

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements the National Institute of Occupational Safety and Health for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 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 2024, 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 basis of 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 determines, 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 Fund 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 Audit Scope (Auditor's Responsibility 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, 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 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 Fund 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 regarding the preparation of financial statements**

### **1.5.1 Accounting Deficiencies**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Values of provision for depreciation related to the machines, machinery and computer equipment accounts were not correctly identified in the disposal of 6 types of assets worth Rs.9,742,217 during the year under review, and Rs.9,752,017 had been removed from the provision for depreciation account exceeding the value of the assets.	Instructions were given to correct the relevant accounts.	Action should be taken in accordance with accounting standards and policies.
(b) The initial accumulated depreciation value of the asset had been indicated as a debit balance of Rs.161,849 exceeding Rs.1,572,798 and the value of the furniture and equipment account after revaluation had been indicated as a credit balance of Rs.798,956 due to an incorrect entry made during the revaluation of the public address system. Although the profit should be calculated by deducting the value of accumulated depreciation from the existing cost of the asset and by comparing that value with the revaluation value, the total of the revaluation values of the assets amounting to Rs.2,491,800 had been indicated as revaluation profit in the financial statements	The ledger accounts have been submitted for observation.	-Do-

without correctly adjusting the values of the provision for depreciation accounts.

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| (c) | <p>Even though transactions and events should be recognized and accounted at the time of occurring them while preparing accounts on an accrual basis in accordance with Sri Lanka Public Sector Accounting Standard 01, the income for diploma charges of the institution had not been recognized and accounted in this way for the current year and for the ensuing year. The income of Rs.1,488,000 received on 09 occasions for the ensuing year had been indicated in the financial statements as income of the diploma charges for the current year without recognizing it in that manner.</p> | <p>It was instructed to rectify the accounts as income amounting to Rs.380,750 for the accounting year 2024 and it was noted down to calculate only the relevant amount related to the year 2024 and to adjust from accounts.</p>  | -Do-  |
| (d) | <p>Even though a value of Rs.10,133,328 had been deducted as prior year adjustments made to the surplus in preparing the cash flow statement, a cash inflow or outflow was not observed within this value.</p>  | <p>Although cash outflow amounting to Rs. 10 million, which had been the prior year adjustment, had not been occurred, in the preparation of cash flow statement based on net profit, it should be adjusted to the net profit and therefore, the cash flow statement of the institution will be rectified as per the explanations.</p> | -Do-  |
| (e) | <p>The gratuity amount of Rs.164,790 paid to an employee, who left the institution, had not been eliminated from the provision for gratuity account and the value of provision for gratuity in the year under review had been overstated by Rs.137,368. Therefore, a value of Rs.302,158 had been overstated in the provision for gratuity account.</p>   | <p>Action will be taken to rectify it.</p>   | -Do-  |
| (f) | <p>The interest income of one fixed deposit for the year under review had been understated by Rs.674,604 and the interest income of another fixed deposit had been overstated by Rs.50,535, and the interest income of Rs.688,882 on a fixed deposit for the year under review had not been indicated in the financial statements. The net interest value of</p>  | <p>-Do-</p>  | <p>The correct income should be calculated and accounted.</p> |

Rs.343,477 of 02 fixed deposits not matured during the year under review had been indicated as a reinvestment value without indicating it as interest receivable.

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| (g) | The amount of Rs.305,150 received as payments made in advance by institutions on 12 occasions within the debtor balance of the year had been recorded as a credit value in the accounts. | The amount of Rs.305,150 received as payments made in advance by institutions on 12 occasions within debtor balance in the year had been recorded as a credit value in the accounts. | Action should be taken in accordance with accounting standards and policies. |
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#### 1.6 Non-compliance with laws, rules, regulations and management decisions, etc.

Reference to Laws, Rules and Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Public Enterprises Circular No. 04/2023 dated 11 December 2023.	Although 30% of the profit of the year 2023 (previous year) should have been remitted to the General Treasury before paying bonuses/incentives to the staff, only a sum of Rs.3,000,000 had been remitted and bonus payments had been made without adhering to the provisions of the Circular. A sum of Rs.12,082,434 payable to the General Treasury had not been disclosed in the financial statements.	In the year 2025, an amount of five million has already been remitted to the General Treasury through the board paper of the new Board of Directors. It has been stated that the remaining amount of seven million will be paid from the income earned in the year prior to 31 December 2025.	taken as per the Circulars.
(b) Subsection 20 (1) of the National Institute of Occupational Safety and Health Act, No. 38 of 2009	Although the Minister may make regulations under the provisions of the Act for the purpose of carrying out any or all of the functions of the institution and for the purpose of giving effect to the principles of the Act, such regulations had not been made.	The policy of the National Institute of Occupational Safety and Health, which is a basic requirement for this, has been formulated and submitted to the Ministry and accordingly, preliminary work related to the International Labour Organization Conventions	Action should be taken to achieve the objectives of the Act.

C187 and C155 is being carried out.

## 2. Financial Review

### 2.1 Financial Results

The operating result for the year under review was a surplus of Rs.58,948,153 and the corresponding surplus for the previous year had been Rs.50,274,779. Accordingly, an improvement of Rs.8,673,374 was observed in the financial result. This improvement was mainly due to the increase in operating income.

## 3. Operational Review

### 3.1 Management Inefficiencies

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	Only 107 courses, out of 330 occupational safety and health foundation courses planned to be conducted online according to the action plan, had been conducted.	Occupational safety is a new subject for school students and the target number of students for this in the year 2024 has not been achieved.	Action should be taken to conduct the relevant courses as planned.
(b)	Although it had been planned to conduct 3,750 environmental monitoring programmes, only 3,172 had been conducted.	Although the targeted financial progress in the year 2024 had been achieved according to the action plan, the actual target achieved had been 18,820,000. Therefore, the progress has been achieved in terms of the environmental measurements.	-Do-

### 3.2 Human Resource Management

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Five (05) senior level posts, which remained vacant out of the posts of the approved staff of the institution, namely the posts of Director (Health and Hygiene), Director (Safety), Assistant Director (Health), Assistant Director (Hygiene) and the post of Director General, which is the Chief Executive Officer of the institution, had been appointed on contract basis, and it was observed during the audit that this could adversely affect the performance of the institution.	Since the approval of the Cabinet Paper No. CP/25/0855/802/004- and the approval of the Board of Directors held on 23 June 2025 have been received for all the posts, the activities for recruitment are being carried out expeditiously.	Action should be taken to manage the vacancies expeditiously.