

Official Languages Commission - 2017

The audit of the financial statements of the Official Language Commission for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 Section 13(1) of the Finance Act No.38 of 1971 and Section 17(3) of the Official Languages Commission Act No.18 of 1991. My comments and observations which I consider should be published with the Annual Report of the Commission 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 Commission on 12 July 2018.

1.2 Management's Responsibility for the Financial Statements

The 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 Auditing 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 judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission'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 Institute'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 Finance Act No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

1.4 Basis for Qualified Opinion

My opinion is qualified, based on the matters described in Paragraph 2.2 of this report.

2. Financial statements

2.1 Qualified Opinion

In my opinion, except the effects on paragraph 2.2 of this report the financial statements give a true and fair view of the financial position of the Official Languages Commission as at 31 December 2017 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 Policies

Without being recognized a specific accounting policy in respect of accounting capital grants by the Commission, it was disclosed under notes on accounts that capital grants received had been directly capitalised to the accumulated fund.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Office furniture valued at Rs.2,061,704 fully depreciated had been depreciated by Rs.206,170 for the year under review as well.
- (b) A sum of Rs.1,308,800 incurred from the capital grants of the year under review for partitioning and carpeting of the Ministry building where the commission was located had been adjusted to the income statement as recurrent expenditure but that capital grants had not been recognised under revenue.
- (c) Even though, the cash balance as per the cash books as at the end of the year under review amounted to Rs.71,520, it had been accounted as Rs.106,370 in the financial statements thus overstating the accounts by Rs.34,850.

2.3 Non-compliance with laws, rules, regulations and management decisions

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

Reference to Laws, Rules etc.

Non-compliance

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| (a) Section 3 of the Employees Provident Fund (amendment) Act No.26 of 1981. | Payment of contributions to the Employees Provident Fund should be made before the last date of the ensuing month but contributions of Rs.1,020,296 for 5 months of the year under review had been paid after delays for periods ranging from 24 days to 4 months. |
| (b) Section 3.1 of the Employees Trust Fund Act No.03 of 1982. | Payment of contributions to the Employees Trust Fund should be made before the last date of the ensuing month but contributions of Rs.211,769 for 7 months of the year under review had been paid after delays for periods ranging from 20 days to 5 months. |
| (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. | |
| (i) Financial Regulation 103 and 104 | Action in terms of financial regulations had not been taken in respect of the loss of Rs.24,000 occurred due to an accident caused to a motor vehicle. |
| (ii) Financial Regulation 396 | Action in terms of Financial Regulations had not been taken in respect of 57 cheques valued at Rs.162,900 lapsed for more than 6 months but not presented for payment. |
| (iii) Financial Regulation 371(2)(b) and Public Finance Circular No.05/2016 of 14 July 2015. | Ad-hoc sub-impressts totalling Rs.219,650 given in 8 instances during the year under review had been settled after delays from 2 ½ months to 3 ½ months. |
| (d) Paragraph 3.1.6 of the Public Finance Circular No.05/2016 of 31 March 2016. | The Board of Survey report relating to the year under review had not been presented to the Auditor General even by 05 August 2018. |

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Commission had been a deficit of Rs.6,818,913 for the year under review as compared with the deficit of Rs.2,705,554 for the preceding year being observed a deterioration of Rs.4,113,359 in the financial result of the year under review as compared with the preceding year. Decrease of recurrent grants by Rs.417,300, increase of depreciation, repair and maintenance expenses by Rs.1,978,898 and Rs.1,719,831 had mainly attributed to this deterioration.

In the analysis of financial results of the year under review and the preceding 4 years the deficit of Rs.3,131,575 in the year 2013 had gradually decreased and become a surplus in the year 2015. In the year 2016 it had become a deficit again and such deficit had extensively increased up to Rs.6,818,913 in the year 2017. However, after being re-adjusted the employees remuneration and depreciation on non-current assets to the financial results, the contribution of Rs.6,545,326 in the year 2013 had continuously increased, up to Rs.17,670,540 in the year 2015 but it had become Rs.12,150,773 in the year 2017 being decreased since 2016.

4. Operating Review

4.1 Management Activities

Even though, the Office of the Commission established in a rented building had been removed from that building and established in the Ministry building in November 2017, the approval of the Board of Directors' had been granted to pay a total sum of Rs.2,450,000 to the owner of the building comprising the building rent of Rs,900,000 for 2 months up to January 2018 and a sum of Rs.1,550,000 as the daily charge at Rs.25,000 per day.

4.2 Idle Assets

The following observations are made.

- (a) A motor vehicle belonged to the Commission had not been used for a period of about 11 months from 27 August 2017 to 12 July 2018.
- (b) Out of 12,652 terminologies and course books printed prior to the year 2012 without being identified the requirement properly, 9855 books or 78 per cent valued at Rs.773,815 had remained in hand.

4.3 Personnel Administration

The approved, actual cadre and number of vacancies as at 31 December 2017 stood at 41, 24 and 17 respectively. Action had not been taken to fill 15 vacancies existed since the year 2016, even by the end of the year under review.

5. Sustainable Development

5.1 Reaching Sustainable Development Goals

The following observations are made.

- (a) Every Public Entity should act in accordance with the 2030 'Agenda' of the United Nations on Sustainable Development and the Official Languages Commission was aware about how to perform in respect of functions coming under the purview of the scope relating to the year under review.

- (b) On the acquaintance of the 2030 ‘Agenda’ as stated above, the Official Languages Commission had identified “minimisation of inequalities” as objectives to be reached in terms of its scope. Nevertheless, action had not been taken to identify the targets related thereto and turning points to reach those targets and the indicators to measure the progress.

6. Accountability and Good Governance

6.1 Procurements

The following observations are made.

- (a) In purchasing 3 laser printers and office equipment valued at Rs.715,670 in the year under review by the Official Languages Commission, it had been taken 20 weeks and 19 weeks between the date of receipt of goods (Date of issue of GRN). As such, action had been taken by deviating the guideline 1.2.1 (a) of the government procurement guidelines.
- (b) Even though, 6 procurement functions, valued at Rs.2,134,760 had been executed in the year under review, they had not been included in the procurement plan.

7. Systems and Controls

Weaknesses in systems and controls were brought to the attention of the Chairman of the Commission from time to time. Special attention is needed in respect of the following areas of control.

Areas of systems and control	Observations
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(a) Accounting	Value of transactions not correctly indicated in the ledger and approved journal entries not correctly accounted.
(b) Maintenance of books and records	Stock books not updated and expenditure account code numbers not correctly posted to the cash book.
(c) Procurement	Non-compliance with guidelines 6.3.3 (a), 6.3.6 and 7.9.2 of the Government Procurement Guidelines in purchasing computer accessories and office equipment.