

Skills Development Fund Limited -2021/2022

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Skills Development Fund Limited (“Company”) for the year ended 31 March 2022 comprising the statement of financial position as at 31 March 2022 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, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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 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, 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 Audit Scope

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 Accounts Receivable and Payable

1.5.1 Payables

Audit Issue	Management Comment	Recommendation
Creditors aggregating to Rs. 2,058,698 had remained over four years without being settled.	After clearly identification of those balances, Company will take the action for resolve this matter in future.	Action should be taken to settle the credit balances as early.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Public Enterprises Department Circular No. 95 dated June 14, 1994	Treasury approval should be obtained for the payment of allowances, incentive and other financial aid as per the Circular. However, Contrary to that a sum of Rs.104,025 and Rs.350,000 had been incurred by the company to purchase railway season tickets and payment of incentive to the officers of the company during the year under review.	These payments had been made as per the approval of the Chairman and Board of Directors.	Action should be taken according to the circular.
(b) Public Enterprises Circular No. 01/2021 dated 16 November 2021			

Section 6.6 of Operational Manual	(i) Accounts should be rendered to the Auditor General within 60 days after the close of the financial year. However accounts had been submitted on 17 August 2022 with 79 days delay	In future, the company will arrange to submit the financial statement to the Auditor General on time.	Action should be taken to rendered to the financial statements according to the circular.
	(ii) Annual Reports should be tabled in Parliament within 150 days after the close of the financial year. However, annual reports from the year 2014 had not been tabled in parliament.	The annual reports for the four years from 2014 to 2017 had been handed over to the line ministry.	Action should be taken according to the circular.
(c) Section 14 (1) of the Tertiary and Vocational Education Act No. 20 of 1990 of the Parliament of the Democratic Socialist Republic of Sri Lanka	(iii) The Skills Development Fund Limited and examinations and programmes conducted therein should be registered in the Tertiary and Vocational Education Commission (TVEC). However, action had not been taken to register even as at 30 September 2022. Further, before entering into agreements with third parties for conducting educational programmes and examinations, It is required to register with the Tertiary and Vocational Education Commission. However, 13 institutions which had entered into agreements, had not registered as required.	Institutions contracted with the Skills Development Fund under the Public-Private Partnership have been informed to register with the TVEC if they are not registered. Otherwise, the contracts are expected to be cancelled.	Action should be taken to archive the company objectives.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs. 6,029,713 and the corresponding loss in the preceding year amounted to Rs. 15,485,541 Therefore an improvement amounting to Rs. 9,455,828 of the financial result was observed. The reasons for the improvement is the increase in revenue.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue -----	Management Comment -----	Recommendation -----
The company had not taken action to activate or close the dormant bank account, which has a balance of Rs.161,076 as at the end of the year under review.	Company will discuss with the Ministry regarding this matter and take the action for resolve in future.	Actions should be taken to active or close the account.

4. Accountability and Good Governance

4.1 Audit Committee

Audit Issue -----	Management Comment -----	Recommendation -----
Even though Audit and Management Committee meetings should be held once in 03 months. according to the section 4.2(h) of the Public Enterprises Circular No. 01/2021 dated 16 November 2021, the Company had failed to hold the Audit and Management Committee (AMC) meetings during the year under review.	Within the few days, SDFL is Gazette under the Ministry of Education by special no. 2289/43 Therefore, AMC meetings could not be held during the year under review.	Action should be taken to held the audit and management committee according to the circular.