

2014

வார्षிக வர்தாவ
ஆண்டறிககை
Annual Report



ரகடே மூதூ திதின சஸ்பாவ
அரசாங்க அச்சகக் கூட்டுத்தாபனம்
State Printing Corporation



STATEMENT OF ACCOUNTS AND REPORT OF THE AUDITOR GENERAL

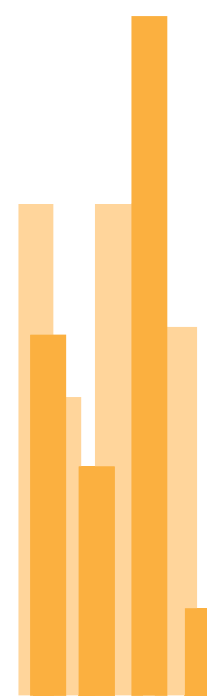
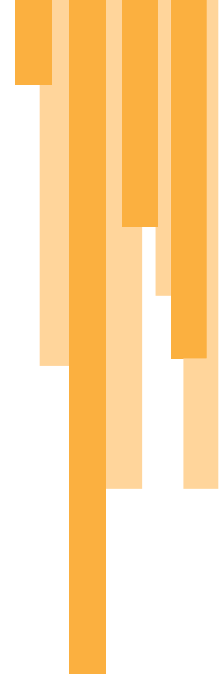
STATE PRINTING CORPORATION

2014

ANNUAL REPORT

For the 47th year ended 31st December 2014

01st January - 31st December 2014






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.





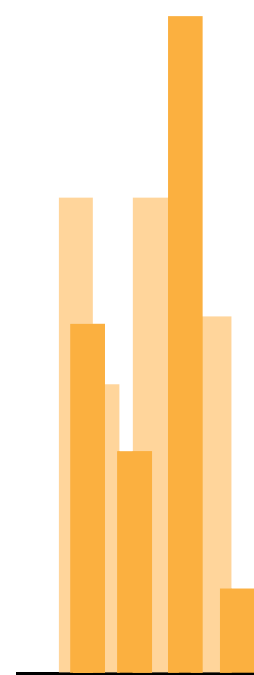
**Panaluwa
Padukka**

Honourable Minister of Parliamentary Reforms & Mass Media
Ministry of Parliamentary 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 01st January to 31st December 2014.

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



Since its inception in 1968 as the giant in the printing industry of Asia, State Printing Corporation has been treading a path lined with hard earned victories for the past 46 years. Looking back at the journey that we have made overcoming many obstacles, I am pleased to present the annual report and accounts for year 2014 which indicate the continued profitability and efficiency of State Printing Corporation.

We are privileged to have been able to contribute to the success of the newly established government under the leadership of HE the President who gifted the nation a consensus government which is based on principles of good governance. We believe that it will support the future journey of our country while benefiting us. Furthermore, we have taken action to establish ourselves in the market despite the decline that we faced in the recent past. Within a fully competitive market, we have striven to gain more business opportunities for us in keeping with the normal profit concept in the place of over-profiting. We have worked towards maintaining the methodologies that we adopted earlier while increasing our financial returns further. At a time like this, it is indeed a pleasure to be presenting our annual analysis which portrays the past track record of the Corporation, highlighting aspects which promote wellbeing of the society.

At a time when we are striving to overcome many disruptions of the past and rectify mistakes that isolated us within a highly competitive market in order to maintain our status quo as the giant of Asia while aspiring to strengthen the giant to face obstacles on its path, it is with great respect that I mention HE the President Maithreepala Sirisena and the Hon. Prime Minister who are spearheading the consensus good governance government dedicated to fulfill the greatest mission of the era. Furthermore, I extend my heartfelt gratitude to Hon. Gayantha Karunathileka, the Minister of Parliamentary Reform and Mass Media and the Hon. Karunarathna Paranavithana, the Deputy Minister who have always bestowed on us their blessing, guidance and support to brighten our path.

I take this opportunity to extend my appreciation to the Secretary to the Ministry, Mr. Nimal Bopage and the Board of Directors of the Corporation for their action to monitor the activities of the Corporation and provide us with the guidance to take the correct direction. In addition, I am forever grateful to the entire staff of the Corporation who gives strength to the journey of the giant of Asia through their sense of teamwork and hard work.

Ravindra Yasalal Kalansooriya
Chairman
State Printing Corporation

2014

Board of Directors

Chairman

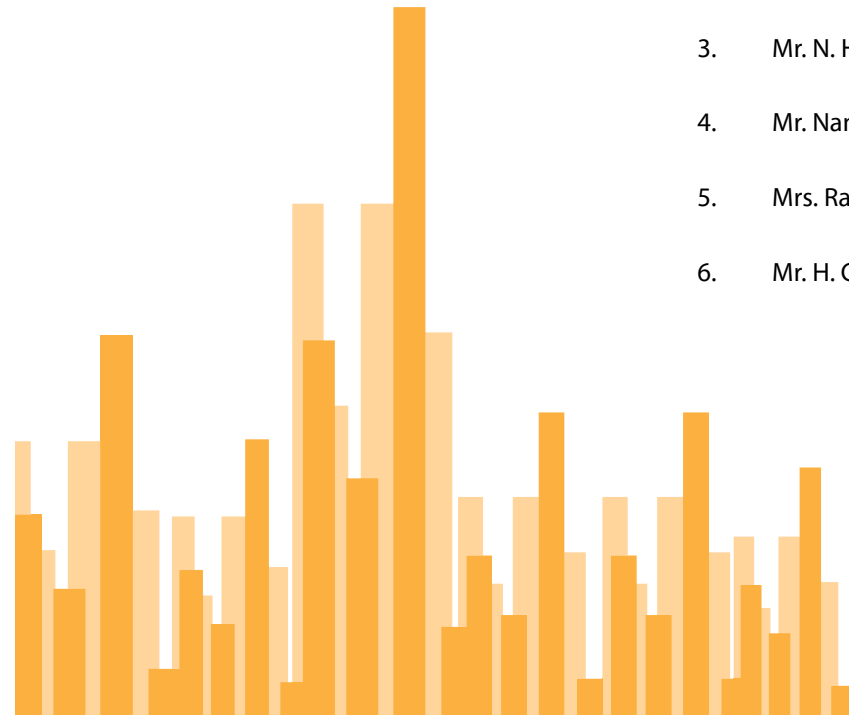
Mr. Jayampathi Bandara Heenkenda

Vice Chairman

Mr. H. K. D. Lakshman Gamini

Directors

1. Mr. Amarapala Gamage
2. Mrs. D. G. N. Kumari (till 17. 07. 2014)
3. Mr. N. H. M. Chitrananda
4. Mr. Nandasiri Kalubowila
5. Mrs. Rajanie Atapattu
6. Mr. H. C. D. L. Silva (from 22. 09. 2014)



2014

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. T. M. R. N. Tennekoon

Deputy Works Manager

Mr. D. M. M. B. Dissanayake

Deputy Finance Manager

Mr. K. H. Thilakaratne

Manager (Stationery Factory)

Mr. L. T. Premasiri

Accountant

Mr. M. R. P. Jayawardena

Accountant

Mr. W. L. Deniyage

Internal Auditor

Mr. A. S. C. Silva

Asst. Manager Works (Estimates)

Mr. K. D. T. Chandrasiri

Asst. Manager Works (Security Printing)

Mr. M. A. Kothalawala

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

Asst. Manager (Security)

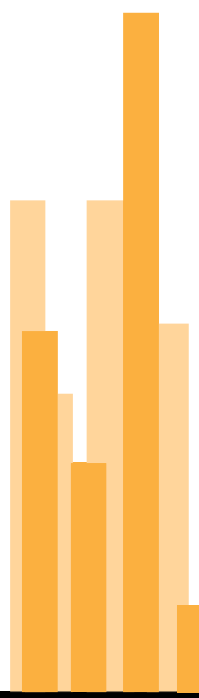
Mr. W. W. M. Arachchige

Asst. Manager (Admin & HRD)

Mr. K. H. B. Sajeewa

Premises Manager (Contract)

Mr. D. M. H. Y. Dissanayake



The Board of Directors of the State Printing Corporation has pleasure in presenting its 47th Report covering the activities of the Corporation for the year ended 31st December 2014, in terms of Section 14 of the Finance Act No. 38 of 1971.

11 Board Meetings were held during the year under review.

1. Production

1.1 School Textbooks

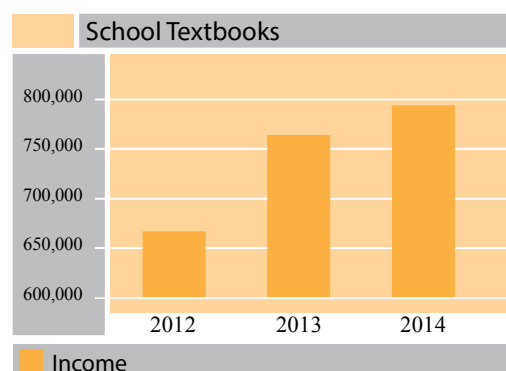
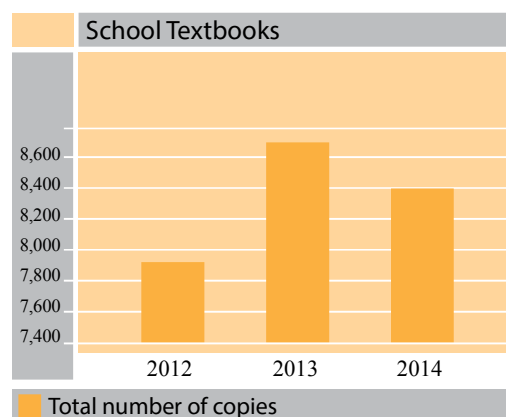
1.1.1 Printing of School Textbooks

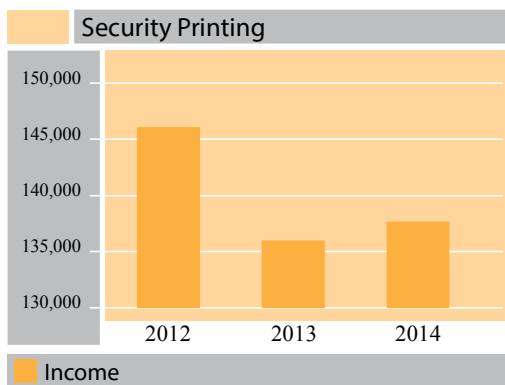
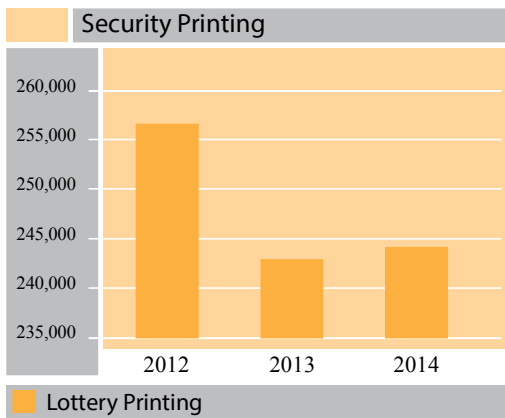
The Corporation which has been incorporated with the -basic objective of printing of school textbooks, has diverted its activities to other production areas with the introduction of open economy. Accordingly, Corporation had to compete in tenders to obtain orders from Educational Publications Department. But the year under review too, Cabinet approval has been taken to award 8.4 million textbooks to State Printing Corporation by Educational Publications Department. As a result of that, the Corporation earned an income of Rs. 789,897 million. Income from printing of School Textbooks and number of copies printed during the year under review compared to year 2012 and 2013 are as follows:

School Textbooks	2012 ('000)	2013 ('000)	2014 ('000)
No. of copies	7,905	8,546	8,406
Income - Rs.	666,223	758,335	789,897

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 40 years. It has been fulfilled in this year, as well. In addition to that, 'Power Lotto', 'Airport Super Draw' was also printed. 245 million Lottery tickets were printed in 2014, completing all the orders received. Accordingly, Rs. 137 million income was earned during the year under review. Income from Lottery printing and number of tickets are given below:

Lottery Printing	2012 ('000)	2013 ('000)	2014 ('000)
No. of copies	256,195	242,991	244,655
Income - Rs.	145,701	136,124	137,007

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. Department of Census & Statistics - Forms
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 Department.

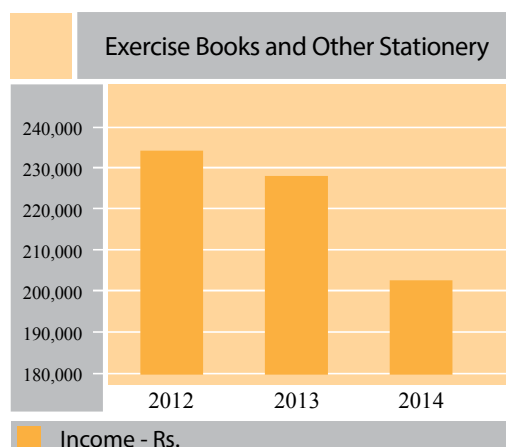
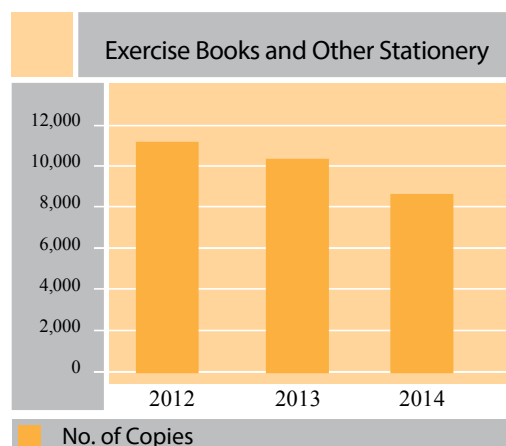
During the year under review the Corporation earned Rs. 391 million through other printing jobs.

1.3 Manufacturing of Exercise Books and Other Stationery

Production in the year under review and comparative figures for 2012 and 2013 are as follows:

Exercise Books & Other Stationery	2012 ('000)	2013 ('000)	2014 ('000)
No. of copies	10,571	10,141	8,615
Income - Rs.	234,824	228,563	204,210

We could not achieve the target given for 2014 because Writing Paper for Exercise Books was not supplied properly.



02. Sales/Marketing

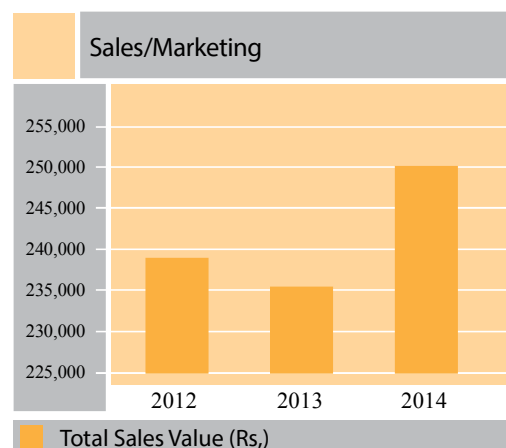
When compared to previous year's total income, there is an increase of Rs. 14,866,494/= in this year.

Year	2012 ('000)	2013 ('000)	2014 ('000)
Total Sales Value (Rs.)	239,075	235,593	250,459

03 main income sources achieved compared to previous year are as follow.

Income	2013 (Rs.)	2014 (Rs.)	Difference
SPC Stationery	211,757,807	231,584,796	19,826,989
Publications	168,676	218,382	49,706
Other Stationery	23,666,684	18,656,316	(5,010,368)

9.36% increase of SPC Stationery items and 21% decrease of other stationery has shown. A considerable loss in income on other stationery items has occurred due to the poor



procurement process. Although there was a considerable income shown in sales, stationery were not produced owing to issues pertaining to raw material procurement process during the year, thereby large quantity of orders were not received. If not, a good result would have been achieved.

03. Fixed Assets

Fixed Assets of the Corporation stood at Rs. 375,101,361/= at the end of year 2014. The written down value of same was Rs.93,143,947/=. This was compared to the previous year (i.e. 2013) figures Rs. 365,512,556/= and written down value of Rs. 99,983,204/- respectively.

Fixed Assets	2012 Rs. ('000)	2013 Rs. ('000)	2014 Rs. ('000)
Opening Value (at cost)	322,144	337,870	365,512
Written down Value	93,163	99,983	93,143

04. Tax Liability

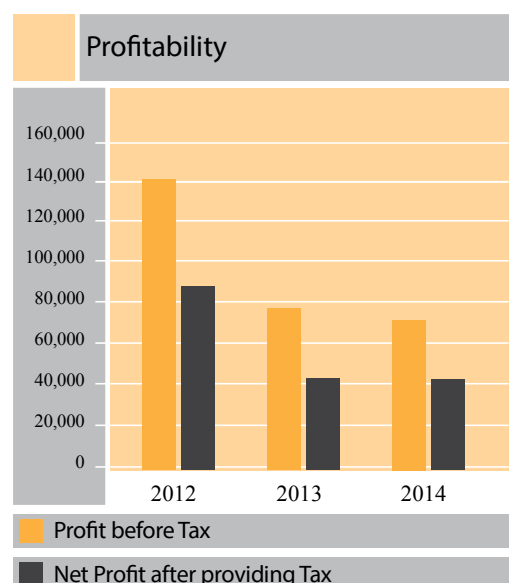
Provisions amounting to Rs. 27,259,607/= as income tax and Rs. 2,363,384/= as Deemed Dividend Tax have been made in Final Accounts of year 2014 for the year of Assessment 2012/2013 by the Corporation.

Tax Liability	2012 Rs. ('000)	2013 Rs. ('000)	2014 Rs. ('000)
Income tax	39,359	30,828	27,260
Deemed Dividend Tax	12,899	5,454	2,363
Total	52,258	36,282	29,623

05. Profitability

The Corporation earned a profit before tax of Rs.71,153,661/= during the year 2014, as compared to Rs. 78,095,872/= in 2013.

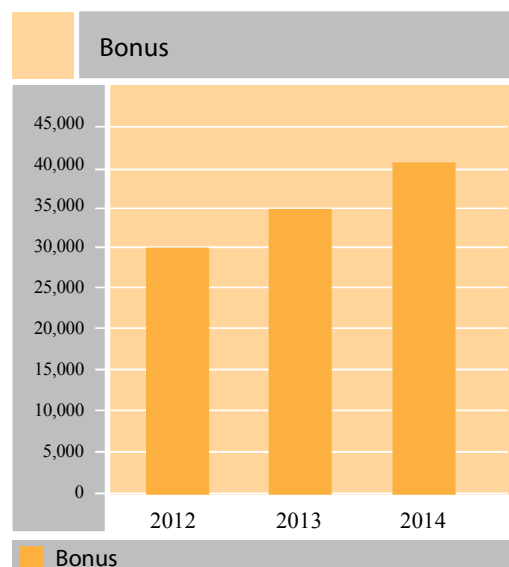
Profitability	2012 Rs. ('000)	2013 Rs. ('000)	2014 Rs. ('000)
Profit before Tax	140,567	78,096	71,154
Net Profit after providing Tax	88,309	41,813	41,531



06. Bonus

Annual Bonus equivalent to two months salary was paid to the eligible employees amounting to Rs. 40,723,833/= It is 15% growth compared to year 2013.

Bonus	2012 Rs. ('000)	2013 Rs. ('000)	2014 Rs. ('000)
Rs.	30,491	35,260	40,724



07. Welfare

Following welfare facilities were provided to the employees in this year as in the previous year. The Corporation has spent Rs. 103 Million on this.

	Welfare	2012 Rs. ('000)	2013 Rs. ('000)	2014 Rs. ('000)
01.	Transport facilities for employees	2,545	3,064	3,274
02.	Incentive payments for employees	5,516	9,367	9,212
03.	Medical facilities	4,567	5,542	4,856
04.	Various welfare facilities	9,424	17,845	27,016
05.	Workmen Compensation Insurance	191	-	216
06.	Gift Vouchers of Stationery for the Employees	1,021	1,132	1,146
07.	Bonus for Employees	30,491	35,260	40,724
08.	Reimbursement of Housing Loan interest of Employees	3,918	4,207	4,935
09.	Payment of un-availed leave of Employees	9,170	11,319	13,051
10.	Special Incentive	-	3,495	3,408
	Total	66,843	91,231	107,838

08. Personnel

The entire work force of the Corporation during the year under review is 705 of which the breakdown is given below.

Main Factory	445
Office	81
Stationery factory	49
Security Section	43
Sales Outlets	54
Casual and Contract Employees	22
Days Pay Labourers	11

Following Executives left the Corporation during the year under review.

Name/Post	Date
1. Mr. M. S. L. Kuruppu Asst.Manager (Stores)	11. 10. 2014

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 Parliament Reforms and Mass Media 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 Yasalal Kalansooriya
Chairman



2014

STATE PRINTING CORPORATION NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER

1. Corporate Information



1.1 General

State Printing Corporation was incorporated in 1968, under the Act of parliament No. 24 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	38,020,440.00	6,683,778.00	18
Plants & Machinery	217,243,529.00	127,242,410.00	59
Furniture & Fittings	4,336,576.00	3,517,040.00	81
Motor Vehicles	48,397,096.00	24,033,082.00	50
Office Equipment	29,116,522.00	10,674,592.00	37
Electrical Re-installations	2,572,951.00	2,572,951.00	100
Computer & Accessories	32,919,366.00	25,005,774.00	76

Remaining useful life of above categorized assets as at 31.12.2014 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

(a) 2.5% is provided on trade receivable.

(b) Further provision is made for the receivable amount from Education Publication Department since entire number of school text books have not been supplied within the stipulated period. Average of the penalties imposed by Educational Publications Department for such delay in recent past 5 years was based for this.

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. Colombo High Court 17 appeals, 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 31.12.2014.

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.

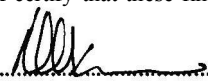
State Printing Corporation

Statements of Financial Position

As at 31st December -2014

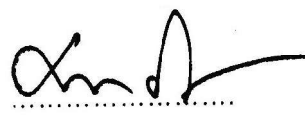
	Note No.	2014 Rs.	2013 Rs.
ASSETS			
Non - Current assets			
Property, Plant and Equipment	15	93,143,946	99,983,204
		93,143,946	99,983,204
Current Assets:			
Inventories	16	374,745,859	307,846,607
Trade Receivables	17	789,934,471	733,280,245
Other Receivables	18	165,575,584	143,145,763
Pre Payments		11,704	92,221
Cash & Cash Equivalents	19	5,425,708	4,659,788
		1,335,693,326	1,189,024,624
Total Assets		1,428,837,272	1,289,007,828
EQUITY & LIABILITIES			
Issued Capital		15,000,000	15,000,000
Reserves		15,003,633	15,003,633
Retained Earnings		321,839,104	283,100,175
Total Equity		351,842,737	313,103,808
Non Current Liabilities			
Retirement Benefit Obligation		151,387,409	129,410,948
Interest Bearing Borrowings		-	6,167,715
Provision for panalty/Quality Losses		23,449,201	-
		174,836,610	135,578,663
Current Liabilities			
Trade Payables	20	338,137,042	310,892,870
Other Payables	21	32,346,639	45,041,289
Interest Bearing Borrowings		494,970,217	437,919,685
Bank Overdraft		36,704,028	46,471,513
Total Liabilities		902,157,926	840,325,357
Total Equity & Liabilities		1,428,837,272	1,289,007,828

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 119 to 121 and notes on pages 123, 124 and 128 to 131 form an integral part of these financial statements.

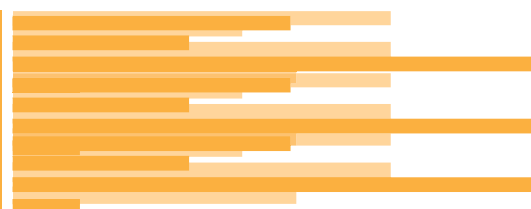

 Rayindra Yasalal Kalansooriya
 Chairman/Director


 W. A. D. S. Gunasinghe
 Director

State Printing Corporation

Notes to the Financial Position

As at 31st December -2014



	2014 Rs.	2013 Rs.
16. INVENTORIES		
Raw materials	242,489,191	158,194,164
Consumable	4,557,130	5,767,154
Spare parts	36,680,545	50,815,440
Hardware	500,029	717,350
Finished goods	59,872,687	74,557,352
Work in progress	30,646,277	17,795,146
	374,745,859	307,846,606
	2014 Rs.	2013 Rs.
17. TRADE RECEIVABLES		
Trade debtors	809,256,090	750,607,688
Less- Provision for bad debt	(20,231,402)	(18,765,192)
Other debtors	909,782	1,437,749
	789,934,471	733,280,245
	2014 Rs.	2013 Rs.
18. OTHER RECEIVABLES		
Staff Loan and Advances (Note 18.1)	20,964,497	24,803,473
Deposits & Receivables (Note 18.2)	5,746,572	6,066,344
Sales Control Accounts	(1,443,477)	(2,288,897)
Bank Loan - Margin A/C	140,307,992	114,564,843
	165,575,584	143,145,763
	2014 Rs.	2013 Rs.
18.1 STAFF LOAN AND ADVANCES		
Creditors advance A/C	1,521,556	1,680,649
Distress loans	16,193,582	20,979,465
Festival advance	2,756,413	2,132,913
Staff salary advances	492,945	10,445
	20,964,497	24,803,472
	2014 Rs.	2013 Rs.
18.2 DEPOSITS & RECEIVABLES		
Deposits receivable	5,193,075	5,546,088
Add. other receivables	553,497	520,256
	5,746,572	6,066,344

	2014	2013
	Rs.	Rs.
19. CASH & CASH EQUIVALENTS		
Cash at Bank	2,214,824	1,463,801
Cash in Transit	3,129,182	3,090,537
Cash in Hand	81,702	105,450
	5,425,708	4,659,788

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

	2014	2013
	Rs.	Rs.
Cash at Bank	2,214,824	1,463,801
Cash in Transit	3,129,182	3,090,537
Cash in Hand	81,702	105,450
	5,425,708	4,659,788
Bank Overdrafts	(36,704,028)	(46,471,513)
	(31,278,320)	(41,811,725)

	2014	2013
	Rs.	Rs.
20. TRADE PAYABLES		
Trade creditors	59,781,032	54,174,102
Other creditors	77,517,303	74,259,098
Department of Inland Revenue	200,835,799	181,144,726
Sales advance	2,909	1,314,944
	338,137,042	310,892,870

	2014	2013
	Rs.	Rs.
21. OTHER PAYABLES		
Accrued Expenses	29,969,046	42,566,766
Deposit Payable	2,377,593	2,474,523
	32,346,639	45,041,289

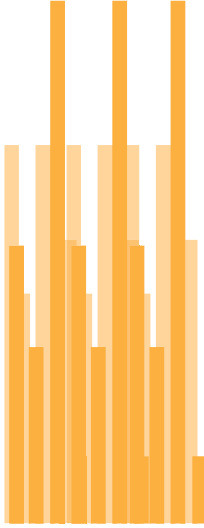
State Printing Corporation

Statement of Cash Flows

As at 31st December - 2014

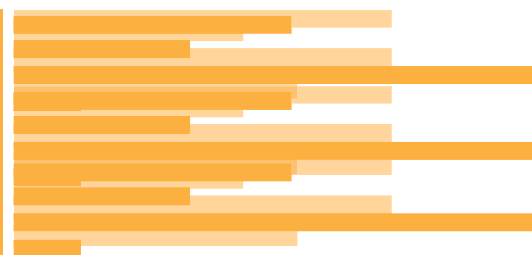
	2014 Rs.	2013 Rs.
Cash Flows from Operating Activities	71,153,661	78,095,872
Net Profit / (Loss) before taxation		
<i>Adjustment for:</i>		
Depreciation on Fixed Assests	16,428,062	18,715,828
Prior year adjustments	86,702,069	(94,418,994)
Finance Expenses	67,498,596	62,548,766
Gratuity provision made during the year	26,774,796	21,754,712
Operating Profit before Working Capital Changes	268,557,184	86,696,184
Changes in items of Working Capital		
(Increase)/ Decrease in Inventories	(66,899,253)	38,191,599
(Increase)/ Decrease in Trade and other receivables	(56,654,226)	(256,498,488)
(Increase)/ Decrease in Other Receivables	(22,429,821)	(40,769,732)
Increase / (Decrease) in Current Liabilities	(5,141,550)	28,775,740
Cash generated from operations	(151,124,850)	(143,604,697)
Tax paid	(75,896,011)	92,604,587
Employee Retirement Benefit paid	(4,798,335)	(2,744,168)
Cash Flows from Operating Activities	36,737,988	(53,744,276)
Cash Flows From Investing Activities		
Purchasing of PPE	(9,588,804)	(27,641,737)
Net cash flows from Investing Activities	(9,588,804)	(27,641,737)
Cash Flows from Financing Activities		
Proceeds received / paid for borrowings	50,882,817	135,300,821
Interest Paid	(67,498,596)	(62,548,766)
Net cash flows from Financing Activities	(16,615,779)	72,752,055
Net Increase/(Decrease) in Cash & Cash Equivalents	10,533,405	(8,633,959)
Cash & Cash Equivalents at the beginning of the period	(41,811,725)	(33,177,766)
Cash & Cash Equivalents at the end of the period (Note 19)	(31,278,320)	(41,811,725)

State Printing Corporation Statement of Changes Equity For the year ended 31st December - 2014



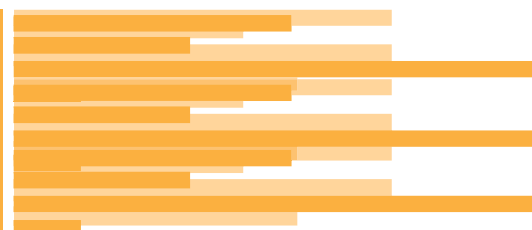
	Issued Capital Rs.	Capital Reserve Rs.	General Reserve Rs.	Development Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balances as at 01 January 2013	15,000,000	102,491	1,000,000	13,901,142	337,811,584	367,815,217
Profit / (Loss) for the year	-	-	-	-	41,813,401	41,813,401
Prior Year Adjustment	-	-	-	-	(96,524,810)	(96,524,810)
Balance as at 31 December 2013	15,000,000	102,491	1,000,000	13,901,142	283,100,175	313,103,808
Balance as at 01 January 2014	15,000,000	102,491	1,000,000	13,901,142	283,100,175	313,103,808
Profit/(Loss) for the year					41,530,670	41,530,670
Prior Year Adjustment					(2,791,741)	(2,791,741)
Balance as at 31 December 2014	15,000,000	102,491	1,000,000	13,901,142	321,839,104	351,842,737

State Printing Corporation Comprehensive Income Statement For the year ended 31st December - 2014



	Notes	2014 Rs.	2013 Rs.
Revenue	7	1,334,036,310	1,236,901,899
Cost of sales	8	(878,824,960)	(801,809,829)
Gross Surplus		455,211,350	435,092,070
Other operating income	9	8,280,234	6,891,679
Distribution expenses	10	(28,652,368)	(35,755,152)
Administrative expenses	11	(199,688,025)	(185,818,553)
Other operating expenses	12	(98,257,868)	(81,262,847)
Operating Profit		136,893,323	139,147,197
Finance Income		1,758,935	1,497,441
Finance Expenses	13	(67,498,596)	(62,548,766)
Surplus for the year before tax		71,153,661	78,095,872
Income Tax	14	(29,622,991)	(36,282,471)
Surplus for the year after tax		41,530,670	41,813,401

Statements of Comprehensive Income for the Year Ended 31st December - 2014



	2014 Rs.	2013 Rs.
Surplus for the Year	41,530,670	41,813,401
Other Comprehensive Income	-	-
Total Comprehensive Income for the Year	41,530,670	41,813,401

State Printing Corporation

Notes to the Financial Statements

For the year Ended 31st December - 2014

	2014 Rs.	2013 Rs.
07. REVENUE		
Income from Stationery Factory	231,584,796	211,757,807
Income from Main Press		
Textbooks	642,847,478	756,660,138
Job Works	440,729,338	244,648,596
Publications	218,382	168,676
Income from Other Sales	18,656,316	23,666,684
	1,334,036,310	1,236,901,901
	2014 Rs.	2013 Rs.
08. COST OF SALES		
Main Press		
Raw materials consumed	429,959,088	368,326,457
Direct labour	157,912,108	141,965,226
Direct factory expenses	47,222,425	37,008,278
Indirect factory expenses	54,418,700	39,933,888
Other expenses	10,602,024	29,682,042
	700,114,344	616,915,891
Stationery factory		
Raw materials consumed	122,825,306	135,971,719
Direct labour	22,365,113	21,039,530
Direct factory expenses	4,048,854	3,762,478
Indirect factory expenses	1,941,292	1,956,692
Other expenses	19,345,014	4,040,032
	170,525,579	166,770,451
Cost of Publication unit	225,934	335,786
Cost of Other Sales unit	7,959,103	17,787,701
Total cost of sales	878,824,960	801,809,829
	2014 Rs.	2013 Rs.
09. OTHER OPERATING INCOME		
Over Provision of Bad Debts	-	-
Sundry Income	7,498,651	6,514,943
Tender Deposit	781,583	376,735
	8,280,234	6,891,678

	2014	2013
	Rs.	Rs.
10. DISTRIBUTION EXPENSES		
Economic Service Charges	3,260,748	3,127,786
Nation Building Tax	14,728,700	16,488,493
Upkeep of Motor Vehicles	4,461,840	4,320,709
Provision for Bad Debts	1,466,210	5,131,721
Advertisement	1,453,619	5,673,521
Sales Promotion	3,270,984	970,861
Maint. of Outlet	10,267	42,061
Sales Commission	0	-
	28,652,368	35,755,152
	2014	2013
	Rs.	Rs.
11. ADMINISTRATION EXPENSES		
Rent	3,059,629	2,832,598
Upkeep of land & buildings	2,327,238	2,772,075
Electricity	195,470	249,831
Maintenance of office equipment	432,232,	259,879
Depreciation - Office equipment	1,804,769	1,581,317
- Furniture & Fittings	91,188	89,854
- Computer software	1,287,337	680,766
- Motor cycles	-	-
Rates	78,052	212,963
Water Tax	49,426	40,066
Salaries & Wages	106,717,208	96,758,524
Overtime of staff	10,370,043	9,320,660
Employees' provident fund	14,264,339	12,622,832
Employees' trust fund	3,565,357	3,157,175
Incentive payments	2,540,610	2,569,050
Chairmans' emolument	690,000	720,000
Vice Chairmans' emolument	458,347	135,000
Board Director's fees	288,000	213,600
Postage	178,089	199,893
Telephone	1,526,887	1,378,238
Press Notices & Publication	-	147,900
Travelling & subsistence	1,609,818	1,097,565
Newspapers and periodicals	66,910	77,630
Foreign Travelling / Staff training (Foreign)	3,038,518	2,101,090
Internet / E-mail	412,164	283,916
Printing & Stationery	4,733,025	2,650,336
Audit fees	-	1,000,000
Entertainment	366,964	868,443
Legal & Consultancy	596,557	1,289,002
Upkeep of Motor vehicles 25%	4,461,840	4,320,709
General office expenses	2,816,822	1,640,747
Miscellaneous expenses	76,250	816,940

Gratuity Expenses	26,774,796	21,754,712
Tender board technical committee fees	801,550	575,625
Cash escort charges	33,000	73,904
Membership fees	37,500	22,500
Staff training	597,850	240,640
Accommodation	254,591	1,117,483
Board meeting expenses	259,268	540,231
Donation	1,781,697	7,761,599
Rent - Motor Vehicles	1,044,686	1,232,414
Sales Analyzing Charges	-	277,910
Cash Transport Charges	-	75,606
Computer Bureau Service Charges	-	57,331
	199,688,025	185,818,554
	2014	2013
	Rs.	Rs.
12. OTHER OPERATING EXPENSES		
Welfare to staff	27,015,994	17,845,411
Employees medical scheme	4,855,939	5,541,863
Housing Loan interest	4,935,271	4,207,441
Bonus to staff	40,723,833	35,259,829
Special Incentive Payment	3,408,170	3,495,000
Staff transport	3,274,388	3,064,447
Leave Encashment	13,051,103	11,319,121
Payee Tax	993,171	529,736
	98,257,868	81,262,848
	2014	2013
	Rs.	Rs.
13. FINANCE EXPENSES		
Bank charges	8,640,167	8,214,558
Bank Overdraft interest	4,700,100	6,301,167
Bank Loan interest - Short Term	53,633,209	46,531,402
Bank Loan interest - Long Term	525,121	1,501,638
Fine Charges	-	-
	67,498,596	62,548,765
	2014	2013
	Rs.	Rs.
14. INCOME TAX		
Income tax provision for the year	(27,259,607)	30,828,194
Provision for deemed dividend tax	2,363,384	5,454,277
	29,622,991	36,282,471

State Printing Corporation

Notes to the Financial Statements

For the Year Ended 31st December - 2014

15. PROPERTY, PLANT AND EQUIPMENT

Description	As at 01.01.2013	Additions/ Revaluations during the year	Disposals during the year	As at 31.12.2013	Additions/ Revaluations during the year	Disposals during the year	As at 31.12.2014
At Cost							
Land	475,126	-	-	475,126	-	-	475,126
Buildings	37,182,060	-	-	37,182,060	838,380	-	38,020,440
Plants and Machinery	209,213,597	5,861,034	-	215,074,631	2,168,898	-	217,243,529
Furniture and Fittings	4,315,476	21,100	-	4,336,576	-	-	4,336,576
Office Equipment	22,733,072	5,255,437	-	27,988,509	1,128,013	-	29,116,522
Factory Tools, Types	1,804,481	130,095	-	1,934,576	30,179	-	1,964,755
Electronic Reinstallations	2,572,951	-	-	2,572,951	-	-	2,572,951
Motor and other Vehicles	32,656,025	15,741,071	-	48,397,096	-	-	48,397,096
Computer & Accessories	26,918,031	633,000	-	27,551,031	5,423,335	-	32,974,366
Total	337,870,819	27,641,737	-	365,512,556	9,588,805	-	375,101,361
Accumulated Depreciation							
Buildings	26,716,453	(34,852)	762,457	27,444,058	783,417	-	28,227,475
Plants and Machinery	150,961,884	123,964	8,549,986	159,635,834	6,565,954	-	166,201,788
Furniture and Fittings	3,724,676	(73,402)	89,854	3,741,128	91,188	-	3,832,316
Office Equipment	13,860,915	(79,119)	1,581,317	15,363,113	1,804,769	-	17,167,882
Factory Tools, Types	1,475,589	-	97,566	1,573,155	94,127	-	1,667,282
Electronic Reinstallations	2,572,950	-	-	2,572,950	-	-	2,572,950
Motor and other Vehicles	22,908,560	1,811,587	5,193,641	29,913,788	4,778,107	-	34,691,895
Computer & Accessories	22,486,680	357,638	2,441,008	25,285,326	2,310,500	-	27,595,826
Total	244,707,707	2,105,816	18,715,829	265,529,352	16,428,062	-	281,957,414
Written Down Value	93,163,112	25,535,921	(18,715,829)	99,983,204	(6,839,257)	-	93,143,947

2014



REPORT OF AUDITOR GENERAL
2014



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கணக்காய்வாளர் தலைமை அறிப்பித் திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல. }
My No. }

TM/G/SPC/1/13/42

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. Subsections (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.

- (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.
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- (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
			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 Textbooks (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 reils 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

2.2 Comments on Financial Statement

2.2.1 Sri Lanka Accounting Standards

- (a) Sri Lanka Accounting Standards Number 01.

Hereafter action will be taken to present the financial statements without offsetting the assets and responsibilities against each other.

- (b) Sri Lanka Accounting Standards Number 02

In future years, action will be taken to indicate the details of calculation of net realization value of the final stocks in final stock verification documents and in other relevant documents.

- (c) Sri Lanka Accounting Standards Number 07

Various adjustments are needed to be done to financial accounts when preparing the cash flow statement. For example, with regard to the calculation of the inflow of funds generated through operations, depreciations are once again added to the financial profit. Therefore, the net value of other adjustments has been adjusted to the funds generated through operations as adjustments relevant to the previous year. Anyhow, it has been planned to conduct the activities in line with the relevant standards as much as possible.

- (d) Sri Lanka Accounting Standards Number 08

Until year 2014, retrospective adjustment of financial situations to the statement as per Sri Lanka Accounting Standards Number 08 was not done, and necessary steps will be taken to do this adjustment in the financial statements presented for the year 2015.

- (e) Sri Lanka Accounting Standards Number 12.

Action will be taken to make the required disclosures as per the above standard in future.

- (f) Sri Lanka Accounting Standards Number 16

A substantial disclosure of on the financial values and the percentages of the assets which have been completely depreciated but further utilized has not been done, and arrangements have been made from future years to reveal about all the sureties which have been provided with regard to obtaining loans.

- (g) Sri Lanka Accounting standards Number 19
Arrangements have been made to do the relevant disclosures from future years onwards.
- (h) Sri Lanka Accounting Standards Number 23
Similar expenditures borne for the year 2014 were not identified since all the borrowings done within the year have been done for the import of raw materials and since it was possible that they would become unrealistic if not capitalized.
- (i) Sri Lanka Accounting Standards Number 24
Arrangements have been made to provide explanations relevant to the above standards with effect from future years.
- (j) Sri Lanka Accounting Standards Number 39
Arrangements have been made to report on the debtors as per the above standard.

2.2.2 Accounting Principles

As per the directives of the line ministry, a formal analysis is being conducted by now on the debts which are not possible to be recovered, and accordingly action will be taken to accurately determine the amount to be written off as bad debts and doubtful debts in the year 2015.

2.2.3 Accounting Deficiencies

- (a) The Nation building tax expenditure of Rs.14728700/= which had to be settled in the year 2014, has been indicated as a liability accurately.
- (b) The accumulated interest for the short-term loan balances which were available at the end of the year had not been hitherto calculated, and steps will be taken to calculate them and enter into accounts from the year 2015 onwards.
- (c) In the year 2014 for the first time, provisions in accounts for the demurrage fees for school text books and teachers guides had been made on the basis of the average of penalties which were charged during the previous years. The relevant adjustments can only be done in the year 2015 since the penalties relevant to under-provisioning mentioned here had only been deducted from the invoices rectified in the year 2015 but issued for the year 2014.
- (d) As audit charges had not been claimed for the years 2012 and 2013, allocations were not made for audit fees for the year 2014. However, sufficient allocations of accumulated expenses which were brought forward have been set aside for audit charges.

2.2.4 Un-reconciled Control Account

- (a) This has been rectified in the year 2015
- (b) These differences have been rectified in the year 2015

2.2.4 Absence of evidence for Audit

- (a) trade debtors
Arrangements have been made to present balance confirmation letters for all the debtors in future.
- (b) Adjustment of penalties
The relevant invoices are more than 4 years old but can be obtained for audit.

(c) Sales Promotion programmes

Three vehicles have been utilized for sales promotion activities in the districts of Polonnaruwa, Trincomalee and Batticaloa on directive by the chairman. Three vehicles have been obtained specifying the maximum distance limit as 2100 km and the monthly rent for one vehicle as Rs.78750.00.

(d) Trade lenders

All the balance confirmation letters relevant to lenders have been presented for Audit and a note including a related summary has been faxed to the Audit officer on 20.05.2015.

(e) Suspense Account

The suspense account has been adjusted at the end of the financial year. Therefore, There is no need to be disclosed through financial statements. Rs. 4,436,636 with no evidences or documents had been re-added to the profit and the particular liability will be written off in the year 2015. Arrangements have been made to send balance confirmation letters to all the lenders in future.

2.3 Accounts receivable and payable.

- (a) The debtor balance of the year 2013 is Rs.750,607,688/= and it is Rs. 809,256,090/= in the year 2014. It is an increase of Rs. 58,648,402/= (7.8%) Similarly, the income of the year 2014 is Rs. 1,334,036,310/= The income of the year 2013 is Rs. 1,236,901,899/= . ie the increase is Rs. 97,134,411. As a percentage it is 7.85%.

This corporation which gains income on debt invoices as 70% of all the printing tasks and sales outlets, has increased its income in comparison with the previous year and the debtor balance too has increased. Arrangements have been made from the year 2012 onwards to methodically and efficiently recover the loans under a separate accountant.

- (b) The post of sales representative has been given to Mr. I. G. A.Bandara on the direct intervention of the then chairman. A fixed discount percentage of 40% on debt and spot cash has been given based on the stock shortages and other difficulties which came up at the purchase.
- (c) A complaint regarding this loan has been lodged by the general manager to the Colombo Criminal Investigation Unit on 06.03.2014. A formal inquiry is being conducted against the then officer in charge of the Anuradhapura Sales outlet. In addition to that a charge sheet has been sent to Mrs. S. Suranji Hewage, the spouse of the debtor who has worked in the Anuradhapura sales outlet at the particular time and who has issued stationary to the debtor.
- (d) At the moment two officers have been permanently deployed to systematise and expedite the recovery of the aforesaid loan and currently the said task is being done under the supervision of an accountant.
- (e) National Paper Corporation is both our debtor and lender as well. The debtor balance is Rs. 975,342.27. Our lender balance is 7,460,675.01. We have been engaged in the supply of paper off cuts and purchase of files required for that since several years. Accordingly, the debtor balance is Rs. 229,275.26.
- (f) The audit officer of our audit section engaged in a special attempt to recover the balance recoverable from the Ministry of Economic Development, and out of that Rs. 8,404,393.56 has been recovered on 02.01.2015. There is an uncertain situation pertaining to the recovery of the balance amount of Rs.10,226,784. The auditors have not paid attention towards this matter in the final audit inspection which was done in March, 2015.
- (g) Steps will be taken to send letters to lenders who have not made the settlements from 2-5 years and in case of absence of response, to add these balances to the income in future years.

- (h) An amount of Rs. 54.5 million has been paid to the Department of Inland Revenue as at 19. 06. 2015. Accordingly, the outstanding balance was Rs. 72,813,671 - 54,467,000 and Rs. 18,346,671/=. It has been planned to settle these dues in future. At the printing of this report, the income tax payments with pertinence to the previous year (2013 - 2014) have been concluded already.

2.4 Non-compliance with laws, rules and regulation and Management decisions

- (a) An extra amount exceeding Rs.25 million had been paid to the Department of inland revenue by the year 2010 since the dealers had directly paid this tax on behalf of the corporation during the period in which the withholding tax was enforced. Since there can be an unfavorable impact on the liquidity of the corporation owing to the continuous payment of other taxes until this matter is resolved, the then management decided to withhold the relevant moneys.
- (b) Nation building tax was also kept in the corporation and only the tax returns (reports) relevant to the value added tax and Nation building tax was presented to the Department of inland revenue. In the calculation of Nation building tax expenditure, the expenditure to be borne by the Corporation is calculated and remitted to the Department of Inland Revenue. But when the nation building tax is entered into accounts, only the actual expense made on that by the institution is entered into accounts, i.e. having deducted the amounts recovered from the dealers.
- (c) Tenders were called through a newspaper advertisement under file number SPC/SU/2013/1/41 the aforesaid papers were ordered for the annual printing orders expected during the year 2014, specially to maintain stocks of paper for the printing of lotteries and also for a printing task of the Department of Census and statistics. Four bidders had presented bids for this and even the Standard Trust private limited had presented bids here. The relevant action had been taken since it was proved to be a government registered institution. However, as it was pointed out by the Auditor generals department, future transaction with this institution has been suspended.
- (d) An amount of Rs. 615,000/= has been paid by Hyundai Lanka (Pvt) Ltd on 20. 04. 2015. Arrangements are done to recover the balance in future.
- (e) The official vehicles indicated under this have been utilized by the chairman, vice chairman, general manager and the manager of the institution. At present the vice president and the manager of the institution have resigned from their posts. As ours is an institution which runs on the income received from the printing tasks of the government such as printing school text books by engaging in competitive tender process, we have to direct to various institutions for different official purposes. Similarly since this is an institution which is located out of Colombo a higher expense has to borne on travelling for official purposes. Further, fuel usage within the prescribed limits has become extremely difficult owing to the requirement to participate in functions and discussions held in other public institutions and to travel for site inspections in sales centers island wide.
- (f) The vehicle KV - 6712 was utilized for the official purposes of the chairman and the vehicles JV - 1155 and 250 - 0846 have been utilized for sales promotion purposes and for the official purposes of the chairman on certain occasions..

2.5 Controversial transactions

The SPC exhibition stall of the Deyata kirula exhibition which was held in Kuliypatiya had been planned to construct with a higher level of quality on directive by the then Chairman. There, the task had been entrusted to Gobic Holdings Company and the expenditure borne is as follows.

Subject	Description	Amount ordered	Price	
			Rs.	Cents.
<u>20"x15"-Deyata Kirula Exhibition Stall-2014</u>				
1.	Expenditure for the construction and completion of the exhibition stall using MDF boards, high quality digital stickers and exhibition book shelves, carpets electricity and all the other required material.		1,635,000.00	
2.	Planning and Design creation		150,000.00	
3.	Transport expenses	65,000.00		
4.	Fixing charges		15,000.00	
			1,865,000.00	
		2% NBT	37,300.00	
		2%VAT	228,276.00	
Total			2,130,576.00	

- (b) All the Sri Lanka Accounting Standards which were available by then were abolished and from the year 2012 New Sri Lanka Accounting Standards (LKAS) and Financial Reporting Standards were abruptly followed. Accounts were prepared for the year 2012 but for the first time in history unfavourable audit opinions were not presented in the Auditor General's report. This situation was considered by the Director Board and in the 743rd Director Board meeting which was held on 29.01.2014, a decision was taken and approval was given for the formulation of financial statements as per the standards which were relevant to the year which ended on 31st December 2013, having obtained the consultancy services from a Chartered Accountancy company. Accordingly, as per the directives of the relevant Chartered Accountancy company, the financial statements for the year 2013 were prepared and only the staff of the finance division were deployed in that task.

With regard to determining the composition of the staff of the finance division in the audit report, calculations have been done considering the three sections of finance, supply and internal audit as one single unit as per the salary summary sheet. At present the total staff of finance division is only 31 and therefore, the statement made to the effect that a staff of more than 50 is serving in the Accounts Division is erroneous.

- (c) In relation to the PAYE Tax which was enforced from 1997 under section 116 of the Inland Revenue Act Number 10 of 2006, it was directed by the Department of Inland Revenue that payments be made utilizing tax cycle (tax rates on tax). Number 06 presented as per section 114 of the said act. Thereafter, adopting the amendments done by the government's annual budget, PAYE tax had been paid continuously with relevance to tax cycle number 06, throughout 19 years.

Having extensively discussed about this of the 756th director board meeting which was held on 2015.05.21 in this regard, instructions were given to get the accuracy confirmed from the Department of Inland Revenue. Accordingly, the finance manager met the relevant commissioner on 5.6.2015 and submitted a letter (A copy is attached herewith) The Commissioner has verbally informed that this is accurate and has further informed that the written replies in this regard would be given after conducting a tax audit on PAYE tax.

3. Financial Review

3.1 Financial results

It has been planned to conduct the activities with more emphasis in this regard.

3.2 Utilization of Credit

It is required to acquire more quantities of raw material for the maintenance of production and stock levels with regard to the enhancement of turnover annually. As there is no other additional provisions of funds for this purpose, there is no other alternative other than obtaining short term bank loans. If the invoices which are presented to our principle dealer, educational publications Department, are resolved on the spot, the relevant short term loans can be paid on the specified date. But since the settlement of the invoices which are issued at the latter stage of the year, takes place in months of April and May in the ensuing year, the relevant short term loans became outstanding at the end of the year.

Similarly, the short term loans obtained for the production of exercise books are difficult to be completely settled, since the relevant moneys stay outstanding as at the year end date as a result of carrying out more than 80% of the book sales on the basis of credit. Therefore, the amount of short term loans which are outstanding as at 31st December, 2014 has reached a maximum value of Rs. 494,970,217.

3.3 Management of Working Capital

- (a) It has been planned to make use of the Sales Division in an efficient and productive manner in view of increasing the Working capital and annual income.
- (b) A staff has been appointed under a separate accountant to improve liquidity through the efficient recovery of loans.

4. Operational Review

4.1 Management inefficiency

The short term loan balance increased at the end of the year not because of investing money in stocks which were not required on a timely basis and are slow moving, but because of raw material had to be imported without obstructing the production for printing school text books and exercise books during the final quarter of the year. It would not be possible to settle the short term loan balance on the final date of the accounting year, since a major part of the production is sold on credit.

4.2 Operational efficiency

- (a) Sales value targets distributed at sales outlet level for the year 2014 had been prepared and an analytical report on the exercise books and stationary of the corporation which are expected to be sold in the year 2014 had been given to the manager (stationary factory) under the topic 'Production Plans – 2014'. An overall sales plan for the years 2015 and 2016 would be prepared and action will be taken accordingly.
- (b) Action will be taken to avoid such circumstances in future.
- (c) It was informed that the land with an extent of 27 perches located in D. M. Kolambage Mawatha can be transferred to us after obtaining cabinet approval on request made by the Urban Development Authority and arrangements were made to pay a sum of Rs. 1,000,000/- as processing fees with the approval of the Director board to make the aforesaid transfer on lease basis at a value of Rs. 25,714,080/- when the director board was enlightened regarding the future proceedings, directives were given to get instructions from the Department of Public enterprises with regard to this purchase. Accordingly, it was informed that this is not a productive investment and further it was informed that the financial feasibility be studied and a report be presented pertaining to the matter. The new chairman who came to office subsequent to the resignation of the former chairman, Mr. Heenkenda made the director board aware that there is no requirement for this and afterwards, the relevant future

proceedings were suspended. Required arrangements had been done on the basis of the particular necessity but no feasibility study had been conducted.

- (d) The amount of books expected to be printed by us was 9.13 million as per the production plan 2014 but the amount of books entrusted to us by the Educational Publications Department was 8.41 million. Therefore, there is a decline of 0.72 million when compared with the expected amount.

Although the previously anticipated value was Rs. 730 million, the production cost increased owing to factors like the augmentation of paper prices in the market, increase of worker payments due to salary increase and the increase of overtime payments and item number based payments in order to reach a higher production volume.

The reason for the increase of demurrage fees was that during the specific period lottery tickets too had to be printed in the printing machines which were used for printing these books. It has been planned to conduct the production process in a manner to minimize demurrage charges in future. Further, arrangements are being done to purchase a new printing machine for printing lotteries etc.

4.3 Non performing and under utilized assets

The damaged stock items, and items with slow movement and no movement which are included within stock values are annually removed from stock papers by a Committee. Although the damaged stocks are recommended to be removed by a committee, and the stocks with slow movement and no movement, if considered to be needed for future use of the corporation, would not be removed from the stock papers. Even at the printing of this report, arrangements have been made to present a list of stocks belonging to the above category which has been identified by the main stores to the management and to the disposal committee.

4.4 Shortcomings of the contract Administration

- (a) (b) Shortcomings have occurred in the contract administration owing to the drawbacks related to the recognition of the basic requirement and with regard to applying with equipment. Bids were called following a newspaper advertisement and only one bid was received within the stipulated time. Under procurement regulation number 6.3.2 regarding delayed bids, one rejected bid has been valued. With regard to the formulation of estimates, this shortcoming has occurred when estimating based on an estimate which was preciously obtained, having properly identified the specifications.

However, as per the requirement of the Department of Census and Statistics, there had been no time to call bids again as instructions were given to undertake a national task expeditiously having improved the quality of the boxes. The printing activities were expedited and the printed products were handed over to the Department of Census and Statistics within a very short period of time.

- (c) Under file number SPC/SU/1/2014/10, this tender has been procured by the Ministry Tender Board within the Ministry Tender limit. It is pointed out by the ITI - Industrial Technical Institute that only two bidders have fulfilled the specifications. Accordingly, discussions were conducted by the Technical Committee the highest bidder was made to agree for a price amendment. Accordingly, the tender prices were reduced and best suitable papers have been purchased as per specification. A higher assessment has been given with regard to the quality of papers as they are used for a competitive sales purpose.

4.5 Resources of the institution which were granted to other public institutes.

- (a) 10 workers were recruited on contract basis on request made by the Minister of Mass Media and with the approval of the Director Board and action had been taken to release them to

Ministry service. The officers who were incharge of monitoring the official duties of the workers who were thus attached to the Ministry have approved overtime and other allowances and the payments had been done as directed by the Chairman.

08 workers who were recruited on contract basis with effect from 08.01.2015 had resigned from the Ministry service and only 02 workers who were deployed on permanent basis have reported back for service in the corporation. As the contract basis workers had resigned from serving in the corporation, salaries and allowances had not been paid after 08.01.2015.

- (b) Required arrangements are being done to transfer the land extent of 13 acres, 02 rudes and 06 perches from the land belonging to the Corporation which is at present utilized by the Industrial Development Board, and action has been taken to charge the relevant amount of money to the Corporation having assessed the value as per the current market value.

4.6 Staff Administration

- (a) Out of the 108 vacancies, which were available as at 2014.12.31, 80 vacnceis existed in the work division and it has been impossible to fill the aforesaid vacanices since NVQ level qualifications had been made compulsory for the recruitments of the aforesaid positions as per the relevant recruitment procedure. A request in this regard has been made from the Department of management services and no solution has been received, therefore action will be expeditiously taken to solve this issue having discussed with the National Apprentice and Industrial Training Authority.
- (b) The employee who served on casual basis has been appointed to a permanent post, and with regard to the contract and temporary basis employees, after the completion of the specified duration, action will be taken to terminate their service in the case of absence of service requirements and vacancies.
- (c) A director board paper has been presented on 13. 12. 2012, to establish a position of operational manager to address the requirements of the corporation and accordingly approval has been granted to establish a position of operational manager on supernumerary bais to Mr. L. G. Hewawitharana and to seek relevant approval from the Department of Management services. This position has become void as Mr. L. G. Hewawitharana retired on 24. 05. 2015. The Project Implementation Officer position is also supernumerary for those who were appointed for the said post and at present only one officer is employed in the post.

4.7 Utilization of vehicles

A vehicle has been obtained on rent basis as there ws no suitable vehicle in the corporation to be given to the Vice Chairman during the particular period. Currently, allocated vehicles are not rented out.

After the resignations of the officers who were appointed for Sales Promotion Projects, such appointments had not been repeated. At present, such vehicles or fuel allowances are not provided.

5. Accountability and Good Governance.

- 5.1 Arrangements have been made to utilize the procurement plan as a productive control task.
- 5.2 Budgetary control
Arrangements are made to utilize the budget as a productive management control task.

6. Systems and Control

Arrangements are made to pay special attention towards the areas of Control indicated from (a) to (g) in the report.

