

Distance Learning Centre Limited - 2019

The audit of the operations of the Distance Learning Centre Limited (“Company”) for the year ended 31 December 2019 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. My comments and observations which I consider should be furnished to the parliament in terms Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report..

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

As per Section 16 (1) of National Audit Act No. 19 of 2018, the Company 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 Company. As per Section 16 (2) the annual financial statements in respect of every auditee entity shall be submitted by the Chief Accounting Officer to the Auditor General along with the Annual Performance Reports, within such period as may be provided by rules. As per Sub Section 38 (1) (d) ensure the timely preparation and submission of annual and other financial statements and in addition the Chief Accounting Officer shall be required to submit Annual Reports to Parliament pertaining to the auditee entity.

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 and Companies Act, No. 07 of 2007 include specific provisions for following requirements.

As per Section 150(1) of the Company Act No.07 of 2007, the Board of Directors of the Company shall ensure that within six months after the balance sheet date financial statements are certified by the person responsible for the preparation.

2.1 Financial Statements

2.1.1 Presentation of Financial Statements

Audit Observation	Comments of the Management	Recommendation
Financial Statements of the Company for the year 2019 had not been submitted even as at the date of this report.	<p>The Board of directors of DLC is yet to be finalized as the Line Ministry has informed the Department of the Public Enterprises (PED) to appoint suggested representatives from the Ministry to the Board. Therefore we are unable to have the annual financial statements of 2019 approved by the Board until the new Board meets.</p> <p>However, DLC has already submitted the Financial Statements of 2019 as a draft, before the statutory due date of 28th of February 2020 to the Line Ministry and the Auditor General.</p>	Actions should be taken to submit the financial statements.

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

All issues related to non-compliances with laws, rules, regulations and management decisions etc. be shown under this heading.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(i) Section 8.3.3 of Public Enterprises Circular No. PED 12 of 02 June 2003	Without required approval, several incentive schemes had been implemented and a sum of Rs.632,539 paid by the Company as incentives during the year under review.	DLC do not have several incentive schemes other than the Target Based Sales Incentive (TBSI) approved by the Board from January 2019. As per the Article of Association DLC has the ancillary powers of pay employees such remuneration and emoluments as shall be thought fit. (Section 12 of Article of Association).DLC has been monitoring at the Board level and comply with these requirements.	Incentives should be paid after obtaining required approvals.
(ii) Section 3.1 of Public Enterprises Circular No. PED/2015/01 of 25 May 2015	The maximum monthly fuel limit authorized for Chief Executive Officers (CEO) is 150 liters. However, the Company had given 193 liters of fuel as monthly fuel allowance to CEO exceeding approved limits since the year 2013. The value of the fuel given during the year under review exceeding the approval limit was Rs. 60,000.	The fuel allowance and the vehicle rent were mentioned in CEO's Appointment letter. This appointment letter was approved by the board and it was issued under the Shop & Office Act as prescribed for companies. Therefore as the appointment letter is a legal document we have continued to pay the above approved allowances.	Fuel allowances should be given in accordance with the circular provisions.

2.3 Procurement Management

Audit Issue

As per Section 4.2.1 of the National Procurement Guide Line a Master Procurement Plan (MPP) indicating procurement activities envisaged at least for a period of 3 years had not been prepared by the Institution.

Comments of the Management

We agree that DLC had not been prepared a Master Procurement Plan for 3 years. We will implement this from 2021

Recommendation

Actions should be taken to prepare Master Procurement Plan as required by the circular.

2.4 Unauthorized Transactions

Audit Issue

In Contrary to the Ministry of Finance Circular MF01/2015/01 dated 15 May 2015,

Comments of the Management

Recommendation

- (i) An additional amount of Rs. 85,540 had been paid to the officers without obtaining required approval for the foreign travel of two officers to the GDLN Asia Pacific Regional meeting in Beijing China from 26 March to 28 March 2019.

As per the minutes of the 188th Board meeting, it has approved expenditure for 4 days to participate for the Global Development Learning Network, Asia Pacific regional meeting in Beijing, China. However according to the flight ticket the total number of days was six (25th to 30th March). Therefore CEO wrote to the Chairperson and the Board of Directors by requesting the concurrence of the Board for 5 days accommodation and 6 days stipend. However this was not included in the Minutes and this will be rectified at the next Board Meeting with new Board of Directors.

Required approval should be obtained for foreign travel.

- (ii) CEO had participated to the GDLN Global Board meeting in Seoul Korea from 2-3 September 2019. Although the transport was provided by the KDI School, as per the invitation letter a sum of Rs. 24,900 had been paid as transport from Incheon airport to Hotel.

The GDLN invitation letter does indicate that the transport, to and from the Incheon Airport and hotel is paid. However this is restricted to only the public bus transport. As we use the airport taxi service, we were compelled to bear our own costs for transport both to and from the hotel to the airport. Therefore, Rs. 24,900 was paid as taxi charges from Incheon Airport to Hotel and the return journey.

Actions should be taken to avoid unnecessary payments by the Company.

2.5 Human Resources Management

The following observations were made.

Audit Issue	Comments of the Management	Recommendation
(i) According to Section 9.2 (a) of Public Enterprises Circular No. PED 12 of 02 June 2003, the Organizational Chart and the Cadre should be approved with the Department of Public Enterprises, General Treasury. However, the Company had failed to fulfill these requirements.	DLC was requested to submit its Cadre Position and the Organizational Chart and other details to Department of Management Services through the Line Ministry. Accordingly DLC has submitted Cadre Position the Organizational Chart, appointment letters and other details to MSD on 8th of October 2019 with a copy to PED. There was no further response from MSD on these documents. Therefore we have requested Line Ministry to assist us to arrange a meeting with MSD to discuss above matter in detailed.	The Company should be adhered to the provisions in the circular.
(ii) Even though every public enterprise should have a Scheme of Requirements and Promotions, as per the Section 9.3.1 of Public Enterprises Circular No. PED 12 of 02 June 2003, the Company did not have such an approved Scheme of Recruitments and Promotions.	The initial meeting with MSD was arranged by the Ministry on the 29th November 2017 at the Additional Director General Office, MSD. However DLC did not receive any response letter on the outcome from the above meeting. Therefore we have been written to PED through the line Ministry from time to time during last Three year regarding the above issue. The PED has forwarded the draft SOR, cadre positions sent by DLC to MSD on 29/05/2019. We were informed at the last visit to MSD, that a response has been directly sent to the Line Ministry by referring to the above meeting on 29th November 2017. The letter says that "Since DLC is a registered company under company act, it is not required to approve the SOR and Cadre by MSD." (Letter no DMS/DLC/T dated on 12.12.2017)	The Company should be adhered to the provisions in the circular.