

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 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 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 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, 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 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 preparation of the Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the relevant standard	Comments of the Management	Recommendation
(a) Even though the relevant whole asset class should be totally valued when valuing property, plant and equipment as per paragraph 49 of Sri Lanka Public Sector Accounting Standards 07, the only other buildings except the building at a cost of Rs.7,206,736 in which Nuwaraeliya circuit bungalow is located had been valued and accounted.	The building had not been included into the accounts on an issue related to a ownership of the land at the time of valuation in 2016 and since such issue was solved presently, the action will be taken to include the value of the land after receipt of new valuation reports. However, the other assets except lands and buildings had been revalued up to now and accounted in the final financial statements.	As per the accounting standard, the asset class should be revalued and accounted.
(b) Even though Rs.25,203,016 received from the Treasury as capital grants in the year under review and a balance of Rs.491,907,397 received as Treasury grants in the previous years after amortization should be accounted as revenue received from non-exchange transactions as per Sri Lanka Public Sector Accounting Standard 11, it had been accounted under the capital grants and Rs.497,146,674 had been shown in the statement of financial position as at 31 December 2024 as deferred revenue after adjusting the	In preparation of the accounts in relation to the year 2025, the action will be taken to prepare the financial statements as per Sri Lanka Public Sector Accounting Standards No. 11.	The grants and assets should be accounted as per the accounting standard.

amortization value of Rs.19,963,739 for the year under review related to such grants.

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| (c) | In accordance with paragraph 76 of Sri Lanka Public Sector Accounting Standard 19, no action had been taken to show in the accounts the present value of post service benefit obligation related to provision for gratuity and connected current services cost of Rs.34,507,720. | As per Sri Lanka Public Sector Accounting Standard 19, we have no expert knowledge for obtaining future data (assumed data such as salary increase, discount rates, employee turnover) or we have no such data and the action will be taken to obtain the instructions from Institute of Chartered Accountants or General Treasury in this regard and prepare the accounts for the year 2025. | The post service obligation should be accounted as per the standard. |
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1.5.2 Accounting Deficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	The land for Nuwaraeliya circuit bungalow transferred to the institute as a free grant in 2016 by a Cabinet Decision had not been valued and accounted.	The action will be taken to make the accounting notes for relevant values subsequent to receipt of the valuation report and include in the financial reports 2025.	The all assets belonging to institute should be valued and accounted.
(b)	When showing the provision for bad debts of Rs.12,804,809 in the statement of financial position, the current assets and current liabilities had been overstated by that amount by showing under the current liabilities instead of showing the net value by deducting the receivables.	In the future, the action will be taken to adjust these values separately and mention the net value of debtors in the financial statements.	The current assets and current liabilities should be accurately mentioned in the financial statements.

1.6 Accounts Receivable and Accounts Payable

1.6.1 Accounts Receivable

	Audit Observation	Comments of the Management	Recommendation
(a)	The measures had not been taken to settle the course fee of Rs.11,578,750 from 55 persons who had left the post graduate degree programmes for a period 03-05 years and course fee of Rs.1,091,027 from 46 persons who had left the language courses for a period 01-05 years and the receivable balances had been further mentioned.	The necessary action had been taken to write-off these estimated values. The full provision for this write-off had been included in the financial statements 2024.	The income not recovered should be settled and adjusted to the accounts.
(b)	No action had been taken to recover 11 balances of miscellaneous receivable of Rs.1,752,771 which had not been recovered more than 06 years.	The action will be taken to refer to audit and management committee for further examination on the measures to be taken related to these balances and obtain recommendation.	Action should be taken to settle the balances unrecovered and adjust.

1.6.2 Accounts Payable

Audit Observation	Comments of the Management	Recommendation
The balance of Rs.3,289,670 which had been received from various public institutions for the training courses and conducting the examinations were existed a period of 03-05 years had not been settled and shown as a payable balance.	A balance of Rs.2,549 more than 05 years is due to paid again. An amount of Rs.3, 287,119 is related to the procurement diploma and it relates to a period of 03 -05 years. The action will be taken to settle after submission of relevant final expenditure reports for accounting.	The action should be taken to settle the payable balances.

1.7 Non-compliance with laws, rules regulations and management decisions etc.

	Reference to laws, rules and regulations	Non-compliance	Comments of the Management	Recommendation
(a)	Sections h and I of 2(5) of Sri Lanka Institute of Development Administration (Amendment) Act No.22 of 1997	The officers to be appointed to the Governing Council of institute by Minister had not been appointed.	It had been informed verbally and in writing to Ministry of Public Administration, Provincial Councils and Local Government in relation to appointment of members of Governing Council by Hon. Minister as per the instructions of Governing Council.	The Governing Council should be appointed as per the provisions of Act.
(b)	Section 10(05) of the Finance Act No.38 of 1971	Even though the balance net revenue after appropriation should be sent to the Consolidated Fund, the institute had not taken action accordingly.	A net surplus of Rs.28,610,370 is shown when the grant of Rs.150,000,000 provided by the General Treasury for payment of the employee remuneration of institute is considered. If the grants will not be provided, the financial position will be unfavourable. The action will be taken to get the appropriate action by discussing this matter with Governing Council and Treasury in the future.	As per Finance Act, net revenue after appropriation should be sent to the Consolidated Fund.
(c)	Sections 2(1) and 102 of Inland Revenue Act No.24 of 2017	No action had been taken by institute to register for Income Tax or obtain tax exemptions.	An information report including the act of institute related to the tax liability and the final accounts for several years had been submitted to Medium Scale Corporate Division – 01 of Department of Inland Revenue and it had not been informed with regard to tax liability. However, the future action will be taken by inquiring from the department.	The action should be taken to register for tax or exempt from tax.

(d) **Financial
Regulations of
Democratic
Socialist
Republic of Sri
Lanka**

i. Financial Regulation 763	Though the procedures in regard to receipt of goods, satisfactory storage, custody and correct disposal of stores should be followed, no action had been taken accordingly for 06 stores belonging to institute.	Since the actions are being taken for the preparation of the asset registers on the recommendations of audit and management committee and performing formal disposal process after annual board of survey, the necessary provisions had been made to formally perform the internal control relevant to the stores presently.	The stores control should be carried out as per Financial Regulations.
ii. Financial Regulation 880	The officers who should give securities have not given the securities as per Security Ordinance.	The security giving activity could be performed from store keeper or the officers who should be responsible for stores in the future on the recommendations given from the Act approved for giving security after amendments made in the Act in the future.	The securities should be obtained from the officers who should give securities.
(e) Section 2.6.3(g) of Procurement Manual and the Guidelines 2.8(a),6.2.1(a) (vi) and 9.3 of the Procurement Guidelines of Democratic Socialist Republic of Sri Lanka	When selecting a consultant for purchase of a program administration system at a cost of Rs.2,000,000 on 22 February 2024, it had been excluded the instructions of the Procurement Manual and the Guidelines.	The action will be taken as mentioned in future consultant procurement activities.	The action should be taken as per the Procurement Guidelines in relation to purchases.

(f) **Cabinet Decisions**

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| <p>i. Cabinet Decision No. 13/0150/523/05 dated 07 February 2013</p> | <p>Even though approval had been given to amend the Act by which the institute was established, it had not been implemented.</p> | <p>A One-person committee consisting of a senior consultant has been appointed to amend Act No. 9 of 1982. Accordingly, action will be taken to amend the Act in accordance with the recommendations of the committee submitted as appropriate to the present situation.</p> | <p>The necessary amendments should be made to the Act, including the changes that have been made in the posts and the changes that have been made in the scope of the institution.</p> |
| <p>ii. Cabinet Decision No. 13/0237/523/011 dated 19 April 2013</p> | <p>1. Even though approval had been given to upgrade the post of Director of the Institute to Director General and the post of Additional Director to Additional Director General with immediate effect, subject to the amendments made to the Act under which the Institute was established, the post of Director General and 06 posts of Additional Director General had been implemented with the approval of the Department of Management Services without making the relevant amendments to the Act.</p> | <p>Since the Sri Lanka Institute of Development Administration Act, No. 9 of 1982, only mentions the post title “Director”, the post of “Director” will be amended to “Director General” when the Act is amended in the future. Since the relevant sections regarding changes in other posts and salary codes are not mentioned in the Act, the relevant amendments have been made in the Schemes of Recruitment.</p> | <p>The necessary amendments should be made to the Act, including the changes that have been made in the posts to date and the changes that have been made in the scope of the institution.</p> |

2. Even though action should have been taken to recruit experts in the field to the academic staff on a permanent or contract basis, the recruitments had been made on a secondary basis. Applications were called for the recruitment of officers on a permanent basis for the posts of Consultant and Associate Consultant in the academic staff in the year 2024. There were no eligible applications for the post of Consultant among those applications. In accordance with the service requirement of the Language Division, an Assistant Consultant has been recruited on a permanent basis for that Division. Further, the relevant competitive examination for the recruitment of an Associate Consultant on a permanent basis has already been held. Those consultants are scheduled to be recruited after the results are received. Recruitments should be made in accordance with the decision of the Cabinet of Ministers.
3. The primary objective of the institute is to train public officers, and although training programmes should have been planned for public officers belonging to all services, action had not been taken accordingly. It had been informed by the letter of the Secretary to the Ministry of Public Administration, Provincial Councils and Local Government dated 17 December 2024 that discussions were underway regarding the re-establishment of the Public Service Training Institute established under that Ministry and using the same for training of non-executive officers. Programmes should be planned and implemented to train public officers in accordance with the decision of the Cabinet of Ministers.
4. Even though a report should have been submitted to the Cabinet of Ministers regarding the review and reformulation of the content and training methods Since relevant reports need to be obtained from the Secretary of the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government, instructions have been sought from the Secretary of the Ministry by the letter dated 23 August 2024 the manner in which action should be taken in this regard A report regarding training courses should be submitted as per the decision of the Cabinet of Ministers

of the training courses conducted by the institute, the relevant report had not been submitted even though about 11 years had passed.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs. 28,610,370, and the corresponding surplus in the preceding year amounted to Rs. 61,548,388. Accordingly, a deterioration amounting to Rs. 32,938,018 of the financial result was observed. This deterioration was mainly due to an increase in treasury grants by Rs. 26,205,524 and total income from capacity training programmes and consultancy services by Rs. 33,093,555 during the year under review and decrease in investment income, and miscellaneous income by Rs.49,650,407 and an increase in employee remuneration by Rs. 30,600,296.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation

The previous system, which required consultants to complete 45 lecture hours per month to receive 50 per cent of the basic salary as a secondary study allowance and an additional allowance for external consultancy and examination activities, was changed by the Governing Council Resolution No. 340.07 dated 28 March 2024. According to the new system introduced, consultants can complete their performance by completing 140 hours per month, including 20 hours of training lectures and other paid tasks. However, under the new system, 14 consultants who had completed less than 20 hours of institutional lectures per month were paid Rs. 3,280,550 as secondary allowances, and 07 consultants who had not completed even one lecture hour of institutional lectures per month were paid Rs. 881,433.

Comments of the Management

Since the Sri Lanka Institute of Development Administration operates as a professional training institution for staff officers of public service, different from a traditional university, the institution should maintain a mix of expertise in all matters to meet the specific needs of the various All Island Services that forward to it for training, as well as in the various subjects to be covered at all times.

The Governing Council has recognized that it is appropriate to take into account all the tasks that need to be performed to achieve the institutional vision and mission in the performance evaluation of the consultants. According to the said revised methodology, it has been concluded that the minimum duty engagement of a consultant for all the tasks mentioned above should

Recommendation

The performance of consultants should be evaluated annually based on specific and appropriate criteria.

Further, Rs. 3,483,572 had been paid to these consultants for external lectures and other fees. be 140 hours per month. The said methodology is currently being implemented at the research level.

3.2 Under -utilization of Assets

Audit Observation	Comments of the Management	Recommendation
Equipment worth Rs. 9,870,120 had been purchased for the gymnasium established in the institute in 2016, and an agreement had not been entered into for the maintenance and servicing of the equipment. The assistance of a fitness instructor had not been obtained for the gymnasium, and the purchased equipment was underutilized in a building with rainwater leakage.	Necessary action is being taken to renovate the roof of the building where the gymnasium is located. .	Measures should be taken to ensure the existence and security of assets and the assets should be utilized optimally.

3.3 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
(a) Even though an Internal Audit Unit had been established for the institute, staff had not been approved for it, and only one officer had been attached as the supportive staff of the Internal Auditor.	The staff had been attached to each division according to the service requirements of the institute. According to the service requirement of the Internal Audit Unit, students of Universities and Universities of Technology, who receive daily wages, attached to the Sri Lanka Institute of Development Administration for on-the-job training, were deployed to the Unit.	Action should be taken to obtain the approval for the staff of the Internal Audit Unit and attach employees accordingly.
(b) As at 31 December 2024, the approved cadre of the institute was 166, and the actual cadre was 116. Out of 47 senior level posts, 21 were vacant and out of 26 posts that had been recruited, 20 were recruited on a secondary basis. In addition, 31 tertiary and secondary level officers had also been recruited on a secondary basis. Due to the fact that officers who had been recruited on a secondary basis left the institute within two years, it	The Department of Management Services has approved external recruitment for a limited number of essential posts in the year 2024 and accordingly, actions have been taken to recruit suitable officers for those posts. Further, approval has been sought from the Department of Management Services to fill other essential vacancies. .	Essential employees should be recruited permanently and other employees should be recruited on a contract basis

was necessary to recruit officers again. During the year under review, 15 officers, including a Director General and 07 consultants had left the institute, and 18 officers, including 06 consultants had been recruited on a secondary basis.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
(a) Even though the institute should have taken action to train public officers, only 03 Induction Training Programmes to train 348 officers from 03 services belonging to the non-executive services and 12 Induction and Capacity Development Programmes to train 1,241 officers from 04 services belonging to the executive services had been included in the action plan and implemented.	The re-establishment of the Public Service Training Institute, which was under the Ministry, and using it for the physical training of non-executive officers are under discussion. The Institute is working to train Development officers and Management Service Officers online, and plans have been made to conduct "Train the Trainers" programmes to train resource persons required for training courses conducted for non-executive officers at the provincial level.	Programmes should be planned and implemented to train public officers according to the objectives of the institute.
(b) 07 out of 12 training programmes for 360 Special Grade Officers in the All Island Services included in the Action Plan had not been conducted, and the progress in implementing the modules of 07 training programmes for 221 officers in two All Island Services was between 8-17 per cent. Further, 30 short-term training programmes for 900 executive officers, 06 Diploma Courses on a fee basis for 200 officers, and 02 Certificate Courses in Sinhala and Tamil on a fee basis for 60 officers had not been initiated. 05 training workshops for 450 officers that were to be conducted during the year had not been conducted.	Due to the flood disaster situation that occurred in the second and third quarters of 2024, and the Presidential and Parliamentary elections held in the last quarter, due to the need for Special Grade Officers to be on duty, only 05 training programmes had to be held since they had not been called for training. In the year 2025, the courses will be reviewed, again and future programmes will be planned taking into consideration the importance of those courses for officers.	The tasks included in the Action Plan should be implemented during the year and action should be taken to achieve the expected performance level.

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| <p>(c) 05 activities related to the installation, repair, re-creation and reconstruction of solar panels with an estimated cost of Rs. 18,700,000 and 05 activities under infrastructure and software development with an estimated cost of Rs. 11,750,000 included in the Action Plan had not been implemented.</p> | <p>Due to various technical issues arising during the preparation of the BOQ / Technical Documents related to the solar panel system, approval has been sought from the Electricity Board (Colombo South) Branch. After receiving the said approval, the relevant BOQ / Technical Documents will be prepared, and the work will be carried out this year. Actions have been taken to include the renovation work of the attached bathrooms and the bungalow caretaker's room of the Nuwara Eliya Circuit Bungalow in the Action Plan for the year 2025 and implement it. The landscaping work of the premises of the institute has already been initiated by a committee comprising a Senior Consultant with expertise in Botany serving in the institute.</p> | <p>The Action Plan should be prepared considering practical circumstances, and the tasks included in the Action Plan should be implemented.</p> |
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