

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Skills Development Fund Limited (“Company”) for the year ended 31 March 2024 comprising the statement of financial position as at 31 March 2024 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 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. 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 March 2024, 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 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, 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 Audit Scope

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Guidelines on Corporate Governance and Operational Manual for State Owned Enterprises (SOEs) issued by the Department of Public Enterprises on 16 November 2021 No. 01/2021			
(i)	Guideline 4.2 (h)	Even though at least 04 Audit Committee meetings should be held during a particular year, the company had held only one meeting during the year under review.	Two Audit and Management Committee meetings were held during the year under review.	Action should be taken to comply with the Guideline.
(ii)	Section 4.4	Internal audit conducted by the ministry had not been functioning properly.	The company has requested the Ministry of Education to conduct the internal audit.	Action should be taken to comply with the Guideline.
(iii)	Section 5.3	Though it is expected to distribute at least 30 percent of the profit after tax to the consolidated fund/ shareholders, after having satisfied the solvency test as stipulated in the companies Act No 07 of 2007, the company had not complied with.	The distribution was delayed due to issues with the shareholder interest register.	Action should be taken to comply with the circular requirement.

(b)	Department of the Public Enterprises circular No.95 dated 14 June 1994	The sum of Rs.600,000 had been paid as incentives during the year under review without approvals of the Department of the Public Enterprises.	The payment of staff incentive was approved by the Board of Directors and requested the necessary approval from the Department of Management Services.	Action should be taken to get approval from Department of the Public Enterprises.
(c)	Section 14(1) of the Tertiary and Vocational Education Act No. 20 of 1990 of the Parliament of the Democratic Socialist Republic of Sri Lanka	Though the courses and examinations conducted by the company should be registered with the Tertiary and Vocational Education Commission (TVEC), it was not done until 31 March 2024. Although the company should have entered into the agreements with third parties to conduct examinations and courses only with institutions registered with TVEC, contrary to that the company had entered in to agreements with 5 third party institutions.	These educational institutes working with us have been informed to get the registration of TVEC.	Action should be taken to comply with the Act.

1.7 Cash Management

Audit Issue	Management Comment	Recommendation
A sum of Rs. 161,076 had been held in a dormant current account for last several years without being utilized effectively.	Company had discussed this matter with the Ministry officers & Audit Committee Meeting and will take steps to resolve this matter in September 2024.	Actions should be taken to activate or close the account.

2. Financial Review

2.1 Financial Results

The operating results of the year under review amounted to a profit of Rs. 44,338,930 and the corresponding profit in the preceding year amounted to Rs. 28,591,321. Therefore, an improvement amounting to Rs.15,747,609 of the financial result was observed. The reason for the improvement is an increase in revenue.

2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the year under review compared with the preceding year with the percentage of increase are shown below.

Description	For the year 2023/2024 Rs.	For the year 2022/2023 Rs.	Variances [Favorable(Ad verse)] Rs.	Percentage %
<u>Income</u>				
Education Programs Income	30,823,196	18,616,720	12,206,476	66
Public Private Partnership Programs Income	56,051,000	21,562,000	34,489,000	160
<u>Expenditure</u>				
Direct Cost	10,609,926	6,686,429	3,923,497	59
Over time	2,734,059	215,766	2,518,293	1,167
Expenditure for board members	967,651	306,450	661,201	215

The following observations are made,

- i. Public Private Partnership Programs Income had drastically increased due to the formalization of the existing 5 such programs by charging advertising & promotion fees of Rs. 1,000,000 per program and an increase of the certificate charges and number of issuing certificates.
- ii The direct cost had increased by 59 percent due to up-liftmen of resource personal fees and fuel, postage, refreshment, advertising cost, etc. in the year under review.
- iii The overtime had been increased by Rs.2,518,293 equal to 1167 percent during the year under review as compared with the preceding year.

03. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
Action had not been taken to resolve the conflict arising in the shareholders interest register.	Will forward to next board meeting to get advises.	Immediate action should be taken to resolve the conflict.