

## **Saumyamoothi Thondaman Memorial Foundation - 2020**

---

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Saumyamoothi Thondaman Memorial Foundation for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in equity and 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 reported 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 Saumyamoothi Thondaman Memorial Foundation as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka 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 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 Saumyamoothi Thondaman Memorial Foundation'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 of the Saumyamoothi Thondaman Memorial Foundation either intend to liquidate the Saumyamoothi Thondaman Memorial Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Saumyamoothi Thondaman Memorial Foundation's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Saumyamoothi Thondaman Memorial Foundation 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.

#### **1.4 Responsibility of the Auditor on Audit 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 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 Saumyamoothi Thondaman Memorial Foundation'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 Bureau 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 Saumyamoothi Thondaman Memorial Foundation and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Saumyamoothi Thondaman Memorial Foundation has complied with applicable written law, or other general or special directions issued by the governing body of the Saumyamoothi Thondaman Memorial Foundation;
- Whether has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Audit Observations on the Preparation of Financial statements**

### **1.5.1 Accounting Deficiencies**

**The following observations are made.**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) In accordance with paragraph 72 of Sri Lanka Public Sector Accounting Standards 07, the cost of land and buildings had not been identified separately in the accounts in allocating of depreciation. The depreciation policy of the institution had been disclosed in the financial statements as 2 percent depreciation on 50 percent on the total cost of Rs.277,679,780 of land and buildings. Contrary to that, depreciation was done on the total cost from the year 2005 to 2020. As such, the value of the building by Rs.44,247,720 and the surplus for the year by Rs. 2,776,798 were understated and the accumulated deficit was overstated by Rs.41,470,922 in the financial statements.	No reply was made.	Depreciation should be carried out accurately in accordance with Sri Lanka Public Sector Accounting Standards 07.

- |  |                    |  |
|--|--------------------|--|
| (b) Capital grants of Rs.4,554,839 received during the year under review had not been accounted for.   | No reply was made. | All grants received by the foundation should be accounted for.   |
| (c) In accordance with the Gratuity Payment Act No. 12 of 1983, that the Cost of Living Allowance was not added to the basic salary when calculating the provision for gratuity. As such, the gratuity allocation for the year was under calculated by Rs.4,216,789 and the provision of Rs.750,632 had been allocated as gratuity for 11 officers who left the service in the year 2019 and 2020. Accordingly, the surplus and gratuity provision account were overstated and understated by Rs.3,466,157 respectively in the financial statements. | No reply was made. | Gratuity allocations along with the Cost of Living Allowances should be accurately calculated and accounted for in accordance with the Gratuity Act. |
| (d) Although a sum of Rs.3,111,926 had been added to the accumulated surplus as prior year adjustments in the statement of Changes in Equity for the year under review, the same amount had been shown as a deduction from the accumulated surplus in the statement of Financial Position.   | No reply was made. | Financial statements should be prepared accurately.  |
| (e) The adjustments for the prior year amounted to Rs. 3,111,926 were not adjusted in the statement of financial performance and were deducted from the net surplus under non-cash adjustments in the Cash Flow statement. As such, net cash flow generated from operating activities was understated by that amount.  | No reply was made. | Cash Flow statement should be prepared accurately.   |
| (f) Retention money and work in progress amounting to Rs.184,381 and Rs.1,170,000 respectively which should be adjusted to the   | No reply was made. | Cash Flow statement should be prepared accurately.   |

cash flow generated from investing activities have been shown as an increase in non-financial assets. As such, the net cash flow generated from operating activities was understated by Rs. 1,354,381.

- |   |                           |   |
|---|---------------------------|---|
| <p>(g) Capital grant amortization amounted to Rs.18,048,126, which was a non-cash flow, and Mobilization advances amounted to Rs.2,391,739, which was a net cash flow generated from operating activities had been shown as cash out flows from investment activities in the cash flow. As such, net cash flow generated from investing activities was understated by Rs. 20,439,865.</p> | <p>No reply was made.</p> | <p>Cash Flow statement should be prepared accurately.</p> |
|---|---------------------------|---|

## 1.6 Receivable and Payable Accounts

### 1.6.1 Accounts Receivables

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
		-
<p>(a) The balance receivable as at 31 December of the year under review was Rs.5,942,992. There was a balance of Rs.3,948,435 in that, which had been outstanding for more than 05 years, and action had not been taken by the Foundation to recover those balances.</p>	<p>No reply was made.</p>	<p>Action should be taken to recover the due balances.</p>
<p>(b) The advance balance to be recovered as at 31 December of the year under review was Rs.17,925,355. There was a balance of Rs.15,714,652 in that, which had been outstanding for more than 05 years, and action had not been taken by the Foundation to recover those balances.</p>	<p>No reply was made.</p>	<p>Necessary action should be taken to settle the balance due.</p>

## 1.6.2 Accounts Payables

Audit Observation	Comments of the Management	Recommendation
The balance of payables and short-term loans at the end of the year under review was Rs.10,415,890 and Rs.88,975,563 respectively. There were balances of Rs.8,167,105 and Rs.85,331,368 respectively in that with cumulative values exceeding 5 years and the necessary actions had not been taken to settle those balances.	No reply was made.	Necessary action should be taken to settle the payable balances.

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

Reference to laws, rules, regulations	Non compliance	Comment of the Management	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Paragraph 371 (2) (c)	Although the interim advances taken should be settled immediately after the completion of the respective work, advances total amounting to Rs.1,004,958 given at 04 occasions during the period from the year 2010 to year 2015 had not been settled even by 30 November 2024.	No reply was made.	Necessary action should be taken to settle the interim advances in accordance with the Financial Regulations.
(ii) Financial Regulations 756 and 757 (2)	A Board of survey had not been conducted by the Foundation for the year 2020 and action had not been taken to submit the verification report to the Auditor General.	No reply was made.	Board of Survey should be conducted in accordance with the Financial Regulations.
(b) Section 13 of Chapter XXIX of the Establishment Code of the	The festive advances total amounting to Rs. 1,415,800 given during the year 2016 had not been recovered even by the end of the year under review.	No reply was made.	Action should be taken to recover the festive advances given in accordance with

Democratic  
Socialist  
Republic of Sri  
Lanka

the Establishment  
Code.

- |     |   |  |                    |   |
|-----|---|--|--------------------|---|
| (c) | Paragraph 6.5.1 of Public Enterprises Department Circular No. PED/12 dated 02 June 2003 | Although the draft annual report along with the financial statements of the year under review should be submitted to the Auditor General within 60 days of the end of the financial year, only the financial statements of the year under review were submitted on 18 November 2024. | No reply was made. | The draft annual report should also be submitted as per the circular.                     |
| (d) | Public Finance Circular No. 01/2014 dated 17th February 2014                            | No action had been taken to prepare the annual action plan.  | No reply was made. | Action should be taken to prepare the annual action plan in accordance with the circular. |

## 2. Financial review

### 2.1 Financial results

The operation result in the year under review had been a surplus of Rs. 2,759,732 as compared with the corresponding deficit of Rs. 5,303,653 for the preceding year, thus observing an improvement of Rs. 8,063,385 in the financial result. The increase in government grants and other income had mainly attributed to this improvement.

## 3. Operational review

### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Six full-time courses conducted at the Ramboda Thondaman Cultural Center had been suspended since the year 2015 due to lack of funding. Furthermore, the academic activities of the 03 courses started for 216 school students in the years 2020 and 2021 had been suspended as of the date of audit, 18 November 2024. As such, the ladies' hostel, which had a capacity of 72 students, was closed and remained idle.	No reply was made.	Action should be taken to utilize assets with maximum efficiency.