

Sri Lanka Foundation - 2013

The audit of financial statements of the Sri Lanka Foundation for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, 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 the Section 13(1) of the Finance Act, No. 38 of 1971 and Section 13(3) of the Sri Lanka Foundation Act, No. 31 of 1973. My comments and observations which I consider should be published with the Annual Report of the Foundation in terms of Section 14(2)(c) of the Finance Act appear in this report.

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 Public Sector 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 Foundation'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 Foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections

(3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Sri Lanka Foundation as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) The fixed assets valued at Rs.63,400 and the stationery cupboard value at Rs.76,882 purchase during the year under review had been treated and brought to account as recurrent expenditure.

- (b) The assets costing Rs.12,426,541 fully depreciated but in use at present had not been revalued and brought to account.

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

The following non-compliances were observed.

Reference to Laws, Rules and Regulations	Non-compliance
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 757 (1) (b)	The Report of the Board of Survey had been furnished on 12 September 2014. The shortages / excesses had not been shown by reconciling the physical balances with the stock books.
(b) Public Finance Circular No. PE/437 of 18 September 2009	Even though the insurance cover for motor vehicles belonging to the Government should be obtained from the National Insurance Trust Fund or the Insurance Company Ltd, contrary to that circular the motor vehicles of the Foundation had been insured through a private insurance institution on the payment of a sum of Rs.510,359.
(c) Government Procurement Guidelines 2006 Section 5.4.4 (1)	Even though a maximum of 20 per cent advance can be paid by obtaining an acceptable advance guarantee, contrary to the above Guidelines the Foundation had paid 40 per cent of the contract value or a sum of Rs.107,496 to a contractor.

2.4 Accounts Receivable and Payable

Action had not been taken from the year 2006 for the recovery of a sum of Rs.253,989 recoverable from a Director of the Foundation who served on contract basis.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Foundation for the year ended 31 December 2013 had resulted in a surplus of Rs.5,897,396 as against deficit of Rs.4,083,994 for the preceding year. The main reason for the improvement of the financial results for the year under review as compared with the preceding year by a sum of Rs.9,981,390 had been the increase of the other income by a sum of Rs.53,687,100.

4. Operating Review

4.1 Operating Inefficiencies

The course fees of the students of two courses who do not receive the employees' sponsorship had not been recovered properly.

4.2 Resources the Foundation given to other Government Institutions

The Television Training Institute of Sri Lanka which functioned as a Division of the Foundation had been transferred to the Ministry of Mass Media and Information by a notification published in the Gazettes Extraordinary No. 1681/3 of 22 November 2010 and all the assets of that Division had been transferred to the Ministry in November 2011. Nevertheless, the land on which that Training Institute is situated and the building valued at Rs.36,653,585 continued to be shown in the accounts as an asset of the Foundation.

4.3 Identified Losses

According to the judgment of a case between the Foundation and a private company, the Foundation had to pay a sum of Rs.1,159,525 within 35 days from the date of judgment which was 07 December 2013. That had not been paid up to the date of audit. According to the judgment, in terms of provisions in clause 60(7) of the original agreement entered into with the company the Foundation

had to pay interest for the delay. But the agreement did not contain provision for the correct computation of interest.

5. Accountability and Good Governance

5.1 Action Plan

The following deficiencies were observed.

- (a) The Action Plan prepared for the year under review had not been reviewed and updated and as such the expected targets and the performance could not be compared.
- (b) Out of the 38 courses included in the Action Plan, 10 Diploma Courses and 10 Certificate Courses only had been conducted during the year.

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 Foundation from time to time. Special attention is needed in respect of the following areas.

- (a) Purchases
- (b) Debtors
- (c) Personnel Administration
- (d) Collection of Courses Income