

Saumyamoorthi Thondaman Memorial Foundation

1. Financial Statements

1:1 Opinion

In view of the comments and observations appearing in this report, I am unable to express an opinion on the financial statements of the Saumyamoorthi Thondaman Memorial Foundation for the year ended 31 December 2010 presented for Audit.

1:2 Comments on Financial Statements

1:2:1 Sri Lanka Accounting Standards (S.L.A.S.)

The following matters were observed.

- (a) Tools and implements depreciated at 20 per cent in the preceding year in accordance with the SLAS No. 03 had been depreciated at 15 per cent in the year under review. The change in the accounting policy had not been disclosed in the financial statements.
- (b) The sum of Rs.2,422,500 spent in the year 2009 for the production of a documentary film and calendars had been shown as an expenditure in the financial statements for the year 2010 instead of being adjusted to the deficit for the preceding year in terms of the SLAS No. 10.
- (c) The lands and buildings belonging to the Foundation had not been separately identified and disclosed in the financial statements in accordance with the SLAS No. 18 and as such the computation of depreciation on buildings in respect of the year under review had been understated while 2 per cent provision for depreciating had been made for lands.

1:2:2 Accounting Policies

Provision had not been made for diminution in the value of computer software shown at Rs.66,726,679 in the financial statements as intangible assets since the year 2007.

1:2:3 Accounting Deficiencies

The following matters were observed.

- (i) A sum of Rs.200,000 being a part of the expenditure on repairs to computers carried out in the year 2009 had been brought to account as expenditure of the year under review.
- (ii) Even though the one off payment of Rs.1,500,915 on connection charges of the V-SAT equipment installed in 43 Prajashakthi Centres had been made in the year 2009, that had been brought to account as expenditure of the year under review.
- (iii) Provision for gratuity amounting to Rs.6,000 had been made for two employees who had not completed one year of service.
- (iv) The provision for gratuity of 02 employees had been under- computed by a sum of Rs.25,300 and over - computed by a sum of Rs.56,500 for 10 employees and brought to account in the computation of gratuity.

1:2:4 Unreconciled Control Accounts

According to the Register of Loans furnished to audit, the balance of loans as at the end of the year under review amounted to Rs.1,716,550 whereas according to the Schedule of Loans furnished with the financial statements that balance amounted to Rs.1,727,100. Thus a difference of Rs.10,500 was observed.

1:2:5 Accounts Receivable

The following matters were observed.

- (a) Action had not been taken since the year 2008 for the recovery of a sum of Rs.90,577 receivable from the Indian Community Council.
- (b) Out of the sum of Rs.2,684,000 made available in the year 2009 for the Self Employment and Entrepreneurial Programme, the balance receivable as at the end of the year under review amounted to Rs.1,024,000. Out of the sum of Rs.331,500 thereof receivable from 08 individuals, no installments whatsoever had been recovered in the year 2010.
- (c) Five three wheelers had been purchased in the year under review for Rs.1,723,450 and distributed to 05 individuals. In this connection a sum of Rs.535,167 should have been recovered per annum from 5 individuals in 48 monthly installments together with 7 per cent interest on the diminishing balance method. Even though a sum of Rs 404,203 should have been recovered for the 09 months of the year under review only a sum of Rs; 35,724 had been recovered as at the end of the year.
- (d) The Foundation had spent a sum of Rs.2,986,378 as the expenditure of the Minister and the Ministry had reimbursed only a sum of Rs.50,000 during the year 2009 and 2010.

1:2:6 Lack of Evidence for Audit

The evidence indicted against each item of account had not been furnished to audit.

Particulars	Value	Evidence not made available
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	Rs.	
Fixed Assets	308,886,254	<ul style="list-style-type: none"> i. Schedules agreeing with the values ii. Board of Survey Reports. iii. Updated Register of Fixed Assets

Expenditure on Fuel for Field Trips	144,878	i. Approval granted for Field Trips ii. Field Trips Programme iii. Field Trips Reports
Gifts for Arts Competitions	517,213	i. Evidence of holding the Arts Competitions ii. Manner of Distribution of Gifts to Competitors
Creditors Accounts - Employees	8,400	Source Documents in Support

1:2:7 Non-Compliance with Laws, Rules, Regulations and Management Decisions

Non-compliance with the following laws, rules, regulations, etc. were observed.

Reference to Laws, Rules,
Regulations, etc.

Non-compliance

- (a) Employees' Provident Fund Act, No.
46 of 1980 – Section 16

A sum of Rs.14,891 had to be paid as surcharge in the year under review due to the delay in the remittance of contributions to the Employees' Provident Fund.

- (b) Public Enterprises Circular No.
PED/12 of June 2003

- (i) Section 5.2

A budget for the overall institution in respect of the year 2010 had not been prepared.

- (ii) Section 5.1.2

A Corporate Plan to achieve the Vision and Mission of the institution and an Annual Action Plan to achieve such goals had not been prepared.

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| <p>(iii) Section 7.4.1</p> | <p>The Audit Committee had not been established.</p> |
| <p>(c) Public Enterprises Circular No. PED/50 of 28 July 2008.
Section 01</p> | <p>A Working Director is entitled to a monthly fuel allowances of Rs.18,000 for petrol or Rs. 12,000 for diesel. Nevertheless, a Director of the Foundation had been paid a fuel allowance of Rs.43,540 in January 2010, thus making an overpayment of Rs.25,540 above the approved limit.</p> |
| <p>(d) Public Expenditure Management Circular No. CSA/P/40 of 28 February 2007</p> | <p>The services of a foreign consultant had been obtained for a discussion on Project Review and the Action Plan and a sum of Rs.110,101 as his hotel charges on accommodation and a sum of Rs.69,978 as hotel charges of the Minister had been spent.</p> |
| <p>(e) Public Administration Circular No. 26/90 of 18 May 1990</p> | <p>Contrary to the provisions of the circular a sum of Rs.3,040 had been spent for the purchase of liquor.</p> |
| <p>(f) Management Services Circular No. 30 of 22 September 2006.</p> | <p>The institution had failed to revise the Scheme of Recruitment and Promotions.</p> |
| <p>(g) Procurement Guidelines

Section 2.14.1</p> | <p>Even though a sum of Rs.2,422,500 had been spent for the production of a documentary film and desk calendars, no bids had been called for the selection of the producers. The approved of the Ministry Procurement Committee had not been obtained.</p> |

(h) Chapter xxiv of the Establishments
Code of the Democratic Socialist
Republic of Sri Lanka

(i) Section 1.7

Interest free loans amounting to Rs.150,000 had been paid to 03 individuals in the year under review without obtaining guarantees or entering into a written agreement.

(ii) Section 3.7

A loan of Rs.50,000 had been printed to an officer on 04 August 2010 recoverable in 10 installments. As the recovery of loan installments commenced only in December 2010 a sum of Rs.45,000 remained outstanding as at the end of the year.

(i) Financial Regulations of the
Democratic Socialist Republic of Sri
Lanka.

(i) Financial Regulation 371(2)

I. Even though advances granted should be settled immediately after the completion of the purpose, the advance of Rs.150,000 granted to an officer on 13 January 2010 for the Thaipongal celebrations had not been settled even by the end of the year under review.

II. A sum of Rs.1,069,008 had been made available to an officer in the years 2009 and 2010 for the Thaipongal Celebrations and out of that the unsettled balance as at the end of the year under review amounted to Rs.85,229.

III. Out of an advance of Rs.350,000 granted in the year under review for training programmes, the unsettled balance as at the end of the year under review amounted to Rs.88,418.

(ii) Financial Regulations 756

Annual Boards of Survey of the Foundation had not been conducted.

2. Financial and Operating Review

2:1 Financial Review

2:1:1 Financial Results

According to the financial statements presented, the operations of the Foundation for the year ended 31 December 2010 had resulted in a deficit of Rs.11,511,530 as compared with the corresponding deficit of Rs.1,489,587 for the preceding year. The increase of the deficit for the year under review by a sum of Rs.10,021,943 as compared with the preceding year had been due to the increase of the expenditure for the year by a sum of Rs.12,007,857.

2:1:2 Transactions of Contentious Nature

The following matters were observed.

- (a) The Foundation had spent a sum of Rs.4,634,898 during the year under review on behalf of the Ministry and the Ministry had reimbursed a sum of Rs.3,191,414 inclusive of the expenditure relating to the preceding year. A sum of Rs.3,042,464 remained as at the end of the year under review for reimbursement. The sum of Rs.460,000 included in that expenditure as expenditure on the supply of fuel to the motor vehicles of the Ministry included a sum of Rs.10,600 spent on fuel for 02 motor vehicles not belonging to the Ministry.

- (b) Even though the expenditure of the Minister is incurred by the Ministry Head, a sum of Rs.1,567,718 had been spent out of the Foundation Funds on behalf of the Minister during the year under review.
- (c) A sum of Rs.3,247,500 had been paid during the year as salary of the Field Officers who are not employees of the Foundation and a sum of Rs.465,000 out of that had not been reimbursed by the Ministry.

2:2 Operating Review

2:2:1 Management Inefficiencies

A sum of Rs.1,518,238 had been spent in the year 2007 for carrying out a survey of lands for establishment of Prajashakthi Centres and that amount had been capitalized. But the Foundation had failed to acquire the surveyed blocks of land even during the year under review.

2:2:2 Uneconomic Transactions

The following matters were observed.

- (a) Despite the availability of a photocopy machine with the Kotagala Projashakthi Centre, two additional photocopy machines had been purchased at a cost of Rs.223,440.
- (b) Despite the purchase of a laptop computer at a cost of Rs.114,450 in the year 2009 for the Dental Clinics Programme, a computer had been purchased again in the year 2010 at a cost of Rs.87,000. That computer as well had been issued to an external party.

2:2:3 Idle and Underutilised Assets

The following observations are made.

- (a) The stock of commemorative plaques of the Foundation valued at Rs.398,989 remained in the stores since the year 2006 without being used.
- (b) A balance of Rs.50,000 remained in a current account under which no transactions had been carried out in the year 2010.

- (c) The line Ministry had made available a sum of Rs.1,000,000 to the Foundation in the year under review for the implementation of a Project to protect the Franchise of the Estates Community and that Project had not been implemented even by the date of audit in November 2011.

2:2:4 Identified Losses

The Bank had recovered a sum of Rs.70,555 in the year under review as the overdraft interest on Bank Overdraft.

2:2:5 Staff

Even though a Director General should be appointed as specified in the Board of Directors Paper No. 3 of 27 June 2005, a Director General had not been appointed since the year 2008.

3. Systems and Controls

Deficiencies 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) Financial Statements
- (b) Budget
- (c) Utilisation of Funds
- (d) Motor Vehicles Utilisation
- (e) Payment of Loans
- (f) Internal Audit
- (g) Contract Administration
- (h) Assets Management
- (i) Accounts Receivable