

Saumyamoorthi Thondaman Memorial Foundation - 2011

1. Financial statements

1:1 Opinion

Because of the significance of the matters described in paragraph 12.2.4 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

1:2 Comments on Financial Statements

1.2.1 Presentation of Accounts

A Statement of Responsibility for the financial statements had not been presented along with the financial statements.

1.2.2 Accounting Deficiencies

The following matters were observed.

- (a) (i) Computation of gratuity provision of 5 officers and 14 officers of “ Praja Shakthi Unit” had been overstated by Rs.56,500 and understated by Rs.114,000 respectively, due to under computation and over computation of the service period.
- (ii) Gratuity provision for the year under review amounting to Rs.63,750 for an officer who terminated the service in 2012 had not been made.
- (b) Provisions had not been made in the accounts for fees payable to a consultancy service provider institute amounting to Rs.379,104 in respect of the month of December 2011.

1.2.3 Accounts Receivable

The following matters were observed.

- (a) Action had not been taken since the year 2008 for the recovery of a sum of Rs.90,577 shown as receivable in the accounts from the Indian Community Council.
- (b) Five, three wheelers had been purchased in the year 2010 for Rs.1,723,450 and distributed to 05 individuals on the basis of making recoveries in 48 installments with 7 per cent interest. Nevertheless a sum of Rs.847,083 was outstanding out of the sum to be recovered amounting to Rs.1,111,267 as at the end of the year under review.
- (c) Even though the loan amounting to Rs.2,684,000 granted to 74 persons in the year 2009, under the Self Employment and Entrepreneurial Programme should have been recovered within 3 years, the installments amounting to Rs.1,404,150 were outstanding as at the end of the year under review.
- (d) The entire expenses of the Foundation are being reimbursed by the Ministry but a sum of Rs.8,150,154 out of Rs.20,891,732 incurred in the year 2010 had not been reimbursed.

1.2.4 Lack of Evidence for Audit

The evidence indicated against each item of account had not been furnished to audit.

Details -----	Value -----	Evidence not made available -----
(i) Buildings – Cost	Rs. 234,440	(i) Assets Register agreeing with the values (ii) Boards of Survey Reports (iii) Registers of Fixed Assets
Praja Shakthi Centres Land surveying – Book value	1,518,238	
Computers and Accessories – Cost	28,780,867	
Furniture and Equipment – Cost	18,568,360	
Motor vehicles – Cost	6,557,901	
Office Equipment – Cost	2,439,427	
V – Set – Equipment – Cost	25,381,877	
Generator – Cost	2,311,810	
Tools and Equipment – Cost	3,352,670	
Other Equipment – Cost	6,666,146	
(ii) Three Wheeler Loans	1,425,618	Debtors Register agreeing with the values
(iii) Fuel Expenses for field Tours	545,040	(i) Approval for Field Tours (ii) Field Tour Programme (iii) Reports for Field Tours
(iv) Creditors	18,752,271	Confirmation of Balances
(v) Distribution of hats and T-shirts for participants of Youth Rally	3,930,000	(i) Details of Receipts by Foundation (ii) Manner of Distribution for participants (iii) Balance amount

1.2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
(a) Section 10(5) of the Finance Act No. 38 of 1971	2,391,544	The overdraft facility had been obtained only on the approval of The Board of Management without obtaining the concurrence of the Minister of Finance and the relevant Minister before obtaining such facility.
(b) Section 16 of Employees' Trust Fund Act No. 46 of 1980	18,373	Surcharges had to be paid due to delay in the remittance of contributions to the Employees' Trust Fund.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 371 (2)	318,867	Even though the advances granted should be settled immediately after the completion of the purpose, an advance granted to an officer in the year 2010 had not been settled even by the year under review.
F.R. 371 (2) (b)	50,000	Even though ad-hoc imprests should not be granted exceeding Rs.20,000, advances had been given to two officers contrary to such provision.
F.R. 756		Annual Boards of Survey had not been conducted so as to cover all sections of the Foundation.

(d) Public Administration
Circular No. 22/99 of 08
October 1999
Paragraph 1.1.6

- (i) Even though it was stated that the official vehicles could have been assigned for official duties and to travel between office and the residence to senior officers who obtained the approval from the Secretary of the Line Ministry in terms of a decision of the Board of Directors, vehicles had been assigned to 5 officers of the Foundation for the above purpose, without obtaining the approval from the Secretary of the Ministry.
- (ii) A sum of Rs. 589,425 had been paid as transport allowance for the use of private vehicle on official duties, to an officer who is not entitled to use private vehicle for official purposes.

(e) Public Enterprises Circular
No. PED 50 of 28 July 2008
Paragraph 01

765,435

Fuel allowances had been paid to 4 officers exceeding the limit mentioned in the Circular.

(f) Management Services Circular
No. 30 of 22 September 2006

The institution had failed to revise the scheme of Recruitment and Promotions.

(g) Treasury Circular No.
IAI/2002/02 of 28 December
2002

A Register of Fixed Assets had not been maintained with regard to Computers and Accessories in terms of the Circular.

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the operations of the Foundation for the year ended 31 December 2011 had resulted in a deficit of Rs.38,064,921 as compared with the corresponding deficit of Rs.11,511,530 for the preceding year. Thus indicating a deterioration of financial results by Rs.26,553,391. The decrease of the income by Rs.10,174,181 and the increase of the expenditure by Rs.16,379,210 for the year under review as compared with the preceding year had been the main reasons for such deterioration.

2.2 Analytical Financial Review

Various stages of financial results for the year under review and the preceding year are given below.

	31 December 2011	31 December 2010	Difference
	Rs.	Rs.	Rs.
Profit before annual Depreciation and Compensative Expenditure	1,525,649	11,325,203	9,799,554
Annual Depreciation and Compensative Expenditure	39,590,570	22,836,733	16,753,837
Loss after adjusting annual Depreciation and Compensative Expenditure	(38,064,921)	(11,511,530)	26,553,391

2.3 Diminishing of Capital

At the beginning of the year the credit balance of the accumulated fund was Rs.40,237,761. But after adjusting the loss for the year of Rs.38,064,921 and the prior year adjustment of Rs.4,109,838 the accumulated fund had become as a debit balance of Rs.1,936,998 as at the end of the year.

2.4 Transactions of Contentious Nature

The following matters were observed.

- (a) The Expenditure of the line Ministry amounting to Rs.7,626,342 during the year under review had been incurred by the Foundation and a sum of Rs.4,112,753 incurred including for the previous year had to be reimbursed further by the Ministry.
- (b) It was decided to write off the repair expenditure amounting to Rs.3,227,524 spent by the Foundation in the year 2009 for the building taken on rent to operate the Head Office, against the profit of the Foundation within 4 ensuing years including the year in concern and accordingly a sum of Rs.806,881 had been written off against the profit for the year under review.

3. Operating Review

3.1 Management Inefficiencies

Sums of Rs.1,518,238 and Rs.704,410 had been spent in the year 2007 and in the year under review respectively for carrying out surveys of lands in order to transfer the lands to the Foundation on which the “ Praja Shakthi Centres” had been established. Even though the total expenditure incurred amounting to Rs.2,222,648 had been capitalized, those lands had not been transferred to the Foundation even up to the end of the year under review.

3.2 Idle and Underutilized Assets

The stock of “ Memorial Plates ” belonging to the Foundation valued at Rs.398,989 had remained in the stores without utilizing from the year 2006 to September 2012.

3.3 Staff

Even though a Director General should be appointed as specified, in the Board of Directors paper No. 3 of 27 June 2005, a Director General had not been appointed since the year 2008.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Even though the financial statements should have been presented to Auditor General within 60 days after closure of the financial year in terms of paragraph 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the financial statements for the year under review had been presented only on 02 July 2012 with a delay of 04 months by the Foundation.

4.2 Corporate Plan

A Corporate Plan to achieve the Vision and Mission of the institute had not been prepared in terms of the paragraph 05 of the Public Enterprises Circular No. PED 12 of 02 June 2003.

4.3 Action Plan

The Annual Action Plan had not been prepared to achieve the matters included in the Corporate Plan.

4.4 Internal Audit

Even though there was an internal audit unit in the Line Ministry, an internal audit for the year under review had not been carried out in the Foundation.

4.5 Audit Committee

The Audit Committee had not been established in terms of the Paragraph 7.4.1 of the Public Enterprises Circular No. PED 12 of 02 June 2003.

4.6 Procurement Plan

A Procurement Plan had not been prepared for the year under review by the Foundation.

4.7 Budgetary Control

The following matters were observed.

- (a) As the budget for the overall institution had not been prepared in respect of the year under review, the opportunity to use of the budget as an instrument of financial control had been deprived of.
- (b) As the delay of the reimbursement of expenditure of the Foundation by the Ministry, the Foundation had obtained Rs.200,000 and Rs.1,100,000 as short term loans from an officer and Honourable Minister respectively, and settled.

4.8 Tabling of Annual Reports

The Foundation had not tabled any annual report in Parliament.

5. Systems and Controls

The deficiencies observed during the course of audit were brought to the notice of the Chairman of the Foundation from time to time. Special attention is needed in respect of the Following areas of control.

- (a) Financial Statements
- (b) Budgetary Control
- (c) Utilization of Funds
- (d) Contract Administration
- (e) Assets Management
- (f) Recovery of Loans
- (g) Accounts Receivable