

President's Fund - 2016

The audit of financial statements of the President's Fund for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement financial performance, statement of changes in equity and 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 on the income and expenditure of the Fund stated under Section 9(4) of the said Act to be presented to the Hon. Minister of Finance in terms of Section 10 of the Fund Act and the statement of investments of cash as Annex 01 appear in this report. A detailed report on the financial statements of the President's Fund was issued to the Presidential Secretariat on 31 July 2017.

1.2 Management's Responsibility 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 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 judgement, 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 Fund'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 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 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 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

3. Financial Review

3.1 Financial Results

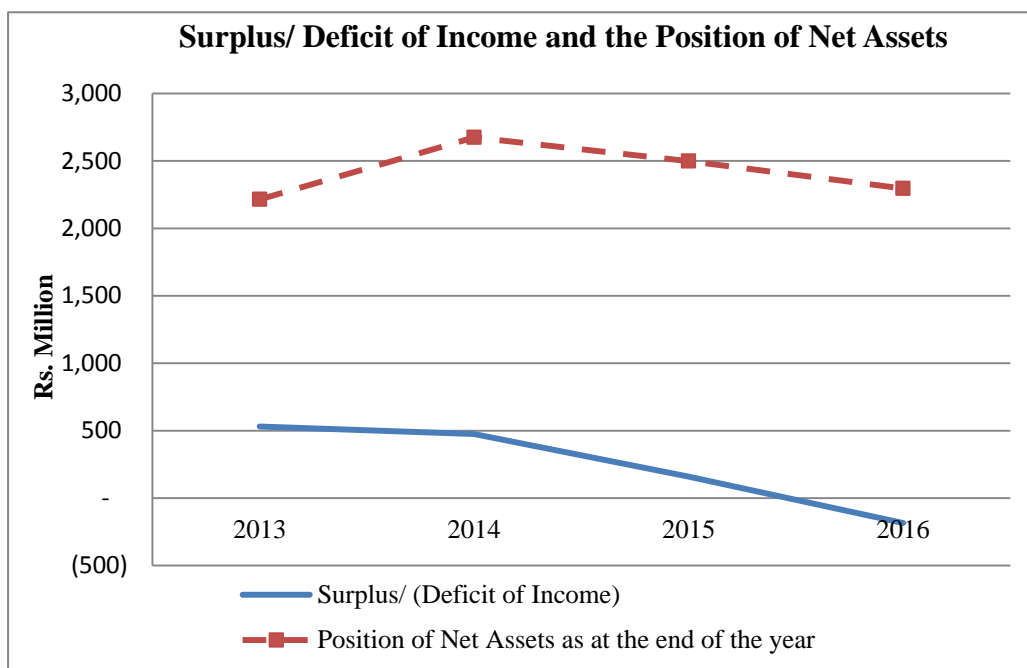
According to the financial statements presented, the financial result of the Fund for the year under review had resulted in a deficit of Rs.183.81 million as against the corresponding surplus of Rs.159.12 million for the preceding year, thus indicating a deterioration of Rs.342.93 million in the financial result in the year under review as compared with the preceding year. Even though the income of the Fund had increased by a sum of Rs.72.88 million in the year under review, the increase of the medical assistance expenditure and of awarding scholarships by sums of Rs.387.94 million and Rs.38.01 million respectively had been the main reason for this deterioration.

3.2 Analytical Financial Review

The following observations are made.

- (a) The surplus/ (deficit) of the Fund and the position of net assets for the year under review and of three preceding years are given below.

Year	Surplus/ (Deficit) of Income	The Position of Net Assets as at 31 December
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	Rs. Millions	Rs. Millions
2013	531	2,215
2014	475	2,674
2015	159	2,499
2016	(184)	2,296



According to the financial statements presented, a net surplus of Rs.531 million had been obtained by the operating activities of the Fund in the year 2013 and, it had been continuously deteriorated to a net deficit of Rs.184 million by the end of the year 2016. The position of net assets as well had been continuously deteriorated from the year 2014 to the year 2016.

- (b) A sum of Rs.1,771.1 million or 87.6 per cent of the total income of the Fund in the year under review had been received from the Development Lotteries Board and, it had been increased by a sum of Rs.44.04 million as compared with the income amounting to Rs.1,727.06 million received from that Board.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) A total sum of Rs.1,438.1 million had been spent by the Fund in the year under review for medical assistance, cultural affairs, religious affairs, welfare activities, educational activities, sports and arts activities and for awarding local and foreign scholarships. The composition of that total expenditure had been 89.59 per cent for the payment of medical assistance, 0.26 per cent for cultural affairs, 0.34 per cent for religious affairs, 0.66 per cent for welfare activities, 0.16 per cent for educational activities, 0.20 per cent for sports and arts activities and 8.79 per cent for local and foreign scholarships respectively.

- (b) The expenditure incurred for medical assistance, educational activities, religious affairs, welfare activities, sports and arts activities and for awarding local and foreign scholarships had increased by 43 per cent, 114 per cent, 37 per cent, 13 per cent, 86 per cent and 43 per cent respectively as compared with the preceding year.
- (c) A sum of Rs.1,288,493,432 had been spent by the Fund for the payment of medical assistance in the year under review and, a sum of Rs.14,390,000 of it had been spent for 07 persons who are being appointed as public representatives and who had been serving as public representatives and, a sum of Rs.1,274,103,432 had been spent for all the other parties or, for 8,388 medical needs to the public. However, the amount spent for medical needs to the public represented 98.9 per cent of the total expenditure of medical assistance of the Fund.
- (d) Even though a sum of Rs.200,000 could be paid for an open heart surgery and a sum of Rs.150,000 could be paid for a closed heart surgery according to the policy of the Fund, instances where payments for medical assistance being made for those activities exceeding those limits for public representatives or for persons who had been serving as public representatives and even for ordinary persons were observed. It was observed that payments for medical assistance had been made in a high average value to a public representative or to a person who had been serving as a public representative as compared with the payment of medical assistance made to an ordinary person in the preceding years as well as in the year under review.
- (e) In paying attention on the unfavourable financial position stated in 3.2 above, it was observed that it is suitable to properly manage the expenditure of the Fund by introducing specific criteria that should be applicable and that could be justified on the instance where medical assistance is being provided to any party exceeding prescribed limits.
- (f) A sum of Rs.891.9 million for 5,897 heart surgeries, a sum of Rs.81.5 million for 635 cancer treatments, a sum of Rs.116.6 million for 724 kidney transplants and a sum of Rs.198.5 million for 1,139 other treatments respectively had been spent as medical assistance in the year under review. The number of patients who received medical assistance had been increased by 2,345 or by 39 per cent and the medical assistance expenditure had been increased by a sum of Rs.387.9 million this year as compared with spending a sum of Rs.900.6 million for 6,050 patients in the preceding year.
- (g) A sum of Rs.1,659.14 million had been invested by the Fund in the year under review and investments amounting to Rs.1,622.35 million had been recovered. As such, an improvement amounting to Rs.36.8 million had been indicated in the investment balance which belonged to the Fund as at the end of the year under review as compared with the preceding year. Further, the interest income as well had been increased by a sum of Rs.9.84 million as compared with the preceding year.
- (h) Even though a sum of Rs.20 million each had been granted by the Fund in the years 2014 and 2015 as special projects expenditure for the Cancer Hospital constructed by incurring an expenditure of Rs.80 million in the Kandy area, any expenditure whatsoever had been incurred as special projects due to not incurring that expenditure in the year under review.

4.2 Personnel Administration

Thirty- seven officers including an Additional Secretary, Accountant out of the officers deployed in permanent service in the Presidential Secretariat Office as at 31 December 2016 had been released for service of the Fund.

5. Accountability and Good Governance

5.1 Budgetary Control

As variances ranging from 10 per cent to 80 per cent were observed in comparing the budgeted income and expenditure with the actual income and expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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.

Annex 01

Statement on the Income and Expenditure of the Fund and on the Investment of Money belonging to the Fund

- (i) According to the financial statements presented to audit, income and expenditure of the Fund for the year ended 31 December 2016 as compared with the preceding year are given below.

Description	For the year ended 31 December	
	2016	2015
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Income	Rs.	Rs.
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Receipts of Contributions	63,010,454	44,006,333
Interest Income	187,773,079	177,936,245
Receipts from Development Lotteries Board	1,771,101,046	1,727,063,739
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	2,021,884,579	1,949,006,317
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Expenditure		

Audit Fees	170,000	160,000
Payment of Medical Assistance	1,288,493,432	900,556,662
Cultural Affairs	3,800,000	2,750,000
Religious Affairs	5,012,500	3,650,000
Welfare Activities	9,632,000	8,557,477
Educational Activities	2,350,000	1,100,000
Scholarship Scheme	125,867,470	87,853,050
Special Projects (Cancer Hospital, Kandy)	-	20,000,000
Sports and Arts Activities	2,974,500	1,600,000
Fifty per cent contribution to Mahapola Higher Education	767,393,833	735,754,720
Scholarship Trust Fund		
Writing off of the interest receivable	-	27,900,000
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	2,205,693,735	1,789,881,909
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Surplus/ (Deficit) of Income	(183,809,156)	159,124,408
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- (ii) According to the financial statements presented to audit, details on the Investment of Money belonging to the Fund are given in the Table below.

Type of Investment	Balance as at 01 January 2016	In the year 2016		Balance as at 31 December 2016
		Investments	Release of Investments	
	Rs.	Rs.	Rs.	Rs.
National Savings Bank-Fixed Deposits	1,622,567,500	1,470,074,000	1,622,347,500	1,470,294,000
People's Bank- Fixed Deposits	112,780,000	8,012,341	-	120,792,341
Investments of Development Lotteries Board	2,200,000	-	-	2,200,000
Treasury Bonds	338,790,000	-	-	338,790,000
Repurchase Agreements	-	181,050,000	-	181,050,000
	2,076,337,500	1,659,136,341	1,622,347,500	2,113,126,341