

1.1 Qualified Opinion

The audit of the financial statements of the National Institute of Occupational Safety and Health for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 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 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 National Institute as at 31 December 2018, 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 National 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 National Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the National Institute's financial reporting process.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the National 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 National Institute.

1.4 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 National 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 National 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 National 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 National Institute, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the National Institute has complied with applicable written law, or other general or special directions issued by the governing body of the National Institute;
- Whether the National Institute has performed according to its powers, functions and duties; and
- Whether the resources of the National Institute 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Comments of the Management	Recommendation
(a) Sri Lanka Public Sector Accounting Standards No. 02		
In the preparation of cash flow statements as per Paragraph 40 of this Standard, cash flow generated from the receipts of interest should be disclosed separately.	It is agreed to prepare and present cash flow statements in the following year in compliance with	The Institute should make arrangements to prepare cash flow

However, the interest income of the year under review stated in the statement of income by the Institute was Rs.10,404,473 and the income had not been adjusted to the surplus under operational activities in the year under review and the amount received in cash had not been stated under investment activities.

the Sri Lanka Public Sector Accounting Standard numbers as pointed out by the audit and instructions had been given to the Accountant of the Institute in this regard.

statement in accordance with the Public Sector Accounting Standards and specific guidelines stipulated therein.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The Institute had overstated the interest income of the year by an amount of Rs.138,543 in the financial statements and a difference of Rs.731,415 could be observed between the values stated in the financial statements in relation to the fixed deposits and the balances of debtors and the related subsidiary documents.	Agreed with the audit observation that an amount of Rs.138,543 had been overstated for the interest income in the year 2018 and noted down to rectify it from the accounts of the year 2018 as a previous year adjustment in the year 2019.	The Institute should accurately compute and account the interest income of the year.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Section 3 (1) (n) of the	Even though the National Standards on the	The Institute had operated since February 2018 for the establishment of Standards and	Non-availability of national standards relating to the field

<p>National Institute of Occupational Safety and Health Act No. 38 of 2009.</p>	<p>field of the Occupational Safety and Health should be established, this activity had not been accomplished successfully even by the date of the Audit though a period of 09 years had passed after the establishment of the Institute.</p>	<p>later, it was recommended to establish a Committee was recommended for the formulation of these standards at the meeting held with the leadership of Hon. Secretary of the Ministry of Labour and Trade Union Relations. However, a committee meeting has not yet convened for the accomplishment of this function and the Institute had informed the willingness of the institute to provide all the technical matters institutionally in such an instance to establish these Standards.</p>	<p>of the Occupational Safety and Health are in Sri Lanka has become a problem and therefore, national standards have to be established in Sri Lanka under an expeditious and steadfast programme.</p>
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<p>(b) Paragraphs 2 and 3 of the Public Administration Circular No. 02/2018 of 24 January 2018.</p>	<p>A plan on human resources development had not been prepared and the competency requirements of the staff to be developed had not been identified as per paragraph 3 of that Circular.</p>	<p>A plan is available for the development of human resources and training opportunity has already been provided for the staffs during the year 2018.</p>	<p>The Institute should take responsibility to manage human resources in terms of the Public Administration Circulars.</p>
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2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 21,506,251 and the corresponding surplus in the preceding year amounted to Rs. 18,534,446. Therefore an improvement, amounting to Rs. 2,971,805 of the financial result was observed. The main reasons for the improvement are the increase in the operational income by Rs. 2,840,448 and increase in the treasury grants by Rs. 1,957,772.

3. Accountability and Good Governance

3.1 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
Even though it had been scheduled to earn an income of Rs. 315,000 through the conduct of 02 programmes on Occupational Safety in the field of construction as per the Action Plan, income amounting to Rs. 84,000 had been earned from conducting actually one programme.	Even though it has been scheduled to conduct two programmes as mentioned in the action plan, only one programme has been conducted in compliance with the request made by the Institutions.	A economically profitable and effective methodology has to be established and maintained for the accomplishment of the matters specified in the Action Plan.

3.2 Sustainable Development Goals

Audit Observation	Management Comment	Recommendation
Every public institution should function in accordance with the “The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States” and the National Institute of Occupational Safety and Health had not been informed of the way of operating the functions that come under the purview of the Institute. Therefore, action had	Noted down by the National Institute of Occupational Safety and Health in order to function in relation to the sustainable development goals.	The Institute should function in compliance with “the 2030 Agenda for Sustainable Development, adopted by

not been taken to identify the sustainable developmental goals related to its functions, targets and landmarks to approach such targets and indexes to measure the approaching towards the set targets.

all United Nations Member States”.