

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Institute of Development Administration for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in net assets 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 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 Institute as at 31 December 2022, 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 Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Institute 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 Institute.

1.4 Auditor's Responsibilities for the Audit of the 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 and its materiality depends on the influence on economic decisions taken by users 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 skepticism 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 Institute'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 use of the Institute's 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 Institute'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 Institute 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 Institute, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute 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 the Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) According to paragraph 42 of Sri Lanka Public Sector Accounting Standard 07, the carrying amount of the building value was not revalue using the fair value as of the reporting date and the building value was assessed at Rs.404,961,000 based on the year 2016 and adjusted to the financial statements.	Although requests were made from the Valuation Department in 2016 to assess the building value of Institute, the Institute had received the letter stating the assessed value of the building on 08.04.2021. Considering the receipt of the letter in the year 2021, this value was included in the accounts of the last year on 31.12.2021.	Action should be taken according to accounting standards.
(b) According to paragraph 49 of Sri Lanka Public Sector Accounting Standard 07, when property, plant and equipment items are re-valued, the property, plant and equipment class to which the asset belongs should be revalue in its entirety, but only buildings other than the building where the Nuwara Eliya Circuit Bungalow is located were revalued.	Although a request regarding the valuation of the buildings constructed on the land in Colombo-07 and the land where Magasthota Tourist Bungalow is located in Nuwara Eliya was forwarded to the Valuation Department, by 2021.04.08, that department completed the valuation work and reported us only the valuation value of the building located in Colombo-07. After the building in Nuwara Eliya is assessed, the same value will be included in the accounts.	-Do-
(c) According to paragraph 92 of Sri Lanka Public Sector Accounting Standard 07, property, plant and equipment that have been fully depreciated but still in use,	Assets that have been fully depreciated but will continue to be used will be identified in this year and the value of those assets will be assessed and action will	Action should be taken according to accounting standards.

separated from active use and held for disposal should have been disclosed in the financial statements, but this was not done. Also, the fully depreciated property, plant and equipment amounting to Rs. 243,445,012 had not been revised and adjusted in the financial statements by identifying the assets that will continue to be used and the estimated error of their effective life, according to Sri Lanka Public Sector Accounting Standard 03. be taken in future to depreciate over the remaining useful life.

- (d) According to Sri Lanka Public Sector Accounting Standard No. 24, when financial statements and budget documents are prepared on the same basis of accounting, comparative budgeted figures for the reporting periods should be included in the financial statements, but were not presented as such. Arrangements will be made to present the budgeted data when preparing the final accounts of the year 2023, in accordance with Accounting Standard No. 24. -Do-

1.5.2 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) Instead of a detailed evaluation of each debtor's balance and determining the provision for doubtful debtors, provision for doubtful debtor of 10 per cent or Rs.2,145,409 was made only for the loan balance of Rs.21,454,091 due from postgraduate courses. Furthermore, due to the fact that the entire amount of doubtful debtor amount was debited to the financial performance statement and credited to the provision for doubtful debtor account without taking into account the provision for doubtful debtor of the previous year, the surplus of the year was understated by Rs. 1,906,570 and the balance of the provision for doubtful debtor account was overstated from that amount.	Actions will be taken to prevent this mistake from happening again.	A detailed evaluation of debtor balances should be carried out to determine the doubtful debtors and the financial statements should be corrected.

- (b) Interest receivable for the year under review amounting to Rs.7,072,209 had been accounted as fixed deposits instead of being accounted as interest receivable. Interest receivable on fixed deposits will be accounted for as interest receivable up to the maturity date. Adjustments should be made.

1.6 Receivables and Payables

1.6.1 Receivables

Audit Observation	Management Comment	Recommendation
The recovery of the outstanding balance of Rs.1,998,104, which was shown in the financial statements for more than 06 years, remained uncertain.	Actions will be taken in the future to recover the relevant amount or to write off the amount due under a formal approval, considering the time of not participating of the officers who did not complete the course.	Arrangements should be made to recover the receivable balances.

1.6.2 Payables

Audit Observation	Management Comment	Recommendation
A sum of Rs.5,275,645 related to 04 advance balances received from the Ministry of Public Administration for more than 05 years and an advance amount of Rs.7,574,800 received from 23 other institutions for more than 05 years were not settled and 23 payable balances of Rs.10,854,230 between 03 and 05 years and 03 payable balances of Rs.1,544,058 more than 05 years have not been settled.	The relevant expense reports will be taken into account and these advances will be settled in the year 2023.	Arrangements should be made to settle the payable balances.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section 10 (05) of the Finance Act No. 38 of 1971	The net income remaining after an appropriation was supposed to be sent to the Consolidated Fund, but the institution had not complied with it.	If an excess amount is generated, arrangements will be made in the future to set off the Imprests.	According to the Finance Act, the net income should be sent to the Consolidated Fund.

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| (b) | Section 31 of the Sri Lanka Institute of Development Administration Act No. 9 of 1982 | No law shall come into force until approved by the Minister, but the By Laws of the Post Graduate Studies Division were used as a guide in the Post Graduate Division without obtaining the relevant approval. | The By Laws has been submitted for the approval of the Honorable Minister. | Formal approval should be obtained. |
| (c) | Financial Regulations of the Democratic Socialist Republic of Sri Lanka
Financial Regulations 571 | Various deposits of Rs.3,838,808 remains for more than two years had not been taken as income. | Depositors will be informed of the remaining amount and the amount of unclaimed deposits will be taken into revenue. | Action should be taken according to the Financial Regulations. |
| (d) | Financial Regulations 756 (6) included by Public Finance Circular No. 01/2020 dated 28 August 2020 | Action should be taken regarding shortages and excesses and the action should be taken regarding the unusable goods according to the annual survey of the goods and the Board of Survey report should have been submitted to the Auditor-General, but instead of doing so, only the Board of Survey report had been submitted to the Auditor-General. | Agree. | Action should be taken according to the Financial Regulations. |

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs.18,765,598 and the corresponding surplus in the preceding year amounted to Rs.28,872,819. Therefore an deterioration amounting to Rs.10,107,221 of the financial result was observed. Compared to the previous year, although the financial income on fixed deposits increased by Rs.43,098,355 and rental income increased by Rs.9,953,290, decrease in the Postgraduate course fees, consultancy service fees, corporate contribution income by Rs.28,864,327 and decrease in the treasury receipts by Rs.7,123,799 and increase in the total expenditure by Rs.17,227,250 are the main reasons for the deterioration.

3. Operational Review
3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) Although approval was given by the cabinet decision No.13/0150/523/005 dated 07 February 2013, for amend the 40 years of old Act from which the institution was established, 10 years after the approval was passed, it was not done.	Due to the delay in acting according to the decision of the Cabinet of Ministers, the drafter of the law has informed on 24/05/2020 that the approval of the Cabinet of Ministers should be obtained again for the amendment of the Act. Accordingly, necessary activities are being carried out.	The Act should be amended.
(b) The acquisition process of the land with 1.1863 hectares at No.28/10 Malalasekara Mawatha, where the institution is located and the land in Nuwara Eliya Circuit Bungalow has not yet been completed.	The Ministry of Lands also forwarded the request to the President's Secretary for the acquisition of 1.1863 hectares of land located at No. 28/10 Malalasekara Mawatha and a request has also been forwarded to the Ministry of Lands to hand over the land to this institution where the Nuwara Eliya Tourist Bungalow is located.	Lands should be taken over.
(c) According to the internal circular No. PD/1C/2008 issued in the year 2008 based on the discussions of the Committee on Public Enterprises held in the year 2007, the consultants working in the institution had to complete 45 man-hours of work in the institute in order to receive an additional allowance. Also, in the discussions of the Committee on Public Enterprises held on 19 November 2014, the secretary had also stated that arrangements will be made to engage in external lectures only after a lecturer has completed at least 45 hours of lecture time. However, as per the decision, the lecturers did not cover the minimum 45 man-hour duties According to the data reports that were prepared only for the first 06 months of the reviewed year, 16 lecturers of the institute had to complete 3660	Although consultants planed induction and capacity building training courses at the beginning of the year, the implementation of training courses depends on government policies. Also, at least 15 officers must participate in the annual training programs planned at the beginning of the year. Annual training programs had to be cancelled due to non-participation of the required number of officers due to national festivals and other duties. Due to the above mentioned facts, although 45 hours of lecture time was planned for one instructor at the beginning of the year, it has not been possible to complete the 45 hour lecture requirements.	Lecturers should complete a 45-hour lecture period.

working hours on the basis that they should cover 45 hours of work per month during that period, but actually only 1659 hours were completed and therefore 2001 hours was a professional underutilization.

3.2 Funds under Utilization

Audit Observation	Management Comment	Recommendation
The amount received from the treasury for capital expenditure in previous years, but invested in fixed deposits without utilization was Rs.29,861,463.	Arrangements will be made to spend that money in 2023 and the following years without obtaining imprests for capital expenditure from the treasury.	Funds should be utilized at optimum level.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Management Comment	Recommendation
Consultancy services, research and development activities, activities related to non-management training courses, which should be implemented to fulfil the objectives of the institution, were not included in the action plan and implemented.	Consultancy services, research and development activities, non-management training courses have been included in the 2023 action plan as a program to be implemented to achieve the objectives of the institution.	The activities necessary to achieve the goals of the organization should be included in the action plan and implemented.

4.2 Sustainable Development Goals

Audit Observation	Management Comment	Recommendation
In order to achieve sustainable development goals, the institute should identify the goals to be achieved and the gaps to achieve those goals, as well as appropriate indicators to measure the progress, but the organization did not identify such indicators and the amount achieved and deviations from the goals, as well as the various areas that need to be focused on.	Agree. 2023 Action Plan has been prepared focusing on sustainable development goals and the goals that apply to our institution. In the strategic plan 2023-2027, the Institute includes suitable indicators for the main activities related to the main scope of the institute	Steps need to identify targets and indicators related to achieving sustainable development goals.