

1.1 Qualified Opinion

The audit of the financial statements of the J.R.Jayawardana Centre for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 2019 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’s 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’s 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 Audit Scope

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 Centre'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 Centre 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
-----	-----	-----
(a) According to the Sri Lanka Public Sector Accounting Standard No 03, changes of accounting policies and estimates and errors with regards to the previous years should be adjusted retrospectively and restated in the financial statements. However, error corrections of previous year amounting to Rs.26,848,148 have not been	Actions will be taken to correct the same.	Financial Statements should be prepared in accordance with the accounting standard

adjusted and restated in the financial statements.

- (b) According to the Sri Lanka Public Sector Accounting Standards No 07, values of Land and buildings should be presented separately in the Financial Statements, only Rs.56,007,002 which is the building value of the Centre has been presented in the Financial Statements. Value of Land and Buildings has been revalued by the Department Valuation separately in the year 2015, after obtaining those valuation reports, Land and Building are recorded separately from the year 2020. Value of Land and Buildings should be presented separately in the Financial Statements as per the Accounting Standard.
- (c) According to the Clause No. 08 of the Sri Lanka Public Sector Accounting Standards No. 07, The assets with ancient value in the Museum have not been disclosed in the Financial Statement even by notes. The advices of The Department of Museum and Department of Archaeologies were obtained in this regard and it is expected to obtain a financial valuation by referring to a committee which has experience in this regard. Should Comply with Accounting Standard.

1.5.3 Accounting Deficiencies

----- Audit observation -----	----- Management Comment -----	----- Recommendation -----
(a) Whereas The Centre had invested Rs. 5,000,000 in an affiliated private company named as J. R. Jayawardana Information Centre in year 1998, the operating activities of that company has been discontinued from the year 2008. Even though, 11 years have been completed after winding up this company, only Rs.700,000 out of the total investment has been reimbursed, balance remaining amounting to Rs. 4,300,000 have been accounted as a long term investment in the financial statements. Further, disclosures about this investment have not been made in the financial statements.	Council approval received in the year 2015 to remove this investment from the long term investments, and it has been referred to get the approval of the General Treasury in order to remove this investment amount from the accounts, and it will be removed from the accounts after receiving the relevant approval.	Future actions should be done based on the Treasury approval, and winding up of the company should be done in accordance with the companies act.

1.5.4 Non reconciled control accounts or reports

Subject	Value as per the financial statements	Value as per the corresponding reports	Difference	Management Comments	Recommendation
-----	Rs.	Rs.	Rs.	-----	-----
Stock value of Library books as per the financial statements and stock value of Library books as per the related schedules	4,371,424	4,700,000	328,576	Stock value of Library books will be presented correctly in the next year	Actions should be taken to adjust in the asset balances after reconciling with the relevant schedules.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit observation	Management Comment	Recommendation
-----	-----	-----
(a) Whilst Rent amount of Rs.3,514,756 has been due more than 03 years for renting out of buildings to external institutions and individuals , the Centre could not recover that amount.	Actions are being taken to recover the due rent amounts.	Action should be taken to recover those amounts.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
-----	-----	-----	-----
(a) Clause No 4 (1) d of the J.R. Jayawardana Centre Act No 77 of 1988.	Any action had not been taken by the Centre to protect and archive Umatics and other audio and video data which received from the year 1996.	Advices have been obtained for the digitalization of these audio and video data, and actions will be taken to complete those activities obtaining the approval of the Council.	Action should be taken according to the provision of the Act.

- | | | | |
|--|---|--|--|
| (b) Financial Regulations 756 of Financial Regulations of Democratic Socialist Republic of Sri Lanka | A Boards of survey had not been done for the year under review as per the financial Regulations. | Board of Survey activities will be carried out from next year. | Actions should be taken in accordance with the Financial Regulations. |
| (c) Treasury Circular No 842 dated 19 December 1978. | A fixed assets register had not been maintained. | Fixed Assets Register will be presented to the audit in the next year. | Actions should be taken to maintain assets register as per the Circular. |
| (d) Public Enterprises Circular No. PED/12 dated 02 June 2003. | | | |
| (i) Paragraph No 4.2.2 and 4.2.3 | Reviewing of monthly financial statements and presenting of statement of performance to the Department of Public Enterprise had not been done since Council meetings were not held. | Due to the Council consist of the members, who are very busy in Sri Lanka's administrative structure including His Excellency President, Prime Minister, Speaker and Opposition Leader, a council meeting could not be held during the period from 01 January 2019 to 28 February 2020, as such council approval could not be obtained for the monthly financial statements and performance reports. | Actions should be taken to hold Council meetings as per the Circular. |
| (ii) Paragraph No 5.2.5 | Since Council meetings had not been held, annual budget had not been approved by the Council. | Since the Council meetings had not been conducted in the year 2019, the relevant approval could not be obtained for this. | Actions should be taken in accordance with the Circulars |

- | | | | |
|--|--|--|--|
| (e) Clause No 8.9.1 (a) of the Government Procurement Guideline | Although there should be formal contract agreements for the contacts which value exceeds Rs.250,000 , it had not been entered in to formal agreements for two contacts amounting to Rs.995,650 and Rs.333,600 . | Actions will be taken to sign formal contract agreements in the future. | Action should be taken according to the provisions of the Procurement Guideline. |
| (f) Public Enterprise Circular No PED 01/2015 dated 25 May 2015 | | | |
| (i) Clause No 3.5 . | A pool vehicle had been run for 6229 Km for the personal matters by an officer who is entitled to use an official vehicle and fuel amounting to Rs.136,203 had been incurred by the Centre in the year under review. | It had been noted to act in accordance with the Circular. | Actions should be taken to pay fuel allowances subject to the provisions and limits of the Circular. |
| (ii) Clause No 3.8 . | Overtime and other allowances amounting to Rs.202,473 had been paid by the Centre for the Driver used for personal travelling of an officer who is entitled to use an official vehicle | It had been noted to act in accordance with the Circular. | Actions should be taken to pay overtime allowances subject to the provisions of the Circular. |
| (g) Clause No 3.1 of National Library and documentary Service board Number 2004/ප්‍රස/01 (2016 – revised) dated 22 December 2016 | Although a verification should be done for the library books as at 31.12.2019, such a verification had not been done. | Actions will be taken to do a verification for the books in accordance with the circular from next year. | A verification should be done for the Library Books in accordance with the provisions of the Circular. |

1.8 Non Compliance with Tax Regulations

Audit observation	Management Comment	Recommendation
PAYE tax amounting to Rs.166,390 had not been deducted and remitted from Secretary General under the secondary employment in accordance with Circular No.SEC/2015/15 dated 06 July 2015 of Commissioner General of Inland Revenue and No.2064/60 dated 01 April 2018 of Extra Ordinary Gazette.	It has been noted to pay this amount to the Department of Inland Revenue as installments.	Action should be taken in accordance with the Tax regulations.

2. Financial Review

2.1 Financial Result

Operational results for the year under review was a surplus of Rs.9,110,635 and corresponding the surplus of the previous year was Rs.11,176,004. Accordingly, it was observed that a deterioration of Rs.2,065,369. Increase of personnel emoluments by Rs.720,162 and repairs and maintenance by Rs.647,943 in the year under review was mainly caused for this deterioration.

2.2 Ratio Analysis

When consider the Working Capital Management of the Centre, the current ratio remained at 7.6:1 in the previous year has been changed to 7.9:1 in the year under review and quick assets ratio remained at 7.4:1 in the previous year and it is 7.6:1 in the year under review. At the audit, it was observed that 77 percent out of the current assets represents short term investments

3. Operational Review

3.1 Management Inefficiencies

Audit observation	Management Comment	Recommendation
(a) whilst this office premise locates in Colombo Municipal Council area with a high market value had been rented out at a very low prices such as in a range from Rs.67 to Rs.165 per month per Square feet without obtaining an annual rent assessment from the	It is expected to obtain a monthly rent assessment report from the Valuation Department and amend the rent amount charged for one square feet.	Actions should be taken to amend the rent charges corresponding to the current market estimate value.

Valuation Department, actions had not been taken to amend the rent charges corresponding to the current market estimate value.

- | | | |
|---|---|--|
| <p>(b) It was observed that, Although the validity period of the contracts which had been entered with the Tenants with related to four buildings rented out by the Centre had been expired, those Tenants are occupying in the said buildings at the previous rent charges without extending the period of rent agreements.</p> | <p>Activities of preparing rent agreements for these institutions are being done.</p> | <p>Actions should be taken to sign agreements properly.</p> |
| <p>(c) whilst Rs. 9,725,000 had been invested in a private bank in the year 2002, that bank was winded up and actions had been taken to settle the liabilities by acquiring the functions of that bank to the Central bank of Sri Lanka. Due to this an interest amounting to Rs.972,500 had been lost to the Centre and since council approval had not been obtained, It had not been able to recover the total of deposit amount and interest amounting to Rs.14,101,250 by 30 September 2020</p> | <p>Actions will be taken to obtain necessary approval in order to reinvest this amount.</p> | <p>Actions should be taken to recover bank deposit by settling the legal obstacles</p> |

3.2 Procurement Management

Audit observation	Management Comment	Recommendation
<p>The Centre had purchased 03 security equipment amounting to Rs.547,100 from a firm which had been registered bogusly. Due to this, even though faults of these equipment had been reported it had not been able to get those corrected.</p>	<p>Agreed and actions will be taken to comply with rules and regulations in future procurement activities.</p>	<p>Actions should be taken in accordance with the procurement guidelines</p>

3.3 Human Resources Management

Audit observation	Management Comment	Recommendation
Sufficient actions had not been taken to fill 10 vacancies exist with the approved cadre of the Centre.	Actions will be taken to recruit employees for posts where the vacancies exist.	Actions should be taken to fill the vacancies.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit observation	Management Comment	Recommendation
According to the action plan, 22 activities with an estimated value of Rs. 8,385,000 out of 23 target activities amounting to Rs.8,735,000 had not been done in the year under review. Further, it was observed that 19 out of 22 activities which have not been done in the year under review are the activities which had been planned to start from the year 2016.	From next year, actions will be taken in accordance with the annual action plan.	Actions should be taken to implement the annual plan effectively.

4.2 Budgetary Controls

Audit observation	Management Comment	Recommendation
It was observed a variance in a range of 3 percent to 867 percent among the budgeted values and actual values. Accordingly, it was observed that, the Budget has not been used as an effective management control tool.	This situation arose due to unexpected expenses were incurred in the year 2019.	When preparing the budget, actions should be taken to identify the specific activities which should be done annually , and try to accomplish those activities during specific periods.