

**1. Financial Statements**

**1.1 Opinion**

The audit of the financial statements of the National School of Business Management for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 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 December 2023, 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**

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 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

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.

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

	<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	Public Enterprises Circular No. PED/01/2021 and Section 2.2.5 of the Circular of Guideline on Corporate Governance for state Owned Enterprises dated 16 November 2021, and Section 2.3, Section 7.7 of the Operational Manual for State Owned Enterprises and Public Enterprises Circular No PED/01/2021(ii) and PED/01/2021(iii) dated 27 September 2023.	The approval had not been taken from the Director General of the Department of Public Affairs for the financial and operating manual prepared by the National School of Business Management.	NSBM is currently in the process of updating the Operations Manuals of the institution in line with the implications of the proposed upgrade of the governance structure. The relevant actions will be taken to obtain necessary approvals, if any.	The approval of the Director General should be taken for the Financial Operations Manual as per the referred guidelines
(i)	Paragraph 3.2v of the Operational Manual for State Owned Enterprises and Public Enterprises	Although the incentive schemes should be implemented only with the approval of the Director General of State Business, the National School of Business Management had not obtained the approval of the Director General until the audit date of audit of 12 February 2024.	According to the Articles of Association the Board shall have all the powers necessary for managing and for directing and supervising the management of the business and affairs of the company. All the necessary approvals for incentives have	The approval of the Director General should be taken for the incentive scheme as per the referred guidelines.

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| (ii) | Sections 3.1 and 3.2 of the Operational Manual for State Owned Enterprises and Public Enterprises.   | The approval of the Director General of Public Enterprises for the specific staff recruitment and promotion procedures used in the School, has not been obtained till 31 March 2024.   | been taken from the Board of Directors.   | The approval of the Director General should be taken for the specific staff and staff recruitment and promotion procedures. |
| (b)  | Circular No. SEC/2023/E/01 of Commissioner General of Inland Revenue dated 29.03.2023, and SEC/2023/E/02 and circular dated 06.04.2023   | When calculating Advance Personal Income Tax (APIT) non-financial benefits such as quarters, vehicles and fuel provided by the National School of Business had not been considered.  | The said vehicles are assigned for official travelling purposes on a priority basis further, staff members are not assigned. free accommodation and a monthly rental, electricity bill, water bill and TV connection bills are deducted against the monthly salary of each employee.  | APIT should be calculated as per the circulars.   |
| (c)  | The project report, investment plan and feasibility study report considered by the National Planning Department for the approval of the Phase II project of the National School of Business Management | National Planning Department had approved the Phase II project of the National School of Business Management subject to the increase of the course fees only once in three years. However the National School of Business Management has increased the course fees one time in the years 2020 and 2021 for 12 courses two times in the years 2022 and 2023 for 17 courses ranging to 17 percent to 75 percent. | i. The project proposal submitted to the Department of Public Enterprise was in July 2020 based on the socioeconomic conditions of the country during the year 2019 and 2020. However, the assumptions were highly changed due to the Covid 19 Pandemic situation Economic crisis and political changes happened during the past few years. | The actual course cost and social justice should be considered while increasing the course fees.                            |

(d) Section 6.4 of the Financial and Accounting Operations Manual of the National School of Business Management amended on 18 February 2021	The annual physical verification of property plant and equipment had not been carried out during the year under review.	The fixed assets verification as at 31st December 2022 and additions thereafter was done manually during the year 2023. NSBM purchased the fixed assets module in the year 2024 and is already in the live environment. The management expects to complete the task within the next 04 months.	It should be comply with the relevant regulations
(e) Section 4.5.1 of the Financial and Accounting Operations Manual	Actions had not been taken as per the manual regarding the 54 cheques totaling Rs.1,511,930 issued prior to 6 months.	Long outstanding unresolved items are investigated and after 1 year before being reversed from long outstanding general ledger account. All the cheques expired after 1 year period have been adjusted in the general ledger.	It should be comply with the relevant regulations

**2. Financial Review**

**2.1 Financial Result**

The operating result of the year under review amounted to a profit of Rs.720,432,349 and the corresponding profit in the preceding year amounted to Rs.190,744,927. Therefore, an improvement amounting to Rs.529,687,422 of the financial result was observed. The reasons for the improvement is the increase of the program fees income by Rs.1,275,288,932 during the year under review.

**3. Operational Review**

**3.1 Management Inefficiencies**

Audit Issue	Management Comment	Recommendation
Though the bidders should be selected on the registered in CIDA Grade, "SP-3 and above" for inviting bids for construction of Turfing at the playground, Installation of Pop-	Due to the prevailed situation of the country's economic crisis and construction industry, we only received two bids in response to this newspaper advertisement. Both applied bidders have completed similar projects in the recent	It should be comply with the relevant regulations.

up Sprinkler irrigation system, and Installation of subsurface drainage system, selected bidders were not selected accordingly. past, the evaluation was carried out.

**3.2 Procurement Management**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
<p>Nither the government procurement guidelines nor the approved procurement manual had been followed by the National School of Business Management.</p>	<p>According to the Articles of Association of NSBM, the business and affairs of the company shall be managed by or under the direction or supervision of the Board of Directors. All the procurement has been done in accordance with the Finance Manual.</p>	<p>It should be comply with the government circulars.</p>