Distance Learning Centre Limited - 2024

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1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Distance Learning Centre Limited ("Company") for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 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. 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 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium-Sized Entities.

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 Standard for Small and Medium-Sized Entities, 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 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 skepticism 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 Receivable

Audit Issue	Management Comment	Recommendation
Income tax, withholding tax and economic services charge receivable totalling Rs.4,136,528 which had been outstanding for over six years.	The DLC expects to consider any possible impairment in the 2025 final accounts, based on reliable estimates following IRD determinations.	Actions should be taken to recover the relevant taxes.

1.5.2 Payable

Audit Issue	Management Comment	Recommendation
The remaining Rs.2,580,000 of the advance received for programs in the year 2022 had not been settled up to end of the year under review.	The DLC has issued two reminder letters requesting nominations to utilize the balance and has coordinated with the Western Province Department of Education Office. The matter is expected to be resolved by Q1 of 2026.	Steps should be taken to settle the advances received.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Chapter 2.3 of Guidelines on Corporate Governance introduced by Public Enterprises Circular No. 01/2021 dated 16 November 2021.	Although the strategic plan together with action plan and annual budget should be submitted to the Director General of the Department of Public Enterprises, aforesaid reports had not been submitted for the year under review.	Agreed. The DLC will ensure full compliance with the relevant requirements from the year 2025 onwards.	Strategic plan, action plan and annual budget should be sent to the Treasury as per the Circular instructions.

(b)	Operational Manual for the state owned Enterprises introduced by Public Enterprises Circular No. 01/2021 dated 16 November 2021.			
(i)	Section 3.4	Even though a recruitment and promotion scheme should have been prepared by every public enterprise, the Company had not prepared a scheme of recruitment and promotion.	Agreed. The DLC is currently in the process of preparing a Scheme of Recruitment in accordance with the relevant PED Circulars and expects to complete the approval process by 2026.	Actions should be taken to prepare SOR.
(ii)	Section 6.6	Annual reports had not been submitted to Parliament for the years 2022 and 2023.	The 2022 Annual Report has been submitted to the Line Ministry for Cabinet approval and is currently awaiting Cabinet clearance prior to submission to Parliament. The 2023 Annual Report will be submitted following the AGM held in.	Annual reports should be submitted to Parliament, according to the Circular instructions.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs.11,914,267 and the corresponding profit in the preceding year amounted to Rs.9,152,671. Therefore an improvement amounting to Rs.2,761,596 of the financial result was observed. Although there was a decrease in online programme income and finance income by Rs.12,598,778 , the increase in online exams income and partnership and regional partnership programmes income by Rs.15,249,503 was the main reason for the improvement of financial result.

3. Operational Review

3.1 Management Inefficiencies

	Audit Issue	Management Comment	Recommendation
(a)	Although the Company should be organized and conducted programs and seminars, workshops, conferences, exams and other activities to facilitate public and private sector employees to gain access to update information and opportunities using the Global Distance Learning Network, only 06 online and 25 face to face training programs had been conducted for attending 925 officers in various groups on various topics during the year under review. Furthermore, contrary to the objectives, a sum of Rs.156,465 had been spent to print 2000 file covers and distribute them among school leavers to promote the newly planned programs.	In order to develop new income-generating business avenues, the DLC introduced new programmes, which the Business Development Division promoted among school leavers who completed the GCE O/L and A/L examinations. The related expenditure was incurred for brand development and programme promotion purposes.	Actions should be taken to plan activities to achieve the objectives of the Company and planned activities should be implemented properly.
(b)	(i) The officer recruited for the position of finance and administration manager, had resigned from the Company on 31 July 2024, and the finance and administration coordinator had been appointed as the acting finance and administration manager with the approval of the Board of Directors on 30 August 2024. No steps had been taken to recruit a permanent officer to date.	Steps are being taken to recruit a Finance & Administration Manager.	Actions should be taken to recruit a permanent staff for key positions like Finance and Administration Manager.
	(ii) The acting officer had performed all the financial functions such as preparing and checking vouchers, accepting money, writing cheques, preparation of bank reconciliations, maintaining the ledger and preparing financial statements.	The issue arose due to a shortage of staff at the DLC, which currently operates with eight employees. The DLC is in the process of addressing this concern by recruiting and screening 04 Personnel. Further steps are being taken to recruit an Accounts Assistant until a permanent Finance & Administration Manager is appointed.	Internal control of financial functions should be strengthened through the division of work.

3.2 Procurement Management

	Audit Issue	Management Comment	Recommendation
(a)	As per Guideline 8.9.1 of the Government Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka, the contract for catering service to training programs had been awarded continuously to a private institution without a formal letter of acceptance and a contract agreement and a sum of Rs.3,514,810 had been paid during the year under review.	The Chief Executive Officer has appointed an Internal Committee to address this matter in line with procurement guideline requirements, with the objective of entering into comprehensive contractual agreements by 2026.	Should be complied with the guidelines of Government Procurement Guidelines and action should be taken accordingly.
(b)	Although the procurement of computers and computer accessories had been included in the procurement plan as a priority and urgent task, such purchases had not been made and instead the Company had continued to obtain on rental basis and had paid a sum of Rs.1,334,378 to various institutions without having contract agreements during the year under review.	The issue arose due to delays in the procurement process.	The action should be taken as per the Procurement Guidelines in relation to purchases on priority and urgent items should be procured as planned.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Issue	Management Comment	Recommendation
Although the accounts should be handed over to the Auditor General within sixty (60) days after the end of the financial year, as per the Section 6.6 of the Operational Manual for the state owned Enterprises introduced by Public Enterprises Circular No. 01/2021 dated 16 November 2021, the accounts for the year 2024 had been submitted after a delay of 229 days on 16 October 2025.	Distance Learning Centre Ltd. Has completed the Financial Statements for the year 2024 within the stipulated statutory timeline. However, the delay in submission has occurred due to the delayed of Board formation and formal approval process.	Accounts should be submitted on time according to the Circular instructions.

4.2 Audit Committee

Audit Issue	Management Comment	Recommendation
Although Audit Committee meetings should be held once in three months, as per Chapter 4.2 (h) of the Guidelines	Audit Committee meetings were conducted during the 1st and 2nd quarters. However,	Audit Committees should be held according to the

on the Corporate Governance of Public Enterprises Circular No. 01/2021 dated 16 November 2021, only two audit committee meetings had been held during the year under review.	the meetings scheduled for the 3rd and 4th quarters were delayed due to the election and dissolving the Board. The DLC is in the process of rectifying this matter from 2025 onwards.	Circular instructions.