

Saumyamoorthi Thondaman Memorial Foundation - 2013

The audit of financial statements of the Saumyamoorthi Thondaman Memorial Foundation for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 11(2) of the Saumyamoorthi Thondaman Memorial Foundation Act, No. 19 of 2005. My comments and observations which I consider should be published with the Annual Report of the Foundation in terms of Section 14(2)(c) of the Finance Act appear in this report.

1.2 Responsibility of the Management for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation and fair presentation 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 Auditing 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 judgements, including the assessment of the 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 Foundation's preparation and fair presentation of the 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 Foundation'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 financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and the extent of the audit.

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

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraphs 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Saumyamoorthi Thondaman Memorial Foundation as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standard -07

The following observations are made.

- (a) Action had not been taken to revalue and bring to account the fair value of 57 motor bicycles costing Rs.6,557,901 fully depreciated but still in use by the Foundation .
- (b) The lands and buildings valued at Rs.272,000,000 handed over to the Foundation in the year 2005 had not been separately identified and had been depreciated considering the 50 per cent of the total value as buildings .

2.2.2 Unexplained Differences

Even though according to the financial statements in the year under review the sum should be reimbursed by the Line Ministry had been shown as Rs.11,439,786 , the said liability had been shown as Rs.13,726,972 according to the Appropriation Account of the Line Ministry. However, action had not been taken to identify the difference amounting to Rs.2,287,186 .

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Action had not been taken to recover the loan installments of Rs.504,259 and insurance premium of Rs.74,934 as at 31 December in the year under review from 5 three wheelers valued at Rs.1,723,450 distributed on credit basis for 05 individuals in the year 2010.
- (b) A sum of Rs.393,538 payable for the trade stalls constructed for the “Deyata Kirula” Ceremony conducted in the year 2012 had not been settled even as at 31 December in the year under review .

2.4 Non-Compliance with Laws, Rules, Regulations and Management Decisions

 Instances of non-compliance with the following laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules, Regulations, etc.

Non-compliance

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| <p>(a) Paragraphs 2,3 and 4 of Section 10 of the Saumamoorthi Thondaman Memorial Foundation Act, No. 19 of 2005.</p> | <p>All expenditure incurred in the execution of its powers and functions should be incurred from the Fund built by the Foundation. Nevertheless, all expenditure incurred by the Foundation had been reimbursed from the relevant Ministry.
 Even though it was so mentioned in the Act, according to the reply of the Chairman , it was stated that the Government would grant money for the recurrent and capital expenditure through the Line Ministry from the inception of the Foundation as the money earned by the Foundation was not adequate and the money earned by the Foundation for the year under review was only 4 per cent of the Government grants.</p> |
| <p>(b) Paragraph 10(1) and (2) of Part II of the Employees' Provident Fund Amendment Act, dated 31 December 1998.</p> | <p>The contributions of employees and employers from November 2012 to the year 2013 totalling Rs.6,124,786 had not been remitted to the Employees' Provident Fund even as at 31 December in the year under review.</p> |
| <p>(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
 (i) Financial Regulations 371</p> | <p>Even though advances granted should be settled immediately after the completion of the purpose, the advances totalling Rs.318,867 and Rs.118,071 granted to the Manager of the Praja Shakthi Project in the years 2011 and 2013 respectively had not been settled even by 31 December of the year under review.</p> |
| <p>(ii) Financial Regulations 371(2)(b)</p> | <p>Even though the ad-hoc sub imprests should not be granted over the limit of Rs.20,000, contrary to that , ad-hoc imprest totalling Rs.1,172,450 in 11 instances for the 3 officers had been granted.</p> |

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| (iii) Financial Regulations 756 | Action had not been taken to conduct the Annual Boards of Survey for the year under review as to cover the all sections of the Foundation and furnish reports to the Auditor General. |
| (d) Treasury Circulars No.IAI/2002/02 dated 28 November 2002 and No. 842 of 19 December 1978. | Registers of Fixed Assets for the fixed assets , computer and software totalling Rs.387,020,038 had not been maintained. |

3 Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Foundation for the year under review had resulted in a deficit of Rs.50,661,764 as compared with the corresponding deficit of Rs.54,307,157 for the preceding year. Accordingly, there was an improvement of Rs. 3,645,393 in the financial results for the year under review as compared with the preceding year, decrease of grants and other transfer payments by a sum of Rs.3,012,041 had mainly attributed to this improvement.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) Even though it was planned to spend Rs.78,000,000 to provide training in Information Technology to 50,000 persons and to provide job opportunities for 250 youths in the year under review under the Prajashakthi and Navashakthi Projects, a sum of Rs.60,236,726 had been spent only for providing training in Information Technology to 36,140 persons, according to the performance report.
- (b) Even though it was estimated a sum of Rs.15,000,000 for training of 240 persons at the Thondaman Cultural Centre at the rate Rs.62,500 per trainee, a sum of Rs.8,439,391 had been spent in the year under review for the training of only 45 beneficiaries.
- (c) Even though it was planned to provide sports facilities in the Norwood Sports Complex to 1,500 youths in the year under review at a cost of Rs.6,000,000, the Foundation had spent a sum of Rs.2,679,494 to 95 youths who had been registered for the sports facilities in the year under review.

4.2 Management Inefficiencies

The following observations are made.

- (a) Despite action had not been taken to acquire the ownership of the 42 Prajashakthi Centres maintained by the Foundation up to 31 December 2015 ,a sum of Rs.2,359,298 had been spent on the survey of lands in the year 2012 for the construction of another 35 Prajashakthi Centres without acquiring the ownership of the lands.
- (b) Preparation of title deeds had not been carried out even by December 2015 for the lands and buildings vested in the Foundation under Section 10(2) of the Act ,No.19 of 2005 , under which the Foundation was established.
- (c) A sum of Rs.20,484,000 had been granted to the Foundation by the Ministry for the field coordination activities in the selected few areas under the Prajashakthi Project. The aforesaid total amount had been paid for the period from the year 2010 to April 2013 for 90 officers without an appointment letter or definite job assignment and without ensuring the duties performed.
- (d) Only a sum of Rs.1,050,000 had been paid by 25 May 2014 although the officers agreed to pay back the money after the investigation carried out in respect of a sum of Rs.4,252,500 credited from the co-ordination allowances to their personal bank accounts by using fake names for the period from April 2011 to April 2013 by the Project Manager and the Project Coordinator of the Foundation due to the weak management existed in relation to the field coordination activities as mentioned above. Even though court cases had been filed against the said officers for the recovery of the balance money amounting to Rs.3,202,500 , it had not been disclosed in the accounts. Further, an investigation had not been carried out by the Foundation relevant to the field coordination allowances of Rs.5,265,000 which had been credited to the personal bank accounts during the period from the year 2010 to March 2011.

4.3 Idle Assets

Even though a sum of Rs.131,404,288 had been spent for the supply of internet services for 42 Prajashakthi Centres in the years 2007,2008 and 2009 under the Prajashakthi Project, payment of consultancy fees for that purpose, purchase of 42 sets of V-SAT Antenna equipment and the maintenance and repair of the said equipment ,they had been idled up to May 2016 the date of audit, due to discontinuation of obtaining that service since 01 March 2014. However, the decision of the Board of Directors for the discontinuation of that service was not made available to audit.

4.4 Unresolved Audit Paragraphs

The Foundation had paid a sum of Rs.90,577 for the import of books for a celebration held by the Plantation Human Development Trust in the year 2008, though that amount should have been paid by that Trust. But action had not been taken even up to 31 December 2013 for the recovery of that money.

4.5 Identified Losses

The following observations are made.

- (a) A surcharge of Rs.105,448 had been paid in the year under review due to the delay in the remittance of contributions to the Employees' Trust Fund.
- (b) Bank overdraft interest amounting to Rs.409,787 had been paid in the year under review.

4.6 Personnel Administration

The following observations are made.

- (a) The approval for the staff and the salary scales for the Thondaman Vocational Training Centre had not been obtained.
- (b) According to the information made available, the approved staff as at 31 December 2013 in the Head Office and 3 approved Projects was 232 whereas the actual staff was 188. Thus, 44 vacancies had existed. The following matters were observed in this connection.
 - (i) As there were 06 vacancies including the post of Accountant in the Head Office, the financial statements relating to the years 2014 and 2015 had not been furnished to audit even by 30 April 2016.
 - (ii) Even though a staff of 35 officers had been approved in respect of 12 posts in the year 2013 for the Thondaman Sports Complex Project, the objective of the said Project could not be implemented due to 32 officers had not been appointed.
- (c) Even though the Scheme of Recruitment had been prepared by a consultant in the year under review, it had not been approved even as at the end of the year 2015.
- (d) Two officers over the age of 60 years had been deployed in service on contract basis without formal approval in terms of Public Administration Circular No.09/2007(i) dated 24 August 2007 and a sum totalling Rs.2,098,800 had been paid as allowances in the year under review.

5. Accountability and Good Governance

5.1 Presentation of Accounts

In terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the financial statements should be presented to the Auditor General within 60 days after the close of the financial year. Nevertheless, the Foundation had presented the financial statements for the year under review only on 30 June 2015, after a delay of 16 months.

5.2 Internal Audit

The internal auditor had covered the duties of the post of Accountant without being used the internal audit staff for the formation of an efficient internal control system by paying attention on the Management Audit Circulars No.DMA/2009(1) and DMA/ADM/2011/1/26 dated 09 June 2009 and 23 December 2011 respectively. An internal audit during the year under review had not been carried out due to the internal audit officers had performed the duties in the Accounts Division.

5.3 Budgetary Control

The following observations are made.

- (a) The approval of the Board of Directors had not been obtained for the budget prepared by the Foundation for the year under review.
- (b) Significant variances were observed between the budgeted income and expenditure as compared with actual income and expenditure , thus indicating that the budget had not been made use of as an effective instrument of financial control.

5.4 Tabling of Annual Reports

Annual Reports of the Foundation had not been tabled in Parliament from the inception of the Foundation in the year 2005 up to the end of the year under review.

6. Systems and Controls

Deficiencies in systems and controls 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) Contract Administration
- (b) Personnel Administration
- (c) Financial Control
- (d) Budgetary Control
- (e) Assets Management