

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the **Sri Lanka Foundation** for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the / statement of financial performance statement of changers in net assets and cash flow statement for the year then ended, and notes to the financial statements including material accounting policy information, 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 Foundation as at 31 December 2024, 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 Statement

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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Audit Scope (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 Foundation'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 Foundation, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Foundation has complied with applicable written law, or other general or special directions issued by the governing body of the Foundation;
- Whether the Foundation has performed according to its powers, functions and duties; and
- Whether the resources of the Foundation 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 Internal Control over the preparation of financial statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

1.5.2 Accounting Deficiencies

	Audit Issue	Management Comment	Recommendation
(a)	Due to the inclusion in the accounts of a sum of Rs. 1,489,044 as work-in-progress for a project commenced under the Value Added Tax amounting to Rs. 2,754,664, the total balance of work-in-progress and accrued expenses had been overstated by Rs. 4,243,708.	It was stated that the contract value included under work-in-progress together with the Value Added Tax would be reviewed and the remaining work would be carried out accordingly.	Work-in-progress and accrued expenses should be accounted for accurately.
(b)	Deposits amounting to Rs. 1,594,171 received directly by the bank had not been specifically identified and accounted for, but had been recorded as advances.	Necessary adjustments would be made for the deposits for which information relating to direct debits is not available.	Direct deposits should be identified and accurately accounted for.

1.5.3 Suspense Accounts

Item	Amount	Period of Suspense	Management Comment	Recommendation
Suspense Account	Rs.189,587	2015-2024	An investigation under FR 104 is being carried out and that further actions will be taken based on its recommendations.	Action should be taken to settle the unidentified account balance.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Issue	Management Comment	Recommendation
(a)	A sum of Rs. 2,722,427 receivable from various institutions for educational programs and workshops conducted by the Foundation for a period exceeding five years from 2010 to 2019 had not been recovered even during the year under review.	Action will be taken in the future to recover the outstanding amounts.	Action should be taken to recover the outstanding income without delay.
(b)	A sum of Rs. 895,437 receivable for services provided by the Business Development Division to external parties from the year 2014 to 2021 had not been recovered.	Although action had been taken to recover the sum of Rs. 895,437 receivable from 2014 to 2021, no response had been received in this regard.	Action should be taken to recover the outstanding income without delay.
(c)	Foundation had entered into an agreement with a private company on 10 February 2022 to obtain on a rental basis the Foundation's Peo TV Channel No. 123, studio, control room, production equipment, and related services. According to sections 4, 5, 7, and 8 corresponding with the said agreement, the company was bound to pay a monthly rent of Rs.285,000 for the use of office premises, a monthly channel rental of Rs. 500,000 (subject to an annual increase of 10%), and to bear all production costs incurred for telecasting programs, including telephone and internet facilities, channel-related expenses, and electricity charges and a total sum of Rs. 11,941,478 remained receivable—comprising Rs.1,217,696 for the year 2022, Rs. 8,724,248 for the year 2023, and Rs. 1,999,534 for the year 2024.	The matter has been referred to the Attorney General's Department to take legal action for the recovery of the relevant amount.	Action should be taken to recover the outstanding income without delay.
(d)	Due to the failure to properly recover the amounts receivable from officers who left the service, a sum of Rs. 1,558,240 recoverable from an officer who had migrated abroad under an agreement entered into in 2021, Rs. 2,504,759	Action is being taken at present to recover the relevant amounts from the officers who are leaving the service.	Action should be taken to recover the amounts receivable from employees without delay.

recoverable from 24 officers who had left the service without prior notice for periods ranging from 1 to 9 years, and Rs. 345,221 recoverable from 5 officers who resigned during the year 2024, had remained outstanding.

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

All issues related to non-compliances with Laws, Rules, Regulations and Management decisions etc. be shown under this heading.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Establishment Code of the Democratic Socialist Republic of Sri Lanka			
(i)	Chapter V Section 2.1	– An officer of the Sri Lanka Navy holding the rank of Lieutenant Commander had assumed duties in the post of Director (Administration) of the Sri Lanka Foundation on 02 August 2021, without having been duly released from government service, either temporarily or permanently, to serve in a state institution. And an officer of the government may be released for service outside the public service only with the approval of the appointing authority and, where applicable, with the concurrence of any other authority whose consent is required by the law establishing that institution or board.	A preliminary investigation had been conducted regarding this officer, and his service had been terminated during the probationary period.	Action should be taken in accordance with the provisions of the Establishments Code.

(ii) Chapter-vii Section 12.2.5	An acting officer is not entitled to draw an acting allowance or any other additional remuneration unless he has been duly appointed by the competent appointing authority, a sum of Rs. 599,979 had been paid without proper approval as acting allowance for performing the duties of the post of Director (Studies) of the Foundation during the years 2021, 2022, and 2023.	The former Director (Studies) has passed away and that action is being taken in this regard in accordance with the consultation of the Commissioner of Labour.	Action should be taken to recover this amount from the parties responsible.
(iii). Chapter xii-Section 14.3.3	Although applications for study leave with full salary should be submitted to the Director of Establishments for approval, two lecturers of the institution had been granted full-pay study leave for a period of 2 years and 6 months from 2021 to 2023, and a total sum of Rs. 8,030,919 had been paid as salaries. However, there was no confirmation that one of the lecturers had fulfilled the required qualifications for such leave.	The leave had been approved for these officers as per the approval of the Board of Management, and that in future, approval of the Director General of Establishments will be obtained in such instances.	Action should be taken in accordance with the provisions of the Establishments Code.
(iv). Chapter xii - Section 14.6	Due to the failure to enter into an agreement in respect of the mandatory service period required for the two lecturers who were granted full-pay study leave for a period of 2 years and 6 months, one lecturer, after obtaining the relevant benefits, had	It was stated that signing the agreement has been made mandatory.	Action should be taken in accordance with the provisions of the Establishments Code.

resigned from service on 23 November 2023 without serving the institution.

(b)	The decision of the Board of Directors No.2001.03.137	Although each lecturer is required to maintain monthly progress reports, such reports had not been maintained even during the year 2024.	Action will be taken in the future to obtain these reports once in every quarter.	Action should be taken in accordance with the decision of the Board of Directors.
(c)	Gazette No. 887/8 dated 07 September 1995	Institutions conducting tertiary and vocational training courses are required to register their courses with the Tertiary and Vocational Education Commission (TVEC) and renew the registration annually. As at 31 December 2024, the Foundation had obtained only temporary registration for the courses being conducted.	Necessary action in this regard is being carried out expeditiously.	Action should be taken in accordance with Section 15 of the Tertiary and Vocational Education Act No. 20 of 1990.

2. Financial Review

2.1 Financial result

The operating result of the year under review amounted to a surplus of Rs. 132,402,966 and the corresponding surplus in the preceding year amounted to Rs. 8,806,726. Therefore an improvement amounting to Rs. 123,596,240 of the financial result was observed. The reasons for the improvement was mainly due to the receipt of Treasury provisions amounting to Rs. 90 million for capital expenditure, an increase of Rs. 19,929,590 in other income, and a decrease of Rs. 14,950,888 in training and educational expenses

3. Operational Review

3.1 Identified Losses

Audit Issue	Management Comment	Recommendation
Due to the compulsory retirement on 28 August 2020 the officer who served in the post of Director (Studies) in the Foundation, the Sri Lanka Foundation had, in accordance with the court judgment delivered on 07 July 2023 in the case filed by the said officer against the Foundation, been	This was a decision taken with the approval of the Board of Management and that the said actions had been carried out based on a mutual agreement in accordance with the judgment of the Labour Tribunal.	Management should take decisions in a lawful and impartial manner.

required to pay all salary arrears due to him and to reinstate him in the post of Director (Studies). As a result of weak management decisions of the Foundation, an additional expenditure of Rs. 5,700,250 had to be incurred, consisting of Rs. 4,041,301 as salary arrears for the period from April 2019 to November 2023 during which the officer had not served the Foundation, Rs. 1,132,573 as contributions to the Employees' Provident Fund, Rs. 135,908 as contributions to the Employees' Trust Fund, and Rs. 390,466 as legal fees.

3.2 Management Inefficiencies

Audit Issue

Although it had been informed to the audit on 14 May 2025 that only about Rs. 44 million had been paid out of the Rs. 90 million received as capital grants for completed works, according to the progress report on capital grants as at 31 December 2024 submitted to the Secretary of the Ministry on 20 February 2025, it had been reported that all projects had been completed and payments made.

Management Comment

Only a sum of Rs. 90 million had been received by the institution as capital grants for the year 2024, and that Rs. 44 million had been paid for the completed works, while the balance amount had been shown under accrued expenses until the contracted works are completed.

Recommendation

Providing accurate and up-to-date information is the responsibility of the management, and accurate information should be submitted.

3.3 Operational Inefficiencies

Audit Issue

When determining the monthly rent of Rs. 225,000 for the building premises and Rs. 500,000 for the channel, neither the government-assessed value nor the prevailing market rates had been evaluated in deciding the rental amount. Further, at the time of leasing the building and the channel, no security deposit (Security Bond) had been obtained to ensure the safety and preservation of the studio and the production equipment therein.

Management Comment

Action will be taken in the future to prevent the taking place of such situations.

Recommendation

Proper procedures should be followed in leasing activities.

3.4 Delays in Projects or Capital Work

Audit Issue	Management Comment	Recommendation
(a) According to the agreement entered into with the Department of Buildings for the renovation of the auditorium, construction of a new changing room, and expansion of the security rest area, a sum of Rs. 3,628,225, representing 25 percent of the estimated cost, had been paid on 29 October 2024. It was further stated that the balance amount of Rs. 10,071,775 had been paid by cheque No. 596355 dated 31 December 2024. However, the said cheque had been retained within the institution as an unissued cheque, and as at 31 March 2025, the work had not yet commenced.	It was stated that only the advance payment had been made to the Department of Buildings, and certain delays had occurred due to the revision of the estimate submitted by the Department and the necessity to follow the new procurement guidelines.	Planned projects should be commenced and implemented within the scheduled time frame. Cheques should not be written and kept without effecting payments until the completion of the work.
(b) A sum of Rs. 1,049,124 had been paid in the year 2019 for architectural work and consultancy services related to the construction of the studio; however, the project had not been commenced even by the end of the year under review.	It was revealed that the architectural work and consultancy services related to the construction of the studio had been obtained based on a decision made by the then Board of Management, and that the construction project had been limited only to the planning stage due to the inability to secure the necessary provisions.	Duties and responsibilities should be planned to achieve the objectives of the institution and properly implemented.

3.5 Procurement Management

Audit Issue	Management Comment	Recommendation
The Department of Buildings had refused to undertake the construction of the small auditorium due to structural stability issues. Subsequently, on 03 February 2025, Sri Lanka State Engineering Corporation informed that a structural stability test of the building should be carried out by the National Building Research Organization (NBRO). Meanwhile, as requested by the Institution of Engineers Sri Lanka, for the preparation of the Bill of	It was informed that a report has been requested from the National Building Research Organization to confirm the suitability of the building for future construction activities that have been temporarily suspended. It was further stated that the said report and other relevant documents will be submitted to the National Planning Department for approval, with the expectation	A proper evaluation should be carried out, and contract activities should be commenced accordingly.

Quantities (BOQ) and design plans, an amount of Rs. 2 million had been shown under work-in-progress during the year under review by the Foundation for this matter.

of including the project in the budget document thereafter.

3.6 Defects in Contract Administration

Audit Issue

A sum of Rs. 3,262,424 had been shown as deposits as at the year under review, out of which an unsettled balance amounting to Rs. 2,095,751 had been remaining since the year 2018 up to 2023.

Management Comment

It was revealed that the retention money could not be settled due to issues relating to the quality of the work performed by the contractors.

Recommendation

Action should be taken to rectify the deficiencies in the contract works and to settle the retention money accordingly.

3.7 Human Resource Management

Audit Issue

The officer who assumed duties in the post of Director (Administration) of the Foundation on 02 August 2021 had retired from the Sri Lanka Navy on 05 November 2021. During the period from 02 August 2021 to 05 November 2021, the officer had received salaries and allowances amounting to Rs. 495,759 from the Foundation and Rs. 319,669 from the Sri Lanka Navy simultaneously.

Management Comment

It was revealed that the officer's service had been terminated during the probation period, and that a court case in this regard is currently in progress.

Recommendation

Action should be taken in accordance with the due procedures.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Issue

The action plan of the Education Division approved on 09 January 2024 had been revised on 12 November 2024, removing 52 course types and out of the revised plan, 19 course types had not been conducted during the year under review, while 38 course types not included in the revised plan had been continued.

Management Comment

It was stated that only the courses and workshops that could be conducted by the four lecturers attached to the Education Division had been included in the revised action plan. Further, many courses and workshops could not be marketed due to the prevailing demand and national circumstances, while the reduction of training budgets in the public sector had also contributed to the decrease in public sector training programs.

Recommendation

Activities planned under the action plan should be implemented accordingly.

