

National Institute of Social Development - 2025

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the **National Institute of Social Development** for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and the statement of financial performance and 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 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 Institute as at 31 December 2025, 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 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 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 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, 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.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 30,408,641 and the corresponding surplus in the preceding year amounted to Rs. 32,150,386 . Therefore a deterioration amounting to Rs. 1,741,745 of the financial result was observed. The reasons for the deterioration are increase in salary and wage expenses and academic program expenses.

3. Operational Review

3.1 Management Inefficiencies

Audit Issues	Management Comment	Recommendation
An allocation of Rs. 180,000,000 was made for the year 2025 for the construction of the Seeduwa building complex, which commenced in 2017, out of which Rs. 29,570,000 had been utilized. Although 08 years have passed from the end of the year under review, the institution failed to provide adequate space facilities to carry out its operations, as, constructed at a cost of Rs. 1,001,310,000, had not been completed.	Only approximately Rs. 97.85 million remained for the year 2025 from the provisions stated in the approved initial cost estimate for the construction of the Seeduwa building complex. According to the initial cost estimate, those provisions were to be utilized during the year 2025 for construction works including the auditorium, the guardroom and front boundary wall, and the installation of CCTV cameras. Out of these components, payments amounting to Rs. 29.57 million had been made to the State Engineering Corporation	Action should be taken to efficiently and effectively utilize the allocated provisions and complete the construction works of the building complex within the specified timeframe.

during the year 2025 for the completed sections of work. Among the provisions of Rs. 180 million allocated for the year 2025, Rs. 30 million was spend for purchasing chairs for the auditorium, and Rs. 86.86 million was for essential additional construction works. Although all of these additional purchases and constructions were not specified in the initial cost estimate, they are essential requirements. The total provisions requested for this purpose amounted to Rs. 116.86 million. Out of the Rs. 180 million provision provided for the year 2025, expenditure could be incurred only up to Rs. 29.57 million.

3.2 Transactions of Contentious Nature

Audit Issues	Management Comment	Recommendation
A total of 228 local and foreign individuals had participated in the International Seminar on Social Work held on 4 and 5 September 2024, by the Research and Publication Division of the National Institute of Social Development. Despite the presence of the institution's official cashier, the collection of fees had been carried out by the Director of the Research Division, he had personally changed the USD 150 collected by L/23 cash receipts into Sri Lankan Rupees and handed over	The Institute had received a sum of Rs. 548,420.16 for the International Seminar on Social Work held in the year 2024. Among the payments made to the institution by foreign nationals who attended the 3rd Social Work Seminar held by the Research Division on 4 and 5 ,September 2024, an amount of USD 100 was received under cash receipt number L/23-434152 and USD 50 was received under	The relevant task should be executed transparently and in compliance with the financial control powers.

a total of Rs. 150,000 including cash receipt number L/23- the Rs. 90,000 collected as 434157. Due to the seminar fees to the cashier on institution not having a USD 11 September 2024. account, the collected dollars were personally changed at a rate of Rs. 300 per USD. Accordingly, Rs. 45,000 for the USD 150, along with Rs. 105,000 received on behalf of 7 foreign participants, totaling Rs. 150,000, was handed over to the institution's accounts division on the afternoon of 11.09.2024 to credit.

3.3 Procurement Management

Audit Issue	Management Comment	Recommendation
During the procurement process for the purchase of 10 laptops worth Rs. 2,230,000, paragraphs 1.5 (d), 2.3, 2.4 (c), 2.5, 4.1.1, 4.1.2 and 4.1.3 of the Procurement Guidelines for Goods, Works and Non-Consulting Services, 2024 and paragraphs 2.4 (b) (X), 2.7.4 (b) 2.7.4 (e)(III), 04 (c) Annexures I, II, III and 5.2 of the Procurement Manual had not been followed.	The mandatory declaration to be submitted by the bidders along with the bid has been instructed to be submitted in future. The necessary steps will be taken to establish the Procurement Management Division in the future. A master procurement plan has been prepared and submitted for the approval of the Secretary to the Ministry.	Reasons for the non-compliance with procurement guidelines regarding procurement activities must be investigated, and necessary actions must be taken. Furthermore, action should be taken to ensure that such situations do not arise in the future

4. Accountability and Good Governance

4.1 Annual action plan and Progress of targeted Activities.

Audit Issues	Management Comments	Recommendation
(a) According to the revised action plan, although allocations of Rs. 7 million for building and vehicle repairs and Rs. 43 million for purchasing capital equipment were received, progress reports showed that only 55	According to the revised action plan, Rs. 7 million has been allocated for renovation and Rs. 43 million for the acquisition of capital assets. Out of this, Rs. 23.5 million has been spent and according	The reasons for not completing the annual planned tasks should be investigated, and action plans should be realistically formulated to prevent such situations from occurring in the

percent of vehicle repairs and 47 percent of capital equipment purchases had been completed. Rs. 23.95 million had been incurred for that and it had been only 48 percent from the total allocation. Accordingly, the failure to meet capital equipment requirements on time resulted in an inability to properly maintain course quality and adequately fulfill the infrastructure needs of the student community.

to the procurement plan, all purchases related to academic activities (library books, computers and smart boards) have been completed at a cost of Rs. 23.95 million.

future.

- (b) According to the action plan, 08 vehicles, 13 office equipment, 09 air conditioners and rehabilitation improvement of 02 regional centers were planned with the funds of the Social Development Institute worth Rs. 06 million, but no any work had been completed during the year.
- The allocated provisions could not be utilized due to the problematic situation of obtaining the services of a qualified technical officer to obtain technical reports regarding vehicles and office equipment.
- The reasons for not completing the annual planned tasks should be investigated, and action plans should be realistically prepared to prevent such situations from occurring in the future.
- The institution's funds were not used due to the treasury funds were sufficient to repair the regional centers.
- c) In total, out of the provisions of the Fund of Rs. 27.63 million, only Rs. 3.07 million were completed in the year under review. The financial progress was 11 percent and the physical progress was about 18 percent. Accordingly, the expected functions of the Fund had not been properly completed.
- Out of the Rs. 27.63 million allocated from the Institutional Fund, 8.5 million was for renovations and acquisitions, but the funds were not spent, while the remaining Rs. 19.13 million was for implementing academic programs.
- The reasons for non-utilization of the provisions should be investigated, and in the future, the need should be identified, provisions should be allocated and steps should be taken to carry out the relevant tasks.
- From those provisions, Rs. 3.07 million has been spent on the programs of the library, the Centre for Gender Studies and the Quality Assurance Centre

as per the action plan. Out of the remaining amount of Rs. 16.06 million, Rs. 13.39 million has been allocated for the expenses of the Quality Assurance Centre, but the main task assigned to the Quality Assurance Centre was to conduct a course review.

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| <p>(d) The Quality Management Division had allocated Rs. 4 million to conduct 6 programs and 6 workshops to improve the quality of the institution's programs, but only 02 workshops and 03 programs were conducted at a cost of Rs. 0.20 million. Accordingly, the financial progress was 5 percent and the physical progress was 58 percent. Accordingly, only 58 percent of the planned tasks to improve the quality of all the programs of the institution were completed.</p> | <p>That the course review activities were postponed by SCAQA due to university affiliation activities. That has also been confirmed by the Academic Affairs Board (AAB) and the Governing Council. That the funds allocated to the Quality Assurance Unit have been used for other activities of the institution in this situation.</p> | <p>The reasons why the funds allocated for the planned programs were not utilized as expected should be investigated, and plans should be made on a realistic basis to prevent such situations from occurring in the future.</p> |
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