

J. R. Jayawardana Centre - 2018

1.1 Qualified Opinion

The audit of the statements of the financial position of the Centre for the year ended 31 December 2018, comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971 my comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Centre as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Centre ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Centre is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Centre.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Centre, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Centre has complied with applicable written law, or other general or special directions issued by the governing body of the Centre;
- Whether the Centre has performed according to its powers, functions and duties; and
- Whether the resources of the Centre had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with reference to particular Standard	Management Comment	Recommendation
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(a) According to the clause No 70 of the standard No 01, current assets and non current assets as well as current liabilities and non current liabilities should be presented as per the liquidity of those as a separate category of those on the face of the statement of financial position, but had not been done accordingly.	As per the clause No. 70 of Public Sector Accounting Standards. No 01, current assets and liabilities will be presented as a separate category as per the liquidity of those on the face of the statement of financial position.	Should Comply with Accounting Standards.
(b) The value of Land and building have not been accounted assessing separately as per the standard No 07, Further more provided depreciation for land at the rate of 5 percent per annum even though the land should not be depreciated.	Land and building have been assessed by the Department of Assessment in the year 2015 where as once get the assessment report after pay them, land and building will be accounted separately since year 2019.	Should Comply with the Accounts Standards.
(c) The assets with ancient value in the Museum have not been disclosed in the Financial Statement as per the Clause No. 08 of the Standards No. 07.	Necessary affairs are being carried out base on the verbal advice given by two officers representing the Department of Museum and Department of Archaeologies as two government entities which expert for this matter.	Should Comply with the Accounting Standards.

1.5.3 Accounting Deficiencies

Following observations are made.

Audit Issue -----	Management Comment -----	Recommendation -----
(a) This Centre has invested money amounting to Rs.5,000,000 in affiliated private company named as J.R.Jayawardana Information Centre in year 1998. This company has been wound up in the year 2008, where as only Rs.700,000 out of the total investment has been recovered. Even though, 10 years have been completed after winding up this company, non recoverable amounting to Rs.4,300,000 have been accounted as a long term investment.	Council approval for the removing of this investment has been granted in 15 December 2015, and a request has been made to get the Treasury approval for remove this amount from the accounts. Once get the approval from the Treasury, this amount will be removed from the accounts.	Because of this is a non recoverable investment, actions should be taken based on the Treasury approval.
(b) Balance of provision for Gratuity payment has been under valued by Rs.66,540 and accounted as at 31 December 2018	Because of this is a calculation error came up when the calculation of gratuity allowance, This gratuity provision has been undervalued. This error will be rectified through the accounts in the year 2019.	Action should be taken to rectify this error.

- (c) Though the balance value of reserve and retained profit should be amounting to Rs.47,137,918 as at 01 January 2018, it has been accounted as Rs.37,590,294 of undervalued by Rs.9,547,624 in the Statement of equity changes. Reason for this difference was due to the non transferring of net annual profit to the reserve and retained profit account since the beginning of J.R. Jayawardana Centre and action will be taken to transfer from these profit to the reserve and retained profit account. Action should be taken to rectify this error.
- (d) Though the brought forward balance should be Rs.58,313,923 in the statement of Financial performance as at 31 December 2018, this balance has been accounted as Rs.62,644,270 in the statement of equity changes and statement Financial position that of over valued by Rs.4,330,347. The balance of reserve and retained profit is shown as under valued in the Statement of financial performance owing to the non adjustment of previous year profit. Action will be taken to rectify this accounting error in the final accounts of year 2019. Action should be taken to rectify this error.

1.5.4 Lack of written evidence for the Audit

Subject	Amount	Lack of evidence	Management Comments	Recommendation
Nine items of Fixed Asset	Rs. 56,250,416	Documents for confirm ownership accuracy	Value of those assets have been disclosed and based on the final accounts prepared since beginning of J.R. Jayawardana Centre.	Those evidence should be provided to the audit.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Following observations are made.

Audit Issue	Management Comment	Recommendation
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(a) Electricity expenses paid behalf of the entities who used building on the rent basis amounting to Rs. 646,518 at the end of the year under review can be identified as receivables.	Relevant entities have been informed to make the payment of electricity bills.	Action should be taken to recover those amounts.
(b) Number of 05 total receivable balances amounting to Rs. 107,109 which were being brought forwarded since number of years have not been settled.	Those receivable account balances have been included since year 2002, where as due to the non availability of relevant information in this regard, actions will be taken to write off those balances with the approval getting by the council.	Action should be taken to settle those balances.

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
Number of 5 total payable balances amounting to Rs. 272,221 which were being brought forwarded since number of years have not been settled.	Those payable account balances have been included in the financial statement since year 2002 where as due to the non availability of relevant information in this regard, actions will be taken to write off those balances with the approval getting by the council.	Action should be taken to settle those balances.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Following observations are made.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Financial Regulations of Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 133	For the purpose of establishment of internal Controls for financial activities of the Centre and prevent and reveal fraud and errors and maintain	An annual internal audit is being carried by the Internal audit unit of the office of president secretariat.	Comply with Financial regulation.

independent review, an Internal Control Unit should be established. But actions have not been taken to establishment of internal control unit for the Centre.

(ii) Financial Regulation 135 Financial powers have not been delegated formally. A register for To be assigned delegate the Financial powers authority of formally. financial powers have been prepared and submitted to the council for the approval.

(iii) Financial Regulation 802(1) Heads of the entities, Centre has Comply with which were allocated decided one of Financial vehicle should accept the motor cycle regulations. the responsibility to out of two to be control the excess assessed to sale. usage of vehicle and At this movement those not be idle them. But motor cycles which motor cycles was purchased in the have been year 2013 at Rs. assessed by the 309,120 is being Department of remained idle and Assessment and kept in a garage since actions are year 2015. being taken to

sale this motor
cycle in near
future.

- (b) Establishment Code of Democratic Socialist Republic of Sri Lanka
- Though the officer who use official residence should be paid the electricity and water bills of the residence by himself. But in Contrary to the above requirement, the office payments amounting to Rs. 192,645 and Rs. 12,000 for electricity and water bills respectively have been paid by the Centre.
- Units of water and electricity used cannot be valued separately for official residence and the office premise as the post of Secretary General is a post without getting salary but getting only the allowances.
- (i) Clause No 5.8 of the Chapter No. xix
- Water and Electricity bills, should be heard by relevant officer himself.
- (ii) Clause No. 08 of Chapter xix
- A separate inventory register for official resident should be maintained in the case of office residence in the official premise so as such an inventory register have not been maintained.
- A separate inventory register will be maintained in near future.
- separate inventory register should be maintained.

- c) Clause No 4 (1) d of the Act No 77 of Centre of J. R. Jayawardana in 1988. Though it was a responsibility of the Centre to secure and preserve umatics and date which received to the Centre since 1996, sufficient measures have not been taken. Those sets of multimedia have been kept in safety and conservation measures on those instruments will be taken. Action should be taken according to the provision in the act.
- (d) Circular No. 02/2015 dated 09 December 2015 issued by the Department of Management Service. An amounting to Rs. 942,083 have been paid as bonus during the year under review without council approval of the Centre. A covering approval for payment of bones will be taken in the council meeting which will be held in near future. Circular provisions should be followed.
- (e) Circular No.SEC/2015/15 dated 06 July 2015 of Commissioner of Inland Revenue and No.2064/60 dated 01 April 2018 of Extra Ordinary Gazette. Tax on Earnings of Rs. 202,990 by the Secretary General as secondary employment and Rs.32,972 by the professor should be charged and should be remitted to the Department of Inland Revenue. But fines and interest to be paid amounting to Rs. 40,339 due to the noncompliance with the above provisions. In future, a register of tax on earnings will be prepared and instances where the monthly earnings exceeding Rs. 100,000 will be charged in partly basis. Tax on earnings, should be charged formally and remit to Department of Inland Revenue.

- (f) Clause No 3.8 of the Circular No PED/01/2015 of Public Enterprise dated 25th may 2015. Overtime and other combined allowances pay for drivers who engaged in the private journeys of a officer who entitled to use of official vehicle should be borne by himself, but overtime expenses on private journeys of Secretary General amounting to Rs.276,713 have been paid for drivers by the Centre contrary to the above requirement. Calculation of Overtime pay to the drivers for private journey should be borne by the officer himself. fuel expenses is not clear.
- (g) Paragraph No 4.2.2 and 4.2.3 of Public Enterprises Circular No. PED/12 dated 02 June 2003. Monthly Financial Statement should be forwarded to the Council of the Centre in every month and performance report should be discussed six months' time period and to be submitted to the Department of Public Enterprises. But council meetings have not been held. Due to the Council consist of the members, who are very busy with their work schedules such as Honorable President, Prime Minister, Speaker and Opposition Leader, a council meeting Should be complied with the circular.

during the year. could not be held during the period 01 January 2018 to 28 February 2019. So as it was unable to get the approval by the council for the financial statement and monthly performance report.

(h) Clause No 4.2.1 of the Procurement plan has Procurement Should be complied Procurement Guideline. not been prepared for plan will be with the provision in the year under review prepared since the procurement by the Centre. year 2019. guideline.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to surplus of Rs.11,176,004 and the corresponding surplus in the preceding year amounted to Rs.10,756,476. Therefore an improvement amounting to Rs.419,520 of the financial result was observed. The reasons for the improvement are increase of rental income and revenue on hall charges by Rs.686,420 and Rs.2,218,393 respectively.

2.2 Trend Analysis of major Income and Expenditure items

The income from building rents Rs.21,501,556 for the year 2017 has been improved up to Rs.22,187,976 by 3 percent in the year 2018 and income on hall charges has been improved up to Rs.14,449,495 by 18 percent during the year 2018. At the same time Cleaning expenses in the previous year amounted to Rs.358,000 have been increased up to Rs.1,824,225 by 225 percent and security expenses amounted to Rs.1,824,225 in the previous year increased up to Rs.2,144,350 by 17 percent during the year.

2.3 Ratio Analysis

In the case of working capital management of the Centre, Current Ratio remained at 7.1.1 in preceding year became at 7.6.1 in the year under review and Quick Asset Ratio in the year under review was at 7.4.1 where as at 6.9.1 in the previous year. Out of the current assets, 76 percent is represented as short term investment . Accordingly huge amount of assets of the Centre retained in the liquid asset.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
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(a) Money amounted to Rs. 9,725,000 have been invested in private bank in the year 2002 by the Centre. Due to evade of the responsibility of this bank, Central bank has been intervened by establishing a scheme for settle the depositor's liabilities through a private bank. According to paragraph No. 02	Due to the insolvency of the Pramuka Bank, Central Bank has invested money that have been invested in fixed deposits on Debentures of National Saving Bank. Because of Central Bank expressed that money invested would not be earned interest for 2 years caused to a loss of revenue from interest on debenture revenue for 2 years can be	Fruitful investment decision for the Centre should be taken.

(a) of in the paper identified in the audit. advertisement published in 03 December 2007 by the Central Bank, it was notified that the addition of interest or payment of interest for the investment made for the period since the date of first day of the paper advertisement up to the exceeding of 2 years will not be applied. Accordingly an amount of Rs.972,500 of loss has been made due to this investment decision.

- (b) Number of books 708 have not been taken to the Register of Acceptance at the date of 30 June 2018 which was in the date of Board of Survey and number of 210 books that have been entered in the register can be identified as misplaced. A selection process should be followed and remove unnecessary books before entering those books in the Register of Acceptance. This process should be followed with the advice of an advisory committee, so as unable to do so. In the future this will be rectified. Books should be included in the register of accept due formally.
- (c) A land located in Colombo municipal council area have been rented out to number of 12 office premises in different scales without assess the land by the Department of Assessment. Action will be taken to get the Assessment report from the Department of Assessment and expect to amend the rate of the rent on a square feet. Base on the present assessment value, rentals should be decided.

- (d) The Centre has rented out buildings to 4 parties for short term basis without signing of formal agreements. Rentals due from 2 parties out of them as at 31 December 2018 amounted to Rs.148,794, but not able to collect those rentals due to the absence of valid agreements. An Understanding Agreements have been signed by the Centre with two parties named as Science Arena and J. H. L. C. Perera. In future actions will be taken to sign a Rent Agreement with them. Formal agreements should be signed.
- (e) Due to the absence of hold council meetings in the year under review budget and an action plan have not been approved. Due to the council consists of members who are busy with their business like honorable president, Prime Minister, Speaker and Opposition Leader. It was unable to hold the councils meetings for the period from 01 January 2018 to 28 February 2019, so as the approval for the budget for the year 2018 could not able to obtained. Action should be taken to get the approval for the budget and Action Plan.
- (f) Out of the number of 29 targets activities as per the action plan valued at Rs.10,100,000 estimated amount of Rs.8,885,000 of 24 number of actually amounted to Rs.8,885,000 have not been implemented during the year. Number 19 activities out of 24. Non implemented activities have been planned to implement in the year 2016. Since 2019 will follow the action plan Action Plan should be implemented effectively.

3.2 Human Resources Management

Audit Issue	Management Comment	Recommendation
Sufficient actions have been taken to filling of 13 vacancies exist when compare with the approved cadre of the Centre.	Actions will be taken to fill the vacancies as observed by the audit.	Action should be taken to fill the vacancies.

4. Accountability and Good Governance

4.1 Submission of Financial Accounts

Audit Issue	Management Comment	Recommendation
As per the Public Enterprises Circular No PED/12 dated 02 June 2003, Financial Statements have to be submitted within 60 days after the year ended but those have been submitted only at the date of 10 May 2019.	Annual Financial Statements will be submitted in the specified period in the future.	As per the Circular, Financial Statements need to be submitted to the audit.

4.2 Budgetary Controls

Audit Issue	Management Comment	Recommendation
A variances between the budget and the actual are in the range of 30 percent to 633 percent can be identified so as the budget has not been utilized as an effective financial control instrument.	Budget for the year 2018 has been prepared on September 2017 and while forecast the expected expenses which not have been accrued during the year have not been considered as observed in the audit.	When prepare the budget, priorities should be specifically identified and try to accomplish then during a specific period.