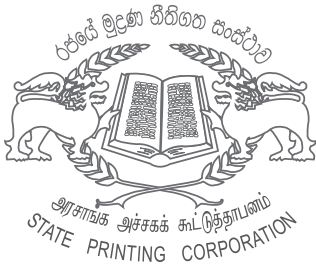




# 2013 වර්ෂික වාර්තාව ஆண்டறிக்கை Annual Report



රජයේ මුද්‍රණ නීතිගත සංස්ථාව  
அரசாங்க அச்சகக் கூட்டுத்தாபனம்  
State Printing Corporation



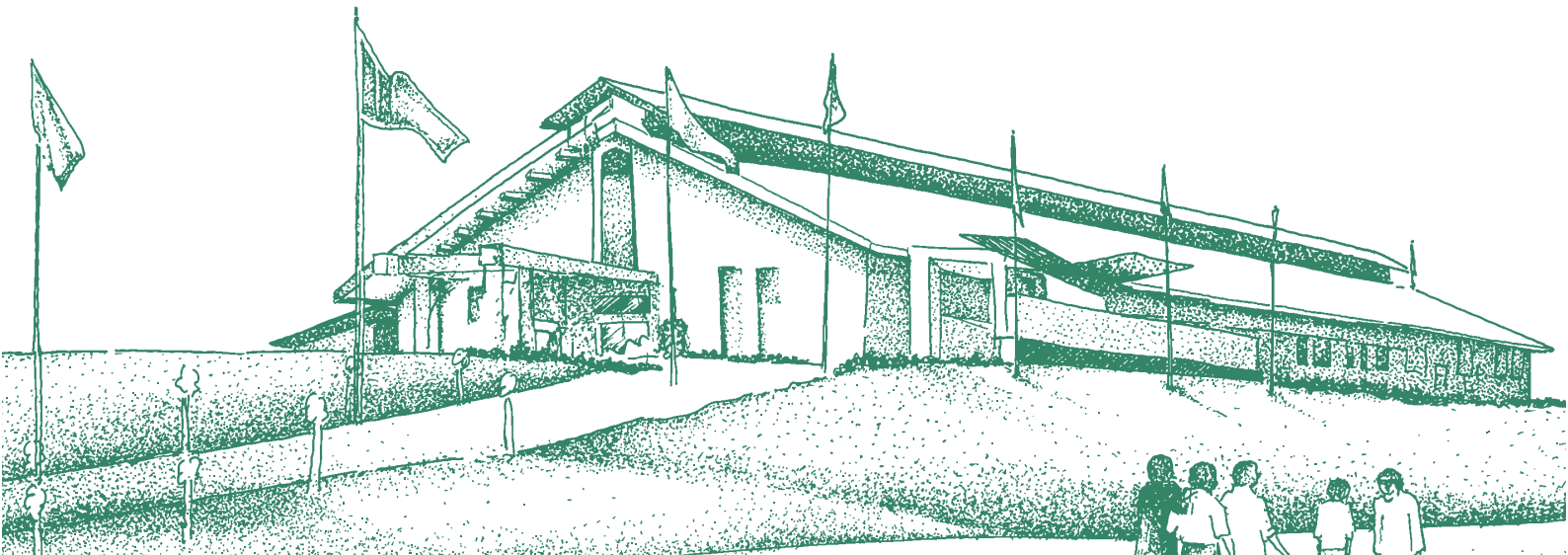
STATEMENT OF ACCOUNTS AND REPORT OF THE AUDITOR GENERAL

# STATE PRINTING CORPORATION

# 2013 ANNUAL REPORT

For the 46th year ended 31st December 2013

01<sup>st</sup> January - 31<sup>st</sup> December 2013





# VISION

To become the pioneer in the printing industry and the leader of exercise books and stationeries in the market.

# MISSION

To fulfill all the stationery needs of the public as an exceptional state corporation comprised with skillful and satisfied staff.

**Panaluwa  
Padukka**

**Honourable Minister of Parliament Reforms and Mass Media  
Ministry of Parliament Reforms Mass Media**

NO. 163, Kirulapone Mawatha  
Polhengoda Road  
Colombo 05

**Honourable Sir,**

In terms of Section 14 of the Finance Act No. 38 of 1971, I have the honour to forward herewith the following on behalf of the Board of Directors in respect of the year 01<sup>st</sup> January to 31<sup>st</sup> December 2013.

1. The Annual Report on the activities of the Corporation
2. The audited Balance Sheet, Working Accounts and the Profit & Loss Account
3. Comments of the Auditor General

Yours faithfully,

**Ravindra Yasalal Kalansooriya**

Chairman  
State Printing Corporation



## Chairman's Message

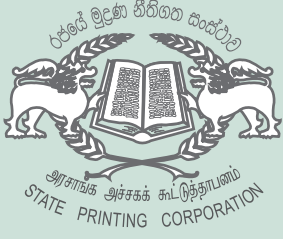
It is with great pleasure that I present the nation with the annual report and the accounts for the year 2013 which portray continued profitability and efficiency when looking back at the journey which was made amidst immense obstacles, marching forward step by step for a period of 45 years since year 1968 as the giant of the printing industry in Asia.

The ability we possess to contribute towards the new government which marches forward towards consensus rule built on good governance led by HE the president, will indisputably be a support to the future journey of ours and the future journey of the nation. It is a pleasure to present the annual analysis which unveils the journey of the corporation for the past period in an instance where arrangements have been made to expedite proceed with the methodology which was hitherto maintained, eradicating bribery, fraud and corruption which have been adopted by the world of business amidst the disapproval of the society, in creating pure business opportunities which are manipulated anticipating the betterment of the society.

It is with great respect and honour that I call to my mind HE the President, Hon. Maithreepala Sirisena, the pioneer of the consensus good governance who was committed to the great mission of making our journey a success in an instance where we had to swim upwards defeating the obstacles that were ahead of us for several periods, rectifying the places where we got isolated in the competitive market and in an instance where initial steps have been taken towards a journey with a future dream to create a giant for the earth encouraged by the epithet received as the giant of Asia. Similarly, it is with gratitude that I call to my mind Hon. Gayantha Karunathilake, Minister of Parliament Reforms and Mass Media who guided us through the correct path constantly contributing to clear up our route through the blessings and support extended by the president.

Further, it is with great respect that I remember Mr. Wajira Narampanawa the secretary to the Ministry, who works with us in great confidence, assisting us to step forward to achieve the objectives of the Corporation while monitoring the tasks accomplished by the institution and at the same time guiding us through the correct direction and also the board of Directors of our corporation who provided me with strength to create our future. I award my sincere gratitude to the entire staff of the Corporation who have created a strong hand rail with united hands in a feeling of collectiveness and at the same time providing strength to the forward journey of the giant of the Asia.

**Ravindra Yasalal Kalansooriya**  
Chairman  
State Printing Corporation



# 2013

## Board of Directors

Chairman

**Mr. Jayampathi Bandara Heenkenda**

Vice Chairman

**Mr. H. K. D. Lakshman Gamini**

Directors

1. **Mr. Amarapala Gamage**
2. **Mrs. D. G. N. Kumari**
3. **Mr. N. H. M. Chitrananda**
4. **Mr. Nandasiri Kalubowila**
5. **Mrs. Rajanie Atapattu**  
*(Appointed from 02. 07. 2013)*



# 2013

## Executive Officers

General Manager

**Mr. R. M. N. Monarawila**

Finance Manager

**Mr. N. D. Priyankara Kumara**

Works Manager

**Mr. S. T. Karunaratne**

Supplies Manager

**Mr. E. V. K. Keerthiratne**

Marketing Manager

**Mr. M. T. J. Perera**

Manager (Admin. & Human Resources Development)

**Mr. R. M. U. D. Bandara**

Manager (Operation)

**Mr. L. G. Hewavitharana**

Deputy Works Manager

**Mr. D. M. M. B. Dissanayake**

Deputy Works Manager

**Mr. T. M. R. N. Tennekoon**

Deputy Finance Manager

**Mr. K. H. Thilakaratne**

Manager (Stationery Factory)

**Mr. L. T. Premasiri**

Asst. Manager Works (Estimates)

**Mr. K. D. T. Chandrasiri**

Asst. Manager Works (Security Printing)

**Mr. M. A. Kothalawala**

Asst. Manager Works (Stores)

**Mr. M. S. L. Kuruppu**

Asst. Manager Works (Process)

**Mr. S. D. Kumarasinghe**

Asst. Manager Works (Binding)

**Mr. M. A. Shantha Kumara**

Asst. Manager Works (Maintenance)

**Mr. K. A. A. D. Jude Peter**

Asst. Manager Works (Litho)

**Mr. P. K. T. Mahinda**

Asst. Manager (Sales)

**Mr. H. R. Gunasekera**

Accountant

**Mr. M. R. P. Jayawardena**

Accountant

**Mr. W. L. Deniyage**

Internal Auditor

**Mr. A. S. C. Silva**

Asst. Manager (Security)

**Mr. W. W. M. Arachchige**

Asst. Manager (Admin & HRD)

**Mr. K. H. B. Sajeewa**

Premises Manager (Contract)

**Mr. D.M.H.Y. Dissanayake**

# REPORT OF THE BOARD OF DIRECTORS 2013

The Board of Directors of the State Printing Corporation has pleasure in presenting its 46th Report covering the activities of the Corporation for the year ended 31<sup>st</sup> December 2013, in terms of Section 14 of the Finance Act No. 38 of 1971.

09 Board Meetings were held during the year under review.

## 01. Production

### 1.1 School Textbooks

#### 1.1.1 Printing of School Textbooks

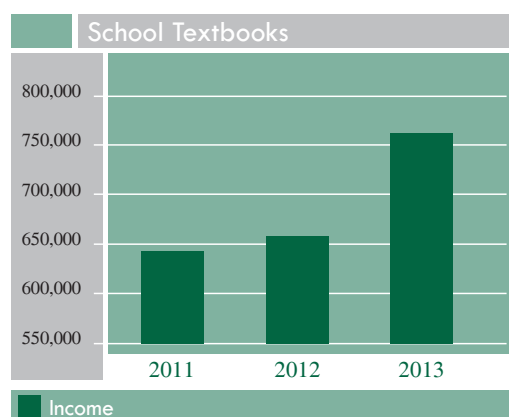
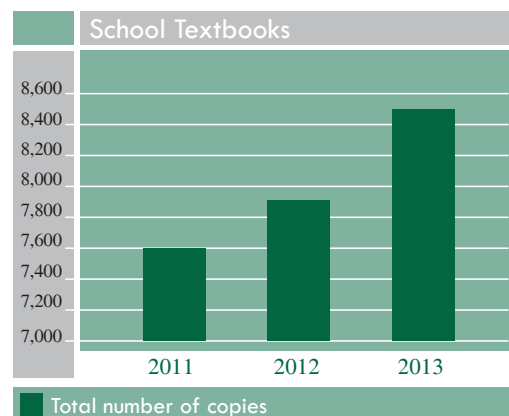
The Corporation which has been incorporated with the basic objective of printing of school textbooks, has diverted its activities to other production areas with the introduction of open economy. Accordingly, Corporation had to compete in tenders to obtain orders from Educational Publications Department. But the year under review too, Cabinet approval has been taken to award 8.546 million textbooks to State Printing Corporation by Educational Publications Department. As a result of that, the Corporation earned an income of Rs. 758.335 million.

Income from printing of School Textbooks and number of copies printed during the year under review compared to year 2011 and 2012 are as follows:

School Textbooks	2011 ('000)	2012 ('000)	2013 ('000)
No. of copies	7,611	7,905	8,546
Income - Rs.	646,480	666,223	758,335

### 1.2 Other Printing Works

Security Printing Works (such as Lottery Tickets, 'Ridee Rekha' Certificates, Post Office Labels, Dollar Tickets, Airport Super Draw etc.), Dahampasal Books and other printing works of Govt. Institutions were carried out during the year under review. In addition to this printing of Diaries and Calendars of various printing works of private sector institutions were fulfilled. Some of the special printing works completed and supplied by the Corporation are as follows:



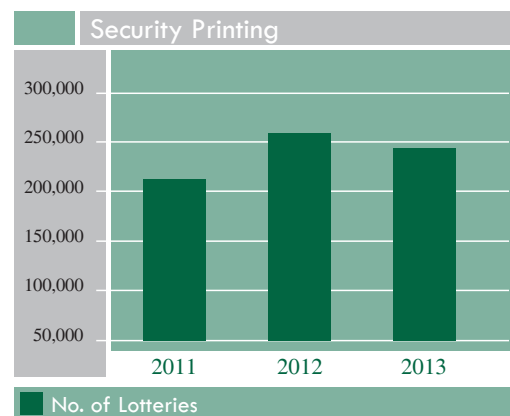


### 1.2.1 Security Printing

Printing of 'Mahajana Sampatha' Lottery tickets for National Lotteries Board has been carried out for the last 39 years. It has been fulfilled in this year, as well. In addition to that, 'Airport Super Draw' was also printed. 243 million Lottery tickets were printed in 2013, completing all the orders received. Accordingly, Rs. 136.1 million income was earned during the year under review.

Income from Lottery printing and number of tickets are given below:

Lottery Printing	2011 ('000)	2012 ('000)	2013 ('000)
No. of copies	212,535	256,195	242,991
Income - Rs.	119,543	145,701	136,124

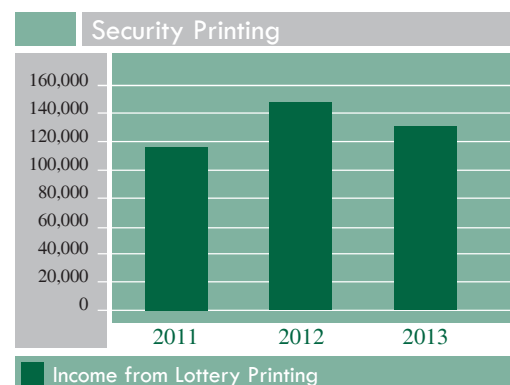


### 1.2.2. Special Printing Works

Printing orders were obtained from Ministries, Government Departments, as well as from private sector. Special printing works, included the following jobs too.

1. Annual Reports of various institutions
2. Various printing jobs of State Pharmaceuticals Corporation
3. Diaries and Calendars for various institutions
4. University Certificates
5. National Zoological Gardens – Tickets & Leaflets
6. Cinema Tickets
7. Printing jobs of E. P. F.
8. National Savings Bank – Printing jobs of National Savings Bank, including 'Ridee Rekha' Certificates
9. Printing of Answer Papers for Examinations Dept.

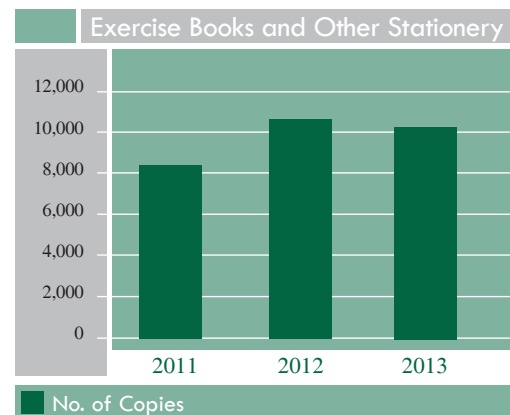
During the year under review the Corporation earned Rs. 799 million through other printing jobs.



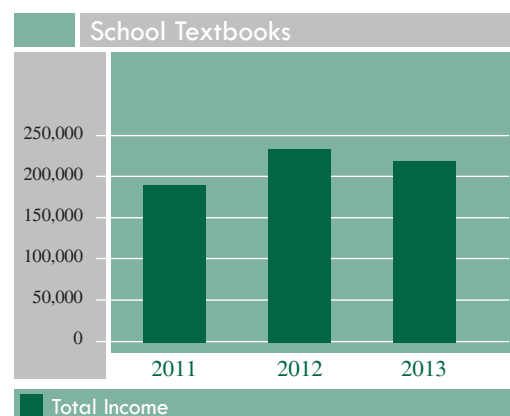
### 1.3 Manufacturing of Exercise Books and Other Stationery

Production in the year under review and comparative figures for 2011 and 2012 are as follows:

Exercise Books & Other Stationery	2011 ('000)	2012 ('000)	2013 ('000)
No. of copies	8,162	10,571	10,141
Income - Rs.	193,746	234,824	228,563



Production target for the year under review could not be achieved due to improper supply of Writing Paper.



## 02. Sales/Marketing

Production in the year under review and comparative figures for 2011 and 2012 are as follows:

Year	2011 (‘000)	2012 (‘000)	2013 (‘000)
Total Sales Value (Rs.)	186,856	239,075	235,593

When compared to last year's total income current year income has decreased by Rs. 3,482,140.09. Growth rate of 20% maintained in the past years too has been weakened.

Two main reasons for this downfall are given below:

01. Expected orders were not received due to high cost involved in the raw materials of some main products and thereby we were unable to complete with other competitors prices.
02. Orders could not be fulfilled due to non-availability of main raw materials and delay incurred on supplies.

## 03. Publications

Although profit has generated by selling the existing stock of publications and however no new publications have been printed.

Arrangements are being made to donate old stock of publications to Libraries through Divisional Secretaries. By implementing this we will be able to decrease the stock and thereafter planned to increase the income by printing new publications.

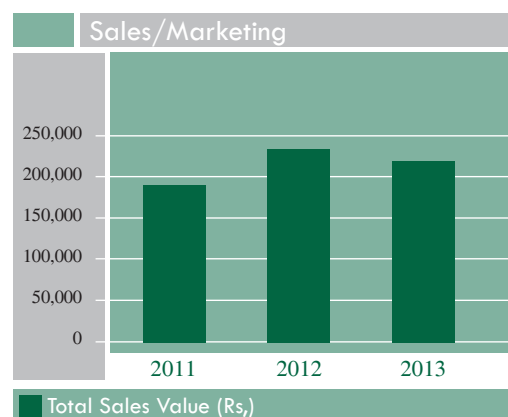
## 04. Fixed Assets

Fixed Assets of the Corporation stood at Rs. 365,512,555.48 at the end of year 2013. The written down value of same was Rs.99,983,204.06. This was compared to the previous year (i.e. 2012) figures Rs. 337,870,818.38 and written down value of Rs. 93,163,111.02 respectively.

Fixed Assets	2011 Rs.(‘000)	2012 Rs.(‘000)	2013 Rs.(‘000)
Opening Value (at cost)	301,082	322,144	337,870
Final Value (at cost)	322,144	337,870	365,512
Written down Value	89,097	93,163	99,983

## 05. Tax Liability

Provisions amounting to Rs. 51,064,333/= as income tax and Rs. 3,595,431/= as Deemed Dividend Tax have been made in Final Accounts of year 2013 for the year of Assessment 2011/2012 by the Corporation.

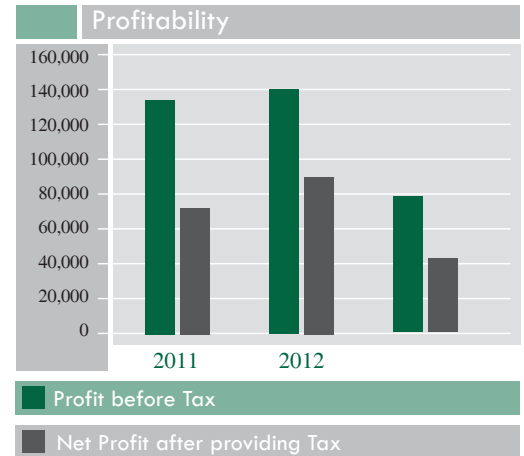


Tax Liability	2011 Rs. ('000)	2012 Rs. ('000)	2013 Rs. ('000)
Income tax	52,082	39,359	30,828
Deemed Dividend Tax	4,606	12,899	5,454
Total	56,688	52,258	36,282

## 06. Profitability

The Corporation earned a profit before tax of Rs.132,064,772.54 during the year 2013, as compared to Rs. 140,567,143.44 in 2012.

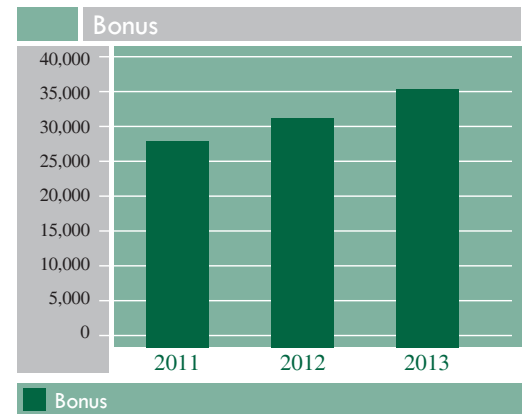
Profitability	2011 Rs. ('000)	2012 Rs. ('000)	2013 Rs. ('000)
Profit before Tax	133,688	140,567	78,095
Net Profit after providing Tax	77,000	88,309	41,813



## 07. Bonus

Annual Bonus equivalent to two months salary was paid to the eligible employees amounting to Rs. 35,259,829.28/= It is 16% growth compared to year 2012.

Bonus	2011 Rs. ('000)	2012 Rs. ('000)	2013 Rs. ('000)
Rs.	27,928	30,491	35,259



## 08. Welfare

Following welfare facilities were provided to the employees in this year as in the previous year. The Corporation has spent Rs. 86.6 Million on this.

	Welfare	2011 Rs. ('000)	2012 Rs. ('000)	2013 Rs. ('000)
01.	Transport facilities for employees	2,093	2,545	3,064
02.	Incentive payments for employees	5,274	5,516	9,367
03.	Medical facilities	2,854	4,567	5,541
04.	Various welfare facilities	5,556	9,424	17,845
05.	Workmen Compensation Insurance	176	191	-
06.	Gift Vouchers of Stationery for the Employees	997	1,021	1,132
07.	Bonus for Employees	27,928	30,491	35,259
08.	Reimbursement of Housing Loan interest of Employees	4,046	3,918	4,207
09.	Payment of un-availed leave of Employees	8,570	9,170	11,319
	<b>Total</b>	<b>57,494</b>	<b>66,843</b>	<b>87,734</b>

## 09. Personnel

The entire work force of the Corporation during the year under review is 708 of which the breakdown is given below.

	2013
Main Factory	367
Office	104
Stationery factory	32
Security Section	49
Sales Outlets	47
Sangaraja Mawatha Sales Centre	05
Casual and Contract Employees	64
Days Pay Labourers	22
Corporation Apprentices	18

Following Executive left the Corporation during the year under review.

<b>Name / Post</b>	<b>Date</b>
Mrs. A. D. N. H. Karunapala Supplies Officer	02. 05. 2013



## **Acknowledgement**

The Chairman and the Board of Directors wish to thank all employees of the Corporation for extending their loyalty and wholehearted co-operation towards running the Corporation successfully.

The Chairman and the Board of Directors express their sincere thank to the Honourable Minister of Mass Media and Information who guided and supported for a successful programme and to the Secretary to the Ministry and staff for their continuous support in achieving the programme.

The management is confident that the same co-operation will be extended by the employees during the coming years, as well.

**Ravindra Yasalala Kalansooriya**

Chairman

# STATE PRINTING CORPORATION NOTES TO THE FINANCIAL STATEMENTS AS AT 31<sup>st</sup> DECEMBER

## 2013

## 1. Corporate Information

### 1.1 General

State Printing Corporation was incorporated in 1968, under the Act of parliament No. 28 of 1968 and the management and control of the Corporation is vested to the Board of Directors. It is located at Panaluwa in Padukka.

### 1.2 Principal Activities and Nature of Operations

The Corporation's principal activities are printing of school textbooks, manufacturing of exercise books and other printing works.

## 2. Basis of Preparation

The statement of financial position, statement of comprehensive income, changes in fund and cash flows, together with accounting policies and notes have been prepared in accordance with LKAS and SLFRS and in compliance with finance Act No.38 of 1971.

### 2.1 Basis of Measurement

The financial statements have been prepared on an accrual basis and under the historical cost. The financial statements are presented in Sri Lankan Rupees.

### 2.2 Going concern

The Board of Directors have made an assessment of the Corporation's ability to continue as a concern and they do not intend either to liquidate or to cease operations.

## 3. Summary of Significant Accounting Policies

### 3.1 Property, Plant and Equipment

Property, Plant and Equipment is stated at cost net of accumulated depreciation.

Fully depreciated assets which are still in use

Asset Category	Total Cost (Rs.)	Fully depreciated asset value (Rs.)	Fully depreciated assets value (Rs.) assets value as a % of total assets value
Buildings	37,182,060	6,683,778	17
Plants & Machinery	215,074,630	106,079,965	49
Furniture & Fittings	4,336,576	3,424,420	78
Motor Vehicles	46,968,763	22,609,313	48
Motor cycles	422,354	422,354	100
Office Equipment	27,988,508	10,482,672	37
Bicycles & Hand carts	1,005,978	1,005,978	100
Electric Re-installations	2,572,950	2,572,950	100
Computer Software	3,394,949	1,679,326	49
Computer System for Bar coding lottery tickets	24,156,081	18,744,581	77

Remaining useful life of above categorized assets as at 31.12.2013 is being assessed appropriate action will be taken for proper accounting treatment.

#### 3.1.1 Depreciation

Depreciation is calculated on straight line basis over the estimated useful lives of all Property, Plant and Equipment.

The estimated useful lives for the current and comparative years are as follows;

Buildings	40 years
Plant & Machinery	13.33 years
Motor & Other Vehicles	4 years
Furniture & Fittings	10 years
Office Equipments	10 years
Computers & Accessories	3 years
Factory Tools & Types	4 years

### 3.2 Inventories

Inventories are valued at the lower of cost and net realisable value.

### 3.3 Taxation

Taxation is based on liability method and complied with the Inland Revenue Act No. 10 of 2006.

### 3.4 Cash & Cash Equivalents

## 4. Financial Instruments Initial Recognition and Subsequent Measurement

### 4.1 Financial Assets

#### 4.1.1 Impairment of Financial Assets

2.5 is provided on trade receivable.

### 4.2 Financial Liabilities

Mode of financing of the corporation is a credit package obtained from People's bank on a property mortgage of land, buildings and fixed machinery. There is a liability on surcharge for Employees Provident Fund for a past period.

#### 4.2.1 Contingent Liability

There is a Contingent liability in respect of 7 appeals made against the decisions made by Labour Tribunal. 3 complaints to District Courts and 1 complaint to Court of Appeal.

## 5. Retirement Benefit Obligations

The Corporation is liable to pay Gratuity in terms of the payment of Gratuity Act No. 12 of 1983. Payment of Gratuity was made without any arrears where as no separate fund has been built up equalant to the provision as at 31.12.2013.

## 6. Income and Expenses

### 6.1 Revenue Recognition

All Revenues are recognized on an accrual basis.

#### **Interest income**

10% interest is charged for the loans granted to the Corporation employees.

### 6.2 Expenses

All expenditures incurred in the running of the business have been charged to income in arriving the profit for the year.

### 6.3 Borrowing costs

All borrowing costs are recognized as expenses in the period in which they are incurred.



# State Printing Corporation

## Statements of Financial Position

### As at 31<sup>st</sup> december -2013

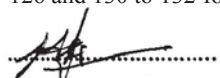
	NOTE	2013 Rs.	2012 Rs.
<b>ASSETS</b>			
<b>Non - Current assets</b>			
Property, Plant and Equipment	14	99,983,204	93,163,111
		<b>99,983,204</b>	<b>93,163,111</b>
<b>Current Assets:</b>			
Inventories	15	307,846,607	346,038,206
Trade Receivables	16	733,280,245	476,781,757
Other Receivables	17	143,145,763	101,718,337
Pre Payments		92,221	749,915
Cash & Cash Equivalents	18	4,659,788	6,588,506
		1,189,024,624	931,876,721
<b>Total Assets</b>		<b>1,289,007,828</b>	<b>1,025,039,832</b>
<b>EQUITY &amp; LIABILITIES</b>			
Issued Capital		15,000,000	15,000,000
Reserves		15,003,633	15,003,633
Retained Earnings		283,100,175	337,811,585
<b>Total Equity</b>		<b>313,103,808</b>	<b>367,815,218</b>
<b>Non Current Liabilities</b>			
Retirement Benefit Obligation		129,410,948	110,400,404
Interest Bearing Borrowings		6,167,715	12,200,004
		<b>135,578,663</b>	<b>122,600,408</b>
<b>Current Liabilities</b>			
Trade Payables	19	310,892,870	106,176,731
Other Payables	20	45,041,289	92,094,629
Interest Bearing Borrowings		437,919,685	296,586,575
Bank Overdraft		46,471,513	39,766,271
<b>Total Liabilities</b>		<b>840,325,357</b>	<b>534,624,206</b>
<b>Total Equity &amp; Liabilities</b>		<b>1,289,007,828</b>	<b>1,025,039,832</b>

I certify that these financial statements of the Corporation comply with the requirements of the Finance Act No. 38 of 1971.

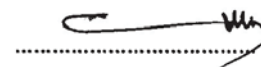


**N. D. Priyankara Kumara**  
Finance Manager

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board of Directors and signed on their behalf. The accounting policies on pages 121, 122 and 123 and notes on pages 125, 126 and 130 to 132 form an integral part of these financial statements.



**P. G. Dasanayaka**  
Chairman/Director



**H. K. D. L. Gamini**  
Vice Chairman/Director

	2013 Rs.	2012 Rs.
<b>15. INVENTORIES</b>		
Raw materials	158,194,164	190,516,533
Consumable	5,767,154	5,017,022
Spare parts	50,815,440	50,050,009
Hardware	717,350	1,459,621
Finished goods	74,557,352	79,014,565
Work in progress	17,795,146	19,980,456
	<b>307,846,606</b>	<b>346,038,206</b>
	<b>2013 Rs.</b>	<b>2012 Rs.</b>
<b>16. TRADE RECEIVABLES</b>		
Trade debtors	750,607,688	514,427,534
Less- Provision for bad debt	(18,765,192)	(38,582,065)
Other debtors	1,437,749	936,287
	<b>733,280,245</b>	<b>476,781,756</b>
	<b>2013 Rs.</b>	<b>2012 Rs.</b>
<b>17. OTHER RECEIVABLES</b>		
Staff Loan and Advances (Note 17.1)	24,803,473	17,011,320
Deposits & Receivables (Note 17.2)	6,066,344	6,122,447
Sales Control Accounts	(2,288,897)	-
Bank Loan - Margin A/C	114,564,843	78,584,571
	<b>143,145,763</b>	<b>101,718,338</b>
	<b>2013 Rs.</b>	<b>2012 Rs.</b>
<b>17.1 STAFF LOAN AND ADVANCES</b>		
Creditors advance A/C	1,680,649	-
Distress Loans	20,979,465	15,676,776
Festival advance	2,132,913	1,280,413
Staff salary Advances	10,445	54,130
	<b>24,803,472</b>	<b>17,011,319</b>
	<b>2013 Rs.</b>	<b>2012 Rs.</b>
<b>17.2 DEPOSITS &amp; RECEIVABLES</b>		
Deposits receivable	5,546,088	5,676,697
Add. Other Receivables	520,256	445,750
	<b>6,066,344</b>	<b>6,122,447</b>
	<b>2013 Rs.</b>	<b>2012 Rs.</b>
<b>18. CASH &amp; CASH EQUIVALENTS</b>		
Cash at Bank	1,463,800.50	2,984,267.00
Cash in Transit	3,090,537.43	3,379,472.00
Cash in Hand	105,450.00	224,767.00
	<b>4,659,787.93</b>	<b>6,588,506.00</b>

For the purpose of statement of Cash Flow, Cash & Cash Equivalents comprise the following

	2013 Rs.	2012 Rs.
Cash at Bank	1,463,800.50	2,984,267.00
Cash in Transit	3,090,537.43	3,379,472.00
Cash in Hand	105,450.00	224,767.00
	<hr/> 4,659,787.93	<hr/> 6,588,506.00
Bank Overdrafts	(46,471,513.00)	(39,766,271.00)
	<hr/> <b>(41,811,725.07)</b> <hr/>	<hr/> <b>(33,177,765.00)</b> <hr/>

	2013 Rs.	2012 Rs.
<b>19. TRADE PAYABLES</b>		
Trade creditors	54,174,102.00	50,483,171.00
Creditors advance a/c	-	2,297,182.00
Other creditors	74,259,098.00	1,086,100.00
Dept. of Inland Revenue	181,144,726.00	52,257,668.00
Sales advance	1,314,944.00	52,610.00
	<hr/> <b>310,892,870.00</b> <hr/>	<hr/> <b>106,176,731.00</b> <hr/>

	2013 Rs.	2012 Rs.
<b>20. OTHER PAYABLES</b>		
Accrued Expenses	42,566,766.00	90,358,769.00
Deposit Payable	2,474,523.00	1,735,861.00
	<hr/> <b>45,041,289.00</b> <hr/>	<hr/> <b>92,094,630.00</b> <hr/>

# State Printing Corporation

## Statement of Cash Flows

### for the year ended 31<sup>st</sup> December - 2013

	2013 Rs.	2012 Rs.
<b>Cash Flows from Operating Activities</b>	78,095,872	140,567,143
Net Profit / (Loss) before taxation		
<i>Adjustment for:</i>		
Depreciation on Fixed Assets	18,715,828	13,828,329
Prior year adjustments	(94,418,994)	21,807,219
Finance Expenses	62,548,766	57,359,447
Gratuity provision made during the year	21,754,712	17,038,160
<b>Operating Profit before Working Capital Changes</b>	<b>86,696,184</b>	<b>250,600,298</b>
<b>Changes in items of Working Capital</b>		
(Increase)/ Decrease in Inventories	38,191,599	(51,919,058)
(Increase)/ Decrease in Trade and other receivables	(256,498,488)	(12,841,089)
(Increase)/ Decrease in Other Receivables	(40,769,732)	(14,840,093)
Increase / (Decrease) in Current Liabilities	28,775,740	37,252,663
<b>Cash generated from operations</b>	<b>(143,604,697)</b>	<b>208,252,721</b>
Tax paid	92,604,587	(66,456,627)
Employee Retirement Benefit paid	(2,744,168)	(3,384,175)
<b>Cash Flows from Operating Activities</b>	<b>(53,744,278)</b>	<b>138,411,919</b>
<b>Cash Flows From Investing Activities</b>		
Purchasing of PPE	(27,641,737)	(17,894,164)
<b>Net cash flows from Investing Activities</b>	<b>(27,641,737)</b>	<b>(17,894,164)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds received / paid for borrowings	135,300,821	(57,402,104)
Interest Paid	(62,548,766)	(57,359,447)
<b>Net cash flows from Financing Activities</b>	<b>72,752,055</b>	<b>(114,761,551)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>(8,633,959)</b>	<b>5,756,203</b>
<b>Cash &amp; Cash Equivalents at the beginning of the period</b>	<b>(33,177,766)</b>	<b>(38,933,969)</b>
<b>Cash &amp; Cash Equivalents at the end of the period (Note 18)</b>	<b>(41,811,725)</b>	<b>(33,177,766)</b>

# State Printing Corporation

## Statement of Changes In Equity

### for the year ended 31<sup>st</sup> December - 2013

	Issued Capital Rs.	Capital Reserve Rs.	General Reserve Rs.	Development Reserve Rs.	Retained Earnings Rs.	Total Rs.
<b>Balances as at 01 January 2012</b>	1,500,000	102,491	1,000,000	13,901,142	227,694,891	257,698,524
Profit / (Loss) for the year	-	-	-	-	88,309,474	88,309,474
Prior Year Adjustment	-	-	-	-	21,807,219	21,807,219
<b>Balance as at 31 December 2012</b>	<b>1,500,000</b>	<b>102,491</b>	<b>1,000,000</b>	<b>13,901,142</b>	<b>337,811,584</b>	<b>367,815,217</b>
Balance as at 01 January 2013	15,000,000	102,491	1,000,000	13,901,142	337,811,584	367,815,217
Profit/(Loss) for the year					41,813,401	41,813,401
Prior Year Adjustment					(96,524,810)	(96,524,810)
<b>Balance as at 31 December 2013</b>	<b>15,000,000</b>	<b>102,491</b>	<b>1,000,000</b>	<b>13,901,142</b>	<b>283,100,175</b>	<b>313,103,808</b>

# State Printing Corporation

## Comprehensive Income Statement

### for the year ended 31<sup>st</sup> December - 2013

	Notes	2013 Rs.	2012 Rs.
<b>Revenue</b>	7	1,236,901,899	1,209,672,252
Cost of sales		(801,809,829)	(754,495,129)
<b>Gross Profit</b>		435,092,070	455,177,123
Other operating income	8	6,891,679	15,162,617
Distribution expenses	9	(35,755,152)	(52,258,941)
Administrative expenses	10	(185,818,553)	(160,482,196)
Other operating expenses	11	(81,262,847)	(60,306,868)
Operating Profit		139,147,197	197,291,735
Finance Income		1,497,441	634,855
Finance Expenses	12	(62,548,766)	57,359,447
<b>Profit Before Tax</b>		78,095,872	140,567,143
Income Tax	13	(36,282,471)	(52,257,669)
<b>Profit after Tax</b>		<b>41,813,401</b>	<b>88,309,474</b>

## Statements of Comprehensive Income for the year ended 31<sup>st</sup> December - 2013

	2013 Rs.	2012 Rs.
Profit for the Year	41,813,401	88,309,474
Other Comprehensive Income	-	-
Total Comprehensive Income for the Year	41,813,401	88,309,474

# State Printing Corporation

## Notes to the Financial Statements

### for the year ended 31<sup>st</sup> December - 2013

	<b>2013</b>	<b>2012</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>07. REVENUE</b>		
Income from Stationery Factory	211,757,807	214,021,480
Income from Main Press		
Textbooks	756,660,138	711,472,700
Job Works	244,648,596	259,124,246
Publication	168,676	306,972
Income from Other Sales	23,666,684	24,746,855
	<b>1,236,901,901</b>	<b>1,209,672,253</b>
<b>08. OTHER OPERATING INCOME</b>		
Sundry Income	6,514,943	14,712,574
Tender Deposit	376,735	450,043
	<b>6,891,678</b>	<b>15,162,617</b>
<b>09. DISTRIBUTION EXPENSES</b>		
Economic Service Charges	3,127,786	-
Nation Building Tax	16,488,493	18,454,806
Upkeep of Motor Vehicles	4,320,709	4,387,882
Provision for Bad Debts	5,131,721	24,947,525
Advertisement	5,673,521	1,491,272
Sales Promotion	970,861	2,858,151
Maint. of Outlet	42,061	14,700
Sales Commission	-	104,606
	<b>35,755,152</b>	<b>52,258,942</b>
<b>10. ADMINISTRATION EXPENSES</b>		
Rent	2,832,598	2,863,379
Upkeep of land & buildings	2,772,075	2,446,179
Electricity	249,831	163,314
Maintenance of office equipment	259,879	452,770
Depreciation		
- Office equipment	1,581,317	1,211,862
- Furniture & Fittingd	89,854	73,124
- Computer soft ware	680,766	424,249
- Motor cycles		
Rates	212,963	183,822
Water Tax	40,066	27,767
Salaries & Wages	96,758,524	83,529,355
Overtime of staff	9,320,660	7,547,170
Employees' provident fund	12,622,832	10,504,416
Employees' trust fund	3,157,175	2,623,883
Incentive payments	2,569,050	2,357,500
Chairmans' emolument	720,000	720,000
Vice Chairmans' emolument	135,000	135,000
Board Director's fees	213,600	360,000

	<b>2013</b>	<b>2012</b>
	<b>Rs.</b>	<b>Rs.</b>
Postage	199,893	168,179
Telephone	1,378,238	1,791,285
Press Notices & Publication	147,900	410,780
Travelling & subsistence	1,097,565	854,803
News papers and periodicals	77,630	70,680
Foreign Travelling / Staff training ( Foreign )	2,101,090	2,732,090
Internet / E-mail	283,916	480,729
Printing & Stationery	2,650,336	6,548,550
Audit fees	1,000,000	510,116
Entertainment	868,443	347,819
Legal & Consultancy	1,289,002	583,736
Upkeep of Motor vehicle 25%	4,320,709	4,387,882
General office expenses	1,640,747	1,738,177
Miscellaneous expenses	816,940	573,205
Gratuity Expenses	21,754,712	17,038,160
Tender board technical committee fees	575,625	530,975
Cash escort charges	73,904	186,962
Membership fees	22,500	13,700
Staff training	240,640	483,030
Accommodation	1,117,483	424,001
Board meeting expenses	540,231	118,730
Donation	7,761,599	2,765,943
Rent - Motor Vehicle	1,232,414	1,381,200
Sales Analyzing Charges	277,910	335,206
Cash Transport Charges	75,606	123,868
Computer Bureau Service Charges	57,331	258,600
	<b>185,818,554</b>	<b>160,482,196</b>
<b>11. OTHER OPERATING EXPENSES</b>		
Welfare to staff	17,845,411	9,424,218
Employees, medical scheme	5,541,863	4,567,495
Housing Loan interest	4,207,441	3,917,959
Bonus to staff	35,259,829	30,491,383
Special Incentive Payment	3,495,000	-
Staff transport	3,064,447	2,545,206
Leave Encashment	11,319,121	9,170,234
Payee Tax	529,736	190,371
	<b>81,262,848</b>	<b>60,306,866</b>
<b>12. FINANCE EXPENSES</b>		
Bank charges	8,214,558	7,374,238
Bank Overdraft interest	6,301,167	6,276,304
Bank Loan interest - Short Term	46,531,402	41,085,847
Bank Loan interest - Long Term	1,501,638	2,617,458
Fine Charges	-	5,600
	<b>62,548,765</b>	<b>57,359,447</b>
<b>13. INCOME TAX</b>		
Income tax provision for the year	30,828,194	39,358,800
Provision for deemed dividend tax	5,454,277	12,898,869
	<b>36,282,471</b>	<b>52,257,669</b>



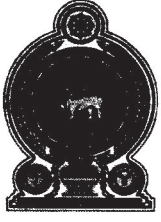
# State Printing Corporation

## Notes to the Financial Statements

### for the year ended 31<sup>st</sup> December - 2013

#### 14. PROPERTY, PLANT AND EQUIPMENT

Description	As at 01.01.2012	Additions/ Revaluations during the year	Disposals during the year	As at 31.12.2012	Opening Balance Difference	Additions/ Revaluations during the year	Disposals during the year	As at 31.12.2013
<b>At Cost</b>								
Land	475,126	-	-	475,126	-	-	-	475,126
Building	37,182,060	-	-	37,182,060	-	-	-	37,182,060
Plant and Machinery	209,002,357	211,240	-	209,213,597	-	5,861,034	-	215,074,631
Furniture and Fittings	4,177,008	138,468	-	4,315,476	-	21,100	-	4,336,576
Office Equipments	18,482,275	4,284,667	(33,870)	22,733,072	-	5,255,437	-	27,988,509
Factory Tools, Types	1,785,681	18,800	-	1,804,481	-	130,095	-	1,934,576
Electronic Reinstallations	2,572,951	-	-	2,572,951	-	-	-	2,572,951
Motor and other Vehicles	24,037,646	10,751,989	(2,133,611)	32,656,025	-	15,741,071	-	48,397,096
Computer & Accessories	24,429,031	2,489,000	-	26,918,031	-	633,000	-	27,551,031
<b>Total</b>	<b>322,144,135</b>	<b>17,894,164</b>	<b>(2,167,481)</b>	<b>337,870,819</b>	<b>-</b>	<b>27,641,737</b>	<b>-</b>	<b>365,512,556</b>
<b>Accumulated Depreciation</b>								
Building	25,919,143	797,309	-	26,716,453	(34,852)	762,457	-	27,444,057
Plant and Machinery	143,414,254	7,547,630	-	150,961,884	123,964	8,549,986	-	159,635,834
Furniture and Fittings	3,651,552	73,124	-	3,724,676	(73,402)	89,854	-	3,741,128
Office Equipments	12,682,924	1,211,862	(33,870)	13,860,915	(79,119)	1,581,317	-	15,363,113
Factory Tools, Types and	1,353,329	122,260	-	1,475,589	-	97,566	-	1,573,155
Electronic Reinstallations	2,572,950	-	-	2,572,950	-	-	-	2,572,950
Motor and other Vehicles	22,892,586	2,149,585	(2,133,611)	22,908,560	1,811,587	5,193,641	-	29,913,788
Computer & Accessories	20,562,122	1,926,559	-	22,488,680	357,638	2,441,008	-	25,285,326
<b>Total</b>	<b>233,048,860</b>	<b>13,828,329</b>	<b>(2,167,481)</b>	<b>244,707,707</b>	<b>2,105,816</b>	<b>18,715,829</b>	<b>-</b>	<b>265,529,351</b>
<b>Written Down Value</b>	<b>89,095,275</b>	<b>4,065,835</b>	<b>-</b>	<b>93,163,112</b>	<b>(2,105,816)</b>	<b>8,925,908</b>	<b>-</b>	<b>99,983,205</b>



**විගණකාධිපති දෙපාර්තමේන්තුව**  
**கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்**  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය }  
எனது இல. } TM/G/SPC/1/13/42  
My No. }

ඔබේ අංකය }  
உமது இல. }  
Your No. }

දිනය }  
திகதி }  
Date }

04 March 2015

The Chairman,  
State Printing Corporation.

**Report of the Auditor General on the Financial Statements of the State Printing Corporation for the year ended 31 December 2013 in terms of the Section 14(2)(c) of the Finance Act, No. 38 of 1971**

The audit of financial statements of the State Printing Corporation for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of comprehensive income, 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 23 of the State Printing Corporation Act, No. 24 of 1968. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act was furnished to the Chairman of the Corporation on 09 May 2014.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards 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**

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 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation'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 Corporation'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.

### **1.4 Basis for Qualified Opinion**

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

## **2. Financial Statements**

### **2.1 Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report the financial statements give a true and fair view of the financial position of the State Printing Corporation as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### **2.2 Comments of Financial Statements**

#### **2.2.1 Sri Lanka Accounting Standards (SLAS)**

Non – Compliances with the following Sri Lanka Accountancy Standards were observed during the course of audit.

(a) S.L.A.S. No. 02

The Value of the closing stock should be shown in the financial statements at the cost or the net realizable value whichever is less. Even though the Value of the closing stock had been shown at the net realizable value in the financial statements, the method of writing down the value had not been disclosed in the financial statements.

(b) S.L.A.S. No. 07

Even though the Corporation had paid a sum of Rs.31,421,285 as income tax in the year under review, instead of showing the actual payment of income tax in the cash flow statement, a sum of Rs.92,604,587 had been shown as a reimbursement of income tax.

(c) S.L.A.S. No. 08

Instead of restating the financial position of the preceding year by adjusting the balances of the debtors, creditors and other liabilities accounts with retrospective effect as rectification of errors of the preceding year, the total amount had been adjusted to the accumulated profit brought forward from the preceding year.

(d) S.L.A.S. No. 16

Assets costing Rs.158,465,019 fully depreciated but being used continuously had not been revalued and disclosed in the financial statements.

(e) S.L.A.S. No.23

Even though the entities had been encouraged to consider the possibility of capitalizing the borrowing cost and take action accordingly, the Corporation had written off to income the borrowing cost relating to the eligible assets as recurrent expenditure without identifying the borrowing cost that can be capitalized.

(f) S.L.A.S. No. 39

The Corporation had valued the financial assets at the cost thereof and shown in the financial statements instead of valuing them at fair value.

### **2.2.2 Accounting Policies**

Instead of carrying out a proper analysis of the recoverability of debts and determining the amount for write off as bad and doubtful debts, a provision of Rs.18,765,192 representing 2.5 per cent of the total trade debtors had been made for bad and doubtful debtors for the year under review.

### **2.2.3 Accounting Deficiencies**

Even though only the Economic Service Charge paid is allowed for set-off as a tax liability in the computation of the income tax payable for the year 2012, the unpaid Economic Service Charge had been deducted from the income tax payable in the Computation of the income tax payable on the profit for the year 2012. As such the balance brought forward as income tax payable had been understated by a sum of Rs.2,232,569 in the financial statements.

#### **2.2.4 Unreconciled Control Accounts**

The credit balance of Rs.2,288,897 in the Sales Collection Account had not been reconciled with the Sales Control Account.

#### **2.2.5 Unexplained Differences**

The following differences had not been explained to audit.

- (a) The difference of Rs.460,550 between the Creditors Advance Account and the Schedule.
- (b) The difference of Rs.8,535,013 between the debtors balance receivable from the Department of Educational Publications in respect of orders placed for school text books in the year 2008 and preceding years and the debtors balance confirmed by that Department.
- (c) The difference of Rs.493,662 between the debtors balance No. 2/D/3146 of the Gampaha Sales Stall and the balance confirmed by the Sales Stall.

#### **2.2.6 Lack of Evidence for Audit**

The letters of confirmation of balances relating to the sum of Rs.231,103,473 receivable from trade debtors had not been furnished to audit.

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

The following observations are made.

- (a) The trade debtors balance in the preceding year amounted to Rs.514,427,534 and that balance as at 31 December 2013 amounted to Rs.750,607,688. The trade debtors balance had increased by 46 per cent. According to the comments of the Chairman, the delay in the receipt of money from the Department of Educational Publications had been the reason for the increase in the trade debtors balance.

- (b) Out of the total trade debtors balance recoverable as at 31 December 2013 amounting to Rs.750,607,688 , sums of Rs.69,480,869 and Rs.48,529,734 remained without being recovered over periods of 01 year and 2 – 5 years respectively. The debtors balance older than 05 years amounted to Rs.27,607,294. The recovery of debts during the year under review, as compared with the preceding years had been at a very weak level. The debt recovery of trade stalls had been in the ranges of 93 to 28 per cent. The debt recovery of Sales Stalls at Kandy and Gampaha had been at an extremely low level.
- (c) Out of the debtors who had forwarded confirmations of debtors balances, debtors amounting to Rs.928,947 had indicated that balances payable to the Corporations did not exist. But further attention had not been paid to the matter.
- (d) No recoveries whatsoever had been made up to the end of November 2014 from the debtors balance older than 04 years amounting to Rs.6,448,439 receivable from the National Institution of Education.
- (e) Even though a debtors balance of Rs.7,989,969 remained receivable as at the end of the year from the National Paper Corporation a sum of Rs.6,689,495 remained without being recovered over a period exceeding 02 years.
- (f) The debtors balance recoverable since the year 2012 amounting to Rs.5,491,257 of the Anuradhapura Sales Stall had not been settled even by 30 November 2014. These credits had been allowed outside the credit procedure on the verbal instructions of the former Chairman. Even though the default of settlement of debts had been reported to the Police, legal steps had not been taken for the recovery of the debts.

- (g) A Sales Agent for the sale of exercise books of the Corporation had been appointed from the year 2010 and the payments defaulted by the agent amounted to Rs.5,800,306. Security Guarantees had not been obtained from the agent for credit facilities and credit had been allowed on the orders of the Chairman. The 40 per cent discount allowed on cash sales had been allowed on sale of exercise books on credit basis without obtaining security.
- (h) The total creditors as at the end of the year under review amounted to Rs.54,174,102 and according to the age analysis the unsettled creditors old between 2 to 5 years amounted to Rs.23,102,304 and represented 42 per cent of the total value of creditors.

#### 2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with the following laws, rules, regulations and management decisions were observed during the course of audit.

Reference to Laws, Rules and Regulations	Non-compliance
-----	-----
(a) Sub-section 26(1) of the Value Added Tax Act, No. 14 of 2002	Out of the Value Added Tax amounting to Rs.116,696,970 collected from the clients from the year 2008 to the year 2013 for remittance to the Department of Inland Revenue, a sum of Rs.92,960,966 or 70 per cent had not been remitted even by 31 December 2013.



- (b) Section 4 of the Nation Building Tax Act, No. 9 of 2009
- Out of the Nation Building Tax amounting to Rs.73,845,234 collected from the clients from the year 2009 to the year 2013 for remittance to the Department of Inland Revenue, a sum of Rs.67,718,361 or 90 per cent had not been remitted up to the end of the year under review.
- (c) Financial Regulation 371(2)(c) of the Democratic Socialist Republic of Sri Lanka
- The advance of Rs.1,050,000 granted in the year under review for the purchase of equipment for the official motor vehicle of the Chairman had not been settled up to 31 December 2014.
- (d) Public Enterprises Circular No.17 of 28 October 2003
- The Chairman had not obtained the prior approval of the Director General of Public Enterprises before proceeding abroad and a sum of Rs.1,422,353 had been spent from the Corporation funds for that foreign tour.
- (e) Public Enterprises Circular No. PED/12 of 02 June 2003
- (i) Section 8.3
- A sum of Rs.748,500 had been obtained in the year under review for the local travelling of the Chairman.
- (ii) Section 8.3.9
- The Corporation had paid a sum of Rs.61,187 in the year under review for the settlement of mobile phone bills of the Ministry.

(f) Paragraph 6 of the Public Enterprises Circular No. 57 of 11 February 2011

Even though donations exceeding Rs.2 million cannot be paid without the approval of the Minister of Finance, donations amounting to Rs.3,025,000 had been made in the year under review. Exercise books costing Rs.2,705,147 had been donated for sales promotion activities.

## 2.5 Uneconomic Transactions

The institution which had quoted the lowest price in connection with the purchase of 15 finger printing machines had been rejected without any basis and a loss of Rs.538,100 had been caused due to the purchase made from the institution which quoted the fourth lower price. A feasibility study of the accessories purchased had not been carried out.

## 3. Financial Review

### 3.1 Financial Results

The operating result of the Corporation for the year under review amounted to a pre-tax net profit of Rs.78,095,872 as compared with the corresponding pre-tax net profit of Rs.140,567,143 for the preceding year, thus indicating a deterioration of Rs.62,471,271 in the financial results. The decrease of the profit by Rs.20 million and the increase of operating expenses by Rs.58 million during the year under review had been the main reasons for the deterioration.

### 3.2 Working Capital Management

Liquidity Ratio	2013	2012	2011	2010
-----	-----	-----	-----	-----
Current Ratio	1.41:1	1.44:1	1.28:1	1.19:1
Quick Assets Ratio	1.04:1	0.91:1	0.84:1	0.91:1

The following observations are made.

- (a) A negative working capital position was indicated throughout and the short term loans obtained by the Corporation during the year under review amounted to Rs.494,089,476. Out of that Rs.437,919,681 had not been settled up to the end of the year under review. In view of the failure to settle the loans on the due dates, interest on short term loans inclusive of the additional interest for delays in settlement amounting to Rs.46,531,402 had been paid during the year under review. That represented 59 per cent of the pre-tax profit.
- (b) In view of the increase in obtaining short term Bank loans and Bank overdraft facilities, the finance costs of the year under review had increased to Rs.62,548,765.
- (c) The management had not paid attention to the working capital improvement strategies. In view of the lack of efficiencies in debt collection and the failure to use stock control procedures, 88 per cent of the total current assets of the year under review comprised debtors and the closing stock of low liquidity.
- (d) Out of the current assets in the quick assets, 83.2 per cent or Rs.750,607,688 represented debtors, of which Rs.70,739,757 comprised balances with 100 per cent non-recovery during the year 2013. As such the feasibility of settlement of current liabilities from the actual value reflected from the current assets, that is, the liquidity has become a problematic issue in audit.

#### 4. Operating Review

##### 4.1 Performance

The following observations are made.

##### 4.1.1 Income

Income Head	2013		2012		Variance		Percentage	
	-----		-----		-----		-----	
	Rs.'000		Rs.'000		Favourable	Adverse		
	Rs.'000		Rs.'000		Rs.'000	Rs.'000		
School Textbooks Income (Net of Penalty)	750,660	711,473	39,187	-		6		
Commercial Printing Income	244,649	259,124	-	(14,475)		(5.6)		
Exercise Books Income	211,758	214,021	-	(2,263)		(1.1)		
Other Income	32,056	40,544	-	(8,488)		(20.9)		

##### 4.1.2 Production

Categories of Production	2013		2012		Variance		Percentage	
	-----		-----		-----		-----	
	Units	(Rs.'000)	Units	(Rs.'000)	Units	(Rs.'000)	Units	value
School Taxtbooks (000 copies)	9824	666,676	7,906	593,896	1,918	72,780	24	12
Commercial Printing (Jobs)	799		721		78			
Exercise Books (number of copies)	10,140	140,718	10,571	145,593	(431)	(4,875)	(4.1)	(3.3)

The commercial printing income, the exercise books income and other income of the Corporations for the year under review as compared with the preceding year indicated a decrease of Rs.26 million or 5 per cent. Even though the production of 13.7 million exercise books during the year under review had been planned the actual production amounted only to 10.1 million books.

#### **4.2 Management Inefficiencies**

The following observations are made.

- (a) A sum of Rs.40,966,014 had been paid as penalty from the income receivable for the printing of school text books during the years 2012, 2013 and 2014 due to the failure to print and deliver the books on the due dates and non-conforming to the prescribed specifications.
- (b) The Colour Separation Work, which is an important and primary aspect of all printing works of the Corporation, had been done through an outside institution since the year 2009 and a sum of Rs.22,336,329 had been paid for this work to the outside institution during the years 2009 to 2013. Even though a machine for this purpose had been purchased at a cost of Rs.9,514,302 in the year 2004 that machine had been out of order in the year 2009 within a very short period of five years. Even though the machine had been rendered out of order even before the expiry of less than half its useful life, the attention of the management had not been paid either to get the machine repaired through the institution from which it was purchased or for the purchase of a new machine.

#### **4.3 Operating Inefficiencies**

A Marketing Plan for the overall marketing activities of the Corporation in respect of the year under review had not been prepared while only a plan indicating the sales targets of exercise books and stationery had been prepared. The planned production targets of exercise books for the year under review had not been achieved. Out of the planned purchase of 962 metric tonnes of white writing paper (860mm / 60Gsm) which is the primary raw material required for achieving the targets for the production of exercise books, the management had failed to supply about 286 metric tonnes or 29 per cent.

#### 4.4 Idle and Underutilised Assets

The following observations are made.

- (a) Out of the machinery spare parts, purchased in the years 2012 and 2013 from a private institution at a cost of Rs.31,727,140 , machinery spare parts costing Rs.23,859,240 had not been used for repairs even by 31 December 2013. Even though the objective of the purchase had been the increase of production of the machinery at the optimum capacity, action had not taken to achieve the objective of the purchase of spare parts even after the elapse of one year after the purchase.
- (b) A stock of spare parts costing Rs.2,118,090 purchased during periods ranging from 6 years to 15 years and a stock of spare parts purchased in the year 2011 at a cost of Rs.1,288,748 without carrying out a proper evaluation of the requirements had been lying idle up to the end of the year 2014 without being used.
- (c) According to the reports on the utilization of machinery in the year under review, the idle time of Corporation machinery had been at a high ranges from 35 per cent to 78 per cent as compared with the budgeted hours. Out of 113.6 machinery idle hours, 84.3 hours or 74 per cent had been due to lack of jobs, 10.2 hours or 9 per cent had been due to breakdown of machinery and 13.6 hours 12 per cent had been due to lack of employees.
- (d) Six machines of the Litho, Composing and Binding Sections had been idling throughout the year under review due to lack of adequate jobs.
- (e) Five machines in the Litho, Process Computer and Letterpress Sections had been in broken down condition over a number of years and those had been idling due to the failure to repair them or use them by following a suitable course of action.
- (f) A physical verification revealed that a stock of exercise books of different sizes manufactured from GSM 58 paper, valued at Rs.1,190,056, rendered unusable due to discolouration and rusted staples had been kept in the stores. Even though this matter was revealed through the reports for the preceding years, the management had failed to take a suitable course of action in that connection.

#### 4.5 Identified Losses

The cash shortage of Rs.224,278 and the stock shortage valued at Rs.222,205 at the International Book Exhibition 2010 had been shown contritely again under the other recoverables without taking action for recovery of the shortage from the respective officers.

#### 4.6 Deficiencies in the Contract Administration

(a) State Printing Corporation had purchased 2381.255 metric tonnes of white printing paper web reels of 6 varieties in 11 instances for Rs.311.5 million. Out of this, 1,784.507 metric tonnes or 75 per cent had been purchased in 7 instances for Rs.234.6 million had been purchased from a foreign company through a local agent.

- Subsequently, it was revealed that the proprietor of the company which functioned as the local agent was a former personal assistant of the Chairman of the Corporation. The bids had been submitted through a person who had not been authorized to act in the name of that company in terms of Section 184 of the Companies Act, No. 7 of 2007. Even though the Procurement Committee should have rejected the illegal bid submitted fraudulently in terms of Section 7.8 of Procurement Guidelines, it had not been so done and paper value at Rs.234.6 million had been purchased from that supplier.

(b) Even though the papers should have been supplied within one month from the opening of the Letters of Credit, the supply of goods of 6 bids valued at Rs.200.5 million awarded to the supplier had been supplied after delays ranging from 12 days to 45 days. But liquidated damages had not been recovered. The supply of 09 school text books for the year 2014 had been delayed due to the delay in the supply of paper and the Corporation had paid a penalty of Rs.8,660,931 for the delay. A stock of 205 metric tonnes of paper valued at Rs.25,062,432 had been idling in the stores for about 8 months due to abandoning printing works due to the delay in the receipt of papers.

- (c) The Performance Bond of Rs.2,660,490 obtained in connection with the purchase of a stock of paper valued at Rs.32,717,360 for production of exercise books had been released before the expiry of the period.
- (d) In terms of Section 7.4.1 of the Procurement Guidelines bid evaluation should be undertaken expeditiously leaving ample time to seek all requisite formal approvals. Nevertheless, due to the delay in the bids for the purchase of 125 metric tonnes of white printing papers, purchases had to be made from the above institution which had submitted the fourth lower price, thus resulting in an overpayment of Rs.1,299,726.

#### **4.7 Assets given to other Government Institution**

Ten employees of the Corporation had been released to the Ministry of Mass Media and Information and the Ministry of Skills Development. A sum of Rs.3,018,894 had been paid during the year under review as their salaries, overtime and other allowances without obtaining reimbursement.

#### **4.8 Staff Administration**

The following observations are made.

- (a) A post of Vice Chairman had been created contrary to the State Printing Corporation Act, No. 24 of 1968 and an officer had been appointed. He had been paid a sum of Rs.768,191 as allowance, settlement of telephone bills and foreign travel expenses. In addition, a new post of Operating Manager (HM 1-1) had been created and as appointment made without obtaining formal approval.
- (b) Action had not been taken to fill 118 vacancies in the approved cadre of 686 of the Corporation. Formal approval had not been obtained for 32 excess employees recruited. Three casual employees, 57 employees on contract basis and 38 temporary employees had been recruited outside the approved cadre.



- (c) A person had been recruited on contract basis to the post of Marketing Promotion Officer of the Central Provincial Marketing Development Pilot Project without the approval of the Department of Management Services and had paid a monthly allowance of Rs.20,000 without assigning any specific duties. His mobile telephone bills amounting to Rs.50,412 had also been reimbursed during the year under review.
- (d) Even though it was subsequently found that the officer who had been recruited as the Internal Auditor of the Corporation had concealed matters relating to the profession and the recruitment from the Board of Interview which selected him, disciplinary action had not been taken against the officer.

#### **4.9 Motor Vehicles Utilisation**

The following observations are made.

- (a) According to the letters No. PE/COPE/37/GEN dated 08 April 2013 and 17 April 2013 of the Director General of the Department of Public Enterprises, purchase of motor vehicles for the year 2013 should be according to the Annual Budget and the Procurement Plan approved by the Board of Directors. Even though, according to the Capital Estimates for the year under review had allocated a sum of Rs.10,000,000 for the purchase of 02 motor vehicles a sum of Rs.17,630,000 exceeding the provision had been spent for the purchase of 02 motor vehicles.
- (b) According to Section 8.3.5 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the Chairman should use one motor vehicle as the official motor vehicle. Nevertheless, the Chairman had used 03 motor vehicles in addition to the official motor vehicle. A sum of Rs.509,566 had been spent in the year under review for the fuel used for the motor vehicles used by the Chairman.
- (c) A motor vehicle hired for Rs.1,320,000 had been provided to an officer acting in the post of Manager, Establishments of the Corporation who is not entitled to official motor vehicle facilities in terms of paragraph 1.1.6(v) of the Public Administration Circular No. 22/99 of 08 October 1999 and had paid a fuel allowance of Rs.1,141,655 during the period, January 2011 to October 2013.

- (d) Fuel allowance amounting to Rs.558,023 in respect of the period from the year 2010 to December 2013 had been paid to an Acting Marketing Promotion Officer recruited on contract basis in accordance with the decision No.5034 of 15 July 2010 of the Board of Director. The Daily Running Charts had not been produced for obtaining payment on bills.
- (e) Even though recommendation had been made for the withdrawal from running with effect from February 2013 the motor cycle issued to the Security Manager of the Corporation, it had not been handed over to the Corporation and retained in the official quarters. A sum of Rs.36,254 had been paid as fuel expenses for running the motor cycle without supporting Daily Running Charts.
- (f) Even though the Financial Regulations require the maintenance of Motor Vehicle Log Books for all motor vehicles, the Log Books of Motor Vehicles of the Corporation had not been maintained properly.

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

### **5.1 Corporate Plan**

Even though a Corporate Plan for the years 2009 to 2013 had been prepared by the Corporation, that plan had not been updated annually in terms of Section 5.1.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

### **5.2 Budgetary Control**

Significant variances were observed between the budgeted and the actual amounts, thus indicating that the budget had not been made use of as an effective instrument of management control.

### **5.32 Audit Committee**

Even though a proposal had been made at the meeting of the Audit and Management Committee held on 28 August 2013 that the debts receivable from the credit sale of exercise books should be recovered expeditiously and that a proper methodology for that should be formulated, it had not been so done.

6. **Systems and Controls**

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Corporation from time to time. Special attention is needed in respect of the following areas of control.

- (a) Budgetary Control
- (b) Accounting
- (c) Accounts Receivable
- (d) Debtors Control
- (e) Procurement
- (f) Working Capital Management
- (g) Motor Vehicles Control
- (h) Staff Administration

W.P.C.Wickramaratna  
Acting Auditor General

# STATE PRINTING CORPORATION

## Comments on Financial Statement

### 2.2 Comments on Financial Statement

#### 2.2.1. Sri Lankan Accounting Standards (S. L. A. S.)

- (a) S. L. A. S. No. 02  
Action will be taken to disclose as to how the value of the stocks was reduced to net realizable value from the financial statements in future years.
- (b) S. L. A. S. No. 07  
The statement on cash flows will be presented correctly when preparing the financial statements of year 2014.
- (c) S. L. A. S. No. 08  
The balance of the compatible revenue reserve account is matched according to the previous Sri Lankan Accounting Standards no. 10. The financial situation of the previous year is reinstated when it is made compatible to the past financial situation statements.
- (d) S. L. A. S. No. 16  
Section 3.1 of the financial statement carries a composition of the classification of assets that are still been used although they have depreciated.
- (e) S. L. A. S. No. 23  
In 2013, such expenditures were unidentified since all the loans were obtained to import raw materials and capitalization of same would be unrealistic.
- (f) S. L. A. S. No. 29  
In the future, financial assets will be shown at fair values in the financial statements.

#### 2.2.2. Accounting Policies

This Provision will be made considering the possibility of recovering the balance of individual debtors, instead of providing a percentage from the total value of debtors, when presenting financial assets including debtors on a fair value in the financial statements.

#### 2.2.3. Accounting Deficiencies

The Audit has reported that the profit recorded in the financial statements for the year 2012 is incorrect. Therefore, it was rectified and was submitted to the Inland Revenue Department with revised tax computation. Furthermore, the value of the relevant economic service charges have been settled, as well.

#### 2.2.4. Unreconciled Control Accounts

Action has been taken to reconcile the credit balance of this account with the sales control account.

### 2.2.5. Differences Unexplained

- (a) The correct schedule has been prepared and can be submitted for auditing.
- (b) The total balance is not entirely based on supplying school books, but the due amount for other printing jobs including printing invoice books are also included here. Although this has not been confirmed, it will be recovered after completing documentation process of the measures to recover old debt.
- (c) The balance of the debtor A. Kanagaratnam's ledger card as at 31.12.2013 had been mentioned as Rs.1,645,936/- due to a mistake in the adding process. This balance had been sent to prove the matter. However, when the error of Rs.493,662 is rectified the balance confirmed by the debtor is equaled to Rs.1,152,224/- This has been explained to the audit.

### 2.2.6. Lack of Evidence for Audit

Letters calling confirmation have been sent to 141 debtors to confirm their balances, which are to be directly received by the Government Audit Superintendent. However, responding same is beyond the control of the corporation. (The file that includes the copies of those letters have been handed over to the audit.)

## 2.3 Accounts Receivable and Payable

- (a) The extraordinary increase in the balance of the Education Publication Department resulted the increase of trade debtor balance as well. The main reason behind this was the delay of releasing funds to the department by the treasury during the Commonwealth Heads of Government Meeting held in 2013. The debtor balance of the Educational Publication Department which was Rs.297,111,782/- as at 31.12.2012 went up to Rs.560,291,280/- by 31.12.2013. Therefore, the increase of debtors other than this balance was only 18%. However, the Educational Publications Department settled the relevant invoices with the due amounts on May and April in 2014.
- (b) An accountant dedicated to collect money from the debtors. He has implemented a proper program to collect money from old debtors who have being so, for more than a year, after producing them with the invoices and other relevant documents.
- (c) Instructions have been given to look into the possibility of recovering at least a certain amount from the debtors whom have not settled the total amount after sending them letters notifying the matter.
- (d) Several discussions have been held with the National Institute of Education in this regard and its governing council has given its approval to pay the due amount. However the payments have delayed due to not issuing Goods Received Notes for certain books of the stock and due to unavailability of Dispatch Advices within the Corporation. The matter will be addressed and the measures will be taken to collect the money within this year.
- (e) No payment is made for supplying off-cut papers to this Corporation and stationery requirements including file covers is fulfilled instead. This can be clearly identified if the local raw material supplies are examined. The balance will be settled via the local supply account when the Paper Corporation commences it's production activities.
- (f) • The Officer-in-charge of the Anuradhapura sales outlet has granted credit sales without a mortgage to an individual named Mahesh Walgama. Without intimating the marketing division of the head office, the credit sales were made on the ground of trust since Mahesh Walgama who has been a long standing customer, has settled the outstanding without fail over the years and his wife has been serving at the Anuradhapura sales outlet.
  - The Officer-in-charge through the DIG office, Anuradhapura and the General Manager directly, have lodged a complaint with the CID. The future course of action will depend on the summons of the CID.
  - As at 31-12-2012 a sum of Rs. 7,256,521.00 was due and it has reduced to Rs. 5,491,302.10 by 07-12-2013.

- (g) Mr. I. G. A. Bandara when he was initially serving at the sales center had settled the payments as the sales occurred, with the corporation. Arrangements were made to prepare a bond since it is difficult to have mortgages for a large amount with the increase of sales of exercise books towards the end of the year.
- (h) If the creditors do not forward the claims which had passed three years, accounting entries will be made to credit same to the income at the end of year 2014.

## 2.4 Laws, Rules regulations and non-compliance with management decisions

- (a) By 2010, an overpayment of over Rs. 25 million was made to the Department of Inland Revenue as Withholding Tax as a result of customers paying this tax directly for the corporation with the tax coming into effect as per the Articles 153, 155 and 160 of the No.10 of 2006 Inland Revenue Act. The then management of the corporation decided to hold the tax payments since it believed that continuation of tax payment until a final settlement is reached with regard to the overpayment would have negative consequences on the corporation's liquidity.
- (b) Similar to (a), the corporation also retained the Nation Building Tax and only the Tax Returns on Value Added Tax and nation building tax were submitted to the Inland Revenue Department.
- (c) The advance payment made for the official vehicle of the Chairman will be settled.
- (d) The expenses were settled in accordance with the Circular No. MF 01/2010/01 issued on 11/10/2010 by the Ministry of Finance and Planning with regard to the entitled allowances of foreign travel and related expenses. In the introductory section of the circular it is stated that the other relevant circulars would be amended concurrently. Therefore, the chairman has made this tour on the approval of the Hon. Prime Minister.

As per the circular, flight details were submitted according to the allowance calculation. The foreign exchange was obtained directly from the banks. The details were furnished to the respective bank through the Form 1 provided by the Central Bank of Sri Lanka. No bank releases foreign exchange if the required information is not provided. The information and documents can be submitted for auditing.

- (e) (i) Accommodation charges amounting to Rs. 748,500 were paid for a room in the Sovereign Corporation Hotel, affiliated to the BMICH which is a government sponsored institute, received at a discounted rate.
- (ii) Telephone bills are settled on the instructions of the line ministry to which the corporation belongs.
- (f) Due to inadequate funds provided to state institutions, when conducting official functions the heads of those institutes request the corporation for funds. On such occasions the corporation provides funding in the form of donation on the approval of the director board. Though the state institution should act in conformity with the respective circulars, in the case of state and religious functions when assistance is sought, those donations were made taking into account the market promotional value the event may create for our products.

Therefore, one million rupees each was given away for the stage drama 'Maha Samayama' produced by the Director General of the Government Information Department Prof. Ariyaratne Ethugala, 'Wesage Maha Geetha Govindaya' organized by the Ministry of Mass Media and Information and for the State Wesak Festival which was held organized by the Ministry of Buddha Sasana under the patronage of the President. Approval in this regard was given in the 737 Board of Directors' meeting which was held on 16.05.2013.

A sponsorship of Rs.25,000/- was given to the Sri Wishnu Devalaya for the displaying of hoardings to promote SPC exercise books during the procession of annual Esala Maha Perahara of the Sri Dalada Maligawa in Kandy under the financial authority of the chairman.

According to the Public Enterprise circular No.57 of 11.02.2011, the approval of the minister should be obtained for sponsorships exceeding one hundred thousand rupees. Therefore, kindly note that the approval has been obtained for the payments mentioned below which are over Rs.100,000/-

Furthermore, all the sales promotional activities were carried out as donations made for a common activity of a government institution or a social welfare act. It is by no means a grant given to a private institution. Furthermore, all the grants below Rs.100,000/- have been done in accordance with the PED 57 circular. All the grants made for sales promotions from 2014 are being done in accordance with the circulars.

## 2.4 Uneconomic Transactions

Attempts made to find a suitable supplier were unsuccessful, although tenders were called on two instances earlier for the above mentioned purchasing of the State Printing Corporation. Therefore, tenders were called again for the third time through a paper advertisement.

Five suppliers submitted their prices as a result of it. However, before the suitable supplier was chosen they were asked to make a demonstration separately for the technical reviewing committee. Although one of the suppliers offered lowest charges it was rejected due to certain shortcomings.

When contacted the ET Lab, who offered second best prices, they informed the institution is able to provide the finger printer machines only and the software to calculate salaries will be provided from another firm.

In a discussion held with the Exel Trading, who offered the third best prices, it informed the institution does not provide certain items (Ex- UPS Voice Prompt) and it is not compliance with the specifications of the SPC. Therefore, the prices were rejected.

Since Micro Device institution, that had fourth best prices, presented prices in accordance with the specifications of the SPC, it was decided to award the tender to the company.

The ET Lab Manufacturing (Pvt) Ltd had mentioned the cost as Rs.1,241,000/- when opening the tender. The sum of Rs.350,000/- required for the software to calculate salaries, had not been added to the total amount. Therefore, it clarifies that the institution had not focused its attention on the matter. Although this was notified through a letter dated 30.07.2012, it cannot be reviewed.

The experts' assistance was not required since the matter had been discussed with all the suppliers when the tenders were called on two previous occasions and since the members of the technical review committee were aware of it.

Although the ET Lab institution had provided finger print machines to state and other institutions, it had not provided the software to calculate salaries. The State Printing Corporation expected to obtain software for all the matters from the same company. Although there is a service record that mentions it had only provided finger print machines after manufacturing them and another report that outlines it had provided them for the public institutions, it is inadequate to meet the requirement.

Calculating salaries using software to calculate salaries by entering in and out data of the employees, which had been obtained from the finger print machine as well as obtaining other reports is a new introduction for our institution. Salaries had been paid for a month using that software by February, 2013 and its shortcomings had been informed to the Micro Device institution by the Manager (Admin & HRD).

The technical review committee has given its approval to the system on 17.06.2013 since salaries had been paid for several months from January and the shortcomings can be rectified.

Those who operate and use the system will have to face minimum difficulties in the future.

## 3. Financial Review

### 3.1 Working Capital Management

- (a) Although the rate of obtaining short term loans increased recently, the corporation was able to increase its performance as well. In comparison with the year 2010, the total turnover show a growth of 21% in 2011. Printing of textbooks commenced as soon as possible the order was received due to maintaining stocks of raw materials sufficiently. The Department of Educational Publications was able to distribute text books for the year 2012 without a delay as a result of it.
- (b) Lesser raw materials had to be provided for productions in 2012, since the stocks were maintained at an optimum level. Therefore, in comparison with the year 2011, the production activities in 2012 were carried out on short term loans that were obtained 17% lesser than the previous year. When compared with the year 2012, the total turnover of 2013 increased by 7%. In comparison with the year 2010, the turnover was increased by 34% in the 2013, only through obtaining short term bank loans.

- (c) Although the debtors have been categorized as assets lesser in liquidity in this analysis, 68% of it is balance due by the Department of Education Publications. Since the relevant invoices have been settled with due amounts in the months of April and May 2014, the current ratio has increased in comparison to previous years.
- (d) The possibility of collecting the money from the debtors who are yet to settle the due amounts will be looked into, by sending final reminders. As mentioned above since 68% of the debtors as of 31.12.2013 have been realized by April and May 2014, it is evident that there is no issue of settling current liabilities mentioned here.

## 4. Operating Review

### 4.2 Management Inefficiencies

- (a) Not only the delays in receiving papers but several other reasons result late charges. Delay in giving approval for proofs, making amendments to the document during printing and changes that take place when coloring are among them. Special attention is given to provide books on time as well as coloring them properly. However, taking into consideration the above mentioned facts, the Department of Education Publications grants a concessionary period. A month long concessionary period was granted for certain books in 2013.

As a state printing institute (according to the State Printing Corporation Act) it is justifiable to maintain an adequate stock of paper to immediately print a book or several books required by the Department of Education Publications. By doing so, the Corporation is able to commence printing of text books for the next year when the order is received. Therefore, the late charges can be minimized.

Although an interest should be paid to a state bank for maintaining such a stock, failure to fulfill an instant order of text books will be an unjust done for the students since it is considered as a national duty.

- (b) The color separation machine which has been mentioned was purchased in March, 2004. It was used for production activities successfully before a technical failure arose in February, 2009 which has prevented the machine being used.

This was informed to one of the local sales representatives, JDC. Two specially trained technicians who examined the machine has given an estimate of Rs.2,104,200/- + VAT for the repair. However, since such machines and its parts are no longer available in the market, they have informed that a warranty cannot be given even though the estimate is accepted.

Subsequently, an electrical engineer was assigned to repair the machine and he was unable to carryout the task due to unavailability of spare parts.

Since color separation machines are not used at present, efforts were taken in July 2011, to purchase a CTP machine which is high in technology, although they were unsuccessful. However, measures are underway to purchase it in the near future.

### 4.3 Operating Inefficiencies

- (a) According to the print plan the annual paper requirement is 958 metric tons. In 2013, 674 metric tons were obtained while a stock of 174 metric tons remained last year as well. Therefore, 848 metric tons of paper is used this year for exercise books.

Although a production plan is created it can change during the implementation due to various reasons. Even though a shortage was seen in some books due to high demand during the latter stage of the year, all the books that were manufactured were sold.



#### 4.4 Idle and Under Utilized Assets

- (a) In the audit reports of 2009, 2010 and 2011, it was continuously pointed out that the machineries are underutilized. The main reason behind this was that the frequent technical failures reported in the old printing machines. Therefore, the main objective of procurement of raw materials was to conduct a comprehensive repair by providing all the spare parts.

Since it was needed to be carried out without hindering the printing of school text books, which is the corporation's main task, much time was spent for the process. After printing the school text books of 2014, the repairing process is expected to be completed by using rest of the spare parts.

After identifying the spare parts required for each and every machine, the purchasing was done in accordance with the government's procurement guidelines. The late charges that have to be bared due to the delay in printing text books as a result of constant breakdowns in machines is much high than the bank overdrafts and the interest charged for short term bank loans, money was spent on this procurement process. Since the repairs will be done using the remaining spare parts as soon as the printing of text books required for 2014 is completed, the spare parts cannot be considered as under utilized assets.

- (b) Certain spare parts cannot be fixed alone and have to be used with some other parts. Therefore, those spare parts cannot be considered as irrelevant since they are not used so far. Furthermore, since the machines that are currently used are more than 30 years old, required spare parts cannot be purchased from the parent companies as well. Therefore, there is no possibility of purchasing them as soon as they are required. The total number of spare parts that were undertaken to this sample is 64 and they are valued at 3.4 million rupees. It is much less when compared with the annual readymade value received from the printing machines of the corporation.
- (c) Machines becoming inactive due to breakdowns have been mentioned above. The inactive period is much longer since the machines are very old.
- (d) If the main machine cannot not be operated as planned (due to a breakdown, shortage of raw material or spare parts) other machines are unable to operate as well. On such occasions these machines have to be used as well.
- (e) These printing machines are very old and cannot be used for printing purposes. Large amount of money will have to be spent if they are to be fixed and that can result number of other issues.
- (f) The stock of 80 page work books will be distributed free via divisional secretariat offices.

#### 4.5 Identified Losses

The stock worth Rs.222,205/- mentioned in the variance account as at 31.12.2013 is a balance that has been taken forward with relevant to the shortage occurred at the 2010 International Book Fair. The line ministry is conducting an investigation regarding the matter and the due amount will be charged or settled from the officials according to its final report.

#### 4.6 Deficiencies in the Contract Administration

- (a) Papers are being purchased based on the technical review committee's report which is prepared after taking into consideration the bids made through the tender procedure. There are certain instances where you have to ignore some of the standards due to the financial loss that have to be faced by the corporation. If the bid was awarded to S.S. Trading, who had presented the second bid instead of J.R. International after considering the statement made by it regarding GSM, the institution would have face a loss of Rs.612,428.25/-. Furthermore the statement made by the above mentioned J.R. International company (Its owner was not personal assistant of former chairman alias Ihala Gedara Abeysinghe, but the former staff member of the Jupiter Trading which provided paper previously Rexi Perera) regarding GSM can come under the scrutiny of the audit. Whether the bid was awarded to the first or the second bidder it is a matter that will come under the scrutiny of the audit. It was awarded since other bids had shortcomings and after considering the financial gain received by the institute.

- (b) After the purchased stock of paper is received and the GSM value as well as the color of the paper is clarified, the production unit will inform the supplies unit whether or not the paper is suitable for the machine using a reel. Subsequently the future measures regarding the tender procedure will be conducted. Therefore, the stock had been started using on 01.07.2013 after it was declared suitable on 17.06.2013.
- (c) When the warehouse receives goods with regard to the performance liabilities they are released for the production. The normal procedure is to release performance liabilities after a letter is obtained from the production unit regarding the quality of raw materials.
- (d) Various manufactures release attractive exercise and CR books in good quality to the market competitively. Although the minimum standards should there must be mentioned, it is important to have attractive looks for commercial purposes. Although the total estimated cost of the second lowest bid instead of the lowest bid is Rs.52,290/-. The production cost for one book is less than 3 cents.

However, the technical review committee and the procurement committee have reached the above decision since more profit can be gained by releasing these books to the market.

PR has been sent to the supplies unit on 13.11.2013 mentioning it as an urgent matter. Therefore, as the best alternate 50 % of the tender has been re-ordered and the papers have been shipped and supplied within 16 days after credit letters are issued.

Papers have been provided within 42 days after the PR issued the paper. If the order is not done again, the process will take up to 4 months.

#### **4.7 Resources Given to Other Government Institutions**

The secretary to the ministry has been informed in writing regarding the matter after a paper is submitted to the director board under the instructions of Audit and Management Committee.

These employees have been assigned to the ministry according to a request made by the ministry.

The officer who is supervising them has approved the over time payments and other allowances for them. Furthermore, wages have been paid for them for the duties carried out in the assigned locations.

Over time payments recommended by the supervising officer have to paid for the service carried out in the relevant institution.

After taking into consideration the recommendations made by the officer who supervises over time payments of the employees who have been assigned to the ministry, the chairman will approve them after personally checking them.

#### **4.8 Staff Administration**

- (a) After the new board of directors of the State Printing Corporation was appointed, with the objective of supporting the Chairman in carrying out his duties and conducting sales throughout the island, the board appointed H.K.D. Lakshman Gamini as the Vice Chairman. Furthermore, after completing 3 years of service he was re-appointed to the post on 18.06.2013. The Board Papers with regard to it were forwarded to the Secretary to the Ministry of Mass Media and Information on every occasion. Furthermore, the approval has been obtained from the Minister of Mass Media and Information as well for the appointment of Vice Chairman.

In addition at the 532<sup>nd</sup> Director Board Meeting held on 14.10.1994 according to a policy decision taken by then board of directors it has been decided not to appoint a working director. Instead the board paper discloses that the allowances and other facilities will be given to the Vice Chairman.

Approval of the Board of Directors has been obtained to create a position titled "Manager – Operations". The approval of the Management Service Department will also be obtained in this regard. However, to carry out services Additional Manager – Supplies has been assigned to the post.

- (b) The recruitment process of the State Printing Corporation has been approved from 07.09.2012. However, the management trainees have been recruited for training before that date and they should have been enrolled to the post they are being trained. Earlier there was such a mechanism in the Corporation and allocations have not been made to recruit the trainees. However, they had been given the opportunity to face the interviews regarding promotions and the special training given to them was considered in this regard. In the future, management trainees will not be recruited based on this system.

The graduate trainees had been recruited before the new institutional structure and the recruitment process was approved. Therefore, the graduate trainees who had already been recruited for training had to be called for interviews considering their special training and the decisions of the interview board.

- (c) These appointments have been given on temporary and contract basis on requirement to be removed when the service is no longer needed. Furthermore, the recruitment process prepared according to the Management Service Circular No.30 has been approved in year 2012. By that time the project had been implemented and the recruitment had taken place.

The personnel have been chosen based on skill and on temporary basis and the appointments have been given under the approval of the Director Board.

Opportunity has been given to reimburse telephone bills up to a maximum of Rs.1500/- with regard to coordinating activities. In addition a monthly allowance is given under the approval of the Board of Directors.

The double cab pertaining the number 54- 4024 has been given for field work and a monthly fuel allowance of Rs.15,000/- is provided for it. During the visits undertaken by Hon. Minister of Mass Media and Information in the Central Province and when taking part in development activities state sponsorship is obtained.

- (d) After the applicant was selected, inquires about the applicant from the non-related referees given by the applicant did not reveal that he was subject to interdiction. However, further action with regard to this matter will be taken, upon receipt of service reports on the applicant from institutions where the applicant had previously served ,when he is confirmed in the post.

In the selection interview, he was not given marks for his service at the Consumer Affairs Authority since he had not produced a service certificate. The interview board will call explanation from him for concealing the facts.

When assigning marks in the interview, a criterion was observed according to the SOR. Three years of work experience in the staff grade post was a prerequisite for the post. In addition to the experience in accounting and auditing, three marks each were assigned for a year up to maximum of ten years of experience. The applicant and Mala Kumuduni were granted full marks for their experience of over 10 years in the accounting field.

#### 4.9. Utilization of Motor Vehicles

- (a) A total amount of Rs. 11.5 million (Rs. 1.5 on motorbikes and Rs.10 on other vehicles) was allocated for motor vehicles in the capital expenditure of the corporation for the year 2013. There are instances where the funds are not utilized during the year concerned even though the allocation is made from the annual budget of the corporation.

Accordingly, of the total allocation (Rs. 20,450,000) for the motor vehicles for the year 2012, only Rs.7,530,000 on purchasing two buses for staff transport was expended. By the end of the year 2012, there was a balance of Rs. 12, 920,000 allocated for vehicles.

There was a need for a new vehicle for the chairman as the official vehicle he was using was purchased five years ago. Further, due to many available motor vehicles were worn out, the annual maintenance cost for those vehicles remained very high.

Considering the above facts, approval was sought in a board paper (No. 5398) submitted by the Financial Manager to the Director Board on 09-04-2009 to amend the budget allocation to be Rs.29 million to enable the purchase of motor vehicles and a delivery van valued at Rs. 9 million, and the approval was granted.

The Director General of the Department of Public Enterprises granted approval to purchase the official vehicle for the chairman for a sum of Rs.10 million through the letter dated 08-04-2013 (Ref.No. PE/CORP/37/GN) and a sum of Rs.8 million for the official vehicle of the General Manager in the letter dated 17-04-2013 (Ref.No. PE/CORP/37/ GN). The two vehicles were purchased within the approved budget in the year 2013.

The estimates for those vehicles were made in the end of 2011, but subsequently the prices increased. Following the rise in prices, the estimates were adjusted and the due approval of the ministry and the Department of Public Enterprises was obtained.

Following a request to purchase a SUV for the above purpose was approved by the authorized parties. A Hundai Santafe was purchased considering the specifications on the financial and engine capacities as approved in the procurement committee meetings on 22-02-2013 and 09-04-2013. The technical committee though not rejected the purchase of the vehicle, had informed that the engine capacity exceeded the approved limit therefore did not recommend the purchase of it. Subsequently, the approval was received for the vehicle and the procurement committee approved the purchase.

- (b) KV-6172 was assigned as the official vehicle of the chairman and the two other vehicles were assigned for market promotional activities.
- (c) The Acting Manager Establishment who is the Ministry Coordinator (Contract) has been provided transport on the approval of the Director Board . Due to shortage of office vehicles, a vehicle was hired for this purpose. The monthly rent and fuel charges for the vehicle were charged on the corporation.
- (d) A Market Promotion officer was recruited on temporary basis on the approval of the Director Board and he was provided a vehicle for field visits. The vehicle was provided fuel at a maximum cost of Rs. 15,000 a month by the corporation.
- (e) The office motorbike provided to the Assistant Manager (Security) was condemned by the Mechanic of the corporation. However, it remained in use following a repair. Fuel was also issued for the motorbike for duty purpose. The rider was instructed to maintain millage records. The record book was submitted to the auditor at the main security post when the motorbike was inspected. However, the motorbike was taken back to the corporation.
- (f) Steps have been taken to maintain log records of the vehicles as per the discussions held in management and auditing committees, though record maintenance was not systematic. Information worth recording was not found with regard to the newly purchased vehicles at the time of the auditing. Logs are being maintained and log records of the motorbikes condemned have not been updated. However, the officer-in-charge of vehicles is maintain the records. Instructions on record maintenance have been issued.

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

### **5.1. Corporate Plan**

Approval was granted to the Corporate Plan for 2014-2016 at the 746 Director Board meeting held on 28-05-2014. The corporate plan is updated annually as per the 5.1.3 section of Public Corporation Circular No.PED/12 issued on 02<sup>nd</sup> June 2003.

### **5.2 Budgetary Control**

In a view to use the budget as a productive management tool, action will be taken to examine the reasons and remedies for the variances, timely and comparisons according to the budgeted figures and actuals.

### **5.3 Audit Committees**

With the direct intervention of the Finance Division, steps have been taken to recover the due debtors, periodically on sales of exercise books.

## **6. Systems and Controls**

Special attention will be paid to the control areas given from (a) to (g) here.

