

2011

வார्षிக வர்வல
ஆண்டறிகக
Annual Report



ரஃய் இஃது தீவிர ஸ்ரீ
அரஃங்க அஃசகக் கூட்டுத்தாபனம்
State Printing Corporation



STATE PRINTING CORPORATION

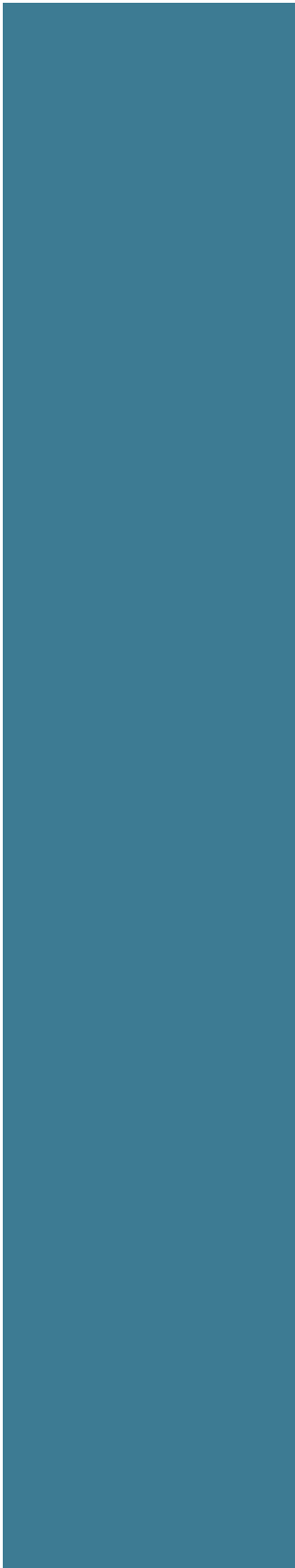
2011

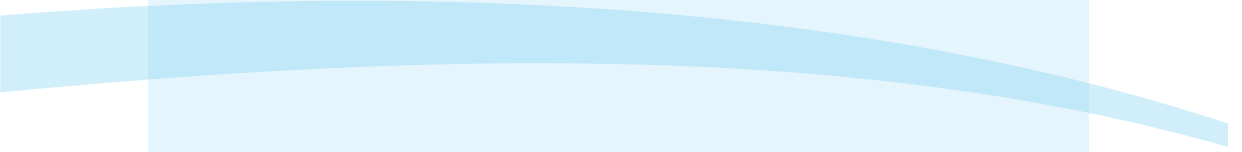
ANNUAL REPORT

For the 44th year ended 31st December 2011

**STATEMENT OF ACCOUNTS
AND
REPORT OF THE AUDITOR GENERAL**

From 1st January 2011
To 31st December 2011



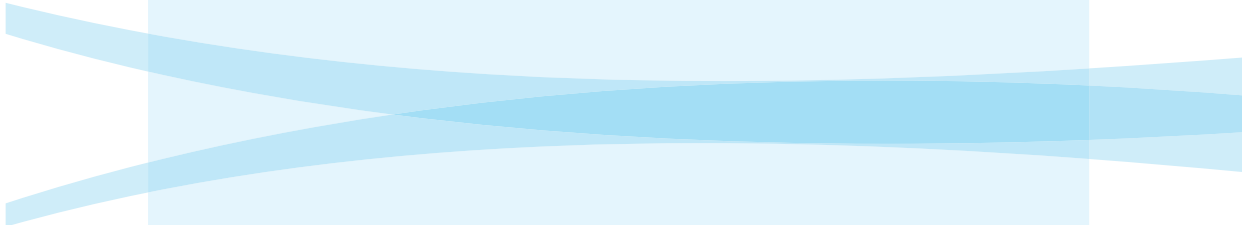


VISION

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 Mass Media and News

Ministry of Mass Media and Information,
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 2011.

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

Yours faithfully,

Jayampathi Bandara Heenkenda

Chairman
State Printing Corporation



Chairman's Message

I am pleurably felicitous to present the most profitable and satisfactory Annual Report and the Accounts for the year 2011 during the 44 years of the Corporation history since its inception.

In parallel to the Mahinda Chinthana programme of His Excellency the President in making Sri Lanka the miracle of Asia, I see this success of the Corporation as a result of the endeavour exerted by the Board of Directors during the year under review in order to reach unprecedented profit target of Rs. 133 million. I observe it as a fruitful result of reawakening public sector entities marked in the programme of Mahinda Chinthana.

My heartfelt sincere thanks are due for my Minister of Mass Media & News Honourable Keheliya Rambukwella for conferring me with the authority and freedom to intervene directly in effecting the objectives of the Corporation towards employee welfare, proper efficient and effective administration, breach of the deep rooted market monopoly improving the quality standards of the products and productivity.

In conclusion, I most admirably remind the Hon. Secretary Dr. Charitha Herath for his exceptional assistance extended to us in guiding and supervising us in every endeavour with confidence.

Jayampathi Bandara Heenkenda

Chairman
State Printing Corporation



Board of Directors - 2011



Chairman

Mr. Jayampathi Bandara Heenkenda

Vice Chairman

Mr. H. K. D. Lakshman Gamini

Directors

Mr. Amarapala Gamage
Mr. N. H. M. Chitrananda
Mr. Nandasiri Kalubovila
Mrs. D. G. Niluka Kumari
Mrs. G. Gamage



Executive Officers - 2011

General Manager

Mr. R. M. N. Monarawila

Works Manager

Finance Manager

Mr. N. D. Priyankara Kumara

Manager (Admin. & HRD)

Mr. R. M. U. D. Bandara

Supplies Manager

Mr. E. V. K. Keerthiratne

Marketing Manager

Mr. M. T. J. Perera

Deputy Works Manager

Mr. S. T. Karunaratne

Accountant

Mr. K. H. Thilakaratne

Asst. Works Managers

Mr. D. M. M. B. Dissanayake

Mr. T. M. R. N. Tennakoon

Asst. Supplies Manager

Mr. L. G. Hewavitharana

Manager (Publication)

Manager (Stationery Factory)

Mr. L. T. Premasiri

Internal Auditor (Actg.)

Mr. W. L. Deniyage

Superintendents

Mr. K. D. T. Chandrasiri

Mr. M. A. Kothalawala

Mr. M. S. L. Kuruppu

Mr. S. D. Kumarasinghe

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

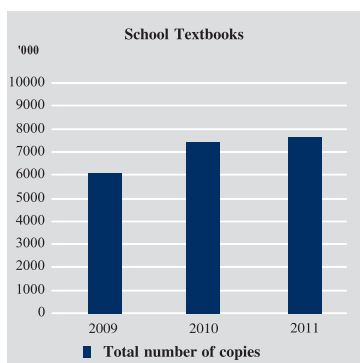
Mr. M. A. Shantha Kumara

Mr. P. K. Thilak Mahinda

REPORT OF THE BOARD OF DIRECTORS - 2011

The Board of Directors of the State Printing Corporation has pleasure in presenting its 44th Report covering the activities of the Corporation for the year ended 31st December 2011, in terms of Section 14 of the Finance Act No. 38 of 1971.

10 Board Meetings were held during the year under review.



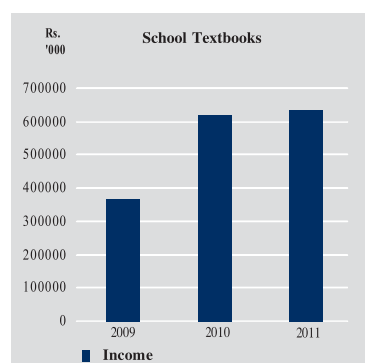
01. Production

1.1 School Textbooks

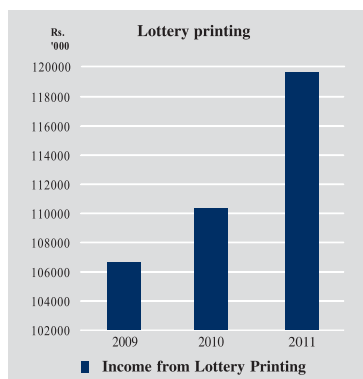
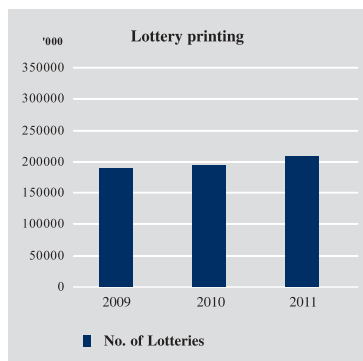
1.1.1 Printing of School Textbooks

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 7.611 million textbooks to State Printing Corporation by Educational Publications Department. As a result of that, the Corporation earned an income of Rs. 646.480 million.

Income from printing of school textbooks and number of copies printed during the year under review compared to year 2009 and 2010 are as follows:



School Textbooks	2009 ('000)	2010 ('000)	2011 ('000)
No. of copies	6,042	7,465	10,307
Income-Rs.	489,263	618,087	715,714



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 31 years. It has been fulfilled in this year, as well. In addition to that, 'Airport Super Draw' was also printed. 212.5 million Lottery tickets were printed in 2011, completing all the orders received. Accordingly, Rs. 119.5 million income was earned during the year under review.

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

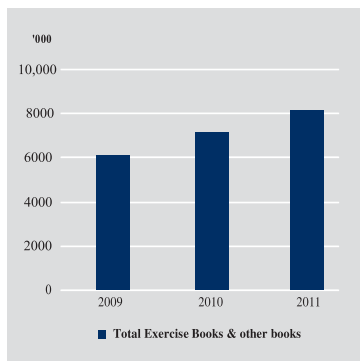
Lottery printing	2009 (^{'000})	2010 (^{'000})	2011 (^{'000})
No. of copies	187,558	194,380	212,535
Income Rs.	106,593	110,381	119,543

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 Samurdhi Authority
8. National Savings Bank - Printing jobs of National Savings Bank, including 'Ridee Rekha' Certificates.

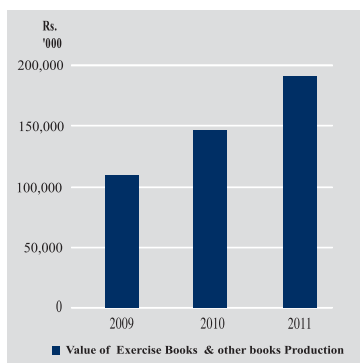
During the year under review the Corporation earned Rs. 237 million through other printing jobs.



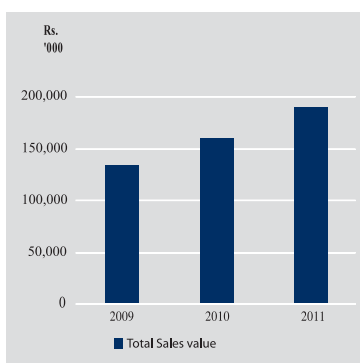
1.3 Manufacturing of Exercise Books and other Stationery

Production in the year under review and comparative figures for 2009 and 2011 are as follows:

Exercise Books & Other Stationery	2009 ('000)	2010 ('000)	2011 ('000)
No. of copies	6,082	7,251	8,162
Income - Rs.	118,683	147,413	193,746



10.857 Million production target for the year 2011 could not be achieved due to improper supply of Writing Paper.



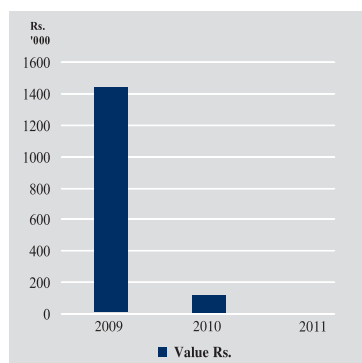
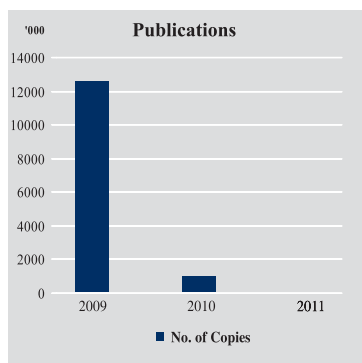
02. Sales/Marketing

SPC was able to supply high quality exercise books to the market continuously. However during the year under review the price range was somewhat high and we were unable to obtain expected orders and consumer demand too was restricted to a certain extent.

Main reason for the price increase was due to the increase of Imported Writing Paper by approximately 17%.

However, by introducing short-term marketing strategies in the Sales Outlets, we were able to achieve the sales targets, and there was a sales increase of 18.56%. If there was a possibility to establish a competitive price among other competitors, we may have been able to achieve a higher income.

Year	2009 ('000)	2010 ('000)	2011 ('000)
Total Sales value (Rs.)	139,600	157,600	186,856



03. Publications

Owing to sale of old Publications income has been badly effected. Although there was a necessity to launch new Publications, due to the resignation of Publication Manager there has been a temporary set back in the Publication Unit.

Steps would be taken to establish an effective system to print suitable Publications, in future.

Printed publication	2009 (^{'000})	2010 (^{'000})	2011 (^{'000})
No. of Categories	5	1	-
No. Copies	12,625	1,000	-
Value - Rs.	1,447	116	-

04. Fixed Assets

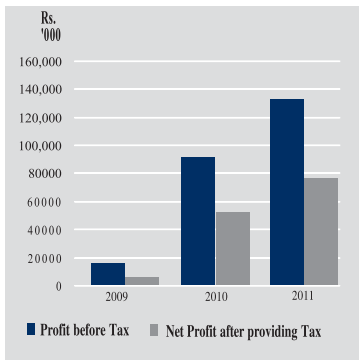
Fixed assets of the Corporation stood at Rs. 322,144,134.56 at the end of the year 2011. The written down value of same was Rs. 89,097,275.37. This was compared to the previous year (i.e. 2010) figures, Rs. 301,081,675.94 and written down value of Rs. 79,355,794.60 respectively.

Fixed assets	2009 Rs(^{'000})	2010 Rs(^{'000})	2011 Rs(^{'000})
Opening Value (at cost)	293,113	301,082	322,144
Written down Value	82,171	79,356	89,097

05. Tax Liability

Provisions amounting to Rs. 52,081,923/= as income tax and Rs. 4,606,400/= as Deemed Dividend Tax have been made in Final Accounts of year 2011 for the year of Assessment 2010/2011 by the Corporation.

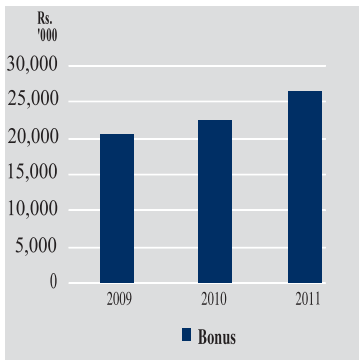
Tax Liability	2009 Rs. (^{'000})	2010 Rs. (^{'000})	2011 Rs. (^{'000})
Income tax	7,829	27,376	52,082
Deemed Dividend Tax	3,365	12,710	4,606
Total	11,464	40,086	56,688



06. Profitability

The Corporation earned a profit before tax of Rs. 133,688,335.86 during the year 2011, as compared to Rs. 92,128,004.73 in 2010.

Profitability	2009 Rs. ('000)	2010 Rs. ('000)	2011 Rs. ('000)
Profit before Tax	17,493	92,128	133,688
Net Profit after providing Tax	6,029	52,042	77,000



07. Bonus

Annual Bonus equivalent to two months' salary was paid to the eligible employees amounting to Rs.27,928,820.50. It is 20% growth compared to year 2010.

Bonus	2009 ('000)	2010 ('000)	2011 ('000)
Rs.	22,509	23,131	27,928

08. Welfare

Following welfare facilities were provided to the employees in this year as in the previous year. The Corporation has spent Rs. 56.4 Million on this.

Welfare	2009 Rs. ('000)	2010 Rs. ('000)	2011 Rs. ('000)
01. Transport facilities for employees	1,702	1,872	2,093
02. Incentive payments for employees	4,882	5,055	5,055
03. Medical facilities	3,109	3,176	2,854
04. Free issue of Uniforms	104	-	-
05. Various welfare facilities	4,733	4,917	4,556
06. Workmen Compensation Insurance	81	81	176
07. Gift Vouchers of Stationery for the employees	1,107	979	997
08. Bonus for employees	22,509	23,131	27,928
09. Reimbursement of Housing Loan interest of employees	4,115	3,931	4,046
10. Payment of un-availed leave of employees	7,270	7,958	8,570
Total	49,612	51,100	56,494

09. Personnel

The entire work force of the corporation during the year under review is 659 of which the breakdown is given below.

	2011
Main Factory	319
Office	89
Stationery factory	28
Security Section	51
Sales Outlets	30
Sangaraja Mawatha Sales Centre	04
Casual and Contract Employees	98
Days Pay Labourers	05
Temporary Labourers on Contract Service Agreement	35

Following Executive left the Corporation during the year under review.

	Name/Post	Date
01.	Mr. H. D. Jayasinghe General Manager	01. 08. 2011 (Resigned)

Following Executive Officer was appointed during the year under review.

01.	Mr. R. M. U. D. Bandara Manager (Admin. & HRD)	29. 09. 2011
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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 News 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.

Jayampathi Bandara Heenkenda
Chairman

STATEMENT OF ACCOUNTS

AUDIT OPINION

Audit of accounts of the State Printing Corporation for the year ended 31 December 2011 was carried out under my direction in pursuance of provisions in Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with section 13 of the Finance Act No.38 of 1971.

Except for the effects on the financial statements of the matters referred to in Para 2.2 of my report, I am of opinion so far as appears from my examination and to the best of my information and according to the explanation given to me, the financial statements have been prepared and presented in accordance with Generally Accepted Accounting Principles and the stated accounting policies as set out in notes (From Note 1 to 5) to the financial statements and give true and fair view of the financial position of the Corporation as at 31 December 2011 and the financial results for the year then ended.

Comments and observations arising out of the audit are contained in my report of even date addressed to the Chairman of the State Printing Corporation.

S. Swarnajothi
Auditor General

30 August 2012
Auditor General's Department, Colombo 07.

BALANCE SHEET AS AT 31ST DECEMBER 2011

	Note	Balance as at 31/12/2011	Balance as at 31/12/2010
Fixed Assets	04	89,097,275.35	79,355,794.60
Fixed Deposit		-	-
		89,097,275.35	79,355,794.60
Current Assets:			
Stocks	05	264,093,574.38	132,433,952.09
Work in progress		30,025,573.79	32,650,451.68
Debtors	06	463,940,667.62	505,111,943.20
Staff Loan and advances	07	6,463,242.08	2,851,724.27
Pre payments		500,301.07	293,599.33
Deposits receivable	08	2,080,045.70	5,372,389.65
Sales control accounts	09	-	(951,997.38)
Bank Loan - margin A/c		78,584,570.75	25,737,956.33
Cash in hand		102,940.42	34,152.50
Cash in collection accounts		3,074,969.27	1,641,401.83
Cash at Bank		-	2,680,426.61
		848,963,160.45	707,856,000.11
TOTAL CURRENT ASSETS		937,963,160.45	787,211,794.71
Capital Authorised			
In terms of section 18 (1) of State Printing Corporation Act No. 28 of 1968 as resolved by the house of representatives on 21/07/1968			
		15,000,000.00	15,000,000.00
Capital Employed	01	15,000,000.00	70,409,856.81
Reserves	02	15,003,632.73	15,003,632.73
Reserves and surpluses	03	227,694,891.27	83,016,944.38
TOTAL CAPITAL & RESERVES		257,698,524.00	168,430,433.92
		18,300,000.08	24,400,000.04
		18,300,000.08	24,400,000.04
Less: Current Liabilities			
Creditors	10	115,746,519.32	92,373,071.70
Accrued expenses		57,484,780.64	46,639,301.88
Deposits payable		1,986,355.62	1,556,354.70
Provision for gratuity		96,746,419.01	86,195,690.00
Stock variation account		-	126,652.18
Sales advance account		-	315,442.45
Bank Loan (STL)		347,888,682.88	322,334,049.89
Bank Overdraft - PB 1		34,499,657.88	39,787,764.74
Bank Overdraft - PB 2		5,329,599.79	5,053,033.21
Bank Overdraft - PB 3		2,282,621.23	-
Total Current Liabilities		661,964,636.37	594,381,360.75
Total Equity & Liabilities		937,963,160.45	787,211,794.71

WORKING ACCOUNT (MAIN PRESS) FOR THE
PERIOD FROM 01.01.2011 TO 31.12.2011

	Year ended 31/12/2011	Year ended 31/12/2010
INCOME FROM PRINTING		
Textbooks	715,713,813.26	618,087,563.75
(-) Deduction made by EPD	(51,510,935.19)	(7,929,869.58)
Quality Losses	(3,378,864.99)	-
Job Work	286,237,095.71	203,544,973.70
Total Income	947,061,108.79	813,702,667.87
Raw materials		
Opening Stock	57,032,375.31	64,791,605.37
Add: Purchases	426,105,314.67	336,907,410.83
Less: Closing Stock	(129,274,291.21)	(57,032,375.31)
Total raw materials consumed	353,863,398.77	344,666,640.89
Labour - Direct:		
Salaries & wages	87,695,350.71	77,844,420.45
Overtime to Staff	20,228,852.99	12,692,848.00
Employees' Provident Fund	10,528,300.81	9,326,254.90
Employees' Trust Fund	2,631,703.91	2,331,563.94
Incentive payments	2,405,412.00	2,436,800.00
Total Direct Labour	123,489,620.42	104,631,887.29
FACTORY EXPENSES - DIRECT		
Opening stock		
- Consumable	3,447,987.62	2,687,470.36
Spare parts	10,061,565.15	10,382,126.22
Hardware	347,832.49	346,852.48
Add: Purchases		
- Consumable	8,142,838.13	6,332,645.67
Spare parts	22,848,891.08	9,137,627.46
Hardware	3,137,078.37	1,908,711.91
Less: Closing stock		
- Consumable	(3,659,467.95)	(3,447,987.62)
Spare parts	(19,095,801.84)	(10,061,565.15)
Hardware	(565,428.01)	(347,832.49)
Consumption of stationery	827,869.09	569,642.99
Electricity	7,719,627.71	6,328,151.10
Total Direct Factory Expenses	33,212,991.84	23,835,842.93
Total Direct Expenses	510,566,011.03	473,134,371.11
FACTORY EXPENSES - INDIRECT		
Salaries & wages	11,099,426.56	10,539,897.13
Overtime to staff	2,185,715.20	1,389,304.87
Employees' Provident Fund	1,364,898.77	1,329,767.08
Employees' Trust Fund	341,225.23	331,492.95
Incentive payment	300,000.00	317,550.00
Maintenance of Plant & Machinery	3,174,052.45	2,991,856.00
Outside job works	2,433,688.94	1,832,452.04
Electricity	857,736.41	703,127.90
Insurance - fire	629,363.12	-
Workmen Compensation - Insurance	176,458.35	81,430.71
Maint. of Barcoding System	275,000.00	150,000.00
Royalty - Textbooks	-	1,186,015.54
Sample & Paper Testing Charges	695,400.00	1,020,600.52

	Year ended 31/12/2011	Year ended 31/12/2010
Up-keep of motor vehicles		
Maintenance	2,196,626.21	1,582,164.51
Petrol and Oil	5,050,283.57	3,667,858.38
Insurance	550,712.96	395,669.49
Depreciation	669,642.86	821,471.46
Less: 25% Tfr. to P & L A/c. Administration Expenses	(2,116,816.40)	(1,616,790.96)
25% to Selling & distribution a/c	(2,116,816.40)	(1,616,790.96)
25% to stationery factory a/c	(2,116,816.40)	(1,616,790.96)
Depreciation		
Buildings	174,871.26	307,113.36
Plant & machinery	7,109,575.54	7,424,623.25
Types	1,636.87	36,540.19
Tools and implements	115,923.03	2,919.88
Bicycle and hand carts	59,795.00	75,930.50
Computer Barcoding System	837,642.66	391,049.31
Total indirect expenses	33,949,225.79	31,728,462.19
COST OF PRODUCTION	544,515,236.82	504,862,833.30
ADD: Opening stock - Work in progress	25,163,326.09	8,260,474.58
Finished goods	1,204,522.17	19,450,660.63
Less: - Work in progress	(18,413,960.85)	(25,163,326.09)
Finished goods	(1,797,488.26)	(1,204,522.17)
Less: Value of own printing works	(3,804,430.33)	(1,822,877.18)
Value transferred to STF working account	(6,094,490.69)	(4,303,346.54)
Value transferred to publication unit	(101,149.93)	(1,273,298.45)
Input VAT Disallowed	54,360,472.90	36,918,541.67
Total cost of production	595,032,037.92	535,725,139.75
GROSS WORKING PROFIT	352,029,070.87	277,977,528.12

WORKING ACCOUNT (STATIONERY FACTORY)
FOR THE PERIOD FROM 01. 01. 2011 TO 31. 12. 2011

	Year ended 31/12/2011		Year ended 31/12/2010	
	Rs.	Cts.	Rs.	Cts.
INCOME FROM SALE OF STATIONERY	166,067,066.59		141,544,855.76	
Raw materials				
Opening stock	15,478,325.24		11,377,976.78	
Add: Purchases	150,537,812.00		73,756,056.27	
Less: Closing stock	(56,754,686.93)		(15,478,325.24)	
Total raw materials consumed	109,261,450.31		69,655,707.81	
Labour - Direct:				
Salaries & wages	9,726,716.62		8,314,955.30	
Overtime to staff	2,800,694.85		1,463,443.22	
Employees' provident fund	1,068,634.46		939,589.10	
Employees' trust fund	267,159.16		234,897.27	
Incentive payments	254,750.00		237,500.00	
Total Labour	14,117,955.09		11,190,424.89	
Factory expenses - Direct				
Opening stock				
- Consumable	58,095.18		36,355.18	
Spare parts	2,300,373.29		1,822,377.17	
Add: Purchases				
- Consumable	359,955.20		386,659.07	
Spare parts	2,062,177.89		1,456,699.16	
Less: Closing stock				
- Consumable	(28,501.18)		(58,095.18)	
Spare parts	(2,888,346.28)		(2,300,373.29)	
Electricity	1,015,587.54		590,680.57	
Total direct factory expenses	2,879,341.64		1,934,302.68	
Total direct expenses	126,258,747.04		82,780,435.38	
Factory expenses - Indirect				
Salaries & wages	487,451.80		368,380.62	
Overtime to staff	48,009.56		39,190.68	
Employees' provident fund	53,155.29		43,449.98	
Employees' trust fund	13,288.82		11,811.42	
Incentive payments	12,000.00		11,000.00	
Maintenance of plant & machinery	13,708.80		-	
Electricity	112,843.06		65,631.18	
Insurance - fire	-		-	
Outside Job Works	93,800.00		42,400.00	
Depreciation				
Buildings	622,438.13		622,438.13	
Plant & machinery	422,211.66		126,065.66	
Total Indirect Factory expenses	1,878,907.12		1,330,367.67	
Cost of Production	128,137,654.16		84,110,803.05	
Add: Opening stock				
- Work in progress	7,487,125.59		9,485,893.40	
Finished goods	32,612,801.22		37,635,754.58	
Less: Closing Stock				
- Work in progress	(11,611,612.94)		(7,487,125.59)	
Finished goods	(37,600,581.61)		(32,612,801.22)	
	(827,869.09)		(569,642.99)	
Less: Value of own stationery	(2,110,850.12)			
Value transferred from SPC working account	6,094,490.69		4,303,346.54	
Value M/V transferred from SPC working account 25%	2,116,816.40		1,616,790.96	
TOTAL COST OF PRODUCTION	124,297,974.30		96,483,018.73	
GROSS WORKING PROFIT	41,769,092.29		45,061,837.03	

**INCOME AND EXPENDITURE ACCOUNT FOR
PUBLICATION UNIT FOR THE YEAR ENDED 31/12/2011**

	Year ended 31/12/2011		Year ended 31/12/2010	
	Rs.	Cts.	Rs.	Cts.
INCOME	653,994.00		797,155.15	
Less: Cost of Production:				
Opening Stock	3,612,466.26		3,879,381.03	
Add Production cost Tfr. from Main Press Working a/c	101,149.93		1,273,298.45	
Less: Closing Stock	(3,121,260.20)		(3,612,466.26)	
Total Cost of Production	592,335.99		1,540,213.22	
LESS: EXPENSES				
Salaries & wages	553,414.01		634,394.91	
Incentive payments	19,000.00		22,000.00	
Employees' Provident Fund	68,050.09		78,193.79	
Employees' Trust Fund	17,012.46		19,548.44	
Royalties	178,627.13		94,354.80	
Total Expenses	836,103.69		848,491.94	
EXCESS (LESS) OF EXPENDITURE OVER INCOME	(774,465.68)		(1,591,550.01)	

**TRADING ACCOUNT (OTHER SALES UNIT)
FOR THE YEAR ENDED 31/12/2011**

	Year ended 31/12/2011		Year ended 31/12/2010	
	Rs.	Cts.	Rs.	Cts.
INCOME	20,135,465.93		15,250,651.33	
Less: Cost of Sales:				
Opening Stock	6,277,608.16		5,247,310.70	
Add: Purchases	20,230,782.67		12,534,914.56	
Less: Closing Stock	(9,307,720.91)		(6,277,608.16)	
Cost of Sales	17,200,669.92		11,504,617.10	
GROSS PROFIT	2,934,796.01		3,746,034.23	

**PROFIT & LOSS ACCOUNT FOR THE PERIOD FROM
01/01/2011 TO 31/12/2011**

	NOTES	Year ended 31/12/2011 Rs. Cts.	Year ended 31/12/2010 Rs. Cts.
GROSS WORKING PROFIT			
Main Press		352,029,070.87	277,977,528.12
Stationery Factory		41,769,092.29	45,061,837.03
Publication unit		(774,465.68)	(1,591,550.01)
Other sales unit		2,934,796.01	3,746,034.23
Interest received		279,816.69	-
Sundry income		8,952,304.49	4,780,943.71
Non refundable tender deposits		489,800.00	1,397,724.81
Pro.for bad debts - Over provision		1,055,780.07	-
Total		406,736,194.74	331,372,517.89
LESS: EXPENDITURE			
Establishment Expenses	No.11	7,241,965.36	4,966,749.52
Administration Expenses	No.12	134,477,649.83	98,562,450.93
Unallocated Expenses	No.13	61,280,866.81	46,388,385.67
Financial charges	No.14	51,585,709.51	46,928,388.48
Selling & distribution expenses	No.15	18,461,667.37	42,398,538.56
Net profit for the year before income tax			
C/F to P & L Appropriation a/c		133,688,335.86	92,128,004.73

APPROPRIATION ACCOUNT

	Year ended 31/12/2011 Rs. Cts.	Year ended 31/12/2010 Rs. Cts.
Net profit before tax	133,688,335.86	92,128,004.73
Less: Income tax paid		
Provision for income tax	(52,081,922.74)	(27,375,822.94)
Net profit after tax	81,606,413.12	64,752,181.79
Less: Provision for deemed dividend tax	(4,606,400.00)	(12,710,203.51)
Balance C/F to Balance Sheet	77,000,013.12	52,041,978.29

NOTES TO THE ACCOUNTS

	Balance as at 31/12/2011 Rs. Cts.		Balance as at 31/12/2010 Rs. Cts.	
Contingent Liability				
There is a Contingent Liability in respect of 23 on going Labour Tribunal Cases, 15 complaints to commissioner of Labour and 2 on going Human Rights Court cases against the Corporation as at 31. 12. 2010				
	Note - 01			
Capital employed				
Capital contributed	15,000,000.00		15,000,000.00	
General treasury (foreign aid grant)	-		44,409,856.81	
Total	15,000,000.00		70,409,856.81	
	Note - 02			
Reserves				
Capital reserves	102,490.50		102,490.50	
General reserves	1,000,000.00		1,000,000.00	
Development reserves	13,901,142.23		13,901,142.23	
Total	15,003,632.73		15,003,632.73	
	Note - 03			
Reserves and surpluses				
Balance B/F as at 01. 01. 2011	83,016,944.38		50,062,672.19	
<i>Less:</i>				
Prior year net adjustments	67,677,933.77		(19,087,706.10)	
	150,694,878.15		30,974,966.09	
Balance B/F from P & L appropriation account	77,000,013.12		52,041,978.29	
Total	227,694,891.27		83,016,944.38	

FIXED ASSETS

DESCRIPTORS	BOOK VALUE				DEPRECIATION				
	At Cost as at 01.01.2011	Additions for the year 2011	Disposal for the year 2011	Balance as at 31/12/2011	Accumulated depreciations 31.12. 2011	Disposal for the year 2011	Depreciation for the year 2011	Balance as at 31.12.2011	Written down value as at 31.12.2011
Land	475,125.65	-	-	475,125.65	-	-	-	-	475,125.65
Buildings	37,182,060.16	-	-	37,182,060.16	25,121,833.89	-	797,309.39	25,919,143.28	11,262,916.88
Plant & Machinery	193,606,354.60	15,396,002.00	-	209,002,356.60	135,882,466.69	-	7,531,787.20	143,414,253.89	65,588,102.71
Furniture & Fittings	3,821,121.30	355,886.45	-	4,177,007.75	3,592,274.41	-	59,277.53	3,651,551.94	525,455.81
Tools & Implement	1,142,484.43	105,508.09	-	1,247,992.52	714,865.74	-	115,923.03	830,788.77	417,203.75
Motor Vehicles	22,609,313.59	-	-	22,609,313.59	20,879,374.88	-	669,642.86	21,549,017.74	1,060,295.85
Motor Cycles	422,354.00	-	-	422,354.00	422,348.00	-	-	422,348.00	6.00
Types	523,113.51	14,575.00	-	537,688.51	520,903.51	-	1,636.87	522,540.38	15,148.13
Office Equipment	17,296,910.75	1,185,364.08	-	18,482,274.83	11,859,209.60	-	823,714.06	12,682,923.66	5,799,351.17
Bicycle & Hand carts	1,005,978.59	-	-	1,005,978.59	861,425.01	-	59,795.00	921,220.01	84,758.58
Electrical Re-Instolations	2,572,950.90	-	-	2,572,950.90	2,572,949.90	-	-	2,572,949.90	1.00
Computer software	1,679,326.68	1,715,623.00	-	3,394,949.68	1,255,770.44	-	424,249.25	1,680,019.69	1,714,929.99
Computer Sys. for Barcording of Lottery Ticket.	18,744,581.78	2,289,500.00	-	21,034,081.78	18,042,459.27	-	837,642.66	18,880,101.93	2,153,979.85
Total	301,081,675.94	21,062,458.62	-	322,144,134.56	221,725,881.34	-	11,320,977.85	233,046,859.19	89,097,275.37

	Balance as at 31.12.2011	Balance as at 31.12.2010
Note - 05		
Stock		
Raw materials	186,028,978.14	72,510,700.55
Consumable	3,687,969.13	3,506,082.80
Spare parts	21,984,148.12	12,361,938.44
Hardware	565,428.01	347,832.49
Finished goods	51,827,050.98	43,707,397.81
Total	264,093,574.38	132,433,952.09
Note - 06		
Debtors		
Trade debtors	474,810,854.13	517,042,056.78
Less: Provision for bad debt	(11,870,271.35)	(12,926,051.42)
Other debtors	1,000,084.84	995,937.84
Total	463,940,667.62	505,111,943.20
Note - 07		
Staff Loan and Advances		
Distress loan	5,698,816.68	2,103,992.87
Festival advances	700,313.40	663,213.40
Staff salary advances	64,112.00	84,518.00
Total	6,463,242.08	2,851,724.27
Note - 08		
Deposits Receivable		
Deposits receivable	1,630,184.62	4,620,619.48
Add: Other receivables	449,861.08	751,770.17
Total	2,080,045.70	5,372,389.65

	Balance as at 31.12.2011	Balance as at 31.12.2010
Note - 09		
Sales Control Account		
Panaluwa	-	(992.22)
Narammala	-	118,889.03
Kalutara	-	316,843.40
Sales collection a/c	-	(1,386,737.59)
Total	-	951,997.38
Note - 10		
Creditors		
Sundry creditors (foreign)	-	16,012,446.66
Trade creditors	53,030,913.27	39,641,361.08
Creditors advance a/c	(4,813,152.93)	(4,859,433.62)
Other creditors	1,072,132.98	2,559,498.95
Other Creditors - Dept. of Inland Revenue	66,456,626.00	39,019,198.63
Total	115,746,519.32	92,373,071.70
Note - 11		
Establishment Expenses		
Rent	2,210,919.36	771,788.77
Upkeep of land & buildings	3,324,662.85	2,829,488.68
Electricity	250,428.05	123,111.50
Maintenance of office equipment	72,955.47	149,911.05
Depreciation - Office equipment	823,714.06	823,004.10
- furniture & fittings	59,277.53	46,653.46
- Computer soft ware	424,249.25	61,106.51
- Motor cycles	-	34,260.00
Rates	53,786.40	110,630.00
Water tax	21,972.39	16,795.45
Total	7,241,965.36	4,966,749.52

		Year Ended 31.12.2011	Year Ended 31.12.2010
Administration Expenses	Note - 12		
Salaries & wages		74,691,208.86	63,107,896.72
Overtime to staff		6,552,811.95	4,653,519.29
Employees' Provident Fund		9,285,070.49	7,888,237.18
Employees' trust Fund		2,321,657.48	1,972,059.72
Incentive payment		2,283,250.00	2,030,700.00
Press Notices & publication		363,408.00	373,203.80
Chairmans' emolument		600,000.00	360,000.00
Director's fees		217,500.00	276,000.00
Vice Chaman's fees		67,500.00	
Postage		201,685.00	272,047.00
Travelling & subsistence		732,871.00	773,349.50
Telephone		1,482,170.10	1,262,882.67
Printing & stationery		3,804,430.33	2,392,520.17
Audit fees		1,118,868.00	-
Entertainment		854,493.00	379,742.83
Foreign Tours	-	2,545,747.12	592,616.40
Legal & consultancy		728,219.00	881,050.50
Upkeep of motor vehicle 25%		2,116,816.40	1,616,790.96
General office expenses		412,279.84	181,386.42
Miscellaneous expenses		498,316.61	643,444.28
Gratuity Expenses		15,529,939.09	7,016,521.21
Tender board technical committee fees		838,630.00	215,750.00
Cash escort charges		39,690.00	27,000.00
Newspapers and periodicals		117,500.00	113,114.00
Membership fees		33,400.00	24,500.00
Staff training		299,840.00	125,725.00
Board meeting expenses		243,599.09	75,021.00
Donations		3,759,984.25	327,081.98
Accomadation		594,552.00	101,500.00
Internet/E-mail		409,647.92	356,676.41
Rent - Motor Vehicle		1,071,933.33	63,000.00
Sales Analyzing Charges		356,653.33	208,384.30
Cash Transport Charges		273,377.64	250,729.59
Computers Service Charges		30,600.00	
Total		134,477,649.83	98,562,450.93

Unallocated Expenses**Note - 13**

	Year Ended 31/12/2011	Year Ended 31/12/2010
Welfare to staff	5,552,618.87	4,917,301.87
Employees medical scheme	2,853,782.00	3,175,879.00
Housing Loan interest	4,045,579.85	3,931,400.16
Bonus to staff	27,927,820.50	23,131,073.34
Special Incentive Payment	9,679,477.00	
Staff transport	2,093,132.94	1,872,145.71
Leave in Cashment	8,569,953.00	7,957,818.00
Paye Tax	558,502.65	1,402,767.59
Total	61,280,866.81	46,653,264.80

Note - 14**Financial Charges**

Bank charges	4,354,509.31	6,728,233.39
Bank overdraft interest	4,525,081.61	5,416,777.91
Bank Loan interest - USANCE	3,168,020.75	3,834,709.73
Bank Loan Interest - STL	39,042,871.52	29,869,602.26
Bank Debit Tax	452,212.80	1,017,204.00
Fine Charges	43,013.52	61,861.19
Total	51,585,709.51	46,928,388.48

Note - 15**Selling & Distribution Expenses**

Nation Building Tax	11,409,731.47	30,606,803.15
Turnover tax	-	127,000.00
Up-Keep of motor vehicles	2,116,816.40	1,616,790.96
Provision for bad debts	-	6,702,945.34
Advertisement	2,691,068.50	1,550,029.95
Sales promotion	2,119,675.00	1,435,487.51
Sales Commission	114,423.00	166,655.65
Special Levy	9,953.00	192,826.00
Total	18,461,667.37	42,398,538.56

	2011 Rs.	2010 Rs.
Liquidity Ratio		
Total Current Assets	848,865,885.08	707,856,000.11
Total Current Liabilities	661,964,636.37	361,494,054.67
Current Assets to Current Liabilities	1.28 : 1	1.19 : 1
Quick Ratio		
Total Quick Assets (Current Assets Less: Stocks)	554,746,736.91	542,771,596.34
Quick Assets to Current Liabilities	0.84 : 1	1.91 : 1
Net Profit After Interest but before deduction of Income Tax and Deemed Dividend Tax	133,688,335.86	92,128,004.73
of Net Assets	52%	55%
of Government Contribution	891%	131%
Cost of Sales	792,848,942.00	654,031,351.00
Total Sales	1,188,807,435.49	979,225,200.00
Cost of Sales as a percentage of Sales	67%	67%
Gross Working Profit	395,958,493.49	325,193,849.00
Net Profit before tax as a Percentage of Total Sales	33%	33%
Gross Working Profit as a Percentage of Total Sales	11.25%	9.4%
Net Profit After Tax	77,000,013.12	52,041,978.00

REPORT OF THE AUDITOR GENERAL - 2011

TM/D/SPC/FA/2011
30 August 2012

Chairman
State Printing Corporation

Report of the Auditor General on the Financial Statements of the State Printing Corporation for the year ended 31 December 2011 in terms of 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 2011 comprising the balance sheet as at 31 December 2011 and the income statement, 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 provision 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 issued to the Chairman of the Corporation on 30 April 2012.

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 in 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. 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 the financial statements. Sub-sections (3) and (4) of the 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 qualified audit opinion.

1.4 Basis for Qualified Audit 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 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2. Comments on Financial Statements

2.2.1 Non-compliance with Sri Lanka Accounting Standards

The following non-compliances with the Sri Lanka Accounting Standards were observed in audit.

Reference to Sri Lanka Accounting Standards	Non-compliance
(a) SLAS No. 05	Unused raw materials and a stock of unsalable exercise books at the total value of Rs. 4,689,642 had been included in the finished goods and action had not been taken to adjust the value of those stocks in accordance with the standards.
(b) SLAS No. 18	Even though fully depreciated assets which are still used for operational activities should be revalued and brought to account, action had not been taken even during the year under review in respect of fixed assets which were fully depreciated several years ago.

2.2.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- An income amounting to Rs. 1,116,903 obtained during the year 2010 from sale of rejected papers had been shown as income for the year under review.
- Advances not settled during the year under review amounting to Rs. 1,728,961 had been shown after deducting from the creditors balances without being shown as advances receivable.

2.2.3 Unreconciled Accounts

Even though sums Rs. 5"257"174 and Rs. 4"788"576 respectively had been shown in the accounts as loan receivable and loan payable as at the end of the year under review relating to the National Paper Corporation, according to the confirmation of balances of the National Paper Corporation, loans receivable from and loans payable to the Printing Corporation amounted to Rs. 4, 673,863 and Rs. 3,566,233 respectively and as such differences of Rs. 583,311 and Rs. 1,222,353 respectively were observed.

2.2.4 Accounts Receivable

The following matters were observed.

- (a) The value of trade debtors as at the end of the year under review amounted to Rs. 474,810,854 and of this, only the debtors amounting to Rs. 396,176 had been confirmed. Confirmation of balances had been called only for the debtor balances relating to the year under review while confirmation of balances had not been called for any of the balances existing for more than 01 year.
- (b) Out of the balances of the trade debtors as at the end of the year under review amounting to Rs.474,810,854 the debtor balances amounting to Rs. 76,079,850, Rs. 57,184,740 and Rs. 24,858,601 had remained more than 1, 2 and 5 years respectively.
- (c) Out of the trade debtors of the trade stalls for the year 2010, number of debtors from whom any amount not recovered during the year under review was twenty and the value of those debtors amounted to Rs. 3,655,380.
- (d) A sum of Rs. 5,314,296 to be recovered relating to 11 invoices issued for the years 2006, 2007 and 2010 had not been recovered up to 31 December 2011.
- (e) The unsettled advances as at 31 December 2011 amounted to Rs. 4,813,153 and out of the the advances of Rs. 1,525,593 had been given prior to 2 years.

2.2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances with laws, rules and regulations ect. were observed.

Reference to Laws, Rules, Regulations ect	Non - compliance
(a) Paragraphs 10:1 and 10:4 of the Public Administration Circular No. 3/2000 dated 21 January 2000.	Necessary prior approval had not been obtained in respect of foreign travels occurred by spending Rs. 2,799,938
(b) Circular No. 01/2010/01 dated 11 October 2010 of the Ministry of Finance and Planning.	Advances obtained for foreign travels occurred during the period from 01 January to 31 July 2011 by spending Rs. 2,799,538 had not been settled.
(c) Public Enterprises Circular No. 12 dated 02 June 2003	Sums aggregating Rs. 614,787 had been paid in 08 instances to a private institution during the year 2011 as accommodation charges of the Chairman. A sum of Rs. 2,500,000 had been paid by the Corporation during the year 2011 as donations without obtaining approval of the cabinet of Ministers.

2.2.6 Transactions of Contentions Nature

The following matters were observed.

- (a) A stock of books at the value of Rs. 3,381,000 approximately issued to the trade stall, Kandy for selling purpose in the month of November 2010 had not been received by the trade stall, Kandy. The Chairman informed the "this is the stock which was issued to the female officer in charge of the trade stall, Kandy for utilizing it to the sales promotion activities in the Central Province and it is not necessary to include in the Bin Card as it had been used for sales promotion activities.
- (b) The date of transactions had not been pointed out in 32 copies of invoices for cash sales valued aggregating Rs. 731,367 at the trade stalls, Kandy and as such, it was unable to ensure whether the funds had been deposited in the Bank without delay. However, the Chairman informed that the date of receipt of money had been pointed out in the copies of invoices received by the Finance Division and most of the instances money had been pointed out in the copies of invoices received by the Finance Division and most of the instances money had been deposited at the Bank in the following day itself.

3. Financial Review

3.1. Financial Results

The operation of the Corporation had resulted in a pre-tax net profit of Rs. 133,688,336 for the year under review as compared with the pre-tax net profit of Rs. 92,128,005 of the preceding year thus indicating an improvement of Rs. 41,560,331 in the financial results. The matters such as considerable increase of the value of closing stocks of the year under review as compared with the preceding year and as a result, indicating a considerable increase in the gross profit had been the reasons for the improvement in financial results.

3.2. Analytical Financial Review

Important data relating to the financial results with the comparative values for the preceding year are given below.

	For the year ended 31 December			
	2011 Rs. ('000)	%	2010 Rs. ('000)	%
Sales	1,199,585	-	985,404	-
Cost of Sales	792,849	-	654,031	-
Gross Profit	406,736	33.9%	331,373	33.6%
Income Tax	56,688	-	40,086	-
Net Profit (After Tax)	77,000	6.4%	52,042	5.3%

4. Operating Review

4.1. Performance

Information of the sales and production are given below as compared with the preceding year.

4.1.1 Sales Activities

Sales	2011 Rs. ('000)	2010 Rs. ('000)	Variance	
			Rs. ('000)	%
School Books	715,714	618,088	7,626	15.8
Commercial Printing	286,237	203,545	82,692	40.6
Exercise Books	166,067	141,545	24,522	17.3
Others	31,567	22,226	9,341	42.0

4.1.2 Production Activities

Production	Unit	2011 Rs. ('000)	Unit	2010 Rs. ('000)	Unit	Variance	
						Rs. ('000)	%
School Books (Copies '000)	10816	595,021	7465	535,725	3351	59,296	11.1
Commercial Printing (Number of Work)	851		723		128		
Exercise Books (Copies '000)	8162	124,298	7251	96,483	911	27,815	28.8
Other (Copies)	-	-	1000	1,273	(1000)	(1,273)	-

4.2 Management Inefficiencies

The following observations are made.

- Action had not been taken to recover the balances amounting to Rs. 3.12 million to be recovered from the Wayamba Special Project and the obtain the balance stock of unsold books as at end of the year under review. Further, legal action had not been taken to recover a sum of Rs. 645,25 not paid to the Corporation by the Sales promotion officers in charge of the Project activities but, those two officers who are not attached to the permanent staff of the Corporation had deserted in the services of the Corporation.
- A total sum of Rs. 54,889,800 had been paid during the year under review being fines amounting to Rs. 25,945,168 and Rs. 28,944,632 for the years 2010 and 2011 respectively in view of inability to print and handing over of books within the specified dates and not printing the school text books in accordance with the relevant specifications.

- (c) Action had not been taken to obtain an insurance cover relating to stocks and properties existed at the wholesale stores, Sangaraja Mawatha and trade stalls of the Corporation.
- (d) Action had not been taken to update rental agreements of 05 trade stalls obtained on rental basis.
- (e) A discount of 40 per cent is provided to customer for orders obtained for selling of exercise books of the Corporation for more than Rs. 10,000 and the balance 60 per cent is covered by cost of production and profit of the Corporation. Thereby, a large portion of profits flows to private parties and only a small percentage of the profit remains to the corporation. The Chairman informed in this regard that the cost of production is higher as compared with the private institution and if changes are made in the percentage of discounts, it will affect to the request for the production of the Corporation and as such the flow of higher percentage of profit to the private party is an unavoidable matter.
- (f) This discount system for cash sales had been adopted for a customer in the Central Province from the year 2010. The balance to be recovered from him as at 31 December 2011 amounted to Rs. 2,188,401. Action had not been taken to obtain even a security bond to recover money at the time of involvement of risk.
- (g) Orders valued at Rs. 5,397,603 had been accepted for printing a stock of books for the Saumyamoorthi Thondaman Foundation and a sum of Rs. 1,900,000 appropriately had been obtained as advance. A stock of books valued at Rs. 1,440,805 had been printed as part of the order and issued while a stock of books and covers valued at Rs. 1,030,875 had been printed and kept at the stores for more than one year.

4.3 Idle and Underutilized Assets

The following observations are made.

- (a) A stock of exercise books valued at Rs. 5,075,327 had been kept at the stores in unusable condition.
- (b) Manufactured books had existed at the stores of the trade stall without selling and the value of the stocks remained as such at the trade stalls, Gampaha and Kandy amounted to Rs. 827,300 and Rs. 520,065 respectively.

4.4 Identified Losses

The following observations are made.

- (a) Action had not been taken to recover the cash shortage of Rs. 227,656 occurred at the International Book Exhibition during the year 2010 and 2011 from the relevant officer.
- (b) The shortage of stocks aggregating Rs. 544,337 as at the end of the year under review had not been recovered from the officers responsible for the and of this value, a sum of Rs. 322,132 had been written off from the books. Action had not been taken up to the year under review to recover the balance amount of Rs. 222,205.

4.5 Resources of the Board given to other Government Institutions

Eleven employees of the Corporation had been released to the Ministry of Mass Media and Information and the Western Provincial Council. A total sum of Rs. 2,156,638 comprising Rs. 1,917,670 as salaries and Rs. 238,968 as overtime had been paid by the Corporation during the year under review.

4.6 Staff Administration

The Following observations are made.

- (a) A person had been recruited by creating a post named as Establishment Manager without the approval of the Department of Management Services and a monthly allowance at the rate of Rs. 30,000 and a vehicle on the basis of a monthly rental of Rs. 40,000 had been provided. Further, a person had been recruited for a post named as Personal Assistant and a monthly allowance at the rate of Rs. 20,000 had been paid. The Chairman informed that this post was created considering the maintenance of building and environmental development activities and it had been presented for the approval of the Department of Management Services with the approval of the Board of Directors.
- (b) Contrary to the Public Administration Circular No. 26/2010 dated 31 December 2010, 106 employees had been recruited and a sum of Rs. 19,565,586 had been paid as salaries during the year 2011. The Chairman informed that "the recruitment had been made in lower level on contract, casual and daily pay basis only for carrying out necessary activities until the recruitment is made with proper approval and recruitment will be made properly after obtaining relevant approval from the Department of Management Services".
- (c) Even though the vacancy for the post of Chief Internal Auditor of the Corporation had existed for a period of 04 years, action had not been taken to fill this vacancy.
- (d) It was observed that staff had been deployed excessively at the trade stall, Kandy and 11 employees comprising 08 employees on contract basis and 03 employees on casual basis had been deployed in the service. Sales income, responsibilities on stocks and responsibilities on all the activities of the trade stalls had been entrusted to a female officer in charge to the station recruited on casual basis.

4.7 Vehicle Utilization

There were 27 vehicles belonging to the Corporation consist of 18 pool vehicles, 05 vehicles allocated to the officers and 02 vehicles released to the Ministry. The audit test check revealed that fuels valued at Rs. 211,944 had been utilized for 02 vehicles allocated to the officers contrary to the provision.

5. Accountability and Good Governance

The following observations are made.

5.1. Corporate Plan

Even though a Corporate Plan had been prepared by the Corporation for the period 2009 - 2013, this Corporate Plan had not been up dated annually in accordance with paragraph 5.1.3 of the Public Enterprises Circular No. PED/12 dated 02 June 2003.

5.2. Action Plan

Even though an Action Plan should be prepared for achieving all the targets in the Corporate Plan relating to the year under review, the Action Plan had been prepared showing only the targeted quantity and value of the production of the corporation. Accordingly, the possibility of utilizing the Action Plan as an effective instrument of control had diminished.

5.3. Procurement Plan

The procurement plan had been prepared and approved only on 26 May 2011.

5.4. Budgetary Control

Significant variances were observed between the budgeted and actual balances. Therefore, the Budget had not been made use of as an effective instrument of control.

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) Accounting
- (b) Accounts Receivable
- (c) Settlement of Advances
- (d) Budgetary Control
- (e) Financial Control
- (f) Stock Control
- (g) Internal Audit

H. A. S. Samaraweera

Auditor General

Comments on Financial Statements

2.2.1 Non – Compliances with Sri Lanka Accounting Standards

Reference to Sri Lanka Accounting Standards

(a) SLAS No. 5

This raw material stock which is non moving at present, could be utilized for some other printing job, since the corporation is a manufacturing organization dealing with printing work. Hence there is a trend of increasing the net realizable value more than the cost of same. Further, there is a possibility of collecting the remained stock by same people, because the exercise books order of Thondaman Foundation is still open. Therefore the value of this stock has not been included in the final accounts, resulting no effect to the Prudence Concept in Sri Lanka Accounting Standard No. 5. Under these circumstances the accounts have been prepared to show accurate profit and financial position of the corporation.

(b) SLAS No. 18

Payment for the valuation bill was delayed with the intention of reducing the high amount charged, even though fully depreciated assets which are still used for operational purposes have been revalued with the assistance of Government Valuation Department according to the accounting standard No. 18.

However, Accounting Standard No. 18 is no more in use from the year 2012 and hence, action will be taken to include Fair – Values of all the assets in Financial Reports, according to the new Financial Reporting Standards relevant to this.

2.2.2 Accounting Deficiencies

- (a) These bills totaling Rs. 1,116, 903/- issued by the sales committee of the corporation in 2010, for supply of baled papers to National Paper Corporation, had been forwarded to the Finance Division for the purpose of invoicing only in April 2011. As a result, it was possible to issue the invoice NO. 55938 for this rejected paper stock only on 04. 04. 2011. Hence this income was included to the year 2011 and action has been taken to rectify this through prior year adjustment account. Instructions have been issued to the officers concerned to avoid errors in this nature by forwarding bills then and there, for supply of baled papers for the purpose of invoicing, in future.

- (b) Certain trade creditors request a cash advance when corporation purchases goods on credit. It is not possible to identify some of the advances as under what category of expense because the relevant GRNS and invoices for such purchases on credit had not been received until the end of final accounts preparation period. However, these advances were correctly accounted by crediting cash book and deducting from the amount due to creditors since these advances have been given to creditors.

2.2.3 Unreconciled Accounts

National Paper Corporation is a supplier in the creditors ledger, lasting over a period of 20 years for supply of printing paper, simultaneously a debtor for purchase of waste paper as raw materials on credit from the corporation, over the same period. Although printing papers were imported subsequently due to the quality of the product was not suitable, various stationery requirements are still fulfilled from National Paper Corporation. With the above situation it is not possible to setoff by adjusting as a normal debtor/creditor since these transactions are continuously taken place. However action will be taken to make adjustments to the balances carrying from previous years after scrutinizing relevant documents in 2012.

2.2.4 Accounts Receivable

- (a) Even though confirmation of balances, had been called from all trade debtors, responding to same is at the discretion of the relevant debtor and thus, beyond the control of the Corporation.
- (b) Debtors within one year are contacted over the telephone and inform them to settle the dues. Action is taken to send reminding letters to the debtors exceeding 2 years. The list of debtors exceeding 5 years have been sent to the Line Ministry, in order to send reminders with Secretary's signature, as per instructions of Ministry.
- (c) Approximately half of the debtors' balances remaining uncollected in 2010 are in respect of stationery debtors. Hence action will be taken to recover these debtors through the relevant sales outlet and Marketing Division.
- (d) Action is taken to send reminding letters to the debtors exceeding 2 years. The list of debtors exceeding 5 years have been sent to the Line Ministry, in order to send reminders with secretary's signature as per instruction of Ministry.
- (e) Balance of the advances given in 2009 and prior years, has been reduced to Rs. 570,674/- upto now. All the advances given in 2011 have been fully settled while advance given in 2010 had been settled except Rs.116,392/-. Action has been taken to settle the remaining unsettled advances in the accounts.

2.2.5 Non-compliances with Laws, Rules, Regulations and Management Decisions etc;

Reference to Laws, Rules, Regulations.

- (a) Paragraphs 10:1 and 10.4 of the Public Administration Circular No. 3/2000 dated 21st January 2000.
Although it was mentioned that prior approval has not been obtained from His Excellency for the foreign travels occurred from January to July 2011, according to the circular No. CSA / 1/1/2006 dated 10. 02. 2006 issued by the President Office, approval for foreign travelling has to be obtained from the Honourable Prime Minister. Accordingly Honourable Prime Minister's approval had been obtained by the Ministry of Mass Media and Information for the said foreign travels.
- (b) Circular No. 01/2010/01 dated 11 October 2010 of the Ministry of Finance and Planning.
All payments of allowances for foreign traveling expenses have been made as approved by the Circular No. MF/01/2010/01 dated 11. 10. 2010 on entitled allowances for foreign travels and related expenses issued by the Ministry of Finance and Planning and no advances were paid on this.
- (c) Public Enterprises Circular No. 12 dated 2 June 2003

A lodging place has been used for accommodation of officers according to the Board Paper No. 4815 dated 18. 08. 2008. A Chairman or an Officer coming from outstation to Colombo could have been accommodated at this place. When attempted to get the same premises with the appointment of new Board of Directors on the approval of Board Paper No. 5051, the landlord of this rented house had increased the rates. Hence accommodations were provided (not only to the Chairman) from an institution affiliated to the Government considering the comparative cost for the previous lodging place.

Expenses for the previous house were,

Monthly rent Rs. 20,000/- @ per annum	Rs.	240,000/-
For food expenses Rs. 5,000/- @ per annum	Rs.	60,000/-
For maintenance (Approximately)	Rs.	100,000/-
For furniture and other utensils	Rs.	200,000/-

A room was obtained at a discounted rate from Sovereign Corporation Hotel affiliated to BMICH, as and when required considering the above and other expenses. We have provided accommodation at this place to the foreign guests visited the corporation in various occasions and also to special guests including Chairman in the year 2011, attended to Kohomba Kankariya cultural ceremony held to felicitate His Excellency the President.

It was much more beneficial this accommodation place to the corporation when consider the cost factor comparatively, than that of the previous lodging place.

This amount of Rs. 2,500,000/- has been approved by the Board of Directors in support to His Excellency's programmes and it has been utilized only to the approved activities by the Board of Directors.

2.2.6 Transactions of Contentious Nature

- (a) This stock has been sent to the officer – in – charge of Kandy Sales Outlet for sales promotion in Central Province and approval of the Board of Directors has been obtained to utilize for sales promotion activities. Since this is for sales promotion activities and not to be included to the stock, no need to enter in Bin Cards.
- (b) Most of the instances money had been deposited for the said invoices at the Bank in the following day itself except Fridays and Saturdays. However, clear instructions have been issued to deposit daily at the Bank in 6 days in the week (Monday to Saturday)

4. Operating Review

4.2 Management Inefficiencies

- (a) The money accepted by Mr. B. M. P. J. Balasooriya and Mr. H. A. S. Pathiraja had been deposited by that time, whereas book entries were delayed at Finance Division due to non receipt of the respective documents on time.
Legal action has been commenced to recover the money from Mr. N. P. Arthanayake and Mr. W. A. R. S. Wijesinghe.
- (b) Printing of 7 to 8 millions of School Text Books within a short period of 4 months is a very difficult activity. When consider the processes of undertaking orders, obtaining approvals for proofs, preparation of Estimates, specially importing required materials without financial impediments, utilizing very old machinery without break-downs etc; it seems a very tedious exercise. But it is difficult to run the corporation without earning Rs. 600 to 700 Millions, if this quantity of School Text Books is not undertaken. Therefore, it is very essential to earn this much of income while minimizing the fines by any mean.

Although it has been pointed out that a large amount has been paid as fines in 2011, a sum of Rs. 26 Million out of that was paid for non delivering of School Text Books which had been undertaken in the year 2010. Hence, the percentage of fines payable for the year 2011 is less when compare with the previous year.

- (c) Action is being taken to insure all the sales outlets
- (d) Narammala Sales Outlet
- | | | | |
|--------------|---|---|---|
| Gampaha | „ | „ | } Rental agreements of these sales outlets have been updated. |
| Kalutara | „ | „ | |
| Moratuwa | „ | „ | |
| Peoples Park | „ | „ | |
- (e) Manufacturing of Exercise Books is a lucrative business by which the producer can earn significant profit at market price in the market. Under the circumstances bargaining power of intermediaters such as book shops and retailers is high when stiff competition prevails due to the entry of different levels of businessmen the market day by day, it is required to allow very high discount rates and various concessions. Therefore the total cost of our major competitors should be very high since they incur high advertising and transport cost while issuing exercise books to the market with a high cost packing.
Our exercise book (80 pages) is priced at Rs. 34/- and according to the discount scheme 40% allowed to wholesalers as discount while competitors, too, allow 40% discount whereas their price of exercise book (80 pages) is only Rs. 30/-. If changes are made in the percentage of discounts, it will affect to the demand of the product of the Corporation and hence flow of higher percentage of profit to the private party is an unavoidable matter.
- (f) 40% discount has been allowed to any customer who purchases exercise books for the value of Rs. 10,000/- or more. This is the methodology adapted to issue books to any customer. Books were marketed to a buyer in the Central Province under this scheme. Although no security bond all receivable cheques were directly credited through schools as a method of security enabling issue more books to him.
- (g) Orders had been given, even in previous years by the Ministry of Youth Empowerment and Social Economic Development for the Saumyamoorthi Thondaman Foundation to supply exercise books with special cover and printing was done without any problem and money too, had been paid by them. An order received in this year for a value of Rs. 5,397,603/- for which all the required covers had been printed and books valuing Rs. 1.44 million were delivered whereas the balance of books manufactured have not been collected. They have been informed that the cost of the balance stock will be recovered by selling while the cost of covers printed will be set off against the surplus money paid by them since there were no responses to the several notices to be kept them informed regarding the collection of balance stock.

4.3 Idle and Underutilized Assets

- (a) Action has been taken to sell this stock during this year recovering only the cost, deducting discount Part of the stock has already been sold.
- (b) Action has been taken to sell the exercise books stock with 58 GSM in the corporation by allowing a special discount, with the intention of recovering the cost of same. Accordingly it is possible to recover the cost of stock lying at Gampaha and Kandy Outlets.

4.4. Identified Losses

- (a) Instructions have been issued to conduct an inquiry and to take suitable action against the accused employees for the defalcation of cash at the International Book Exhibition in the year 2010 and 2011.
- (b) Stock loss amounts to Rs. 322,131.86 incurred in the year 2010 has been written off from the books while action will be taken to the stock shortage amounting to Rs. 222,205/- in Mobile Sale (2010)

4.5 Resources of the Board given to other Government Institutions

Out of these 11 employees, the person who was released to the Western Provincial Council has resigned. Employees have been released to the Line Ministry for the activities related to the corporation, since this corporation comes under the Ministry of Mass Media and Information. However, their service is obtained for necessary duties such as marketing promotion.

4.6 Staff Administration

- (a) Both parts of Maintenance (Civil) and Maintenance (Machinery) in the corporation are coming under the purview of Superintendent (Maintenance). All machinery in the production section are in the scope of maintenance (Machinery). Since these machinery are very old, if special attention is not drawn it will be seriously affected the revenue of the corporation as well as the existence of the corporation. A land extent of 34 acres and all the buildings are coming under the purview of maintenance (Civil) but, no attention whatsoever has been drawn to building maintenance and environmental development activities. Considering this situation, all machineries of the corporation were included to the scope of Superintendent (Maintenance) and the rest has been assigned to the Post of Premises Manager and it has been submitted for the approval of the Department of Management Services with the Approval of the Board of Directors.

Until the approval is received from the Department of Management Services for the Post of Premises Manager, Mr. D. M. H. Y. Dissanayake who was temporarily recruited as Minister Co-ordinator has been given a vehicle on monthly rental basis as no suitable vehicle in the corporation and he has been assigned the duties of premises Manager.

Further, a Personal Assistant had been recruited during the period from 1996 – 1999 to assist then Chairman on contract basis, to obtain service, only during the period of service of that Chairman accordingly, a person was recruited to this chairman, as well and since his services were no more required, his services have been terminated within a very short period.

- (b) It was essential to obtain employees on a temporary arrangement for the existing requirements for continuous production of School Text Books without any interruption until the staff is recruited with the formal approval. Hence the minimum number of employees, were recruited on contract, casual and daily wages basis to carry out essential functions. Formal recruitments are being made at present to incorporate the permanent staff since the relevant approval according to the scheme of recruitment has been obtained from the Department of Management Services.
- (c) A suitable person has been recruited for the Post of Internal Auditor at present.
- (d) More employees than other outlets were deployed for Kandy Sales Outlet to marketing promotion activities for the reason that it is the newly incorporated, only sales outlet in the Central Province. Hence it is expected to earn revenue and profit in par with the number of employees, in future. A permanent employee is now assigned to this outlet as officer – in – charge.

4.7 Vehicle Utilization

Vehicle No. 18 – 7436 has been utilized during the said period to transport several officers. Further, it is a very old vehicle of which the engine had been repaired in several occasions with very high fuel consumption.

The engine of vehicle No. 58 – 4833 has also been repaired and it was frequently used for supervision of sales outlets.

Therefore the fuel limit has been exceeded in the year under review. Because of the above reasons, both of this vehicles are now allocated only for daily duties.

5 Accountability and Good Governance

5.1 Corporate Plan

Corporate Plan for the period 2013 – 2016 is being prepared with the instructions of the Line Ministry. Thereafter it will be updated in accordance with paragraph 5.1.3 of the Public Enterprises Circular No. PED/12 dated 2nd June 2003.

5.2 Action Plan

The detailed action plan for the year 2013 in par with the corporate plan has been prepared.

5.3 Procurement Plan

Although this is prepared in the first session of the year, marketing of exercise books will be ended only at the end of February. Further, the commencement of School Text Books printing is taken place after the month of May and hence this procurement plan is revised in the month of April and will be submitted to the Board of Directors, for approval in the month of May.

5.4 Budgetary Control

Action will be taken to conduct a regular comparison with reasons and remedial measures on the variances between actual and budget in order to use the budget as an effective instrument of management control, in future.

6 Systems and Controls

Special attention will be drawn to the areas of control mentioned from (a) to (g).

