

Distance Learning Centre Limited - 2023

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Distance Learning Centre Limited (“Company”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information 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 report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium -sized Entities (SLFRS for SMEs)

1.2 Basis for Opinion

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 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 for Small and Medium -sized Entities (SLFRS for SMEs), 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 Company’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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

As per Section 16(1) of the 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.

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 skepticism 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 Company, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company ;
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Comments of Financial Statements

1.5.1 Accounts Receivable and Payable

(a) Receivables

Audit Issue	Management Comment	Recommendation
Tax receivable amounting to Rs.4,136,528 which had been outstanding for over five years was not settled.	DLC had several discussions with Inland Revenue Department Officials in November & December 2023 to assess the recoverable amount/adjustments to consider for impairment in final accounts.	Arrangements should be made to recover the recoverable balances.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
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- (a) **Guidelines on the Corporate Governance of Public Enterprises Circular No. 01/2021 dated 16 November 2021.**

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| (i) Chapter 2.3 | Strategic plan, action plan and annual budget had not been submitted to the Director General of the Department of Public Enterprises for the year under review. | Agreed. DLC has prepared and taken the Board Approval for Strategic Plan (2023-2027), Action Plan and Annual Budget for 2024 and will comply with this section of in 2024. | Should be complied with the Circular instructions and action should be taken accordingly. |
| (ii) Chapter 4.2 (h) | Although Audit Committee meetings should be held once in three months only two audit committee meetings had been held during the year under review. | DLC was functioning without CEO and FAM for a certain period in 2023 with the resignations of previous CEO and FAM. It was unable to conduct audit meeting due the changes of board members during the last quarter. | -Do- |
| (iii) Section 3.4 of the Manual of Corporate Governance | Even though a recruitment and promotion scheme should have been prepared by every public enterprise, the company had not been prepared a scheme of recruitment and promotion. | Agreed. DLC is in the process of preparing Scheme of Recruitment in accordance with PED circulars and will be able to complete the approval process in 2024. | -Do- |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs.9,152,671 and the corresponding loss in the preceding year amounted to Rs.4,250,333. Therefore an improvement amounting to Rs.13,403,004 of the financial result was observed. The reasons for the improvement are increase in tax savings and financial income by Rs.11,881,287.

3. Operational Review

3.1 Procurement Management

Audit Issue	Management Comment	Recommendation
As per 8.9.1 of Government Procurement Guidelines 2006 without a formal letter of acceptance or signed a contract agreement, catering service had been provided to a private institution for the training programs and the company had been paid a sum of Rs.1,751,230 for the catering service during the year under review.	DLC will re-select the catering services provider with the compliance of procurement guidelines and sign the comprehensive contract in 2024.	Should be complied with the Government Procurement Guidelines and action should be taken accordingly.

4. Accountability and Good Governance

4.1 Tabling of Annual Reports to Parliament

Audit Issue	Management Comment	Recommendation
Annual reports had not been submitted to parliament for the years 2020, 2021 and 2022.	A comprehensive Presentation on the DLC was performed by the CEO - DLC to the Line Minister in November 2023 as per the request of the Line Minister. All the report with other requirements has already been submitted to the Line Ministry and to be presented to the cabinet approval in April 2024 through Line Ministry.	Annual reports should be submitted to Parliament.