

Saumyamoorthi Thondaman Memorial Foundation - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Saumyamoorthi Thondaman Memorial Foundation for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 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 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 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 Saumyamoorthi Thondaman Memorial Foundation's.

1.4 Auditor's Responsibility for the Audit of 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 other 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 of the Foundation 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

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the Reference to particular Standard	Management Comment	Recommendation
<p>Due to the cost of land and buildings had not been separately identified in the accounts as per Paragraph 72 of Sri Lanka Public Sector Accounting Standard 07, the depreciation policy of the institution had been disclosed in the financial statement as to depreciate 2 percent on 50 percent of the total cost of land and buildings, which amounted to Rs.277,679,780. On the contrary, since it had been depreciated on the value of total cost from the year 2005 to the year 2021, the value of the buildings amounting to Rs.42,678,276, the surplus for the year amounting to Rs.2,776,798 had been understated and the cumulative deficit amounting to Rs.39,901,478 had been overstated in the financial statements.</p>	<p>Answers were not given.</p>	<p>Depreciation should be calculated correctly in accordance with Sri Lanka Public Sector Accounting Standards 07.</p>

1.5.2 Accounting Deficiencies

Audit Observations	Management Comment	Recommendation
The amount of Rs.26,377,072 incurred for work in progress during the year under review had not been shown as a cash outflow under investing activities in the cash flow statement.	Answers were not given.	The cash flow statement should be prepared correctly.

1.6. Accounts Receivable and Payable

1.6.1 Receivables

Audit Observations	Management Comment	Recommendation
The Foundation had not taken steps to recover the balance of Rs.4,566,973, remained for more than 05 years, within the receivable balance of Rs.5,812,134 as at December 31 of the year under review.	Answers were not given.	Action should be taken to recover the balance due.

16.2 Payables

Audit Observations	Management Comment	Recommendation
The Foundation had not taken the necessary actions to settle the payable balances of Rs.7,742,490 for more than 5 years included in the total outstanding payable balance of Rs.12,210,314 as at the end of the year under review.	Answers were not given.	Necessary action should be taken to settle the balance payable.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Soumyamoorthy Thondaman Memorial Foundation Act No. 19 of 2005	(i) Provisions 5 and 6 of the Act The Management Board of the Foundation had not held any meetings during the year under review to make decisions and conduct reviews that may be necessary in implementing the objectives of the Foundation and in carrying out its powers, functions and duties.	Answers were not given.	The Board of Management should arrange to hold meetings in accordance with the Act.
		(ii) Provision 14 of the Act The Foundation is required to submit a report to the Minister within a period of 6 months after the end of each financial year, giving a full account of the activities of the Foundation during that year, and the Minister is required to submit that report to Parliament before the end of the year following the relevant year, but no action has been taken accordingly.	Answers were not given.	The report required to be submitted in accordance with the Act should be submitted to the relevant Minister and Parliament.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka	(i) Financial Regulations 371(2) (b) Although a sub - imprest should be settled immediately after the completion of the task for which it was given, the advances totalling Rs.1,004,958 given during the period from 2010 to 2015 had not been settled even as at 31 December 2024.	Answers were not given.	Arrangements should be made to settle the sub - imprest in accordance with the Financial Regulations.

(ii) Financial Regulations 756, 757(2)	Annual Board of Survey for the year 2021 had not been conducted and the report had not been submitted to the Auditor General.	Answers were not given.	A Board of Survey should be conducted in accordance with Financial Regulations and the survey reports should be submitted to the Auditor General.
(c) Establishments Code of the Democratic Socialist Republic of Sri Lanka Paragraph 13 of Chapter XXIX,	The festival advances which were given in the year 2016, totalled to Rs.1,415,800 had not been recovered even by 31 December 2024.	Answers were not given.	Actions should be taken to recover outstanding festival advances.
(d) Paragraph 6.5.1 of the Department of Public Enterprises Circular No. PED/12 dated 02 June 2003	Although the Draft Annual Report along with the financial statements of the year under review should be submitted to the Auditor General within 60 days of the end of the financial year, it was submitted on 18 November 2024, and the financial statements and Draft Annual Reports for the years 2022, 2023 and 2024 had not been submitted to the Auditor General even up to the date of this report.	Answers were not given.	Arrangements should be made to submit financial statements and Draft Annual Reports in accordance with the circular.
(e) Public Finance Circular No. 01/2014 dated 17th February 2014	The Foundation had not taken actions to prepare an Annual Action Plan for the years 2021 to 2025.	Answers were not given.	The Annual Action Plan should be prepared in accordance with the circular.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.23,840,051 and the corresponding surplus in the preceding year amounted to Rs.2,759,732. Therefore, an improvement amounting to Rs.21,080,319 of the financial result was observed. Increase in government grants and other income had mainly caused to this improvement.

3. Operational Review

3.1 Management Inefficiencies

Audit Observations	Management Comment	Recommendation
The 6 full-time courses that had been conducted at the Ramboda Thondaman Cultural Center had been discontinued since 2015 due to lack of funds. Furthermore, the academic activities of the 3 courses that were started for 216 school students in the years 2020 and 2021 had been discontinued even by 31 December 2024. Due to failure of conducting of academic activities in the full-time courses, the women's hostel with a capacity of 72 students was closed and remained idle.	Answers were not given.	Efforts should be made to utilize assets with maximum efficiency.