

Distance Learning Centre Limited - 2015

The Audit of the financial statements of the Distance Learning Centre Limited (“ the Company”) for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of comprehensive income, 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. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

This report is issued in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Establishment and Ownership of the Company

The Company was incorporated on 01 November 2001 under the Companies Act, No.17 of 1982 and commenced its operations on 26 March 2002. This is a fully owned Government Company and the Secretary to the Treasury is being the single shareholder of the Company.

1.3 Board’s Responsibility for the Financial Statements

The Board of Directors (“Board”) is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs) and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3.1 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. 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 Company’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 Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board 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 Company as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs).

3. Report on Other Legal and Regulatory Requirements

As required by Section 163(2) of the Companies Act, No'07 of 2007, I state the following:

- a. The basis of opinion and the scope and limitations of the audit are as stated above.
- b. In my opinion:
 - I have obtained all the information and explanations that were required for the audit and as far as appears from my examinations, proper accounting records have been kept by the Company.
 - The financial statements of the Company comply with the requirements of Section 151 of the Companies Act, No.07 of 2007.

4. Financial Review

4.1 Financial Result

According to the financial statements presented, the operations of the Company for the year ended 31 December 2015 had resulted in a pre-tax net profit of Rs.6,546,415 as compared with the corresponding pre-tax net profit of Rs.3,329,049 in the preceding year, thus indicating an improvement of Rs.3,217,366 in the financial results for the year under review. The increase of revenue from multimedia facility as compared with the preceding year was the main reason attributed for this improvement in the financial result.

5. Operating Review

5.1 Performance of the Company

Establish an advance education Centre for the purpose of promoting advance education and knowledge sharing through distance learning programs, organize and conduct programs, seminars, workshop, conferences and other activities to facilitate public and private sector employees using the Global Distance Learning Network, provide technical, management and

other forms of assistance required to public institutions for training and developing employees and grant and confer diplomas, certificates and other awards to persons who have followed courses, workshops, seminars and other programs conducted by the Centre were the main objectives of the Company.

The following observations are made in achieving these objectives.

- i. An Action Plan showing physical and financial targets on the main activities had not been prepared. Therefore, the progress of the Company could not be ascertained in audit. Even though an Annual Report for the year 2015 had been prepared, the achievements of the objectives had not been highlighted.
- ii. According to the budgeted income statement and other information made available for audit, the targeted profit and achievements thereon during the year under review and the preceding year are shown below.

| Year | Target | Actual | Achievement as a percentage of Targets |
|-------|-----------|-----------|---|
| ----- | ----- | ----- | ----- |
| | Rs. | Rs. | |
| 2015 | 7,994,394 | 5,429,794 | 67.9 |
| 2014 | 1,936,185 | 3,202,470 | 165.4 |

As compared with the preceding year, a considerable decrease in achievement of targeted profit was observed in audit.

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 Company from time to time. Special attention is needed in respect of the following areas of control.

| Control Area | Observations |
|--------------------------|--|
| ----- | ----- |
| (a) Accounts Receivables | - Schedules and the age analysis for trade and other receivables were not produced. |
| (b) Advances | - Balances of the advance given to the employees as at the beginning of the year had not been settled even up to the end of the year under review. |