

## **Official Languages Commission - 2020**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Official Languages Commission for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and 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 2020, 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**

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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**

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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 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 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**

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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 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 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**

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### **1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards**

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Following observations are made.

| <b>Audit Observation</b>  | <b>Management Comment</b>   | <b>Recommendation</b>   |
|---|---|---|
| -----   | -----   | -----   |
| (a) Although fixed assets valued at Rs. 3,236,917 had been fully depreciated but, they were continuously to be used due to non-review of the effective life time of non-current assets annually in accordance with paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07. However, no action has been taken to rectify this estimated error in accordance with the Sri Lanka Public Sector Accounting Standard 03. | Assets are currently being coded and action will be taken to revalue and account the fully depreciated assets as soon as it is completed, | Action should be taken in accordance with the Sri Lanka Public Sector Accounting Standards. |

- (b) The cost of Rs. 614,800 which had been spent for the website in the years 2018 and 2019 was accounted as current assets had been set off as expenditure due to stating as intangible assets in the financial statements during the year under review.
- The cost for the website incurred as expenditure will be corrected as an asset in future financial statements.
- Should be accounted correctly.

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

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Following observations are made.

| <b>Reference to Laws, Rules Regulations etc.</b>  | <b>Non-compliance</b>   | <b>Management Comment</b>   | <b>Recommendation</b>                       |
|---|---|---|---|
| (a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka Financial Regulations 396 (d)        | Action had not been taken for five cheques over six months valued at Rs. 71,053 as per the regulation which were issued up to 31 December 2020 as at the date of audit.   | Instructions had been given to relevant officers to take action as per financial regulations.   | Action should be taken as per regulation.   |
| (b) Amended financial regulation 371 (5) as amended by Public Finance Circular No. 01/2020 dated 28 August 2020 | Although sub-imprest should be settled within 10 days after completion of relevant work after the issuing of the sub-imprest, A delay of 15 days to 146 days was observed to settle Rs. 247,350 which were issued for 04 officers during the year under review. | There was a delay in settlement of the advance mentioned in the report due to the corona virus situation. Action will be taken to prevent this situation in future. | Action should be taken as per the circular. |
| (C) Paragraph 6 of Public Administration Circular No. 02/2018 dated 24 January 2018                             | Although each member of the staff should be ensured at least 12 hours of training per year in the Human Resource Development plan, no   | A Human Resource Development Plan has been prepared to provide a training opportunity of not less than 12 hours for the year 2021.                                  | Action should be taken as per the circular. |

Human Resource Development plan has been prepared for the year 2020.

**2. Financial Review**  
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**2.1 Financial Result**  
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The operating result of the year under review amounted to a deficit of Rs. 1,835,397 and the corresponding deficit in the preceding year amounted to Rs. 4,154,704. Therefore an improvement amounting to Rs. 2,319,307 of the financial result was observed. The reasons for the improvement was total expenditure was decreased by Rs.6, 418,408 although the revenue was decreased by Rs.4, 099,102 during the year under review.

**3. Operating Review**  
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**3.1 Procurement Management**  
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**Audit Observation**  
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A sum of Rs. 1,395,197 had been spent for Printing Annual Reports and CDs for the years 2013, 2014 and 2015 during the year under review. This cost was contrary to the guidelines 1.2.1 (d), 3.4.2 (a) and 6.3.6 of the Procurement Guidelines.

**Management Comment**  
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Provide necessary training and instructions to the relevant officer on procurement work by the Commission and take action to rectify the errors in the report.

**Recommendation**  
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Action should be taken in accordance with procurement guidelines.