

## **Sri Lanka Institute of Development Administration -2023**

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### **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 2023 comprising the statement of financial position as at 31 December 2023 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 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 Institute as at 31 December 2023, 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 Sub-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 Scope of Audit (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 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 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 the Standards	Management Comment	Recommendation
<b>(a) Sri Lanka Public Sector Accounting Standards 07</b>		
(i) As per paragraph 42 of the standard, the carrying amount of the building value was not revalued using the fair value as at the reporting date and the building value was shown in the financial statements at Rs.404,961,000 based on the assessed value of 2016.	Although requests were made to the Valuation Department in 2016 for the assessment of the building value of SLIDA Institute, this value was included in the accounts of the last year on 31.12.2021 considering the receipt of the letter stating the assessed value of the building on 08.04.2021.	Assets should be accounted for in accordance with accounting standards.
(ii) Carrying amount of assets still in use out of fully depreciated assets whose cost was Rs.266,931,869 was not disclosed in the financial statements as per paragraph 92 (b) of the Standard.	Asset valuation and accounting work is currently being done and after the asset valuation and accounting process is completed, these fully depreciated assets will also be adjusted to the asset list.	-Do-

### 1.5.2 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) The Nuwara Eliya circuit bungalow and land, which had been assigned to the institute as a free grant by the Cabinet decision No. CP/16/1826/734/023 dated 27 September 2016, had not been assessed and accounted for.	Requests have been made to the Valuation Department to assess the value of the land where the Nuwara Eliya circuit Bungalow is located.	The bungalow and land should be valued and accounted for.

- (b) As the software package costing Rs.2,940,696 had been considered as a fully depreciated asset in the year under review, the depreciation amount of Rs.588,139 for the year had been understated. The difference that has occurred in the calculation of depreciation will be further checked and necessary adjustments will be made in the future. Depreciation should be accurately calculated and accounted for.
- (c) Due to depreciation of Rs.9,384,190 instead of Rs.8,999,190 for the year under review, over depreciation of Rs.385,000 had been accounted for. -Do- -Do-

## 1.6 Receivable and Payable Accounts

### 1.6.1 Cash Receivables

	<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	A sum of Rs.10,869,375 remained uncollected from 43 officers who left post-graduate courses between 01 and 05 years.	Letters were sent by registered post informing that student registration was cancelled.	Arrangements should be made to settle the receivable balances.
(b)	20 receivable balances of Rs.1,933,325, which have been outstanding for more than 06 years, have not been recovered.	These debtor balances will be considered and provision for doubtful debtors will be made in the coming financial years.	Prompt actions should be taken to recover receivable balances.

## 1.7 Non-Compliances Laws, Rules and Regulations and Management Decisions

	<b>Reference to Laws, Rules and Regulations</b>	<b>Non-Compliance</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	Section 10 (05) of the Finance Act No. 38 of 1971	Though, the net income remaining after appropriation was supposed to be sent to the Consolidated Fund, the institution had not complied with it.	A part of the funds required for the provisions allocated by the Annual Appropriation Act under the Ministry is provided by the treasury and the earnings of the institution are used for other operating expenses and development expenses. Accordingly, taking into consideration the surplus that may be left after spending the funds to	According to the Finance Act, the net income after appropriation should be sent to the Consolidated Fund.

cover the expenses through the Institute's earnings; the excess money will be used for the expenses of the Institute without taking imprest from the treasury.

- (b) Section 31 of the Sri Lanka Institute of Development Administration Act No. 9 of 1982 No law shall be enforced until approved by the Minister, but the Laws of the Post Graduate Studies Division had been used as a guideline for the Post Graduate Division without obtaining the relevant approval. Code of By Laws has been submitted to the Minister for approval of the Honourable Minister. Formal approval should be obtained.
- (c) Treasury Circular No. 842 dated 19 December 1978 The fixed asset register had not been maintained in an updated manner as per circular provisions. The Fixed Asset Register has been prepared and a committee has been appointed to assess the assets. Fixed asset register should be updated and maintained.

## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs.61,799,947 and the corresponding surplus in the preceding year amounted to Rs.20,680,174. Therefore an improvement amounting to Rs.41,119,773 of the financial result was observed. Compared to the previous year, the financial income on fixed deposits increased by Rs.16,284,344 and miscellaneous income increased by Rs.22,056,701 are the main reasons for the improvement.

**3. Operating Review**  
**3.1 Management Inefficiencies**

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) Though, the 1.1863 hectare land located at No. 28/10 Malalasekara Mawatha, where the institute is established, has been used since 1968, the acquisition work has not been completed yet.	The Land Commissioner General's recommendation letter along with the Divisional Secretary's status report for acquisition of the land on which the institution is established has been forwarded to the Presidential Secretariat for the President's approval and further steps are expected to be taken according to the Presidential Secretariat's reply.	The land should be acquired.
(b) Although the amendment of the Act that established the institution had approved by the Cabinet Decision No. 13/0150/523/005 dated 07 February 2013, it had not been done.	As it is not practical to amend the Act at present according to the needs identified in the year 2013, the need to amend the Act at present will be re-reviewed and further work will be done.	At present, necessary amendments should be made to the Act, including the changes made in the positions and the changes made in the scope of the institution.
(c) Non-implementation of decisions taken by the Cabinet Decision No. 13/0237/523/011 dated 19 April 2013:		
(i) In the recruitment of officers on secondary basis for the academic staff of the institution, instead of calling applications and recruiting through public notices, recruitment is being published on the website of the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government.	Applications have been called on the website of the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government according to the approved procedures for the recruitment of academic staff.	Necessary measures should be taken to implement the Cabinet decision.

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- (ii) Although the institution should get actions to provide training to public officials regarding public administration and management, it has focused specifically on training executive officials in the public sector resulting in the neglect of training for non- executive service officials.
- The implementation of non-management training programs in the institution had been suspended from April 2016 as per policy decisions. Accordingly, since then the training programs of this institute have been limited to staff grade officers.
- (iii) The report that should be sent to the Cabinet within two months regarding the investigation of the content and training methods of the training courses conducted by the institute in order to further increase the knowledge and skills of the public officials and bring about a more positive change in their attitudes had not been submitted.
- A computerized efficient study system has been introduced for the training courses from 2024, considering the needs of the training courses and the participants of the courses on the basis of obtaining the needs of the trainee.
- The report should be prepared and submitted as per the Cabinet decision.
- (d) According to the internal circular No. PD/IC/2008 issued in the year 2008, though the lecturers working in the institution should complete 45 man-hours of lecture hours per month to get the secondary study allowance of 50 per cent of the basic salary, the allowances had been paid even without completing those lecture hours. According to the calculations made only for the first 07 months of the year under review, a sum of Rs. 2,792,232 had been paid as allowances to 10 lecturers and although the number of hours to be covered by those lecturers was 3,240 and only the actual number of hours covered was 1,392.5 and 1,847.5 hours of training lectures had not been covered.
- Due to institutional requirements beyond the control of instructors, there are practical organizational constraints and difficulties in ensuring that each instructor is given such a specific number of hours per day of direct lecture.
- As per the circular, instructors should complete 45 hours of lecture time per month.

### 3.2 Funds Under Utilization

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
The amount received from the treasury in previous years for capital expenditure, but invested in fixed deposits without utilization was Rs.25,323,146.	This remaining amount will be used for approved capital expenditure without receiving treasury imprest for capital expenditure in the year 2024.	Funds should be utilized at optimum level.