

Official Languages Commission - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Official Languages Commission for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and statement of financial performance 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 and Finance Act No. 38 of 1971. 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 Commission as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

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 Public Sector 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 Commission'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 Commission to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Commission 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 Commission.

1.4 Auditor's Responsibility in Auditing 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 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 Commission'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 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 Commission, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Commission has complied with applicable written law, or other general or special directions issued by the governing body of the Commission;
- Whether the Commission has performed according to its powers, functions and duties; and
- Whether the resources of the Commission had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Audit Observation	Comments of the Management	Recommendation
<p>Although revaluation of plant and equipment should be done by a member of the valuation profession who holds a recognized and relevant professional qualifications according to the clause 43 in Sri Lanka Public Sector Accounting Standard 07, valuation had been done by a committee including chief clerk, Administrative officer and a technical officer of another institution. Although that increase shall be credited directly to revaluation surplus if the carrying amount of a class of assets is increased as a result of a revaluation according to the clause 52 in the Standard, that amount had been stated as other reserves.</p>	<p>I would like to inform you that will be obtained an officer for valuation work to be carried out in the future by a written requestis made to the valuation department.</p>	<p>Actions should be taken in accordance with the Sri Lanka Public Sector Accounting Standards.</p>

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) The work value of Rs. 2,428,510 paid to the contractor until the end of the year under review for the work of partitioning was shown as buildings and constructions instead of being shown as work in progress in the financial statements. Therefore, the value of the building was overstated by that amount. Furthermore, the relevant measurement sheets were not submitted to the audit to ensure the value of this ongoing work Paid amount for construction of a washroom totaling Rs.868,837 was also shown as work in progress in the financial statements, but the certified work sheets were not submitted to the audit.</p>	<p>It has been confirmed from the technical recommendations that 70% of the work has been completed on 2021.07.27. That partitioning work had been accounted as buildings and constructions because that 70% of the partitioning were also used for use. Further, I mention that depreciation has also been made for the period of 5 months which it was used. However, I would also like to mention that 100% of the work is now completed and that will be used.</p>	<p>Buildings should be shown in the financial statements as work in progress until they are completed and the significance documents related to the construction should be submitted to audit.</p>
<p>(b) Action had also not been taken to account the cost of web site of Rs. 614,800 as an intangible asset during the year under review which was accounted as current assets during the years 2018 and 2019.</p>	<p>It will correct in the future.</p>	<p>Asset classifications should be corrected and accounts should be reconciled.</p>

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

Following observations are made.

Reference to Laws, Rules Regulations and Management Decisions etc.	Non-compliance	Comments of the Management	Recommendation
(a) Section 13 (3) of Part II of the Official Language Commission Act No. 18 of 1991	Although the Chairman is the Chief Executive Officer of the Commission in terms of the section, even if he is not a member of the Commission's staff, It was observed that the commission was engaged in signing cheques.	The account of the Official Language Commission is opened under the name "Chairman, Official Language. Therefore, the signature of the Chairman has been given to the account and the cheques have also been signed from the date of opening this account.	Action should be taken according to the Commission's Act.
(b) Paragraph 5.2.5 of Public Enterprises Circular No. PED/12 dated 02 June 2003	Although the annual budget approved by the Board of Directors of the Commission must be submitted to the Auditor General 15 days before the commencement of the financial year, It had not been done so.	The 2021 budget reports have been submitted to the Commission for approval in February 2021. It has been then submitted to line ministry and the General Treasury. Approval will be get the Commission's before 15 days from the beginning of the financial year and submit it to the Auditor General as shown in the audit.	Action should be taken as per the Public Enterprises Circular.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 552,524 and the corresponding deficit in the preceding year amounted to Rs. 1,835,397. Therefore an improvement amounting to Rs. 2,387,921 of the financial result was observed. The main reasons

for this increase were although the expenditure has been increased by Rs.3,960,849 during the year under review , and increasing the recurrent receipts from treasury by Rs. 6,404,000 .

3. Operating Review

3.1 Management inefficiencies

Following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) An agreement for the construction of a washroom beyond the office of the Chairman of the Commission, was entered into without the approval of the Board of Directors before entering into the formal building agreement valued at Rs. 1,251,126 (including VAT) and it was observed It was observed in the audit that it was problematic to recover the money spent for the construction of the washroom as there was no agreement with the municipal council regarding how to recover the money.	There is a plan to acquire the building on a long-term lease basis. Accordingly, the Commission will be able to use the washroom as an asset for a long time.	Agreements should be entered into regularly before construction.
(b) A sum of Rs. 2,687,043 had been spent for partitioning, electrical system, carpeting, air conditioners, and internal telephone system in the Commission was establishing in the building of Ministry of National Coexistence, Conversations and Official Languages in the year 2017. Despite that, it was observed in the audit that an unrecoverable cost of Rs.4,720,427 was incurred to establish the commission in another place again after 4 years,	The Commission has the ability to maintain its current office premises for a long period of time. Therefore, the cost incurred for this office premises can be considered as a long-term investment made for the Commission's office.	Expenses should be managed properly.

(c) Although an agreement has been entered into with Sri Jayawardenepura Kotte Municipal Council to rent out the building on 01 November 2021, an agreement of Rs. 3,469,301 (with VAT) was entered into with an institute for office partitioning works and Rs. 1,697,737 had been paid prior to that. Board approval was not even obtained for this.

Approval has been obtained from the Secretary of Ministry for the tender decision to select Sahara Construction Company to do the partitioning work. Action would be taken to submit the tender decision with approval regarding to partitioning work for covering approval of the Commission in the future.

Payment should be made only after obtaining the relevant approval.