

Distance Learning Centre Limited - 2019

1.1 Qualified Opinion

The audit of the financial statements of the Distance Learning Centre Limited for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, for Small and Medium - sized Entities (SLFRS for SMEs)

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, for Small and Medium - sized Entities (SLFRS for SMEs) and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.4 Auditor's Responsibilities for the Audit of the Financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the

presentation of information to enable a continuous evaluation of the activities of the Company, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company;
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standards

The following observations are made.

Audit Issue -----	Management Comment -----	Recommendation -----
(a) Cash flow Statement had not been prepared as per the provisions in the SLFRS for SMEs.	Cash flow statement had not been prepared according to the SLFRS for SME 07. Following are the reasons for changes in cash flow statements with auditor computation. As per the 17th Audit meeting directives, the fund management account balance were taken in to the cash in hand balance from short term investments in 2019 account.	SLFRS should be followed whilst preparation of Cash flow.
(b) Fully depreciated fixed assets valued at Rs.49,466,953 were further being used, action had not been taken to revalue those assets in accordance with the Section 17, Property Plant and Equipment of SLFRS for SMEs.	At the 17th Audit meeting held on 2nd of March 2022 it was decided to do an asset revaluation as majority of Assets are fully depreciated and in obsolete condition. Therefore we are surveying now, all items that are fully depreciated.	SLFRS should be followed to revalue those assets.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
Public Enterprise Circular No PED 12 dated 02 June 2003 Section 7.4.5	Annual Board of Survey had not been carried out for the year under review.	As per the request made by DLC, Ministry of Public Administration has appointed two representatives to the Board of Survey Committee on 02 nd March 2022. Currently we are conducting the Board of Survey.	Annual Board of Survey should be carried out according to the PED 12.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs. 17,775,925 and the corresponding profit in the preceding year amounted to Rs.15,365,819. Therefore, an improvement amounting to Rs.2,410,106 of the financial result was observed. The reasons for the improvement are increase of the Computer based training facility income.

2.2 Trend Analysis of major Income and Expenditure items

	2019	2018	Percentage
	Rs.	Rs.	%
<u>Revenue</u>			
Computer based Training Facility	13,954,595	2,421,342	476
Face to Face training Facility	23,073,128	21,678,711	6
<u>Expenses</u>			
Cost Of Sales	23,138,534	21,572,552	7
Provision for Gratuity	386,700	1,375,120	-72

2.3 **Ratio Analysis**

The gross profit ratio and current asset ratio of the company are as follows.

	2019	2018
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Gross profit ratio (%)	64	64
Current Assets ratio	1:8.8	1:2.9

Even though Gross profit ratio remained unchanged, Current assets ratio had been increased comparing to 2018 as a result of decreasing the current liabilities.

3. **Operational Review**

3.1 **Management inefficiencies**

Audit Issue	Management Comment	Recommendation
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Without following Procurement procedure, catering service had been provided to a private institution for all the training programs and the company had been paid a sum of Rs.9,068,880 for the catering service during the year under review. However, no any agreement submitted to audit in this regard.	DLC could not do a proper bid for selecting a catering service for last two years. However we have already started the procurement procedure for selecting a caterer for 2022.	Procurement procedure should be followed to select a catering service provider.