

## **President's Fund - 2013.**

---

The audit of Financial Statements of the President's Fund for the year ended 31 December 2013 comprising the Balance Sheet as at 31 December 2013 and the statement income and expenditure, cash flow statement for the year then ended and a summary of other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 9(2) of the President's Fund Act, No.7 of 1978. My comments and observations which I consider should be published with the Administration Report on the activities of the Fund including the statement of income and expenditure to be presented to the Hon. Minister Finance and Planning in terms of Section 10 of the Fund Act as Annex 01 and the statement of investments of cash as Annex 02 appear in this report.

### **1.2 Management's Responsibility for the Financial Statements**

---

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor's Responsibility**

---

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the Fund's preparation and fair presentation of financial statements 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **2. Financial Statements**

-----

### **2.1 Opinion**

-----

In my opinion, the financial statements give a true and fair view of the financial position of the President's Fund as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

### **2.2 Accounts Receivable and Payable**

-----

Out of the loan of Rs.250,000,000 granted to the National Housing Development Authority in the year 1991, the balance further outstanding amounted to Rs.195,000,000 and the interest thereon receivable as at the end of the year under review amounted to Rs.286,656,164. Action had not been taken to recover this loan balance and the interest since the year 2008.

## **3. Financial Review**

-----

### **3.1 Financial Results**

-----

According to the financial statement presented, the financial results of the Fund for the year under review had been a surplus of Rs.531,049,940 as compared with the surplus of Rs.149,685,390 for the preceding year. An improvement of Rs.381,364,550 in the financial results was indicated as compared with the preceding year. However, there was an uncertainty in receiving the loan interest of Rs.29,250,000 receivable from the National Housing Authority which had been included in the interest income that affected the improvement of the financial results.

### **3.2 Analytical Financial Review**

-----

The following observations are made.

- (a) A sum of Rs.2,009 million received from the Development Lotteries Board in the year under review had represented 88.18 percent of the total income. As compared with the receipt of Rs.1,648 million in the preceding year this indicated an increase of Rs.361 million or 21.90 per cent. The investments of the Fund in the preceding year amounted to Rs.1,201 million and the Fund was able to increase the investments in the year under review to Rs.1,701 million or 41.63 per cent.
- (b) A sum of Rs.1,713 million had been spent in the previous year for the achievement of the expected objectives of the Fund and a sum of Rs.1,747 had been spent for that purpose in the year under review. Incurring the expenditure of the Fund as compared with the previous year, the expenditure incurred on religious activities, welfare activities and special projects had increased by 1,323 per cent 825 per cent and 2,889 per cent respectively. However the expenditure incurred on medical assistance and educational activities had dropped by 19 per cent and 95 per cent respectively as compared with the previous year.

#### **4. Operating Review**

-----

##### **4.1 Performance**

-----

The following observations are made.

- (a) The Fund had spent a sum of Rs.851.26 million during the year under review for the payment of medical assistance, cultural affairs, religious affairs, welfare activities, educational activities, sports and arts activities, award of local and foreign scholarships and special Projects. Of that total expenditure, a sum of Rs.697.53 million or 81.94 per cent and a sum of Rs.110.34 million or 12.96 per cent had been spent for the medical assistance and local and foreign scholarships respectively. Only a sum of Rs.43.39 or 5.10 per cent of the total expenditure had been spent for the achievement of other objectives.
- (b) A sum of Rs.466.93 million for 3,645 Heart Operations, Rs.47.96 million for 465 cancer treatments, Rs.53.37 million for 318 Kidney transplants and Rs.129.27 million for 683 other treatments had been spent during the year under review as medical assistance. Number of patients and the expenditure incurred during the year had dropped by 1,098 and Rs.160.11 million respectively as compared with the number of patients and the expenditure incurred during the previous year amounting to 6,209 patients and Rs.857.64 million respectively.
- (c) A sum of Rs.109.34 million had been spent during the year under review on scholarships for 18,224 students who studied GCE (A/L) examination covering 09 provinces of the Island, and a sum of Rs.1 million had been spent for a foreign scholarship.

##### **4.2 Operating Inefficiencies**

-----

The following observations are made.

- (a) Due to the death of a patient prior to the payment of the sum of Rs.300,000 approved from the Fund for a kidney operation, it had been decided on 10 August 2011 to open two fixed deposit accounts to the two dependent children. But the Fund had taken 02 years 03 months to fulfill the requirement, These by depriving them of the interest income of Rs.60,000 for that period.
- (b) The Fund had failed to pay the second instatement of bursaries to the beneficiaries in the Nivithigala Education Zone in Sabaragamuwa Province before they sat the GCE (A/L) examination, in the year 2013. In view of such situation it was observed that the objectives of the award of scholarships are not achieved.
- (c) As the list of Scholarships of the Central Province included 5 students not qualified follow the Advanced Level Studies, the opportunities of 5 qualified students had been deprived of.
- (d) A fixed deposit of Rs.50,000 had been opened in the National Savings Bank in the private name of a person with the objectives of granting only monthly interest on the financial assistance from the Fund. However, without informing to the Fund that

person had withdrawn the total sum during the year under review. Action had not been taken to recover that money.

**5. Budgetary Control**  
-----

A comparison of the actual income and expenditure of the Fund during the year under review with the budgeted figures revealed variances ranging from 23 per cent to 93 per cent. As such the Budget had not been made use of as an effective instrument of financial control.

**6. Systems and Control**  
-----

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Secretary of the Fund from time to time. Special attention is needed in respect of the following areas of control.

- (a) Utilization of Funds
- (b) Cash Receivable

## Annex 01

### Statement of income and expenditure

According to the financial statements presented to audit, income and expenditure of the Fund for the year ended 31 December 2013 as compared with the preceding year are given below.

Income	For the year ended 31 December			
-----	2013	2012	2013	2012
	Rs.	Rs.	Rs.	Rs.
Receipts of Contributions	63,506,485		59,758,878	
Interest Income	205,855,975		155,469,134	
Receipts from Development Lotteries Board	2,009,375,000		1,648,471,001	
	-----	2,278,737,460	-----	1,863,699,013
<b>Expenditure</b>				
Audit Fees	150,000		150,000	
Stationery	13,500		-	
Legal Fees	3,000		-	
Payment of Medical Assistance	697,529,990		857,641,805	
Cultural Affairs	1,075,000		7,385,000	
Religious Affairs	9,250,000		650,000	
Welfare Activities	5,658,250		611,750	
Educational Activities	500,000		10,200,000	
Sports and Arts Activities	3,000,000		-	
Expenditure of the Scholarship Scheme	110,344,000		102,447,038	
Fifty per cent contributions to Mahapola Higher Education Fund	896,255,500		734,128,030	
Special Projects	23,908,280		800,000	
	-----	1,747,521,020	-----	1,714,013,623
<b>Excess of Income over Expenditure</b>		<b>531,049,940</b>		<b>149,685,390</b>
		=====		=====

## Annex 02

### Statement of Investment of Money belonging to the Fund

According to the Financial Statements presented to audit, particulars of investment of money belonging to the Fund as at 31 December 2013 are given in the following table.

<b>Type of investment</b>	<b>Balance as at 01 January 2013</b>	<b>Investments in the year 2013</b>	<b>Withdrawals during the year 2013</b>	<b>Balance as at 31 December 2013</b>
Fixed Deposits in the National Savings Bank	820,585,000	209,515,000	-	1,030,100,000
Fixed Deposits in the People's Bank	15,000,000	-	15,000,000	-
Fixed Deposits in the Bank of Ceylon	45,000	305,710,000		305,755,000
Investment in the Development Lotteries Board	2,200,000	-	-	2,200,000
Treasury Administrative Loans	363,375,000	-	-	363,375,000
<b>Total</b>	<b>1,201,205,000</b>	<b>515,225,000</b>	<b>15,000,000</b>	<b>1,701,430,000</b>