

Transactions Report of the Saumyamoothi Thondaman Memorial Foundation for the years 2020, 2021 and 2022

The audit of the operations of the Saumyamoothi Thondaman Memorial Foundation for the years 2020, 2021 and 2022 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 and read in conjunction with the National Audit Act No. 19 of 2018, section 13(1) of the Finance Act No. 38 of 1971 and Section 11 of the Saumyamoothi Thondaman Memorial Foundation Act No. 19 of 2005. Only my observations regarding the operations of the Foundation during the years 2020, 2021 and 2022 which I consider should be report to Parliament appear in this report in terms of the article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

2. Financial Statements

2.1 Presentation of Financial Statements for Audit

Audit Observation	Comment of management	Recommendation
Although in accordance with Section 11 of the Saumyamoothi Thondaman Memorial Foundation Act No. 19 of 2005, the financial statements of the Foundation for each year ending 31 December should be submitted to the audit on a date not later than the last day of the following February, the financial statements for the years 2020, 2021 and 2022 had not been submitted for audit even by the date of this report.	The financial statements related to the years 2020 and 2021 have been prepared and will be submitted as soon as possible after being submitted to the Board of Management for approval.	Prompt action should be taken to submit the financial statements by due date.

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

The following observations are made.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a) Paragraph 371 (2)(c) of Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Although the interim advances taken should be settled immediately after the completion of the work, advances total amounting to Rs.1,004,938 given during the period from the year 2010 to year 2015 had not been settled.	Since Employees Trust Funds and gratuity allowances have not been paid to the officials concerned, they will be recovered from their gratuity allowances.	Necessary immediate actions should be taken to settle the advances given in accordance with the Financial Regulations.

- (b) Chapter II of the Establishment Code of the Democratic Socialist Republic of Sri Lanka
- (i) Paragraph 2.1
- (ii) Paragraph 4.2.1
- (iii) Paragraph 5.2.6
- (c) Sections 5 and 6 of the Saumyamoothi Thondaman Memorial Foundation Act No. 19 of 2005
- A sum of Rs. 150,000 was paid to an external consultant in the year 2013 for the preparation of the recruitment procedure of the Foundation but action had not been taken to get approval for the recruitment procedure from the Management Services Department.
- While a decision had been taken by the Board of Management to follow the provisions of the Establishment Code until guidelines are prepared for the Foundation, the Chief Executive Officer had appointed an officer for the position of Accountant of the Foundation in the year 2021.
- Three officers of the Foundation had been appointed as members of the selection committee of the recruitment for the position of Accountant of the Foundation contrary to provisions of the Establishment Code and a letter related to the appointment of those officers was not submitted to the audit.
- The Board of Management of the Foundation had not met in the years 2021 and 2022 to make decisions and reviews that may be necessary in the implementation of the objectives of the Foundation and in the performance of its powers, functions and duties.
- The recruitment procedures have been prepared and submitted to the Management Services Department on 07 December 2023 for approval.
- Appointments were made by the Chief Executive Officer for the post of the Accountant of the Foundation because our organization is governed by a Board of Management. Recruitment for staff positions will be done through the Secretary to the Ministry in the future.
- This was a mistake made by the foundation officials at that time and will make sure that such mistakes will not be repeated in the future and the correct procedures will be followed in future interviews.
- Due to the corona epidemic in the year 2021, it was impossible to hold Board of Management meetings and maintain offices as usual.
- Necessary action should be taken to get the approval of the recruitment procedure.
- Provisions of the Establishment Code should be followed.
- Provisions of the Establishment Code should be followed.
- Board of Management meetings should be conducted even through Zoom technology and decisions necessary for the development of the organization should be taken promptly.

(d) Procurement Guidelines Code 2006 (i) Paragraph 4.2	Without preparing the procurement plan for the years 2020, 2021 and 2022, capital expenditures worth of Rs. 71,216,514 had been made.	A procurement plan has not been prepared as no provision has been made for capital expenditure for the years 2020,2021 and 2022.	Annual procurement plan should be prepared as the capital expenditure of the foundation is borne by the allocation of the Ministry.
(ii) Sections 1.2.1(d), 2.5.1(b), (c), (d), 2.6.1(a) (i), (ii), (iv), 2.11.3(a), 2.14.1, 4.2.2, 4.3.1, 5.1.1(a), (b), 5.3.3, 5.3.10, 6.2.1(c), 8.9.1(b), 8.12.3	180 sets of equipment valued at Rs.7,888,800 were procured contrary to the procurement guidelines for distribution to students who completed training at Thondaman Vocational Training Center in the year 2021.	These sets of equipment were procured in the year 2021 and due to the prevailed situation in the country at the time of procurement of this equipment and due to transportation difficulties existed and scarcity of goods, practically, it was not possible to prepare the procurement timetables. The Technical Evaluation Committee for this procurement had been appointed by the Secretary of the Ministry and the approval of the Secretary of the Ministry had also been given for the recommendation of the procurement committee.	Procurements should be done in accordance with procurement guidelines.
(iii) Sections 1.2.1(c), 4.2.2 (a), (b), 5.4.8(a), (b), 6.3.3(b), 8.7.1(b)	Contrary to the procurement guidelines, a restaurant had been built at a cost of Rs.1,519,486.	Due to the covid epidemic in the country in the year 2021, with the aim of providing self-employment to the low-income families in the plantations, due to the difficulty in transportation of goods during that period, although the procurement activities were carried out in a practical manner, there were no actions contrary to the procurement guidelines and efforts were made to prevent such a thing from happening in the future.	Construction works should be done in accordance with procurement guidelines.

(e)	Paragraph 6.5.1 of Public Enterprises Department Circular No. PED/12 dated 02 June 2003	The draft annual report for the years 2020, 2021 and 2022 had not been submitted to the Auditor General.	As soon as the Auditor General's report for the year 2020 is received, action will be taken to table the relevant annual report in Parliament.	Action should be taken to prepare the draft annual report and submit to the Auditor General.
(f)	Public Finance Circular No. 01/2014 dated 17 February 2014	Action had not been taken to prepare the action plan for the years 2020, 2021 and 2022.	The annual action plan had been prepared and submitted to the audit.	Annual action plan duly approved by the Secretary of the Ministry should be submitted.
(g)	Department of Management Services Circular No. 02/2020 dated 26 October 2020	Contrary to the provisions mentioned in the circular, 56 employees were recruited on contract basis and a total sum of Rs.22,532,331 had been paid as salary for the period from March to December 2021 and a sum of Rs.29,037,151 for the year 2022. As per Section 2 (viii) of the Circular, action had not been taken to recruit required number of employees for 31 posts in the primary service category from the Department of Multipurpose Development Task Force.	After the re-establishment of the Saumyamoorthi Thondaman Memorial Foundation in February 2020, these officers were recruited on the instruction of the then Honourable Minister for the purpose of carrying out the duties of the Foundation.	Circular provisions should be followed while recruiting employees.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

	Audit Observation	Comment of the management	Recommendation
(a)	The total value of accrued expenses as on 31 December 2022 was Rs.10,415,894. Out of that a sum of Rs.2,990,646 was related to period from 03 years to 07 years and a sum of Rs.7,425,248 was over 07 years.	A report has been prepared to settle the accounts payable or to take relevant action and it will be submitted to the Board of Management and further actions will be taken.	Action should be taken to settle the accrued expenses.
(b)	The creditors balance as on 31 December 2022 was Rs.88,082,234 and the value of creditors balance for more than 5 years was Rs.83,991,218. In that	Several letters have been sent to confirm these balances, but most of the letters have been returned to us stating that these	Action should be taken to settle the accounts payables.

balance, an amount of Rs. 72,240,700 was payable for the procurement made from a state corporation in the years 2014 and 2015. Although to settle this balance, the cabinet approval was given on 01 December 2020 to get the necessary budget allocations from the treasury and immediate settle the arrears, the recommendation had not been implemented even by 31 December 2023.

institutions were closed. A comprehensive report on these creditors will be submitted to the Board of Management and further action will be taken.

3.2 Contract Administration

Audit Observation	Comment of management	Recommendation
A sum of Rs. 7,544,265 given as mobilization advance in the year 2010 for the construction work of Ramboda Thondaman Cultural Center was not settled even till the end of the year under review. Also, a sum of Rs. 25,678,995 had been spent for the construction of this centre by the year 2013, but it could not be used effectively until the date of audit of 31 October 2023, due to the relevant constructions had not been completed.	That there are instances where some resources cannot be used efficiently and effectively due to existing illiquidity and provision was not received in time.	Resources should be used economically, efficiently and effectively.

3.3 Operational Inefficiencies

The following observations are made.

Audit Observation	Comment of the Management	Recommendation
(a) According to the preliminary investigation report dated 24 July 2013 regarding the misappropriation of funds provided by the Foundation for the payment of field coordination allowances between April 2011 and April 2013, the necessary action had not been taken to recover the amount of Rs.3,202,500 due from the two employees even by 31 December 2023.	The Nuwara Eliya Fraud Investigation Bureau has not carried out further legal proceedings in this regard as the legal advices was not given by the Attorney General's Department.	Actions to recover this amount should be expedited.

- (b) The number of students expected to be enrolled for 07 courses at the Thondaman Training Center, run under the Saumyamoothi Thondaman Foundation, for the period from 2018 to 2022 was 130 each and due to the lack of a systematic program to attract students, the number of students enrolled in the year 2022 was 79, 68, 87, 65 respectively. It was as low as 61 percent, 52 percent, 67 percent and 50 percent respectively as a percentage of the number of students expected to be enrolled. Arrangements have not been made to conduct examinations for 03 courses in 2020, 08 courses in 2021 and 2022 even by September 2023. Out of 366 students enrolled in the year 2022 for the courses, 260 students had passed the exams or completed the courses and it was 71 percent compared to the number of enrolled students. 102 students out of 296 students enrolled in 14 courses had dropped out by the end of 2022. It ranged from 18 to 57 percent for each course
- Ineligible students were not enrolled in the registration, practical tests were not conducted on time due to the covid pandemic and due to the economic crisis, the participation of students in classes was very low level and therefore, it was not possible to cover the subject streams in a formal manner within that period, accordingly, there has been a decrease in the passing of the exams.
- The enrolment should be done properly and the examinations should be conducted and the results should be released in due time and the passing of the exams should also be maintained at a certain effective level. Appropriate actions should be taken to minimize course dropouts.
- (c) A total amounting to Rs.16,337,893 paid as advances to private institutions for carrying out various tasks, loans given to external parties for self-employment businesses, loans given to staff, money due from Ceylon Labour Congress since 2008 and no action had been taken to recover the receivable balances even till 31 December 2023.
- Although letters have been sent to recover these balances, payments had not been made and the necessary further action will be taken in this regard.
- Formal action should be taken for recovery.
- (d) The ownership of the lands where the Thondaman Sports Complex, Thondaman Cultural Center and Thondaman Vocational Training Center are located was not acquired into the name of the Foundation and the value of each land was not assessed and identified separately. Although a sum of Rs. 2,359,298 had been spent on land surveying in 2012 for the construction of 35 Prajashakthi Centers, action had not been taken to acquire the lands.
- Necessary arrangements are being made to acquire the ownership of lands, and although the survey work for the construction of 35 Prajashakti Centers has been completed, the construction had not been completed as the provisions had not been allocated.
- Necessary actions should be taken to acquire the ownership of the lands.

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| (e) | Although it was stated in section 4.2.2 of the Public Enterprises Circular No. PED/12 dated 02 June 2003 that matters important to the continuation of the organization should be discussed in the Board of Directors meetings every month, the Board of Directors of the Saumyamoothi Thondaman Memorial Foundation had met only for 02 days in the year 2020. Due to this reason, it was not possible to direct the Foundation to achieve its objectives and policy decisions. | That the Board of Management meetings had to be postponed due to the passing away of the then Honourable Minister. | Meetings of the Board of Management should be held properly and decisions necessary for the betterment of the organization should be taken promptly. |
| (f) | Eight cement block stone machines worth of Rs. 736,000 procured on 01 December 2014 to be given to Prajashakti Centers under the Self-Employed Loan Project remained idle by the year 2023 without distribution to the self-employed beneficiaries. | It is planning to implement this project in the year 2024. | Projects should be started immediately and underutilized assets should be utilized. |
| (g) | A sum of Rs.3,687,620 had been spent in the year 2020 for 02 projects related to poultry husbandry, goat husbandry, mushroom cultivation and Polythene house related cultivation projects with an estimated cost of Rs.9,536,283 per project in Dayagama and Watagoda Prajashakti Centers. Due to the abandonment of these 02 projects, the total amount of Rs.10,001,629 incurred by October 2023 had become an idle expenditure. | These 02 projects have not been completely abandoned and the work had to be suspended in 2021 and 2022 due to the economic crisis in the country. However, discussions have already been held to merge the Dayagama project with a private company and plans are being made to make it successful in the first quarter of this year. | These projects were commenced to achieve many objectives and funds incurred for these projects should not be allowed to become idle expenses. |
| (h) | A sum of Rs.1,519,486 had been paid to a contractor in the year 2021 for the construction of a restaurant named "Salai Oram" with a contract value of Rs.3,443,884. The electricity board owns this land and the approval to continue this project has not been received even by the date of audit of 15 November 2023. As such, the cost of Rs. 1,519,486 incurred for the construction had become an idle expenditure. | The cost incurred for this construction is not an idle expense and if it is not used for this project, the constructed building can be used for many other purposes. The approval for the implementation of the project was given by the concerned Divisional Secretary on 27 September 2021. Accordingly, no requirement to get concurrences of the Upper Kothmale Hydropower Project. | Necessary action should be taken to effectively utilize the relevant building constructed in relation to the cost incurred. |
| (i) | Out of 99 sets of equipment, 69 sets distributed to students who were completed training related to 05 courses in the years | These equipment sets were purchased for the students trained at the Thondaman | While commencing the project, a proper |

2020 and 2021 with a value of Rs. 7,888.800 were distributed to outsiders. Although the age limit for enrolling students for the courses was between 16 and 25 years, the age limits of 30 of the 69 external persons who were distributed the kits ranged from 36 to 51 years.

There were 40 cases where the signatures on the agreements reached with the beneficiaries in the distribution of the equipment sets and the signatures on the request letters submitted by the beneficiaries and on the goods received documents did not match.

The information about the distribution of 02 sewing machines worth Rs.96,000 was not submitted to the audit and according to the review conducted in the year 2023 regarding the self-employment after the distribution of the equipment sets in the year 2021, no review was conducted in relation to 76 out of the 180 equipment sets distributed.

Vocational Training Center, and although, at the time of preparing this project proposal, the students who had received the training had expressed their consent to get this equipment and start self-employment. But at the time the equipment was procured, as some time passed, the students did not come forward at the time of distribution, accordingly, the equipment had been distributed to similarly trained self-employed persons.

The low-income community living in plantations does not much care about signing documents and there may be some variations in the signatures.

That the details of the persons who have been given the remaining two sewing machines will be submitted as soon as possible and the 76 beneficiaries could not be coordinated, as such, post-review could not be conducted.

feasibility study should be done and the requirement should be properly identified and the goods should be procured and distributed as per the schedule. Management should focus on effective utilization of government funds.

3.4 Human Resources Management

Audit Observation	Comment of the Management	Recommendation
Due to unavailability of approved recruitment procedure, the audit was unable to check whether the required qualifications were met in the recruitment of an officer for the post of Deputy Director, (Development) recruited in the year 2020 and the qualification for the position of Deputy Director (Development) included in the recruitment procedure submitted by the Foundation for approval in the year 2023 was also not met by the said officer.	The appointments were made on the recommendations of the Honourable Minister. Until the approval of new staff is received the Foundation will keep temporarily in the future.	A formal recruitment procedure should be prepared and the recruitment should be done after getting it approved.