J.R. Jayawardene Centre - 2023

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the J.R. Jayawardene Centre for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 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 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 the 1.5 section of my report, the accompanying financial statements give a true and fair view of the financial position of the centre as at 31 December 2023, 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.

1.4 Audit Scope (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 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 Centre'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. However, future events or conditions may cause to cease the 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 Audit observations on the preparation of financial statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the relevant Standard	Comments of the Management	Recommendation
(a) According to paragraph 9 of Sri Lanka Public Sector Accounting Standard 02, although the balances of the savings accounts maintained at the National Savings Bank amounting to Rs.292,790 and at Hatton National Bank PLC amounting to Rs.246,815 as at 31 December 2023 should have been presented under cash and cash equivalents, they were instead presented under short term investments in the statement of financial position.	It was informed that, these savings account balances had been recorded under short term investments due to an error and that they would be classified under cash and cash equivalents in future presentations.	Actions should be taken in accordance with the requirements of the accounting standard. .
(b) Although the centre had changed its depreciation policy during the year under review from the diminishing balance method, which had been followed up to the year 2022, to the straight line method, the disclosures required under paragraphs 34 (a) to (e) of Sri Lanka Public Sector Accounting Standard 03, which must be made when there is a change in an accounting policy, had not been made.	It was informed that the disclosures regarding the change in the depreciation policy from the diminishing balance method to the straight-line method would be presented in the 2024 financial statements.	Actions should be taken in compliance with the provisions of the standard.

(c) According to paragraph 92 (a) of Sri Lanka Public Sector Accounting Standard 7, it was noted that the gross carrying amount of property, plant, and equipment that had been fully depreciated but was still in use, as of 31 December 2023, had not been disclosed.	It was informed that due to the non receipt of the stock verification report relevant to the year 2023 at the time of preparing the final accounts for the year 2023, the finance division was unable to identify the fully depreciated assets as of 31 December 2023. As a result, it was unable to report on the property, plant and equipment that had been fully depreciated but were still in use as of 31 December 2023.	The carrying amount of assets that are still in use but have exceeded their useful life should be disclosed in the financial statements
(d) According to paragraphs 15 and 16 of Sri Lanka Public Sector Accounting Standard 9, the value of the books held for sale, including those received as donations, amounting to Rs.3,288,420 as of 31 December 2023 had not been disclosed with the basis for its calculation. Furthermore, the value of the 17,704 books, including donations, were calculated based on cost but information regarding the method used to determine the cost per book had not been provided to the auditor.	It was informed that the value of the books held for sale in the library had been calculated based on cost. However, as per the auditor's observation the value should be calculated based on the lower of cost or net realizable value in the future, as per paragraph 47(a) of Sri Lanka Public Sector Accounting Standard 07, and the necessary disclosures should be made accordingly.	Actions should be taken in compliance with the provisions of the standard
(e) Although the actuarial method should be used in calculating employee benefits under Sri Lanka Public Sector Accounting Standard 19, the actuarial method was not foloowed in the calculation of gratuity provisions amounting to Rs.5,496,157 as at 31 December 2023, according to the financial statements.	It was noted that, the actuarial method will be used for calculating employee benefits in accordance with Sri Lanka Public Sector Accounting Standard 19, in the future.	Actions should be taken in accordance with the standard.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(a) During the preparation of the fixed assets register, a sum of Rs. 27,148,788 had been adjusted through the retained earnings and	The J. R. Jayewardene Centre had not maintained a fixed asset register since its inception. While preparing the fixed asset register in	The depreciation expense and depreciation provision for the year should be accurately

accumulated depreciation accounts. This adjustment had been made to correct errors identified in the depreciation calculations of prior years and to account for the under depreciation recognized as a result of changes made to the depreciation policy during the year under review. However, it was observed that an amount of Rs. 27,148,788 relating to depreciation adjustments, as well as the depreciation expense of Rs. 4,056,798 for the year under review (excluding depreciation on intangible assets), had not accurate due to the capitalization of certain subsequent expenditures to property, plant, and equipment that should not have been added to the carrying amount.	2023 by including information on assets that had been in use since the establishment of the entity and related purchase details, it was observed that the recurring nature expenses had also been included in the register. It was informed that the necessary adjustments relating to the inclusion of such recurring expenses would be made through the fixed asset register in the year 2024.	calculated and properly adjusted in the accounts.
(b) According to the Statement of Financial Performance, other expenses amounted to Rs. 15,951,802. However as per Note 24, the recorded value was Rs. 16,451,802, showing a variance of Rs. 500,000.	The expense of Rs.15,951,802 under other expenses in the Statement of Financial Performance is the correct expenditure. However, an amount of Rs.500,000 was incorrectly included as library book printing expenses due to an error in preparing Note 24. As a result, the total in Note 24 has been recorded as Rs. 16,451,802. The expense of Rs. 500,000 for library book printing, as mentioned above, is not applicable. Furthermore, no such expense is included in the cash book or ledger accounts. Therefore, it was informed that this is an error that occurred during the preparation of Note 24.	The values presented in the Statement of Financial Performance should be reconciled with the notes and the accuracy should be confirmed.
(c) The values of 05 comparative figures disclosed under the notes to the set of financial statements were overstated by Rs.425,765 During the year under review, compared to the amounts presented in the 2022 financial statements.	As indicated by the audit, due to an error in recording information related to the year 2022, an overstatement of Rs. 425,765 was made in the accounting records only. However, the correct value has been presented in the financial	It is essential to ensure that the values are accurately presented in the financial statements.

	statements. It has been informed that actions have been taken to ensure that such accounting records will be prepared accurately in the future.	
(d) An amount of Rs.456,667 which should not have been included in the cash flow statement but was adjusted as prior year adjustments to accumulated profits, was reported as cash payment under the financial activities section of the cash flow statement.	It was informed that, adjustments made to the accumulated profit will be accurately reflected when preparing the cash flow statement in the future.	The cash flow statement should be prepared accurately.
(e) It was observed that interest income amounting to Rs.22,996,351 had been reported in the financial statements for the year ended 31 December 2023, relating to 18 fixed deposits maintained with the Peoples Bank, Bank of Ceylon, and the State Mortgage and Investment Bank. However, as per audit calculations, the actual interest income for the year amounted to Rs. 23,342,094. Accordingly, interest income had been understated by Rs. 345,743 in the financial performance statement for the year under review.	With reference to the observation made by the audit, the interest amount relating to 05 fixed deposits amounted to Rs. 21,375,239.46 for the year 2023 (the year under review). This interest income has been duly recorded under the interest income account for the year 2023. Furthermore, we confirm that the above amount has also been appropriately included in the financial statements.	It has been observed that interest income relating to 18 fixed deposits has been disclosed in the report. Accordingly, necessary action should be taken to accurately account for the correct interest income relating to these deposits in the financial records.
(f) An investment of Rs. 5,000,000 had been made by the Centre in the year 1998 in a private associated company named J.R. Jayewardene Centre (Private) Limited and it had been dissolved in the year 2008. However, only a sum of approximately Rs. 700,000 had been recovered from the investment. Although a period of nearly 15 years has elapsed since the dissolution of the company, necessary accounting adjustments had not been made in respect of the unrecoverable balance amounting to Rs. 4,300,000.	The J.R. Jayewardene Information Centre, which was established with the approval of the Board of Governors and under the chairmanship of Mr. Pradeep Jayewardene, who was a member of the Board at the time, was dissolved in the year 2008 due to solvency. Due to this reason, there is no possibility of recovering the said amount or obtaining any dividends or shares entitled from the respective institution. Therefore, action has been taken to obtain the approval of the General Treasury for the removal of the investment amounting to Rs.	It should be properly disclosed in the accounts.

	4,300,000.00, which had been included under long term investments in the statement of financial position as an investment in the J.R. Jayewardene Information Centre. Further, the General Treasury has referred the matter to the Secretary of the Ministry of BuddhaSasana, Religious and Cultural Affairs for recommendation regarding the removal of this investment from the accounts.	
(g) The calculation of the gratuity was made by multiplying half of the employee's final salary by the length of service. However, due to the inclusion of months not amounting to full years in the calculation of the length of service, instead of considering only completed years, the gratuity provision had been overstated by Rs. 234,897 in respect of 22 employees as at 31st December 2023.	As observed by the audit, due to an error in calculating the employee's length of service, gratuity provisions had been made even for the number of months. It has been noted that necessary adjustments in this regard will be made in the future.	The gratuity should be calculated in accordance with the provisions of the law.
(h) The Centre had not maintained a fixed asset register from its inception up to the year 2022. However, according to the fixed asset register prepared for the year 2023. However Contrary to paragraph 21 of Sri Lanka Public Sector Accounting Standard 07, expenses amounting to Rs. 219,981 and Rs. 266,906 respectively, incurred for servicing and battery replacement in the years 2015, 2017, and 2019 for a motor car purchased in 2014, and in the years 2016, 2018, and 2019 for a van purchased in 2016, had been capitalized in those respective years. As a result, the accumulated depreciation and expenses had been overstated.	The J.R. Jayewardene Centre did not maintain a fixed asset register from its inception. However, in 2023, a fixed asset register was prepared including details of assets used since the inception of the entity and purchases made. However, as observed by the audit, certain recurring expenses of a revenue nature were also included in this register. It has been noted that the necessary adjustments in this regard will be made through the fixed asset register for the year 2024.	Recurrent expenses should not be capitalized, and necessary actions should be taken to correct the accumulated depreciation and expenses.

(i) Although land and buildings are classified into 02 different categories, it had not been accounted for separately but have been recorded under the same category as 'Land and Buildings' in the financial statements.	It has been noted that, the land and buildings will separately assess through the Department of Valuation and present them individually in the financial statements.	Necessary actions should be taken to account for land and buildings separately.

1.5.3 Documentary Evidences not made available for Audit

Subject	Amount Rs.	Unsubscribed Audit Evidences	Comments of the Management	Recommendation
(a) Public Fund	111,972,301	Detailed information	It was noted that from its inception, the organization had recorded an amount of Rs. 111,972,301 as a public fund in the financial statements. The same amount of Rs. 111,972,301 was also recorded as the public fund in the financial statements as of 31st December 2023.	Action should be taken to provide the detailed information.
(b) Fixed Deposits	19,826,503	Discrepancies between the Trial Balance and of fixed deposit accounts numbers stated in ledger and the reference number in the balance confirmation letter.	As noted by the audit, an error was found in the ledger accounts where the account number for the fixed deposits held at the People's Bank was recorded as the same account number for the year 2022. It has been noted that this will be corrected in the future.	Comparison should be made between the account numbers stated in the ledger and those mentioned in the bank confirmation, and the financial statements should be presented accordingly.
(c) Damaged stock of books	389,235	Basis of valuation and detailed supporting document	It was noted that an independent investigation committee has been appointed to conduct an examination of the books available in the library for sale in the year 2024. It has also been recorded that the necessary adjustment activities in this regard will be carried out through the audit committee.	The basis of valuation and detailed documentation should be provided.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Section 371(2)(a)	Contrary to the financial regulation, 03 officials in 03 departments of the Centre were provided with a petty cash advance of Rs. 40,000 during the year under review, However, when reimbursing the petty cash, the settlement for the previously issued advances should have been presented, but such settlement had not been carried out. Despite this, the petty cash reimbursement had made on 03 occasions.	The petty cash advance will be issued in accordance with the provisions of Section 371(2) of the Financial Regulations in the future.	The necessary actions should be taken as per the financial regulations.
(b)Financial Regulations 756 (6) as amended by the Public Finance Circular No.01/2020 dated 28 August 2020	A stock verification for the year 2023 had not been conducted.	It was informed that necessary steps will be taken to conduct the stock verification activities starting from the year 2024.	Should be act in accordance with the financial regulations.
(c) The "Operations Manual" published in the State Enterprise Circular No. 01/2021 dated November 16, 2021.			
(i) Paragraph 3.1 and 3.2		It was informed that the	Actions

The recruitment procedure had not been established and treasury approval had not been obtained.	necessary actions will be taken as indicated by the audit in the future.	should be carried out in accordance with the guidelines of the circular.

1.7 Non-compliance with Tax Regulations

Audit Observation	Comments of the Management	Recommendation
According to Sections 2 (1) and 102 of the Inland Revenue Act No. 24 of 2017, the Centre had neither registered for income tax nor taken steps to obtain tax exemption. Furthermore, any action had not been taken to pay income tax for the assessment years 2018/2019, 2019/2020, 2020/2021, 2021/2022, and 2022/2023.	Income tax has not been paid since company inception and the Income Tax has not been paid as the Centre is not a profit making entity and it was noted down that, discuss the information mentioned by the audit with the Inland Revenue Department in the future and to take further action on the instructions of the Department of Public Enterprises of the General Treasury.	Actions should be taken to register for income tax or to obtain tax exemption.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs. 8,875,557 and the corresponding surplus in the preceding year amounted to Rs. 5,491,805. Therefor an improvement amounting to Rs. 3,383,752 of the financial results was observed. The reasons for the improvement are increases in fixed deposit interest income by Rs. 10,462,081 and hall rent income by Rs. 5,324,625.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The loan balance of Rs.422,868 as of 31 December 2023 recoverable from 03 employees who had resigned from the Centre during the year under review, remained unrecovered as at 31 December 2024.	It was informed that written notices had been issued as per the audit observations to promptly settle the outstanding distress loan balances, and legal action would be taken in the event of further delays in repayment.	Action should be taken to recover the loan in accordance with the terms of the loan agreement. .

(b) Although the 3 rood and 4.47 perches of land, where the centre is located had been used since its inception in 1988. However the ownership of the land had not been taken over by the Centre.	The ownership of the land belonging to the J. R. Jayewardene Centre has been vested in the Centre by the Act No. 77 of 1988. Furthermore, the annual assessment taxes for the buildings located on these premises are also paid by the J. R. Jayewardene Centre. The relevant documents are submitted to the audit under Annex No. 05.	Ownership of land cannot be transferred solely by the provisions of an Act. Therefore steps should be taken to legally transfer the ownership in accordance with applicable laws and regulations.
(c) The balance of receivables under current assets in the statement of financial position, comprising building rent, classroom rent, electricity charges, and cleaning fees, amounted to Rs. 11,604,906 as at 31 December 2023. A balance of Rs. 5,197,963 had been outstanding for over 05 years. However, the Centre had not taken action to recover these outstanding amounts.	The receivables identified by the audit as being outstanding for more than 05 years relate to amounts due from institutions that had been provided with building premises under formal agreements from May 2012 to May 2013. It was informed that necessary legal action would be taken in the future to recover these outstanding amounts.	Action should be taken to recover the rent in accordance with the terms of the agreement.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
Due to difficulties in convening the governing board of the J.R. Jayewardene Centre, as mentioned in Section 03 of the J.R. Jayewardene Centre Act No. 77 of 1988, the board has only met once in 2015, 2017, and 2023. The governing board, which is entrusted with the administration, management, and supervisory authority of the Centre, has not convened regularly, which could have an adverse effect on the functioning of the Centre and its daily operations. Given that the Centre's Act is over 25 years old, including the aforementioned provision, the Centre should have taken necessary steps to amend the Act and other	It was informed that, as a solution to the practical difficulties in convening the governing board to conduct the institution's daily activities effectively, necessary actions are currently being taken to establish an operational committee for the institution.	Necessary actions should be taken to amend the provisions of the Act to make them more appropriate.

relevant provisions to make them more appropriate. However, any such action had not been taken.

4. Accountability and Good Governance

4.1 Submission of financial statements

Audit Observation	Comments of the Management	Recommendation
According to Section 6.6 of the Operations Manual in the State Enterprises Circular No. 01/2021 dated 16 November 2021, the draft annual report and financial statements should be submitted to the Auditor General within 60 days of the end of the financial year. However, the center submitted the 2023 accounts to the Auditor General with an 8 months delay, on 28 October 2024.	The financial statements should have been submitted to the Auditor General along with the minutes of the meeting, where approval was obtained from the governing board. The delay in holding the meetings was the reason for this delay in submission.	Steps should be taken to submit the annual report and financial statements to the Auditor General on the prescribed date as per the circular.

4.2 Annual Report

Audit Observation	Comments of the Management	Recommendation
According to Section 6.6 of the Operations Manual published in the State Enterprises Circular No. 01/2021 dated 16 November 2021, the annual report should be submitted to the board within 05 months of the end of the financial year. However, the annual reports had not been submitted to the board since the year 2010.	It was informed that a plan will be developed to present the annual reports to Parliament in the future, and the necessary steps will be taken to implement it.	The annual reports should be submitted to the board within 05 months of the end of the financial year. .

4.3 Internal Audit

Audit Observation	Comments of the Management	Recommendation
The Centre has not conducted an internal audit of its operations as required by Section 40 of the National Audit Act, No. 19 of 2018.	Internal Audit Division of the Ministry of BuddhaSasana Religious and Cultural Affairs had carried out internal audits for the year 2023.	The governing board of the organization should appoint its own internal auditor to conduct internal audits in accordance with the provision.

4.4 Audit Committee

Audit Observation	Comments of the Management	Recommendation
The Centre had not established the Audit and Management Committee as per Section 41 of the National Audit Act, No.19 of 2018.	Answers for audit queries, meetings of the Audit and Management Committee held by the Internal Audit Division of the Ministry of Buddha Sasana Religious and Cultural Affairs for the 04 quarters of the year 2022 had been submitted. Furthermore, Assistant Accountants have also participated in these committees.	Audit and management committee should be established according to the provision of the act.