

Saumyamoothi Thondaman Memorial Foundation - 2018

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Saumyamoothi Thondaman Memorial Foundation for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 the Finance Act No. 38 of 1971. My comments and observations which I consider should be reported 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 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 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 Responsibility of the Auditor on Audit 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 Foundation'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 Foundation 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 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 had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws,

1.5 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.

1.5.2 Accounting deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
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(a) Action had not been taken to recognize an accounting policy for accounting the assets procured from capital grants and amortization of those assets and to disclose that policy in the financial statements.	Capital grants will be amortized from the year 2019.	Action should be taken to recognize an accounting policy for accounting the assets procured from capital grants and amortization of those assets and disclose that policy in the financial statements.
(b) Although a sum of Rs. 4,412,405 had been shown as receivable from the line ministry related to the year 2014 in the financial statements as on 31 December of the year under review, as per the information of the ministry, it was observed that there was no such a balance to be paid to the foundation. Further, even though a balance of Rs.	A definite decision will be taken by the Board of Management from the year 2019.	Action should be taken to obtain confirmation from the relevant institutions and should be settled or written off the balances.

625,490 had been brought forwarded as payable to the National Livestock Development Board for many years, as per the financial statements of the Livestock Development Board, there was no such a corresponding receivable balance shown in the financial statements. However, action had not been taken to check these differences and make necessary adjustments in the financial statements.

1.5.3 Documentary Evidences not made available for Audit

The following observation is made.

Item	Amount (Rs.)	Evidence not available	Comments of the Management	Recommendation
Accounts Payables	10,763,206	Balance confirmations.	Letters had been sent to obtain the balance confirmations.	Confirmation should be obtained promptly and settle the balances.

1.6 Receivable and Payable Accounts

1.6.1 Receivable Accounts

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Action had not been taken to recover festival advances and employee loans total amounting to Rs. 3,073,056 due from the employees of the Foundation at the end of the year under review.	Action will be taken to rectify in the year 2019.	Necessary action should be taken to recover the outstanding amount.
(b) Action had not been taken to recover the amount of Rs. 2,457,239 emphasized to	Although request was made, the Labour Congress had not paid.	Recommendation of the Committee for Public Enterprises should be

recover from the Ceylon Labour Congress within 05 years at the Committee for Public Enterprises meeting conducted on 07 November 2012 till the end of the year under review.

implemented.

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| (c) | Action had not been taken to recover an advance of Rs. 541,840 given to a private institute in 2014 to establish a computerized database to monitor the activities of Prajashakti Development Project. | Prompt actions will be taken in this regard. | Necessary action should be taken for the recovery. |
| (d) | Advance balances under current assets amounting to Rs. 13,677,199 remained for more than 5 years was not settled by the foundation or utilize for the relevant purpose. | These advance balances were unable to recover due to various reasons before the completion of the works related to the balance. | Necessary action should be taken to settle the unsettled advances. |

1.6.2 Accounts Payables

The following observations are made.

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) The total amounting to Rs. 605,312 payables for electricity bills, telephone bills and water bills since 2014 had not been paid by the foundation even during the year under review.	Electricity and water bills were directly paid by the line ministry.	Action should be taken to remove from the financial statements.
(b) Action had not been taken to settle brought forwarded payable balances for many years total amounting to Rs. 91,566,028.	Out of this amount a salary of Rs. 385,867 had been directly paid by the ministry.	Necessary action should be taken to remove the settled balances from the accounts and settle the outstanding balances.
(e) The amount of Rs. 4,205,283 payable to the Employees' Provident Foundation for the period from February 2013 to July 2013 had not been paid.	The foundation does not have the relevant provisions to settle this outstanding balance.	A mechanism for settlement of liabilities should be prepared immediately.

1.7 Non-compliance to laws, rules, regulations and management decisions

The following observations are made.

	Reference to laws, rules, regulations	Non compliance	comment of the Management	Recommendation
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(a)	Financial Regulations of Socialist Democratic Republic of Sri Lanka			
	i. Financial Regulation 371 (1)	A brought forwarded petty cash imprest balance of Rs. 177,688 was remained.	As the person who received the advance has a legal case. Hence unable to recover it.	Action should be taken to recover immediately.
	ii. Financial Regulation 371 (2)	Action had not been taken to recover the advance amount of Rs. 523,000 given to an officer of the foundation for several years even during the year under review.	As the files related to the officer's Employee Provident Foundation are still in the company's custody and a decision can be taken in this regard.	Action should be taken to recover.
(b)	Paragraph 6.5.3 of Public Administration Circular No. PED/12 dated 02 July 2003.	The annual reports were not tabled from the year 2005 till the end of the year under review.	The annual reports will be tabled in the Parliament since the year 2018.	Circular provisions should be complied.

2. Financial Review

2.1 Financial Results

The operation result in the year under review had been a deficit of Rs. 26,996,086 as compared with the corresponding deficit of Rs. 29,644,908 for the preceding year, thus observing an improvement of Rs.2,648,822 in the financial result. The decrease in the depreciation expenses of the fixed assets had mainly attributed to this improvement.

3. Operational review

3.1 Management inefficiencies

The following observations are made.

Audit observation	Comments of the Management	Recommendation
(a) The recruitment procedure prepared by an external consultant at a cost of Rs.150,000 by the Foundation in the year 2013 had not been approved even by the year 2022.	The Management Services Department had informed that the staff should be rearranged to suit the current functions and objectives of the Foundation before preparing the recruitment procedures, and then the recruitment procedures can be prepared.	Instructions of the department should be Followed.
(b) All the immovable properties of the foundation had not been handed over to the Ministry, under Section 10(2) of the Act No. 19 of 2005, which the foundation was established, due the deeds had not been prepared for the lands and buildings assigned to the foundation.	The ownership of the land and buildings of Thondaman Vocational Training Centre located in Hatton had been given by the Divisional Secretariat Office at Ambagamuwa. It is very difficult to prepare title deeds for Norwood Sports Complex as none of the files have been provided to the foundation.	Documents should be prepared to verify the right.
(c) Action had not been taken to transfer of the ownership of the 44 Prajashakthi centres operate by the foundation. Further, a sum Rs. 2,359,298 had been spent for the survey works to construct 35 Prajashakti Centers on lands not assigned the legal rights to the foundation in the year 2012 and that expenditure had been an idle expenditure.	These lands have been surveyed and works had been started in those centres without taking over.	Action should be taken to spend funds economically viable activities.

3.2 Operational Inefficiencies

The following observation is made.

Audit observation	Comments of the Management	Recommendation
An advance amount of Rs. 1,565,504 had been paid to procure a double cab worth of Rs. 5,840,000 on lease basis from United Motors Lanka (Pvt) Ltd for the Ramboda cultural centre on 26 November 2014, but the vehicle had been seized by the leasing company for non-payment of instalments by November 2015.	Action will be taken to negotiate with the leasing company again in this regard to find the possibility for recovery.	Necessary action should be taken to recover the amount by negotiating with the leasing company.

3.3 Idle or underutilized Property, Plant and Equipment

The following observation is made.

Audit observation	Comments of the Management	Recommendation
Eight cement block stone machines were procured at a cost of Rs. 736,000 under the Self-Employment Loan Project on 01 December 2014 for the distribution among the Prajashakti Centres were remained idle till March 2022 without distribution to self-employees.	It has been proposed to maintain these machines under a self-employment program in 08 Prajashakti centers and the project will be implemented this year.	The necessary action should be taken to engage in an effective activity.