

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Institute of Development Administration for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 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 and the Financial 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 2019, 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 based 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 Institution 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.

1.4 Auditor's Responsibility in Auditing 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 to cease to continue as a going concern.
- Evaluate the 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 Institut,, 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 it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of Financial Statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with Management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with Management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

The following observations are made.

Non-compliance with Reference to Relevant Standard	Comments of the Management	Recommendation
-----	-----	-----
(a) Five items of accrued expenses amounted to Rs. 2,519,794 and 03 items of receivable income amounted to Rs. 406,790 had not been adjusted to financial statements in terms of Sri Lanka Public Sector Accounting Standard No. 01	It is informed that the relevant amounts will be adjusted to the financial statements of 2020.	Actions should be taken in accordance with Accounting Standards.

- | | | |
|--|--|---|
| <p>(b) The interest income amounted to Rs. 32,383,494 and the Financial expenditure amounted to Rs. 25,802 had not been shown under the investment activities in Cash Flow statement and the capital work in progress amounted to Rs. 1,644,344 had been shown under the operational activities without stating as investment activities. And gratuity payments amounted Rs. 1,150,386 had been shown under investment activities instead of stating under the operational activities as well in terms of the Standard 02.</p> | <p>The total interest income received from short term deposits was included in the amount of Rs.12,121,012 stated under the increase in short term deposits under investment activities. Since the work has not been completed, It is accurate to indicate the value of the work in progress under operational activities. It is informed that actions will be taken to state the gratuity payments accurately under the operational activities in future.</p> | <p>Actions should be taken in accordance with Accounting Standards.</p> |
| <p>(c) As a result of not reviewing the useful life time period in items of Paragraph 65 of the Standard 07, the cost of non-current assets amounted to Rs. 196 million which had been entirely depreciated but further being used had been included in the above non-current assets cost. However the actions had not been taken to review the effective life time period of those assets in terms of Sri Lanka Public Sector Accounting Standards 03 and the disclosures had not been made in financial statements in this regard.</p> | <p>Adjustment of changed values of assets to the balance of cost as at 31/12/2018 along with the relevant depreciation have been made accurately in the list of property, plant and equipment in Note No. 09 of Financial Statements. It is informed that the actions will be taken to adjust and correct the relevant cost and the provision for accumulated depreciation in schedules.</p> | <p>Actions should be taken in accordance with Accounting Standards.</p> |

1.5.3 Accounting Deficiencies

The following observations are made.

Audit Observations -----	Comments of the Management -----	Recommendation -----
<p>(a) As a result of a sum of Rs. 12,195,650 receivables in Post Graduate Division and the Language Division that had been written off from the financial statements</p>	<p>It is informed that the actions will be taken to obtain the approval referring to the special attention of</p>	<p>Actions should be taken to write off the unrealizable balances only upon</p>

<p>in the preceding year without obtaining the approval had not been adjusted to the financial statements in the year under review, the values of assets had been understated by the same amount.</p>	<p>Governing Council in respect of these written-off receivables.</p>	<p>the specific approval.</p>
<p>(b) As a result of deducting of a credit balance amounted to Rs.216, 197 from the values of other consumables stated in the financial statements for the year under review supply materials had been understated by the same amount. And an amount of Rs. 545,645 payable to two private institutions had been stated as receivable balance in the financial statements.</p>	<p>Cost of materials consumed had been computed as a minus figure when adjusting the other stock balances indicated in the remaining stocks in hand. It is informed that the actions will be taken to check and correct it. Arrangements will be made to identify the amounts of Rs.150,000 and Rs.397,645 which have been noted as payable to cafeteria owner and a signal transmission tower respectively as receivable income in future.</p>	<p>Actions should be taken to prepare the accounts accurately.</p>
<p>(c) The cost of 03 items of fixed assets amounted to Rs.2,311,550 had been overstated and the cost of 05 items of fixed assets amounted to Rs.14,852,647 had been understated in the financial statements whilst the calculation of the depreciation of fixed assets. Further the provision for the depreciation of Motor Vehicles had been overstated by Rs. 8.6 Million in financial statements at the end of the year under review.</p>	<p>It is informed that the actions will be taken to correct these differences when preparing the financial statements of 2020.</p>	<p>Arrangements should be made to calculate the cost of the fixed assets as well as the provision for depreciation accurately.</p>
<p>(d) Actions had not been taken to write off to the income or to make required adjustment if there is no any obligation further more with regard to the balance of Rs 1,994,507 which had not been resolved from previous couple of years in the accrued expenses account.</p>	<p>The actions will be taken to adjust through the year 2020 examining the expenditures related to the balance amounted to Rs.1,994,507 which has been shown as accrued expenses in financial statements for more than one year.</p>	<p>Actions should be taken to identify the balances payable and to be settled.</p>

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
The balance receivable over 05 years was Rs. 7,922,875 in the financial statements.	The total remaining course fee after paying the registration fee for the relevant course to the Post Graduate Division had been shown as receivable income in financial statements for last couple of years. Since the failure to participate to follow those courses though they are registered, the receivable amounts have been removed from the accounts.	Actions should be taken to resolve the old balances.

1.6.2 Payables

Audit Observation	Comments of the Management	Recommendation
The balances payable in between 1 to 5 years in financial statements amounted to Rs. 12,812,322 and the balance for more than 5 years was Rs 17,180,549.	These amounts which have been stated as payables were the money received from the government institutions to conduct the consultancy services, examinations, induction training programmes and special training programmes. Within that, there are the amounts indicated as the balances payable for ongoing programmes, completed and the programmes not yet commenced.	Steps need to be taken to settle these balances.

1.7 Unauthorized Transactions

Audit Observation	Comments of the Management	Recommendation
It was observed that 37 Efficiency Bar Examinations were conducted during the current year not set forth as an objective in the establishment of Sri	Even though the methodology of assessment through examination had been handed over to the Department of Examination, on its failing, again Sri Lanka Institute of Development Administration has been granted the authority to conduct the Efficiency Bar Examinations and Second	Actions should be taken according to the objectives of the Act.

Lanka Institute of Development Administration Act No. 09 of 1982.

Language Examinations of All Island Services according to the Decision of Cabinet of Ministers dated 21 May 2019 to the cabinet memorandum No අමෙ/18/2011/828/043 dated 28 February 2019 of Minister of Public Administration and Disaster Management.

1.8 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following observations are made.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Presidential Secretary Office Circular Letter No CA/1/1/16/1 of 09 July 2010	All the public officers travelling abroad are required to submit a report according to the Circular format after returning to the Island, 07 officers who had travelled abroad during the year under review had not been complied with.	All the officers who had travelled abroad had submitted the relevant reports and forwarded it to the Ministry of Public Administration.	Actions should be taken to include as those were not available in the files.
(b) Treasury Circular No. 03/ 2015 of 14 July 2015	Although the sub- imprests should be settled as soon as the relevant task is completed, It was observed that there were delays of 19 days to 119 days in settlement of the advances amounted to Rs. 2,498,440 obtained for the course fees and expenses at 44 occasions during the year under review.	Actions will be taken to make aware the officers again to settle the sub- imprests as soon as the task is completed in future.	Actions should be taken in accordance with the Circular Provisions.
(c) Public Finance Circular No 02/2016 of 12 February 2016	Opening balances receivable from Post Graduate Studies Division amounted to Rs.330,000 and a sum of Rs. 478,011 overestimated receivable of	It is informed that the actions will be taken to obtain the approval referring to the special attention of Governing Council in respect of	Actions should be taken in accordance with the Circular Provisions.

		language centre in the previous years had been written off without obtaining the approval of the Governing Council.	these written-off receivables.	
(d)	Public Finance Circular No 05/2014 of 31 March 2016	Even though the Board of Survey report for the year 2019 should be furnished to the Auditor General and the Director General of Public Finance during due time frame, the institute had prepared it on 24 August 2020.	The Board of Survey report contains the quantitative values of the assets and goods of the Institute as at 31 December 2019. It is informed that the values in the financial statements are accurate as per the ledger accounts which have been maintained continuously. The attention will be drawn on the correspondence to be existed in future.	Actions should be taken in accordance with the Circular Provisions.
(e)	Public Enterprises Circular No PED/17 of 28 October 2003	Even though the officers are required to obtain the approval from the Director General of Public Enterprises prior to travelling abroad, 07 officers had not been received the relevant approval in 07 instances.	Methods have been developed to follow the provisions of the PED /17 Circular when officers travel abroad for the upcoming training programmes.	Actions should be taken in accordance with the Circular Provisions.
(f)	Treasury Circular No. 842 of 19 December 1978	Actions had not been taken as per the provisions of the Circular to maintain a register or update the prepared register in respect of fixed assets valued at Rs. 31,228,496.	Shortcomings in updating of existing fixed assets records at the time of audit are being rectified.	Actions should be taken in accordance with the Circular.

(g)	Public Enterprises Circular No PED/12 of 02 June 2003 Section 8.3.3	Even though the approval for the incentive scheme should be obtained from the General Treasury, 95 of the staff members had been paid a sum of Rs.6,041,471 in 2017, Rs.7,469,067 in 2018 and Rs.2,380,148 in 2019 without obtaining such approval.	An incentive allowance are being distributed among the institutional staff from the 10 per cent of pooled amount for the officers of the institute out of the money received from the Consultancy and the examination activities carried out on behalf of the institute under the recommendation of Ministry of Finance and the approval of the minister in charge of the Public Administration to grant incentives for the institute under the section 31 of the Institute establishment act.	Treasury approvals should be obtained to pay the allowances.
-----	---	---	--	--

1.9 Fund Management

----- Audit Observation -----	----- Comments of the Management -----	----- Recommendation -----
In analysing the two bank accounts maintained by the Institute a balance of approximately Rs. 25 million is being maintained on a monthly basis throughout the year and a balance of Rs. 22,918,072 was observed as at the end of the year and the chances of earning an income by investing in Call Deposits, rather than keeping a large amount of cash in current accounts, had not been prudently considered.	As the cash balances in bank accounts of the Institute are related to the obligations to be settled daily and monthly basis, the cash balances of these two bank accounts are being maintained.	Arrangements should be made prudently in respect of the internet control on money.

2. Financial Review

2.1 Financial Results

The operating result of the Institute was an excess of Rs. 19,817,697 for the year under review and the deficit for the preceding year was Rs. 16,428,481 as against to that . Accordingly, an increase of Rs.36, 246,178 was observed in the financial result. Even though the earned income had decreased by Rs. 9,575,449 increase in Government Grant and decrease in travelling expenditures and other allowances and foreign travel expenses had mainly attributed for this growth.

2.2 Trend Analysis on Key Income and Expenditure Items

Rent income and language programme income had decreased from 240 per cent to 836 per cent respectively as compared to the year 2018.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) A 50 per cent secondment allowance had been paid to the academic staff on secondment basis as decided by the Cabinet of Ministers of the Government of Karnataka dated 19 April 2013. It had been stated that the minimum number of hours worked per month should be 45 as per the Directive given by the Committee on Public Enterprises dated 14 November 2014 to pay it. In contrary to that order, actions had not been taken to recover a sum of Rs.9, 152,375 due from July 2015 to 31 December 2018.	Any officer will not be able to employ as a resource person for weekend training courses if such levies are charged for serving in weekends and will have to rely on external resource persons entirely. If it happens so, since it directly causes to a decline in the quality of training programmes, the charges are limited to only to five working days.	Since the actions had been taken in contrary of the Directives of Committee on Public Enterprises, actions should be taken in accordance with the directives.

(b) The “Sandharani” Research Centre had been modified by incurring a sum of Rs.3,443,672 in the year 2018 and it was observed during the physical examination that the furniture, Computers and other electrical equipment of research centre had remained in idle without utilization.

The observation stated that the resources in the research centre are idle without utilization is incorrect and the actions are being taken to increase the utilization as there is a lack of utilization compared to other divisions of the Institute.

Actions should be taken to ensure that the assets are properly utilized.

3.2 Operational Inefficiencies

----- Audit Observation -----	----- Comments of the Management -----	----- Recommendation -----
<p>The following matters were observed in respect of the incompleting activities during the year 2019 when comparing the Action Plan, Draft Annual Report and the Progress Report.</p>		
<p>i. Even though 26 periodical training programmes and 02 TOT programmes had been planned to conduct for 840 officers with an estimated cost of Rs.1,896,800, only 02 periodical training programmes for 42 officers had been conducted.</p>	<p>Due to sufficient number of applications were not received for these training programmes planned to be conducted by the Institute, these courses could not be conducted.</p>	<p>Actions should be taken in accordance with the plans.</p>
<p>ii. Even though 05 Certificate programmes had been planned to be conducted for 150 officers with an estimated cost of Rs.1,291,125, any programme had not been held.</p>	<p>Due to the sufficient number of applications were not received for these training programmes planned to be conducted by the Institute, these courses could not be conducted.</p>	<p>Actions should be taken in accordance with the plans.</p>
<p>iii. Even though four 03 hour common seminars had planned to be conducted for 400 officers with an estimated cost of Rs.400,000, any seminar had not been held.</p>	<p>Two seminars had been conducted during the year 2019</p>	<p>Accurate information should be present at the point of the audit and the actions should be taken in accordance with the plans.</p>

3.3 Human Resource Management

Audit Observation

The number of cadre approved by the Department of Management Services as at 31 December of the year under review was 165 and the actual cadre was 110. Accordingly it was observed that there were vacancies in 55 positions..

Comments of the Management

Applications have been called to fill the vacancies of the Institute under the approval of the Governing Council and this procedure have delayed up to now due to the Easter Attack, Presidential Election, Covid 19 Epidemic and the Parliamentary Election. Accordingly actions are being taken by now to fill the vacancies in the Institute for the year 2020 after obtaining the approval of the Management Service Department and the Governing Council again.

Recommendation

Arrangements should be made to fill the vacancies of the senior tertiary level positions for more than 50 per cent.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation

Although the Annual Reports should be tabled in Parliament within 150 days of the end of the financial year in terms of Section 6.5.3 of the Public Enterprises Circular No. PED / 12 of 02 June 2003, the Annual Report for the year 2018 had not been tabled until the date of audit.

Comments of the Management

The comments have not been given.

Recommendation

Actions should be taken in accordance with the provisions of the Circular.

4.2 Budgetary Control

Audit Observation

- (a) There was a variance ranging from 11 per cent to 200 per cent in 04 expenditure items in between the budgeted expenditure as compared

Comments of the Management

As the year 2019 showed a decrease in several revenue heads and an increase in the expected revenue of several revenue heads, the revenue estimate for 2019 had been revised and it does not represent a major change in the revenue

Recommendation

Actions should be taken to achieve the objectives of the Budget Estimate prepared at the beginning of the year.

to the actual expenditure in the year under review and the variance in the income had ranged from 06 per cent to 70 per cent in 04 income items.

estimate as a whole. Due to the failure to make expected recruitments, not travelling abroad as expected, had resulted to revise the estimates of those expenditure items. Due to the better management, estimates of other expenditure items have been revised.