

## **Official Languages Commission - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Official Languages Commission for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the 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 2022, 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 or 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 Commission'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 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 the Commission 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**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
According to paragraph 49 of Sri Lanka Public Sector Accounting Standard No. 7, if an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued. But only fully depreciated furniture and office equipment had been revalued.	Commission agreed that in future revaluation, the entire class of property, plant and equipment to which that asset belongs would be revalued.	Actions should be taken in accordance with the Accounting Standards.

### **1.5.2 Accounting Deficiencies**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
a) The commission had made gratuity provision less than Rs.880,682 due to calculation of gratuity based on basic salary only.	So far, the allocation of gratuity provision in the Commission has been done by considering only the consolidated salary.	Gratuity shall be calculated as per the provisions of the Act.
b) No provision was made in the financial statements for the surcharge amounting to Rs.78,487 due to delay in payment of contributions to the Employees' Trust Fund.	An investigation has been initiated by the Official Language Commission regarding these delays and that the financial statements for the year 2023 will be presented as	Contributions to the Employees' Provident Fund must be paid on the due date without delay.

a disclosure related to the year 2022.

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| <p>c) A car purchased by the Ministry of National Co-existence, Dialogue and Official Languages under the lease on 02 June 2016 and given to the use of the commission on the same day On 22 March 2022 it was valued at Rs. 4,500,000 but the action had not taken to handed over to the commission and not disclosed in the financial statements. Furthermore, the value of the motorcycle assigned to the Commission by the Canadian International Development Agency for the National Language Project on June 24, 2015 was not disclosed in the financial statements.</p> | <p>Commission agreed that the vehicle will be taken over as per the approval of the current Ministry.</p> | <p>Motor vehicle should be duly taken over and accounted for in the financial statements</p> |
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**1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.**

<b>Reference to Laws, Rules Regulations and Management Decisions etc.</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>Treasury Circular No. 842 dated 19 December 1978</p>	<p>The total cost is Rs.19,345,430 fixed assets register was not kept up-to-date to ascertain the cost of each item of property, plant and equipment</p>	<p>Commission agreed that update the fixed assets register by including the relevant depreciations and, I will identify the assets separately and disclosure the depreciations separately in the 2023 accounts statements.</p>	<p>The fixed asset register should be maintained up-to-date and the related books and ledger should be submitted for audit to verify the provision of depreciation.</p>

## **2 Financial Review**

### **2.1 Financial Result**

The operating result of the year under review was a deficit of Rs.9,548,362 while the corresponding surplus of the previous year was Rs.552,524. Accordingly, a decline of Rs.10,100,886 was observed in the financial result. This decline was mainly due to the increase in depreciation, repair and maintenance expenses and utility services and other expenses by Rs.8,724,391.

## **3. Operational Review**

### **3.1 Management inefficiencies**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) 3998 glossaries and short term course books, which were printed before the year 2012, cost was Rs.292,855 are to be distributed for awareness programs and workshops. But, those books were not distributed even by December 31 of the year under review.	Commission agreed that the books will be delivered to the school libraries.	The relevant officials are responsible for printing without recognizing the need and not using these books for more than 10 years.
(b) A washroom was built at a cost of Rs.993,596 in the building rented from Sri Jayawardenepura Kotte Municipal Council was capitalized under Property, Plant and Equipment without recognized as receivable balance.	The municipal commissioner stated that if the commission continues to add value to the property of the council as an asset at the end of the lease period of the Janajaya City building, it will be reimbursed to the commission only with the agreement of the council at that time.	This amount should be recovered.
(c) Contrary to the provisions of the National Budget Circular No. 03/2022 dated April 26, 2022 for the control of public expenditure, the commission had rented an office building for an annual rent of Rs.7,284,000.	Although the commission asked to reserve a space in a building belong to the ministry, it was not possible to get it. Therefore, arrangements were made to get the remaining space from the Janajaya City building, owned by the Kotte Municipal Council to the Commission.	The circular should be followed.