

## Skills Development Fund Limited - 2022/2023

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### 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 2023 comprising the statement of financial position as at 31 March 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 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 2023, 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) Stamp Duty (Special provisions) Act (Amended) No. 10 of 2008	Stamp duty had not been deducted from the salaries made to the employees of the Company.	After received the Audit Committee Meeting recommendation, Company is in the process of registration.	Action should be taken according to the provisions in the Act.
(b) Public Enterprises Circular No. 01/2021 of 16 November 2021 for Guidelines on Corporate Governance and Operational Manual for State Owned Enterprises (SOEs)			
(i) Paragraph 3.2 (i) of the Operational Manual	Although the approval of the Department of Management Services for the payment of allowances, incentive payments and other financial assistance should be obtained, the audit observed that the amounts of Rs.283,906, Rs.675,000 and Rs.119,000 had been spent for the purchase of railway season tickets, payment of incentives and payment of employees' life insurance contributions respectively in the year under review without obtaining such approval.	Those payments are made as per the approval of the Board of Directors of the Company and, this facility helps to intend motivate the employees.	Should be complied with the circular.

(ii)	Guidelines 4.2 (h) of the Guidelines on Corporate Governance	Even though at least 04 Audit Committee meetings should be held during a particular year, the Company was held only one meeting during the year under review.	All arrangements were made to hold the audit and management committee meeting, but several committee members were informed that they would not be able to participate in it.	Should be complied with the guidelines.
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## 1.6 Accounts Receivable and Payable

### 1.6.1 Receivables

#### Audit Issue

The total balance of trade debtors as at 31 March 2023 was Rs.16,383,978 and out of that 80 percent was outstanding for more than 01 year without being recovered.

#### Management Comment

We are in the process of collecting the past due balances.

#### Recommendation

Action should be taken to recover the long outstanding balances without any delay.

### 1.6.2 Payables

#### Audit Issue

Creditors amounting to Rs.96,410 was remained unsettled for more than 04 years as at 31 March 2023.

#### Management Comment

Those balances were identified as a direct deposit to the Bank Current Account. After clearly identification of those balances the Company will take action for resolve this matter in future.

#### Recommendation

Action should be taken to clear or settle those balances.

## 1.7 Cash Management

#### Audit Issue

- (a) Action had not been taken in respect of 04 unrealized cheques aggregating Rs.72,500 which were deposited in a bank current account during the year 2015 and 2017.

#### Management Comment

In the records of the company has not sufficient information to recognize 04 unrealized cheques, This matter was discussed in Audit Committee Meeting of the Company and after clearly identification of those unrealized cheques, the Company will take action to resolve this matter in future.

#### Recommendation

Actions should be taken to find out the reasons for un-realization and act accordingly.

- (b) A sum of Rs.161,076 had been held in a dormant bank current account for last several years without being taken fruitful action to utilize this money.

The Company had discussed this matter with the Ministry officers & Audit Committee Meeting and will take the action for resolve this matter in future.

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.28,591,322 against the loss of Rs.6,029,713 reported in the preceding year. Therefore, an improvement of Rs.34,621,035 indicated in the financial results of the year under review. Increase of training programs income and interest income by 16,399,420 and Rs.24,236,437 respectively in the year under review were the main reasons attributed for this improvement.

### 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 or decrease are shown below.

Description	For the year 2022/2023	For the year 2021/2022	Variances [Favorable (Adverse)]	Percentage
	Rs.	Rs.	Rs.	%
<b><u>Income</u></b>				
Education Programs	18,616,720	21,421,100	(2,804,380)	13
Income				
Public Private Partnership Programs Income	21,562,000	2,358,200	19,203,800	814
Interest Income	31,621,839	7,385,402	24,236,437	328
<b><u>Expenditure</u></b>				
Direct Cost	6,686,429	4,683,247	(2,003,182)	43

The following observations are also made in this connection.

- 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 certificates issued.
- ii. The Company had earned a net interest income of Rs.31,694,289 on its short-term and long-term investments amounting to Rs.179,990,913 which invested in fixed deposits and call deposits etc. as at the end of the year under review. This net interest income represents 99.98 per cent of the profit before tax of Rs.31,699,608 earned for the year under review. In the meantime, the Company had not paid its attention to utilize these excess money in order to fulfil the main objectives and purposes of the Company.
- iii. The direct cost had increased by 43 percent due to up-liftmen of resource personal fees and fuel, postage, refreshment, advertising cost, etc. in the year under review.