

## **Skills Development Fund Limited – 2020/2021**

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### **1. Financial Statements**

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#### **1.1 Opinion**

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The audit of the financial statements of the Skills Development Fund Limited (“Company”) for the year ended 31 March 2021 comprising the statement of financial position as at 31 March 2021 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 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. 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 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **1.2 Basis for Opinion**

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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**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka 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 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 Audit Scope

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Section 6.5 of the Public enterprises Circular No. PED 12 of 02 June 2003	The annual report should be tabled in Parliament within 150 days after the close of each financial year. However, annual reports of 2014/2015 to 2020/2021 had not been tabled even as at 30 November 2021.	2014/2015, 2015/ 2016, 2016/ 2017 and 2017/ 2018 annual reports have been prepared and submitted to the ministry. 2018/ 2019, 2019/ 2020 annual report have been submitted to annual general meeting.	Action should be taken according to the circular.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs. 15,485,541 and the corresponding profit in the preceding year amounted to Rs. 340,207 Therefore an deterioration amounting to Rs. 15,825,748 of the financial result was observed. The main reason for the deterioration is decline the revenue by Rs. 52,772,773.

**3. Operational Review**  
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**3.1 Management Inefficiencies**  
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<b>Audit Issue</b> -----	<b>Management Comment</b> -----	<b>Recommendation</b> -----
The Company entered into 11 memorandum of understandings with the private sector in 2019 and 2020 as public – private partnership programs out of that 08 programmes were active as at 31 July 2021. Four companies were allowed to use the company logo contrary to the objectives of the company’s constitution of the association.	Not Answered	Action should be taken to achieve the company objectives.

**4. Accountability and Good Governance**  
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**4.1 Audit Committee**  
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<b>Audit Issue</b> -----	<b>Management Comment</b> -----	<b>Recommendation</b> -----
Even though audit and management committee meetings should be held at least once in 03 months, according to the Section 7.4.1 of the Public enterprises Circular No. PED/12 of 02nd June 2003, company had failed to conduct audit committee meetings during the year under review.	Under the Covid – 19 situation company had not conduct the AGM for 2018/ 2019 and 2019/2020 because, restrict the physical gathering of people, Hence above mention meeting are pending.	Action should be taken in accordance with the circular.