

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Foundation 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 net Assets 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 the Financial 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 discussed 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 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 Describe 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 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 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 Responsibilities 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 risks of material misstatement in the financial statements, whether due to fraud or error, 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 in order to design audit Procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness.
- Evaluate the appropriateness of the accounting policies use 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 Preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non-Compliance with Reference to Relevant Standard	Comment of the Management	Recommendation
(a) According to the paragraph 55 of Sri Lanka Public Sector Accounting Standard No. 07, a revaluation surplus of Rs.1,100,000 was identified by revaluating a car in the year 2018. At the time of disposal of the relevant car in the year 2022, the relevant revaluation surplus had not been transferred to the accumulated fund. Therefore, in the year under review, the accumulated fund was understated by Rs.1,100,000 and the revaluation surplus was overstated by Rs.1,100,000.	Corrected and reconciled accounts as on 30 April 2024.	At the time of disposal of the car in accordance with the Standard, the revaluation surplus shall be transferred to the Accumulated Fund.
(b) According to paragraph 21 of the Sri Lanka Public Sector Accounting Standard No. 07, of the year under reviewed, two building repairs of Rs.1,404,519	Corrected and reconciled to accounts in May 2024.	Repair costs incurred on assets should be accurately recognized and

included in property, plant and equipment were recognized as building construction, and therefore the building repair cost overstated the building assets by a value of Rs.1,404,519 and the surplus of the year was overstated by Rs.1,359,806 because it was understated by Rs.1,404,519 and correspondingly the depreciation expenses were overstated by Rs.44,713.

accounted for in accordance with the standard.

1.5.2 Uncertain Accounts

Subject	Amount	The Time was Uncertain	Comment of the Management	Recommendation
Uncertain accounts	Rs.189,587	2015 – 2023	It is expected to be presented to the management board and further action.	Arrangements should be made to settle the uncertain account balance.

1.5.3 Absence of Written Evidence for Audit

Subject	Amount	Audit evidence not provided	Comments of the Management	Recommendation
Building Repairs	Rs.26,846,285	Report of the Committee appointed to obtain an estimate of working progress.	Necessary steps are being taken as per the recommendations of the committee appointed to examine the working progress and how to proceed. The committee report will be submitted immediately.	Relevant records should be submitted promptly for audit.

1.6 Accounts Receivable and Payable

1.6.1 Amounts Receivable

Audit Observation	Comments of the Management	Recommendation
(a) Rs.15,144,408 due from various institutions for educational programs and workshops conducted by the Sri Lanka Foundation from 2010 to 2023 and Rs.2,093,692 due for services provided by the Business Development Division to external parties from 2014 to 2023 had not been recovered.	Rs.388,786.96 of the balances before 2023 in the academic sector and Rs.6,300 relevant to the development sector has been recovered and necessary steps are being taken to recover the remaining amount.	Actions should be made to recover the arrears of revenue immediately.
(b) The agreement related to the providing the Peo TV channel number 123 of Sri Lanka Foundation, studio, control premises, production equipment and related services on rental basis for the years 2022 and 2023 respectively to recover Rs.1,269,792 and Rs.8,724,248 as total sum of Rs.9,994,040 should have been recovered. Furthermore, in determining the monthly rent of the building premises and the channel, the government's assessed value and the current prices in the market were not evaluated and arrangements were not made to obtain a security deposit (Security Bond) for the safety and existence of the studio and its existing production equipment.	Letters have been sent to the relevant institutions on several occasions asking them to settle the loan amount. They have decided to take legal action in case of default. And regarding this an investigation has been started under F.R 104.	Actions should be made to recover the arrears of revenue immediately.
(c) In the year 2017, the balance of Rs.397,005 due for providing other services to two external parties had failed to be recovered at the end of the year under review.	It is hoped to discuss with the audit and management committee and get recommendations and carry out further work.	Actions should be made to recover the arrears of revenue immediately.

1.6.2 Advances

Audit Observation	Comment of the Management	Recommendation
In the balance of Rs.4,863,414 advances shown under accounts payable, unrecognized direct deposits were Rs.471,970, Rs.568,750 and Rs.1,234,743 for the years 2021, 2022 and 2023 respectively. The above balances which were directly deposited by the external parties to the institution's bank account had not been identified and settled.	A special program has also been implemented to adjust the unrecognized remaining balance deposited in the bank in the years 2021, 2022 and 2023 and to adjust the unrecognized credits from the beginning of the year 2024.	Relevant balances should be identified and settled promptly.

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

Reference to Laws, Rules, Regulations etc	Non-Compliance	Comment of the Management	Recommendation
(a) Paragraph 2.1 of the chapter V, of the Establishment Code	Contrary to the provisions, an officer who was performing the duties of the rank of Lieutenant Commander of the Sri Lanka Navy had assumed the duties of the Director (Administration) of the Sri Lanka Foundation on 2 August 2021, when he was not temporarily or permanently released from public service to perform the duties of a public corporation.	The recommendations of the preliminary investigation will be forwarded to the management board meeting on 16 May and further action will be decided.	Actions should be taken as per the provisions of the Establishment Code.
(b) Section 12.2.5 of Chapter vii of the Establishment Code	Contrary to the provisions, an amount of Rs.599,979 was paid as acting allowances in the years 2021, 2022, 2023 for covering the duties of the position of Director (Academic) of the Sri Lanka Foundation.	The Secretary of the Ministry of Mass Media was informed to take action to recover the amount paid. It will be presented to the next management board	Actions should be taken to recover the allowances.

- meeting and appropriate action will be taken.
- (c) Chapter 2.3 of the Code of Guidelines dated 16 November 2021 of the Department of Public Enterprises According to the provisions, by 31 December 2023, although the Strategic Plan for the year 2023 had not been prepared, a workshop was held at an external resort for 14 officials at a cost of Rs.82,135. The Strategic Plan prepared for the period 2024-2028 has been submitted to the Secretary of the Ministry of Mass Media on 14 February 2024. As per the provisions, the Strategic Plan should be prepared and approved within the stipulated time frame.
- (d) Management Board Decision No. 2001.03.137 As per the provisions, every lecturer has not been maintained monthly progress reports in the year 2023. Academic staff have been informed to submit monthly progress reports. Every lecturer should be maintained monthly progress reports.
- (e) Gazette No. 887/8 dated 07th September 1995. Institutions conducting tertiary and vocational training courses must register the courses conducted by their institutions with the Tertiary and Vocational Education Commission (TVEC) and should be renewed the registration annually. As of 31 December 2023, 43 ongoing courses had not been registered by the Foundation. The 26 courses had registered with the Tertiary and Vocational Education Commission. Registration has been applied for another 15 courses. In addition, the process of obtaining NVQ status has already started. Tertiary and Vocational Education Commission courses must be registered and renewed annually.
- (f) Section 14.3.3 of Chapter xii of the Establishment Code Although the request for study leave with full pay has to be submitted to the director General of the Establishment and approval, two lectures were given study leave with full pay for a period of 2 years and 6 months and paid Rs.8,030,919. All payments and leave allowances have been made as per the terms previously agreed by the management. Academic leave with full pay must be approved by the Director of the Establishment in accordance with the provisions of the Establishment Code.
- (g) Section 14.6 of Chapter xii of the Establishment Code. An Agreement had not reached for the compulsory tenure of two lecturers of the institute to serve on academic leave Arrangements have been made to formally enter into agreements in the future according to An agreement should be entered into in accordance with the provisions of the

	with full pay for a period of 2 years and 6 months.	the provisions of the Code of Establishment and the relevant circulars.	Establishment Code.	
(h)	Annexure 01 of Chapter Five of the Code of Guidelines on Public Enterprises issued by the Department of Public Enterprises on 16 November 2021.	Although the organization had introduced key performance indicators (KPI), and they had not been checked and evaluated the outcome.	These criteria have been included in the Strategic Plan from 2024 to 2028 and steps are being taken to correct this deficiency in the future.	The performance indicators introduced in accordance with the guidelines issued by the Department of Public Enterprises should be evaluated and the amount achieved should be indicated.
(i)	Section 5.3.1(d) and Section 2.6.1(a)(ii) of the Procurement Guidelines	As per the provisions, Technical Evaluation Committees had been appointed after inviting bids for 04 procurements worth Rs.2,631,835 made by the Foundation during the year under review.	The necessary foundation has been laid to carry out procurement activities by using resources sparingly, efficiently and effectively, by avoiding deficiencies and omissions.	Technical evaluation committees should be appointed in accordance with the provisions of the procurement guidelines.

1.8 Non-Compliance with Tax Regulations

Audit observation	Comment of the Management	Recommendation
Although the advance personal income tax report related to the assessment year 2022/2023 should be submitted to the Inland Revenue Department on or before the 30 of April following the end of the assessment year, the relevant report had not been handed over to the Inland Revenue Department by 31 December 2023.	The dues have been paid on due dates and the reports related to the year 2023 have already been submitted through the online system in consultation with the Inland Revenue Department.	Tax returns must be submitted to the Inland Revenue Department on the due date.

2. Financial Review
2.1 Financial Results

The operating result of the year under review was a surplus of Rs.8,806,726 and correspondingly the surplus of the previous year was Rs.53,397,480. Accordingly, a deterioration of Rs.44,590,754 was observed in the financial result. This deterioration was mainly due to the non-recognition as other income of the income recognized annually as amortization from deferred income during the year under review in accounting for grants received from the Treasury.

3. Operational Review
3.1 Identified Losses

Audit observation	Comments of the Management	Recommendation
<p>Due to the permanent retirement of the officer who served in the position of Director (Academic) of the Sri Lanka Foundation from 28 August 2020, to pay all the arrears of salary due to him as per the judgment dated 07 July 2023 in the case assigned by the officer against the Sri Lanka Foundation and in the position of Director (Academic) had to be reinstated. From April 2019 to November 2023, who did not work for the institution, Rs.4,041,301, Rs.1,132,573, Rs.135,908 and Rs.390,466 as arrears of salary, contributions to the Employees' Provident Fund, contributions to the Employees' Trust Fund and lawyer's fees respectively and aggregate sum of an additional cost of Rs.5,700,250 had also to be incurred .</p>	<p>Answers had not provided.</p>	<p>Management should make sure that the Correct decisions are not made to the detriment of the organization.</p>

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) According to the action plan for the year 2023, the Sri Lanka Foundation had planned to get an income of Rs.124,328,000 by conducting 82 courses and workshops, but due to the failure to conduct 65 of those courses and workshops (79 percent)</p>	<p>Since this situation has arisen due to the preparation of these plans without a formal and scientific method, steps are being taken to prevent this situation in</p>	<p>Plans should be prepared considering the practical conditions and the roles of the plan should be fulfilled.</p>

- in the year 2023, and the expected income (77 percent) of Rs.95,618,000 had been lost.
- (b) There are 13 lecturer positions approved by the Sri Lanka Foundation for conducting courses and the actual number of lecturers was 09. A sum of Rs.13,108,487 had been paid as salaries and allowances for those lecturers in the year 2023. In a sample check, out of 21 courses started in the year 2023, only the resource contribution of external lecturers had been obtained for 04 courses and the permanent lecturers of the foundation had only done the coordination part of these courses. In another 12 courses, the resource contribution of external lecturers had been exceeded 75 percent.
- (c) As of 31 December 2023, out of the 85 courses and workshops that had been started and maintained from 2019 to 2023, there was a delay between 62 and 742 days on 31 December 2023 for 30 courses and more than 90 days delay to complete the 28 courses have been completed and among them there were 08 courses that have been delayed for more than 365 days.
- (d) Among the 26 courses and workshops that had been started for the year 2023, 11 courses and workshops (42%) were courses and workshops that were not planned according to the action plan, and one course (0%) among the courses and workshops that should be conducted according to the action plan by two lecturers and Courses and workshops that had not been initiated and were conducted by other lecturers on the Action Plan ranged from 5 percent to 50 percent.
- the future.
- In cases where the subjects of the courses do not belong to the scope of the current lecturers, the services of external lecturers have to be obtained more and more. Of these, the approval of the Cabinet has been received for filling 04 positions and letters have been sent requesting approval for filling the remaining vacancies.
- Due to the covid 19 epidemic situation that lasted until the year 2019-2021, there were obstacles in conducting the courses as planned and it has been possible to take this situation to a satisfactory level at the end of the year 2023.
- It has been observed that this kind of situation has arisen due to the preparation of these plans without a formal and scientific method. Therefore, measures are being taken to prevent this situation in the future.
- Arrangements should be made to get maximum service from the lecturers who are currently engaged in permanent positions.
- The courses should be completed within the stipulated period.
- Arrangements should be made to conduct courses in accordance with the action plan.

3.3 Procurement Management

Audit Observation	Comment of the Management	Recommendation
<p>(a) In accordance with section 2.3 of the Treasury Secretary's Public Finance Circular No.01/2021 dated 29 September 2021, in a direct contract award to a community-building organization, the criteria that can be used to evaluate the suitability of the concerned society were not taken into account, and the contractor who submitted the false Bank account details repaired to toilet system in the employee dormitory worth Rs.2,653,342 contract had been awarded.</p>	<p>The necessary foundation has been laid to carry out procurement activities by using resources sparingly, efficiently and effectively, avoiding deficiencies and omissions.</p>	<p>In the case of direct award of contract to a Community Development Organization in accordance with the circular provisions, consideration should be given to the determinants that can be used to evaluate the suitability of the concerned society.</p>
<p>(b) The repair of the kitchen cold room worth Rs. 252,500 had been done without a contract with the contractor selected for the repair contract and the contractor had given an additional cost estimate of Rs. 75,000 for this repair. It was recommended by the Technical Evaluation Committee but was not submitted for the approval of the Procurement Committee. Furthermore, due to this repair being carried out without proper supervision, the institution incurred an additional cost of Rs. 1,012,500 due to having to make a new procurement and install a new machine, and due to the shutdown of the cold room, the food stocks of Rs. 26,920 had been spoiled.</p>	<p>The necessary foundation has been laid to carry out procurement activities by using resources sparingly, efficiently and effectively, avoiding deficiencies and omissions.</p>	<p>The procurement process should be carried out in accordance with the provisions of the Procurement Guidelines Code.</p>
<p>(c) In the procurement related to the installation of the doors of the main auditorium, the procurement committee had acted on the recommendation of the technical evaluation committee to reject the bids of 03 suppliers on the condition that they were not registered with the Construction Industry Development Authority (CIDA). The use of basic qualifications, which should have been</p>	<p>The necessary foundation has been laid to carry out procurement activities by using resources sparingly, efficiently and effectively, avoiding deficiencies and omissions.</p>	<p>The procurement process should be carried out in accordance with the provisions of the Procurement Guidelines Code.</p>

considered in the selection of suppliers for tendering, in the evaluation of bids, had hindered the submission of competitive bids.

3.4 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
<p>The officer who assumed the duties of Director (Administration) of the Sri Lanka Foundation on 02 August 2021 retired from the Sri Lanka Navy service on 05 November 2021 and during the period from 02 August 2021 to 05 November 2021, the Sri Lanka Foundation and the Sri Lanka Navy Rs.495,759 and Rs.319,669 were received as salary and allowances from both the institutions.</p>	<p>A preliminary investigation was conducted based on the facts of the audit queries submitted regarding the recruitment to the post of Director (Administration) and the recommendations of the audit conducted by the Ministry of Mass Media. Its recommendations will be forwarded to the management board meeting on 16 May and further action will be decided.</p>	<p>Action should be taken as per the provisions of the Establishment Code.</p>