

## **President's Fund - 2021**

---

### **1. Financial Statements**

---

#### **1.1 Opinion**

---

The audit of the financial statements of the President's Fund for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in net assets /equity and cash flow statement and notes to financial statements for the year then ended 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 presented in Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 Basis for Opinion**

---

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, under those standards is 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 Public Sector Accounting Standards and for such internal control as management determines 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Fund 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 Fund.

## 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 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 of the Fund'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 Fund'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 the Fund 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 Fund and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;

- Whether the Fund has performed according to its powers, functions and duties; and Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Non-compliances with Laws, Rules, Regulations and Management Decisions

---

The following observations are made.

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
-----	-----	-----	-----
(a) Section 03 of the President's Fund Act, No. 07 of 1978.	A Board of Governance should exit as per the Section 03 of the President's Fund Act, No. 07 of 1978. and it had been informed that the procedure regarding the meetings of the Board and the activities of the meetings can be streamlined by the Board. However, Board of Governance meeting of the President's Fund had been last held on 18 October 2019 and after that day, no meeting had been held till the audited day of 31 August 2022.	Although arrangements had been made to conduct the Board of Governance meeting on 17 12 2019, it was postponed indefinitely. Although attempts were made on several occasions to obtain a date and a time from His Excellency the President, it was not possible due to the Covid situation prevailed in the country.	Action should be taken as per the provision in the Act.
(ii) Section 06 of the President's Fund Act, No. 07 of 1978.	As per the section 06, although the money belonging to the Fund can be utilized as determined by the monetary board of the Fund subject to the directions of His Excellency the President, the Board had not determined till 31 August 2022, as to what action to be taken with regard to the payments totaling Rs 1,403,094,031 in the year under review.	It had been difficult to fix a date for conducting the meeting of the Board of Governance due to Covid pandemic..	Action should be taken as per the provision in the Act.

(b)	Regulation 372 of the Financial Regulations of the	The imprest balance amounting to Rs. 6 million maintained at the Deputy High Commission of India, had not been confirmed by that office even by 31 August 2022.	The imprest balance had been confirmed through the letter dated 11 October 2022 by the Deputy High Commission in Sothern India to the Democratic Socialist Republic of Sri Lanka.	Action should be taken as per the financial regulations..
(c)	Treasury Operations Circular, No. 03/2018 dated 26 July 2018.	The Current Account No. 51204 (46078), maintained by the Fund at the Central Bank to be used in special circumstances such as raising funds and making payments with respect to special projects as required by the President, has remained dormant since 2019 and action had not been taken to close that account as per circular provision.	The Account, No. 51204 is maintained to be used in special circumstances such as raising funds and making payments with respect to special projects as required by the President.	Action should be taken as per circulars.

**2. Financial Review**

-----

**2.1 Financial Result**

-----

The operational result of the year under review was a surplus Rs1,708,287,273 as compared with the preceding year surplus of Rs1,338,345,661. Accordingly, an improvement of Rs. 369,941,612 was observed in the financial result. This improvement had been mainly caused by the decrease in the expenditure in the year under review by Rs. 496,100,986 or 26 per cent as against the preceding year.

**3. Operating Review**

-----

**3.1 Management Inefficiencies**

-----

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
-----	-----	-----
(a) Payments totaling Rs. 7,792,730, on medical assistance applications received on 47 occasions in the year under review, had been made after delay from 09 months to 03 years and 09 months.	This situation was caused by the stalemate in calling of officers to work and sending and receiving of letters due to Covid 19 pandemic.	Payments on medical assistance should be expedited.

- |     |  |   |  |
|-----|--|---|--|
| (b) | Payments totaling Rs. 2,015,300, for taking medicine from private hospitals, had been made on 31 occasions after a delay from 02 years to 04 years and 08 months.  | This situation had been caused due to the requirement of the receipts being resent to the hospitals for verification due to Covid 19 and the stalemate occurred in the sending and receiving of letters.  | - do -   |
| (c) | Payments for medical assistance had been approved for 15 patients by the end of the year under review and the patients had furnished the medical bills too therefor. Such payments had not been made even by the end of the year under review since the details including the bank account numbers furnished by the patients did not match with the details mentioned in their applications.   | Action is now being taken to regularize the relevant medical assistance payments.   | - do -   |
| (d) | The Fund had not introduced the specific criteria for making the ex-gratia payments under welfare activities, and a sum totaling Rs. 5,500,075 had been spent by the Fund for making Ex-gratia payments to 07 recipients disregarding the approved medical assistance scheme. A sum totaling Rs. 2,393,909 paid without the Presidential directive to 03 recipients in respect of medical assistance bills, had been included in the total said Ex-gratia payment. | Payments had been made as per the discretion of His Excellency the President in terms of section 06 (E) of the President's Act No 7 of 1978.  | President's directive should be obtained for making payments on expenses.        |
| (e) | No any payment had been made in the year under review for scholarship grants given for students of low income families that qualify for the G.C.E (Advance Level) examination and for special projects.  | Educational and special projects could not be conducted as usual due to cultural events such as processions ( <i>Perahera</i> ) and school activities were not conducted properly on account of Covid pandemic prevailed in the country in the year 2021. | Attention should be paid towards achieving objectives of the Fund.               |
| (f) | An Action Plan containing physical and financial information had not been prepared for the year under review regarding the activities for which the money of the Fund can be utilized in a manner that fulfills the objectives of the Act. According to the prepared plan for the year under review, although 02   | Since a limited number of persons were called for work on roaster basis owing to the Covid situation prevailed in the country, new purchases were not made and new concepts were not introduced and executed.   | Action should be taken to carry out the activities mentioned in the Action Plan. |

activities had been planned for which Rs.08 million was to be incurred by the project, such activities had not been carried out by 06 October 2022.

### 3.2 Operating Inefficiencies

The following observations are made..

Audit Observation	Comments of the Management	Recommendation
(a) A sum totaling Rs.139.16 had been incurred by the Fund for the execution of the relevant activities in the year under review and a sum of Rs. 473.17 million had been incurred for the same in the preceding year. Accordingly, utilization of funds in the year under review had decreased by Rs.334 million or 71 per cent.	This situation was caused by the stalemate that had been occurred in the process of calling of officers to work and in sending and receiving of letters due to Covid 19 pandemic.	Action should be taken without delay to make payments on the medical assistance applications received by the Fund.
(b) Medical assistance had been sought by 6214 patients in the year under review relating to heart surgeries, cancers, diseases in knees and groin, kidney disease, brain related diseases and other treatments. However, payments on medical assistance had been made only to 1322 patients whereas such payments had been made to 1684 patients in the preceding year. As such, the number of patients whom payments on medical assistance had been made to in the year under review, decreased by 362 representing 21 per cent as against the preceding year and the number of patients whom payments on medical assistance had been made to, decreased by 5,064 representing 79 per cent as against 2019.	- Do -	- Do -