

Sri Lanka Foundation - 2014

The audit of financial statements of the Sri Lanka Foundation for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of financial performance, statement of changes in net assets 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 the Section 13(1) of the Finance Act, No. 38 of 1971 and Section 13(3) of the Sri Lanka Foundation Act, No. 31 of 1973. 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 Management's Responsibility for the Financial Statements

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 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 the risks of material misstatement 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 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.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Sri Lanka Foundation as at 31 December 2014 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 Standards

Action had not been taken to revalue and account for the assets fully depreciated but still in use in terms of Sri Lanka Public Sector Accounting Standard No.7, as the fair value of property, plant and equipment costing Rs.12,426,541 is not indicated.

2.3 **Non-compliance with Laws, Rules, Regulations and Management Decisions**

The following non-compliances with laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
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(i) Financial Regulation 371(2)(c)	
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Even though advances should be settled immediately after the completion of the purpose for which it is granted, a delay ranging from one to nine months existed in the settlement of six advances amounting to Rs.433,150 granted to an officer on account of settlement of expenditure incurred for the participation in the Deyata Kirula Exhibition and repairs to motor vehicles.

(ii) Financial Regulation 757(b)	
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A proper Board of Survey for the year under review had not been conducted.

(iii) Financial Regulation 1645(c)	
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Particulars of places and the number of officers travelled had not been recorded in the Daily Running Charts of motor vehicles.

(b) Public Enterprises Circular No. PED/12 of 02 June 2003 Section 8.3.9	
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Even though the resources of the Foundation should not be deployed in the line Ministry or in other Government institutions, an officer of

the Sri Lanka Foundation had been released to the Presidential Secretariat and a sum of Rs.143,446 had been paid as salaries for the period from October to December 2014.

- (c) Public Administration Circular No. 30/2008 of 31 December 2008
- Distress loans exceeding the maximum limit payable had been granted to 30 officers contrary to the circular instructions.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Foundation for the year ended 31 December 2014 had resulted in a surplus of Rs.8,055,235 as compared with the corresponding surplus of Rs.5,897,396 for the preceding year, thus indicating an increase of Rs.2,157,839 in the financial results of the year under review as compared with the preceding year.

4. Operating Review

4.1 Performance

Action had not been taken to achieve the objectives and goals of the Foundation stipulated in Section 5 of the Sri Lanka Foundation Law that is, the promotion of an understanding and belief in the democratic way of life and the protection of human rights, the promotion in furtherance thereof, of international understanding and the co-operation in and universal respect for the observance of human rights and fundamental freedoms for all without distinction as to race, sex, language, religion, colour or creed, and the encouragement and promotion in furtherance thereof, of education and the acquisition and diffusion of knowledge among the masses in all branches of knowledge and social progress.

4.2 Management Inefficiencies

The following observations are made.

- (a) Even though a sum of Rs.197,833 was receivable from 8 officers who had left the service, action had not been taken to recover the money before release those officers.
- (b) Action had not been taken since the year 2006 to recover a sum of Rs.283,989 due from a Director of the Foundation who had served on contract basis.
- (c) Even though an advance amounting to Rs.107,496 had been paid in April 2013 to a private institution for printing a book on minimizing the risks of disasters, that task had not been accomplished even by 30 April 2015.
- (d)

4.3 Irregular Transactions

Rooms of the hostel had been provided in an irregular manner without charging any fee to 51 persons who had not participated in any training or other programmes conducted by the Foundation.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a) A sum of Rs.255,898 recoverable from a resident who had occupied the hostel for 30 days from 11 December 2014 up to 09 January 2015 and from several residents

who had occupied the hostel for 23 days from 14 December 2014 up to 06 January 2015 had not been recovered even by 30 June 2015.

(b) The lecture hall had been given irregularly in 14 instances for the use of private and Government institutions without recovering any charge.

(c) Debtors written off as bad debts during the year under review amounted to Rs.1,043,480 while the write off of loans included therein totalling Rs.840,610 not older than even two years and which were recoverable from two persons and eight institutions was a matter of contentious nature.

4.5 Apparent Irregularities

Three hundred and twelve kilometers had been run up to the University of Peradeniya and back on 10 September 2014 without any details of the officers who travelled in the motor vehicle. Even though it had been shown as office duties despite the lack of any evidence, any programme conducted in the University of Peradeniya on that date by the Sri Lanka Foundation.

4.6 Resources of the Foundation given to other Government Institutions

The Rupavahini Training Institute of Sri Lanka which functioned as a Division of the Foundation had been transferred to the Ministry of Mass Media and Information by a Notification published in the Gazette Extraordinary No. 1681/3 of 22 November 2010 and all the assets of that Institute except the lands and buildings had been transferred to the Ministry in November 2011.

5. Accountability and Good Governance

5.1 Action Plan

The following observations are made.

- (a) Out of the 47 Diploma Courses and Certificate Courses conducted during the year under review, 13 Courses had not been included in the Action Plan. The progress of conducting these courses could not be reviewed due to the failure to revise the Action Plan on timely basis.

- (b) Twenty seven courses including the Higher National Diploma in Optometry and 26 Diploma and Certificate Courses scheduled to be conducted by the Digital and Film Academy had not been conducted as planned for the year under review in the Action Plan.

5.2 Unresolved Audit Paragraphs

According to the judgment of arbitration between the Foundation and a private company, the Foundation had to pay a sum of Rs.1, 159,525 to the relevant company within 35 days from 07 December 2013, the date of judgment. Nevertheless, it had not been paid up to 06 April 2015, the date of audit. It was observed in audit that, according to the judgment of arbitration, the Foundation had to pay interest for the delay in terms of provisions in Clause 60(7) of the original agreement entered into with the company.

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.

- (a) Purchases
- (b) Debtors
- (c) Staff Administration
- (d) Administration of Hostels
- (e) Motor Vehicle Control