J.R. Jayawardene Centre - 2022

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 2022 comprising the Statement of Financial Position as at 31 December 2022 and 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 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 and the 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 paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Centre as at 31 December 2022, 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.

1.3 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 Internal control over the preparation of financial statements

The entity is required to maintain a "well-designed" system of internal accounting controls sufficient to obtain reasonable assurance for execute transactions with general and specific authority of the management, record transactions and maintain accounting for assets as required to prepare financial statements in accordance with applicable reporting standards, access assets only with general and specific authority of the management, comparison of accounting for recorded assets with existing assets at reasonable periods and taking appropriate action against the differences if there are any.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the relevant Standard

(a) According to paragraph 09 of the Sri Agree with the audit and It Action Lanka Public Sector Accounting Standard No.02, although the investments with as remaining maturity of 03 months or less from the date of acquisition should be presented in the statement of cash flows and the statement of financial position as cash and cash equivalents, fixed deposits worth Rs.2,000,000 to be matured within 07 days as of 31 December 2022 had not been stated under the cash and cash

According to Sri Lanka Public Sector (b) Accounting Standard 07, action had not been taken to calculate and account the fair value of the assets with the cost of Rs.46,156,683 which has been completely depreciated, but being further utilized, and to disclose the net value through a note in terms of the pharagraph 92.

equivalents.

Comments of the Recommendation **Management**

was noted down to present it taken in accordance the cash and cash equivalent in the future in cases where there is a short maturity period, such as 03 months or less.

should with the terms of the standard.

It was noted down to prepare Action the Fixed Assets Register and disclose the net value of assets that have exceeded the effective lifetime but being further utilized in the financial statements as stated by the Audit in the future.

should taken in accordance with the terms of the standard.

1.5.3 **Accounting Deficiencies**

Audit Observation

Comments of the Management

Recommendation

(a) There was a difference of Rs.10,746,757 between the balances mentioned in the Fixed Asset Register submitted for the year 2021 to the audit and the opening balances in terms of ledger accounts as on 01January 2022.

The reason for this difference was that, it was difficult to find the information and source documents related to the fixed assets included in the ledger account such as Equipment for Library Automation, Mitsubishi Elevator, Silent Generator, New Pannel Box, etc. and therefore it was unable to include in the Fixed Assets Register.

Correct information should be included in the Fixed Assets Register and updated.

(b) The basis for presented of treasury bill of Rs.4,484,303 that was included in the financial statements had not been disclosed by the notes of accounts in the financial statements.

It was noted down to disclose the basis for the presented of Treasury Bill in the financial Statement in future by the financial statement.

for The basis the of the presented Treasury Bill should be disclosed by the notes of accounts.

(c) The necessary adjustments to the provisions for bad debts had not been made for the balance of Rs.3,375,791 over 05 year included in the debtors (building rent) balance of Rs.7,552,074 as on 31 December 2022.

It was not possible to make a provision for bad debts for the debtor balance as prior board approval could not be obtained during the year 2022. It was noted down to submit information to the Board of Governors in the future and to allocate 5% provisions for bad debts for the debtor balances exceeding 05 years.

Necessary adjustments should be made for the provisions for bad debts by obtaining the approval of the Board of Governors.

The debit balance of the (d) retained earnings account of Rs.5,505,805 included in the trial balance had not been used for the preparation of financial statements.

Retaining Earnings of Rs.5,505,805 included in the trial balance has been transferred to the Reserve and Profit Account through Journal Entry No.1235 on 31.12.2022 during the preparation of financial statements. After adjusting that value, the balance of Rs.60,122,948 which was the closing balance in the profit and reserve account, has been included in the statement of financial position under Note No.18.

Surplus of the year does not need to be adjusted by journal entries accounting for correct methods should be done.

The Centre had invested (e) Rs.5,000,000 in a subsidiary private company called J.R. Jayewardene Information Centre In 1998 and, the received company only

J.R. Jayawardena Information Centre established with the approval of the Board of Governors was closed in 2008 and since it is not possible to obtain this amount or dividend shares due to it from the concerned institution, the amount of Rs.700,000 at the time of Rs.4,300,000 included in the long-term

Actions should be taken to adjust the financial statements and disclose the unrealized investment as a loss through notes.

2008. It had been 14 years since the company was closed and the value of Rs.4,300,000 which could not be realised repeatedly been mentioned in the financial statements as long-term investments. This unrealized investment had not been adjusted to the financial statements as a loss and disclosed through notes.

closure of that company in investment has been sent to the General Treasury for approval as per the approval of the Board of Governors given on 15th December 2015 and the Treasury has referred to the recommendations of the Secretary, Ministry of Buddha Sasana Religious and Cultural Affairs. Accordingly, if any loss has been incurred by the institution through aforementioned investment, It was noted down to adjust through accounts with formal approval in the future.

1.5.4 Documentary Evidences not made available for Audit

Subject	Amount Rs.	Unsubscribed Audit Evidences	Comments of the Management	Recommendation
Fixed Assets	118,044,033	Detailed Schedule	As per the Treasury Circular No.842 of 19 December 1978, a detailed schedule could not be submitted to the Audit as a fixed Asset Register had not been prepared.	A detailed schedule of fixed assets should be submitted along with financial statements.

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

	Reference to	Non-compliance	Comments of the	Recommendation
	Laws, Rules,		Management	
	Regulations etc.			
(a)		The detailed audit report for the year 2021 was not submitted to the Board of Governors or replies to the Report had not been submitted to the Auditor	forward that detailed report to the Board of Governors at the upcoming Board of	taken in accordance
(b)		General. A scheme for recruitment to the posts of the Centre had not been prepared and	Answers had not been	A recruitment procedure should be prepared and approved in accordance with the provisions of the Establishments
				Code.

(c) Financial
Regulations 756 (6)
as amended by the
Public Finance
Circular
No.01/2020 dated
28 August 2020

Although the Board of Survey board should be appointed before 15 December of every financial year, the Board of Survey board of the Centre for the year 2022 were appointed on 31 January 2023.

Agreeing with the audit, it was noted down to carry out the Board of Survey in accordance with the amended Financial Regulations 756 (6) in the future.

Actions should be taken to appoint Board of Survey board in accordance with financial regulations.

(d) Treasury Circular No.842 of 19 December 1978 The Centre did not prepare a Fixed Asset Register for the year 2022 and the Fixed Assets Register for the year 2021 submitted to the audit had also not been prepared in accordance with this circular.

It has not been possible to prepare the fixed asset register due to various reasons, and at present the fixed assets and the work of the warehouse has been assign to the Accounts Division. It is also kindly informed that they are preparing the fixed asset register in accordance with the circular.

Actions should be taken to prepare the fixed asset register as per the provisions of the Circular.

(e) Paragraph 2.4 of the Guidelines of Public Enterprises
Circular No. 01/2021 dated 16
November 2021

The Board of Governors shall make an annual statement to the Secretary of the Board of Directors in accordance with the approved format regarding the connections to the Institution and it should be disclosed such information in respect of each Director the annual report. However, the draft annual report submitted by the Centre for the year 2022 was not disclosed in this regard.

It was noted down to act as mentioned by the audit in the future.

Disclosures should be made in respect of Directors in the Annual Report in accordance with the provisions of the Circular.

1.1 Non-compliance with Tax Regulations

Audit Observation

Comments of the Management

Recommendation

In terms of Sections 2(1) and 102 of the Inland Revenue Act, No.24 of 2017, the Centre had not taken actions to register for income tax or waive tax for the assessment years from 2018 to 2022.

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 to 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 get tax exemption.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a surplus of Rs.5,491,805 and inconsistently, deficit of the previous year was Rs.7,884,169. Accordingly, an increase of Rs.13,375,974 was observed in the financial results. Increases in Building rent income by Rs.1,564,547, fixed deposit interest income by Rs.8,434,291 and hall rent income by Rs.6,609,289was mainly cause to this growth.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation

(a) Although the 3 rood and 4.47 perches of land at Dharmapala Mawatha No.191, Colombo 07 where the centre is located had been used since its inception in 1988, the ownership of the land had not been taken over by the Centre.

Comments of the Management

There is a problematic situation regarding the ownership of the land in the centre. Therefore, it was noted down that necessary actions should be taken to resolve this issue in the future.

Recommendation

Issues relating to ownership of land should be resolved and action should be taken to acquire ownership of the land.

(b) For the period of 05 years from the year 2017 to the year 2022, only the amount of Rs.13,617,664 had to be withdrawn without any interest amount due to the failure of the Centre to obtain the approval of the Board of Governors for withdrawing

The amount of Rs.9,725,000 which had been invested by the Centre in the year 2002 in the Pramukha was invested in the debentures in the National Saving Bank with the maturity of 10 years from 03 December 2007 to 03 December 2017 due to the bankruptcy of this bank in accordance with the orders of the

The approval of the Board of Governors should be taken immediately and actions should be taken to withdraw the invested money.

the invested money including the total value of interest amounting to Rs.13,617,664 received at the maturity of the debentures on 03 December 2017 and accordingly, the interest of Rs.2,431,250 that could have been received if the 5% interest given earlier for the invested amount was received or it had been invested in another financial institution had been lost to the Centre.

Central Bank of Sri Lanka. The Bank has stated that it will not pay interest income for the year 2007- 2008 and has provided the relevant interest income for the remaining 09 years.

In order to withdraw this money, a paper Board of Governors approved by the Board Governors and the report of the relevant Board meeting were to be provided to the National Savings Bank of Sri Lanka and as a meeting of the Board of Governors could not be organized from 03.12.2017 to 10.12.2022, it was not possible to withdraw investment amount and interest mentioned by the audit reinvest it.

3.2 Procurement Management

Audit Observation

Comments of the Management

Recommendation

(a) The Procurement Committee had decided on 15 February 2022 to award the contract at a monthly value of Rs.99,500 to the service provider who had offered the second lowest price out of the bids submitted for the cleaning service to the centre for the year 2022/23 and the first lowest bidder had been rejected stating that, their unsatisfactory service during the period of prior service to the Centre. However, none of the documents that sent to the agency informing that the service was unsatisfactory had been examined at the time of bid evaluation.

The company which submitted the lowest price in the bid evaluation for the selection of a cleaning company for the year 2022/23 had already carried out the cleaning services of the institution and as the Technical **Evaluation** Committee recommended that the service rendered by the institution was not satisfactory level, the cleaning procurement was awarded to the institution which had offered the second lowest price.

Documents that were sent stating that the service of the preservice provider is unsatisfactory should be examined at the time of bid evaluation.

(b) Although the decision of the Procurement Committee regarding award of the contract was given on 15 February 2022, the Secretary General of the Centre had done the work such as informing the

It was noted down to act in accordance with the provisions of the Procurement Guidelines in carrying out procurement activities in the future.

Actions should be done in accordance with the terms and conditions of the Procurement Guidelines.

institution which the second lowest price was offered that, the relevant institution had been selected, entered into a written agreement with that institution, sent a letter informing the above institution about the performance guarantee and other conditions and, the employees of that institute had started the cleaning work at the centre on 01 February 2022. Accordingly, it was observed that the Secretary General had acted contrary to the provisions of the Procurement Guidelines.

(c) Procurement work of obtaining cleaning service was carried out against the provisions of 4.2.2, 2.7.5, 2.14.1, 6.2.2, 7.9.1 and 7.9.11 of the Procurement Guidelines.

It was noted down to carry out such procurement activities in accordance with the provisions of 4.2.2, 2.7.5, 2.14.1, 6.2.2, 7.9.1 and 7.9.11 of the Procurement Guidelines n future.

Action should be taken in accordance with the provisions of the Procurement Guidelines.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observations

According to paragraph 6.6 of the Manual of Public **Operational** Circular Enterprises No.01/2021 dated 16 November 2021, although the draft annual report and accounts should be submitted to the Auditor General within 60 days of the end of the accounting year, the Centre had submitted the accounts for the year 2022 to the Auditor General on 19 May 2023.

Comments of the Recommendation Management

The accounts could not be submitted to the Audit within 60 days of the end of the year as stated by the Audit due to the delay in obtaining approval of the Board of Governors for the declaration of accounts. It was noted down to submit to the Auditor General in terms of the Public Enterprises Circulars in the future.

Action should be taken to submit the Annual Report and Accounts on due date as per the Circular.

4.2 Internal Audit

Audit Observation

As per Section 40 of the National Audit Act, No.19 of 2018, the Centre had not appointed an internal auditor.

Comments of the Recommendation Management

Internal Audit Division of the Ministry of Buddha Sasana Religious and Cultural Affairs carried out internal audits for the year 2022.

Action should be taken in accordance with the provisions of the Act.

4.3 Audit Committee

Audit Observation

As per Section 41 of the National Audit Act, No.19 of 2018, the Centre had not held meetings of the Audit and Management Committee.

Comments of the Recommendation Management

Audit queries related to the 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 four quarters of the year 2022 were answered. As well as. Assistant Accountants have also participated these in committees.

Action should be taken in accordance with the provisions of the Act.