is the responsibility and duty of the members of the Procurement Committee to ensure that funds are available for the procurement activity under consideration. Due to the non-compliance with the guidelines, due to the lack of appropriate financial provisions for the release of shipping documents when importing 150 metric tons of D/s Art papers by the Corporation, the Corporation had paid a late fee of Rs. 332,391 to a private company on 19 September 2024 and a late fee of Rs.246,152 for the purchase of 450 metric tons of paper, totaling Rs.578,543. | Although documents had been submitted for clearance, these payments were made due to delays in obtaining the shipping documents from the bank. | Actions should be taken in accordance with the Government Procurement Guidelines. |
| (b) Contrary to the recommendations of the Procurement Committee, 14 Carbon Vanes worth Rs.1,400,700, which had been purchased in the year 2023, were purchased without verifying compliance with proper procedures and remained unused in the warehouse until 31 December 2024. | Purchased from the agency as per the recommendation of the management, technical evaluation committee and approval of the procurement committee. | The need must be identified and ensured that it meets the proper specifications. |
| (c) Procurements worth over 400 million should be made through a ministerial procurement committee but the Corporation had made 9 procurements worth 770,934,430 rupees in a very short period of about two months and 10 days. | When ordering raw materials at once, orders will have to be placed considering financial facilities, current limitations on opening letters of credit, raw material requirements, and storage facilities. | Actions should be taken in accordance with the Government Procurement Guidelines. |
| (d) During the procurement of various types of paper, the Technical Committee had approved the purchase of a sample of the paper by examining only the report sent by the supplier, and the Corporation had not re-inspected the quality of the paper after receiving it. | The paper will be supplied after a prior SGS report confirms that the paper produced meets the specifications. | The quality should be re checked after receiving the paper. |