

Sri Lanka Foundation

1. Financial Statements

1:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Sri Lanka Foundation had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the Sri Lanka Foundation as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1:2 Comments on Financial Statements

1:2:1 Sri Lanka Accounting Standards

The following observations are made.

- (a) According to the Standard 24, Government capital grants received should be capitalized by treating it as a deferred income and the grant should be recognized to income in accordance with the policy on depreciation throughout the effective life of such asset. Nevertheless, the Foundation had credited the entire grant to the Accumulated Fund contrary to such requirement.
- (b) The buildings, plants, office equipment and fittings and motor vehicles costing Rs.55, 167,011 fully depreciated but in use at present had not been revalued and taken to the financial statements in terms of Standard 18.

1:2:2 Accounting Deficiencies

The balance of the Loan Fund established 22 years ago by utilizing money from the income earned from the hire of facilities of the Foundation to external parties and maintained for the grant of distress loans and festival advances to the employees of the Sri Lanka Foundation, as at 31 December 2010 amounting to Rs.15,221,429 had been included in the Accumulated Fund as at the balance sheet date instead of being disclosed separately.

1:2:3 Accounts Receivable and Payable

An advance of Rs.87,500 paid in the year 2003 to an institution for the printing of Diploma publication notes remained unsettled despite the elapse of over 07 years either due to non – completion of the work or non – refund.

1:2:4 Non – compliance with Laws, Rules, Regulations and Management Decisions

Instances of non – compliance observed during the course of audit are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Non - compliance
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(a) Cabinet Decisions No. 1024 F/600/20/CD of 30 November 1963 and the Public Enterprises Circular No. PED/12 02 June 2003 Section 9:14	The concurrence of the Ministry and the Department of Public Enterprises of the General Treasury had not been obtained for the Manual of Finance and Administration of the Foundation implemented with effect from 01 January 2009.

- (b) Financial Regulation 371
- The maximum advance for any specific activity that can be granted in an instance is Rs.20,000 and it was observed that advances totalling Rs.1,167,625 exceeding such limit had been granted in 29 instances.
- (c) Financial Regulation 502 (2) and Appendix II
- Action had been taken for the sale of fixed assets costing Rs.1,185,376 without taking action for recording and disposal of fixed assets in terms of the Financial Regulation. As there was no systematic numbering of assets in the register for the identification of each asset and its location, action had not been taken to identify the assets and eliminate of those from the Register of Fixed Assets.
- (d) Section 9:2 of the Public Enterprises Circular No. PED/12 of 02 June 2003 on Good Governances
- The Foundation had recruited 28 employees on contract basis in the year 2010 without taking action in terms of the Circular. Nevertheless, the Chairman informed that the recruitment was done within the approved cadre.

2. Financial and Operating Review

2:1 Financial Review

2:1:1 Financial Results

According to the financial statements presented, the working of the Foundation for the year under review had resulted in a deficit of Rs.14,768,310 after taking into consideration the recurrent grant of Rs.37,000,000 received from the Treasury and as compared with the corresponding deficit of Rs.11,540,464 for the preceding year, indicated an increase of the deficit of the year under review by a sum of Rs.3,227,846. It was observed that the increase of the deficit as against the preceding year had been due to decrease of the recurrent grant by a sum of Rs.5,000,000 and the increase of the maintenance expenditure, expenditure on supplies and consumable articles and other operating expenditure by a sum of Rs.7,409,747.

2:1:2 Transactions of Contentious Nature

The following observations are made.

- (a) A female officer not entitled to official motor vehicles in terms of paragraph 1:1:6 of the Public Administration Circular No. 22/99 of 08 October 1999 had been appointed to the post of Assistant Director of the Sri Lanka Television Training Institute on the supernumerary basis and that officer had been paid a fixed fuel allowance from the year 2006.
- (b) According to the decision of the Tender Board appointed by the Secretary to the President in the year 2004, a tender for Rs.18.74 million had been awarded for the construction of the Head Office building. Action had not been taken for the recovery of the mobilization advance of Rs.3,419,918 paid up to 30 June 2011 due to the stoppage of the contract without the

requisite approval. The proposed land for the construction of the building had been taken over by the Urban Development Authority. The Chairman informed that a case filed in this connection is pending in the High Court.

- (c) The Sri Lanka Television Training Institute which functioned as a division of the Foundation as at 30 June 2011 had been taken over by the Ministry of Mass Media from 30 April 2010 and the Foundation had spent a sum of Rs.13,947,353 as recurrent expenditure from that date up to 31 December 2010.

2:1:3 Irregular Transactions

A Director who served on contract basis had been paid an allowance of Rs.122,720 for the period 03 June 2005 to 21 August 2005 during which he was on a foreign tour on private leave. Action had not been taken even up to 31 March 2011 for the recovery of that amount and including Rs.161, 269 recoverable from him totalling Rs.283, 989.

2:2 Operating Review

2:2:1 Performance

The following observations are made.

(i) Sri Lanka Television Training Institute

- (a) Even though plans had been made for the implementation of 41 Programmes, the work on 19 of those Programmes had not been commenced even by 01 November 2010.

- (b) Preparation of plans for the conduct of training courses by the Institute and in the preparation of the estimates for each course, the electricity cost amounting to Rs.2,417,188 representing 53 per cent of the course income of Rs.4,532,456 had not been included. Thus it was observed that the course fees and the profit margin had not been correctly determined.
- (c) The Sri Lanka Television Training Institute had purchased modern equipment at a cost of Rs.13,759,266 for its requirements in the years 2006, 2008 and 2009. It was observed that the equipment had not been effectively utilized in the year due to the inability to conduct the expected training programmes and the decrease of hiring out those equipment in the year under review.
- (d) A comparison of the income of the Sri Lanka Television Training Institute for the past 03 years with that of the year 2007 indicated a decreasing trend.

	2007	2008	2009	2010
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	Rs.	Rs.	Rs.	Rs.
Income from Training Courses	2,588,127	2,336,000	4,103,931	3,927,239
Income from Hire of Facilities	9,435,552	8,234,461	1,734,796	605,218
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Total Income	12,023,679	10,570,461	5,838,727	4,532,457
	=====	=====	=====	=====
Decrease in Income as compared with the year 2007		12.08%	51%	62 %

2:2:2 Delayed Projects

The Action Plan on Oxfam Project on the Research Study on the Minimization of Risks with an estimated expenditure of Rs.8,638,300 (US\$78,530) scheduled for commencement on 20 October 2007 and completion in the year 2008 had not been properly prepared and as such a balance of Rs.1,586,761 remained even by 31 December 2010.

2:2:3 Management Inefficiencies

Even though there were 05 Secretaries to the permanent lecturers to attend to the administrative matters of the courses of the Sri Lanka Foundation, an examination of the performance of the 06 lecturers for the first 06 months of the year 2010 revealed that their participation in the conduct of lectures had been at a low level.

3. Systems and Controls

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

- (a) Implementation of Projects
- (b) Motor Vehicles Utilization