

Sri Lanka Foundation - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Foundation for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in net assets 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 the 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 Company as at 31 December 2022, 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 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 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 either intend to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Scope of Audit (Auditor's Responsibility on 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness.
- 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 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 Foundation 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 Foundation, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Foundation has complied with applicable written law, or other general or special directions issued by the governing body of the Foundation;
- Whether the Foundation has performed according to its powers, functions and duties; and
- Whether the resources of the Foundation 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 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. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

1.5.2 Noncompliance with Sri Lanka Public Sector Accounting Standards

Non-Compliance with the Reference to Particular Standard	Comments of the Management	Recommendation
As per Sri Lanka Public Sector Accounting Standard No. 11, “Revenue from Non Exchange Transactions” (decided at the Public Sector Accounting Standards Committee meeting held on 19 June 2019), capital grants worth Rs.10,400,000 received from the Treasury were not accounted for.	These capital grants will be accounted for in the coming year as per the new accounting standard.	Action should be taken according to the relevant standard.

1.5.3 Accounting Deficiencies

Non-Compliance with the Reference to Particular Standard	Comments of the Management	Recommendation
Kitchen equipment and repair costs of Rs.26,846,285 spent for the renovation of the kitchen already in use by the institution were shown in the financial statements as work in progress instead of being recognized and accounted for as inventory items and recurrent expenses as required.	While the kitchen renovation works have not been completed and duly handed over by the contractor, As the full value of the renovation work has not been paid, the amount spent is shown as work in progress.	Inventory items and recurrent expenses should be identified and accounted for as applicable

1.6 Accounts Receivable and Payable

1.6.1 Amounts receivable

Audit Observation	Comment of the Management	Recommendation
(i) There was no arrangement to collection of Rs.8,796,974 due from various institutions for the educational programs and workshops conducted by the Sri Lanka Foundation from 2010 to 2022.	Not Commented.	Action should be made to recover the arrears of income without delay.
(ii) From the year 2014 to the year 2022, the Business Development Division had not taken steps to recover Rs.3,869,711 due for the services provided to external parties.	Not Commented.	Action should be made to recover the arrears of income without delay.

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

The reference to particular Standard	Non Compliance	Management Comment	Recommendation
(i) Section 15 of Tertiary And	Out of the 30 courses completed from 2017 to 2021, Sixteen courses were	There was a problem with registration, as renewal is done every	Action should be taken as per the Section 15 of Tertiary And Vocational

	Vocational Education Act No. 20 of 1990	not registered with the Tertiary and Professional Education Commission. Also, 47 courses which were run in the year 2022 were not registered.	2 years. And this information of these courses has been entered in the TVEC data system and the registration is in progress.	Education Act No. 20 of 1990.
(ii)	Annexure 01 of Chapter Five of the Operational Manual for State Owned Enterprises of the Department of Public Enterprises dated 16 November 2021	Although the organization had introduced Key Performance Indicators (KPI), they had not been evaluated and the extent to which they had been achieved(Outcome).	Not Commented.	Action should be taken as per the Operational Manual for State Owned Enterprises of the Department of Public Enterprises
(iii)	Management Board Decision No. 2001/03-137	Although every lecturer should maintain monthly progress reports, no such monthly progress reports were maintained during the period from January to August 2022.	A common evaluation system is being prepared for all the employees of the institution.	Action should be made to get maximum service from all the lecturers who are currently in permanent service.
(iv)	Instruction sheet issued to Training Institutes registered with Tertiary and Vocational Education Commission.	The information of the students registered for 66 courses run by the institute in the year 2022 was not entered on the website as required.	There was a problem with registration as renewal is done every 2 years. And this information of these courses has been entered in the TVEC data system and the registration is in progress.	The instructions issued by the Tertiary and Vocational Education Commission should be followed for the registered training institutes.

2. Financial Review

2.1 Financial Result

The operational result for the year under review was a surplus of Rs. 53,397,480 and the corresponding surplus in the preceding year amounted was Rs. 24,437,646. Accordingly, an improvement of Rs. 28,959,834 was observed in the financial result. The main reason for this

improvement are course fee income by Rs.38,788,158 and the increase in food and other facilities income by Rs.18,739,499 in the year under review.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(i) The Sri Lanka Foundation conducted 103 Advanced National Diploma, National Diploma, Certificate Courses and various workshops during the year under review and paid Rs.15,633,473 as lecturer fees for 10 permanent lecturers and Rs.17,078,356 for external lecturers. During the sample testing, only external lecturers were employed for 29 out of 45 courses and workshops and in 06 courses the resource contribution of external lecturers exceeded 75 percent. And when there was a course coordination unit in the institute, the foundation's permanent lecturers had only coordinated these courses.	Lecturers organize programs outside their scope which are considering the financial status of the institution and their annual targets. They do not have the ability to deliver quality lectures because they do not have the better knowledge of that subject. Hence external resource persons are hired.	Arrangements should be made to get maximum service from the lecturers who are currently engaged in permanent positions.
(ii) The actual income received from three courses conducted in the year 2022 is Rs.681,600 and the estimated fixed cost was Rs.3,037,000. Accordingly, the cost of the fixed form of lecture's fees, lecture hall costs and other overheads will not change, the loss incurred by the institution was Rs.2,355,400 as the value of the fixed cost alone or could not be covered by the course fees.	Not Commented.	Courses should be initiated after evaluating the costs and benefits.

3.2 Under -utilization of Funds

Audit Observation	Comment of the Management	Recommendation
A balance of Rs.54,780,779 was maintained in the current account of the Bank of Ceylon as on 31 December 2022. This amount was not used in short-term effective investment to get a benefit for the institution.	In October 2022, with the approval of the Board of Directors, the cash on hand at the end of the year was invested in short-term investment vehicles (State Bank Fixed Deposits)	Action should be taken to invested Surplus funds an effectively.

3.3 Procurement Management

Audit Observation	Comment of the Management	Recommendation
(i) As per Section 2.8.4 of the Procurement Guidelines, On January 10, 2022, a technical evaluation committee was appointed for the tender work of handing over PEO TV channel number 128, studio, control room, production equipment and related services on lease basis for a period of 5 years, but the report of the technical evaluation committee was not submitted. And Acting Director General's letter No. SLF/01/20/12 dated January 07, 2022 had awarded the tender to the relevant institution with effect from January 10, 2022.	Due to the requirement of start the work very urgently, Acting Director General's letter No. SLF/01/20/12 dated January 7, 2022 has been issued and inform to commence its work. Further coverage approval has been confirmed that the tender will be offered under Management Paper No. 178 dated 12 January 2022 for coverage only.	Action should be taken as per Section 2.8.4 of the Procurement Guidelines
(ii) According to the general terms and conditions No. 3.1 of the agreement mentioned in the tender invitation file regarding transfer of PEO TV channel No. 128 on lease basis, Although it was stated that the lessee should provide a performance bond through a bank guarantee	An institution has presented the Performance Bond of Rs.120,000.00 which bearing 052D8062110357, issued by Nations Trust Bank dated 24th December 2021.	A performance bond should be obtained by way of a bank guarantee of the relevant value as mentioned in the tender invitation file.

within seven (7) days after receiving the notice of the offer of the lease agreement, no arrangements were made to obtain a performance bond from the lessee.

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| (iii) | Action had not been taken to recover Rs.4,050,685 as rent for 4 months from September to December and for providing food and hostel facilities for 7 months from April to December from a private company Rs.300,189. | Not commented. | Action should be made to collect the arrears income. |
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3.4 Human Resource Management

Audit Observation	Comment of Management	the Recommendation
(i) The two posts of Director General and Public Relations Officer of the Sri Lanka Foundation were vacant for 16 months from September 2021 to December 2022. And two officers worked as acting officers for those two positions in addition to their regular duties and received an allowance of Rs.540,847 for that period.	Not Commented.	As per Chapter 11, 13.3 of the Establishments Code, a probationary appointment should be made until a regular appointment is made only as temporary solution. If the services of a full-time officer are required, regular appointment should be made without delay.
(ii) Without hiring qualified officers on permanent basis for 10 vacant management assistant positions, two employees who were hired on temporary basis for 7 vacant positions in 2021 and 2022 will be paid Rs.68,410 in 2021 and for 7 employee had been paid Rs.2,191,029 as wages in 2022.	Not Commented.	As per Chapter 11, 13.3 of the Code of Institutions, a probationary appointment should be made until a regular appointment is made only as temporary solution. If the services of a full-time officer are required, regular appointment should be made without delay.