

## **President's Fund - 2020**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the President's Fund for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in net assets and cash flow statement and notes to financial statements for the year then ended 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 and President's Fund Act, No. 07 of 1978. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 1.5 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determines 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Fund 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 Fund.

#### 1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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.
- 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 Fund'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. However, future events or conditions may cause the Fund 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 Fund and whether such systems, procedures, books, records and other documents are in effective operation;

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

## 1.5 Audit Observations relating to the Preparation of Financial Statements

### 1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to the Relevant Standard	Comment of the Management	Recommendation
Assets to be recovered should have been disclosed as being current and non-current in terms of Paragraph 71 of the Standard 01. The sum of Rs.12 million to be recovered within the ensuing 12 months out of Rs.129 million recoverable to the Fund from the National Housing Development Authority, had not been shown as current assets with the balance of Rs.117 million not being shown as non-current assets separately; instead, the total of the recoverable sum had been shown as current assets.	Action will be taken to correctly show in the accounts from the next year.	Sri Lanka Public Sector Accounting Standards should be followed.

### 1.5.2 Accounting Policies

Audit Observation	Comment of the Management	Recommendation
Investments valued at Rs.2,200,000 made in the Development Lotteries Board had been shown under non-current assets in the statement of financial position of the Fund as at 30 September December 2020. The basis of valuing those investments had not been disclosed in the accounting policies.	With the objective of financially strengthening the President's Fund, each of the President's Fund and Mahapola Higher Education Scholarship Trust Fund had equally invested sums of Rs. 2,200,000.00 thereby establishing the Development Lotteries Board in the year 1983. It is stated in Sections 11(1) (b) and 17(5) of the Development Lotteries Board Act, No. 20 of 1997 that funds should be credited to the President's Fund by the Development Lotteries Board. Accordingly, the Development Lotteries Board donates its dividends to the President's Fund monthly.	The relevant disclosures should be included in the accounting standards.

### 1.5.3 Accounting Deficiencies

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The following observations are made.

Audit Observation -----	Comment of the Management -----	Recommendation -----
<p>a) A fixed deposit account worth Rs.300,000 had been opened by the Fund for a student who had passed in the Scholarship Examination, and the bank had been instructed that the interest thereon be paid to the student for her education subject to a maximum of Rs.1,500 per month until she reaches the age of 18. An interest of Rs.26,908 had been yielded by the said fixed deposit for the year under review, and that interest had been paid to the student by the bank in full. As per the instructions given to the bank, a sum of Rs.18,000 should have been paid to the student for the year under review, but a sum of Rs.26,908 had been paid exceeding the limit by Rs.8,908. Furthermore, the said fixed deposit maintained under the Fund had not been mentioned in the financial statements as an asset of the Fund whilst the interest thereon for the year under review amounting to Rs.26,908 had not been shown as an income and the payment made therefrom had not also been shown as an expenditure in the financial statements.</p>	<p>It was omitted to mention the said fixed deposit in the financial statements, and corrective measures will be taken in the year 2021. As the interest on this deposit is directly credited to the bank account of the beneficiary, it is identified as an interest income of the President's Fund as well as an expenditure on financial assistance provided for the student.</p>	<p>The financial statements should be corrected.</p>
<p>b) The cheque valued at Rs.6,083,244 issued after being brought to accounts as an expenditure of the Fund incurred for the settlement of expenses on medical treatments provided by a foreign hospital in the year under review, had not been given to the Secretary to the office of foreign affairs even up to 15</p>	<p>Once the file relating to the said cheque is completed, action will be taken to issue the cheque.</p>	<p>Corrective measures should be taken on the financial statements.</p>

December 2021. As such, expenses on medical assistance had been overstated by that amount in the year under review.

## 1.6 Non-compliances with Laws, Rules, Regulations and Management Decisions

The following observations are made.

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
(a) Section 06 of the President's Fund Act, No. 07 of 1978.	The funds of the President's Fund, after being determined by the Board, should be paid following the order of the President. However, even by 15 December 2021, the Board had not determined the sums totaling Rs.659,287,255 and Rs.1,899,195,017 that had been spent from October to 31 December 2019 and 01 January 2020 to 31 December 2020 respectively.	All the payments made from the President's Fund during 01 October - 31 December 2019, and 01 January -31 December 2020 had been done under approval of the Honorable President. A meeting of the Board of Governance of the President's Fund had not been held after 2019.10.18, and scheduling a date for a meeting could not be done owing to the Covid-19 pandemic. It is kindly informed that, once approval is obtained relating to the said durations at the meeting of the Board of Governance to be held in due course, you will be informed in that connection.	Provisions of the Act should be followed.
(b) Regulation 396 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	According to the bank reconciliation statement prepared for October 2021, there existed 12 cheques valued at Rs.11,507,044 that had remained uncashed	Action will be taken in terms of Financial Regulation 396 on those cheques in the year 2021.	The Financial Regulations should be followed.

during the period from 12 March 2020 to 11 November 2020. Action had not been taken on those cheques in terms of Financial Regulations even up to 31 October 2021.

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| (c) Treasury Operations Circular, No. 03/2018 dated 26 July 2018. | The Account, No. 51204 (46078) being maintained by the Fund at the Central Bank, remained dormant in the years 2020 and 2021. However, the Fund had not taken action in that connection as per the Circular. | The Account, No. 51204 is maintained to be used in special circumstances such as raising funds and making payments with respect to special projects as required by the President. | The Circular should be followed. |
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## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review was a surplus of Rs.1,338,345,661 as compared with the corresponding surplus of Rs.615,338,704 for the preceding year, thus observing an improvement of Rs.722,956,957 in the financial result. That improvement had mainly been attributed by the increase in revenue by Rs.270,753,303 and the decrease in expenses by Rs.451,475,888 in the year under review as against the preceding year.

### 2.2 Analysis on Trends in the Main Items of Revenue and Expenditure

The following observations are made.

- (a) The Fund had spent a sum of Rs.331 million in the year under review as payments on medical assistance whereas a sum of Rs.1,019 million had been paid thereon in the preceding year. As such, payments made on medical assistance had decreased by Rs. 688 million or 68 per cent in the year under review as compared to the preceding year.
- (b) Medical assistance had been sought by 5407 patients in the year under review relating to heart surgeries, cancers, diseases in knees and groin, kidney disease and other treatments. However, payments on medical assistance had been made only to 1914 patients whereas such payments had been made to 6386 patients in the preceding year. As such, the number of patients whom payments on medical assistance had been made to in the year under review, decreased by 4472 representing 70 per cent as against the preceding year.

### 3. Operating Review

#### 3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Comment of the Management	Recommendation
<p>a) Even though bills had been presented by the patients after being approved for making payments on medical assistance, payments totalling Rs.3,364,482 had been made to 23 patients in the year under review after a delay from 01 year to 2 years and 03 months due to the spread of Covid-19 pandemic and failure or delay of the patients in furnishing information required to take further action on the files.</p>	<p>Making payments had been delayed due to failure or delay of the applicants in providing information such as, salary particulars and bank account details required for taking further action on files. This situation was also attributed by the Office being closed several times and official works being done with a minimum staff owing to the Covid-19 pandemic spreading from March 2020.</p>	<p>Making payments on medical assistance should be expedited.</p>
<p>b) The Fund had approved to pay medical assistance totalling Rs. 3,774,000 to 23 patients by the end of the year under review, and medical bills had been presented by the patients in that connection. As the bank account details provided by the patients differed from the information given in their applications, those payments could not be made even by the end of the year under review.</p>	<p>Income of the family is taken into consideration in order for the President's Fund to approve payments on medical assistance, and all bank account details of the family members including the patient are examined. In instances where the bank account number provided by the patient for receiving payment is found different to the information given in the application, bank account details are checked again.</p>	<p>Making payments on medical assistance should be expedited.</p>
<p>c) The value of medical assistance payable as at 31 December of the preceding year totaled Rs.8,125,522, whereas the same totaled Rs.59,194,859 in year under review. Accordingly, the total value of medical assistance</p>	<p>Making payments had been delayed due to failure or delay of the applicants in providing information such as, salary particulars and bank account details required for taking further action on files. This situation was also attributed by</p>	<p>Making payments on medical assistance should be expedited.</p>

payable in the year under review from the Fund had increased by 629 per cent as against the preceding year. the Office being closed several times and official works being done with a minimum staff owing to the Covid-19 pandemic spreading from March 2020.

- d) Even though an Action Plan had been prepared including 09 activities expected to be executed for the year under review at an expenditure totaling Rs. 21.25 million, the annual performance report stating the progress achieved had not been prepared even by 15 December 2021. Included in the annual performance report of the Presidential Secretariat. The annual performance report should be prepared by mentioning the progress.
- e) In terms of Section 11(b) of the Development Lotteries Board Act, the balance from the proceeds of lotteries, once expenses of the Development Lotteries Board are incurred, should be remitted to the President's Fund. Nevertheless, a delay ranging from 20 days to 287 days had occurred when a sum of Rs.685,860,083 had been remitted by the Development Lotteries Board to the President's Fund relating to the year under review. Once the accuracy was verified, the sum relating to the year has been remitted. Attention should be brought on the possibility of obtaining the funds without delay.

### 3.2 Operating Inefficiencies

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
As the Fund had completed 40 years in operation by November 2018, the Board of Governance had approved special projects on 11 October 2019 to provide equipment worth Rs.437.81 million for 12 hospitals selected from areas with poor facilities. The Fund had settled the bills in	The progress on the payment of Rs.90,706,000 made in the first stage of the project, will be presented at the meeting of the Board of Governance scheduled to be held in due course; thus expecting to obtain approval from the Board of Governance to proceed with the project.	Implementation of special projects should be expedited.



the year under review relating to medical equipment worth Rs.90.71 million purchased by the Ministry of Health. Although the 42<sup>nd</sup> anniversary of the Fund had taken place, action had not been taken even by 15 December 2021 to purchase medical equipment utilizing the balance of the said special project amounting to Rs.347.1 million.