

Sri Lanka Institute of Development Administration - 2021

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 2021 comprising the statement of financial position as at 31 December 2021 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 2021, 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 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 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 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 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 Audit Observations on the preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to Relevant Standard	Comments of the Management	Recommendation
<p>(a) An impairment balance for receivable balances of Post Graduate Studies Division and Language Centre amounted to Rs.13,378,660 had been written off to the cumulative surplus as a previous year adjustment instead of setting-off against the current year profit as per the Section 41 of Sri Lanka Public Sector Accounting Standard 03. As a result current year surplus had been overstated by the above amount.</p>	<p>Actions will be taken to keep the accounts in accordance with the Standard No 03 of Accounting estimates in future.</p>	<p>Actions should be taken in accordance with the Accounting standards.</p>
<p>(b) Effective life time of fully depreciated fixed assets, but further being used cost at Rs.210,069,771 had not been revalued and shown in financial statements as per the Sri Lanka Public Sector Accounting Standard No.03.</p>	<p>Currently these activities are being carried out. Immediately after the valuation is completed, it is expected to update the values.</p>	<p>Actions should be taken in accordance with the Accounting Standards.</p>

1.5.2 Accounting Deficiencies

Audit Observations	Comments of the Management	Recommendation
Instead of doing a detailed analysis of each and every debtor balance and deciding the amount to be provided as Provision for doubtful debtors, without any basis, for a sum of Rs.19,145,750 receivable from the Post Graduate Studies Division included in total receivable balance, a provision of 10 percent i.e a sum of Rs.1,914,576 had been provided for doubtful debtors and adjusted in the financial statements.	Actions will be taken to make the provision for doubtful debtors according to the total receivable balance in future.	The amount of doubtful debtors should be decided by doing a detailed analysis for receivable balances.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
Even though the receivable balance for more than 05 years from the Ministry amounting to Rs.7,610,160 had been stated in the financial statements and it wasn't ascertained by the reports of the Ministry that such balance had to pay, actions had not been taken to adjust to the financial statements considering about that.	Out of the sum of Rs.7,610,160 , a sum of Rs. 4,406,773 has been accounted as receivable and payable balances and the actions will be taken to write off that balances by obtaining the approval of the Governing Council and a sum of Rs.2,142,100 is receivable from the Ministry of Public Administration and the necessary actions have being taken to set-off against the payable balance to the Ministry of Public Administration by the Institute.	Actions should be taken to clear the receivable balance.

1.6.2 Payables

Audit Observation	Comments of the Management	Recommendation
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a) A sum of Rs.2,094,163 received for a training programme of Sri Lanka Accounting Service had been shown as a payable balance for more than 05 years, without conducting the training programme or pay and release.	It has been confirmed that the sum of Rs.2,094,163.00 is a saving amount after deducting the expenditure from the amount received from the Finance Ministry for the training programs of Sri Lanka Accounting Service and actions have being taken to settle this amount as soon as possible.	This amount should be settled.
b) A payable balance from year 01 to year 05 was amounted to Rs.53,372,862 Actions had not been taken to settle this balance or take to the income.	Actions have being taken to settle as soon as possible.	Actions should be taken to settle the payable balance.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
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(a) Section 10(05) of the Finance Act No 38 of 1971	Even though all sums remaining out of the net surplus revenue after the appropriations shall be paid to the Consolidated Fund, the Institute had not complied with.	Annually a portion of the amount required for operation and development expenditure is provided by the General Treasury and if there is any saving after calculating the earnings of the Institute and that amount will be retained for the future operational and development activities and will be invested in short term sources.	Actions should be taken to send the net revenue to the Consolidated Funds as per the Finance Act.

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| (b) | Section 31 of the Sri Lanka Institute of Development Administration Act No 09 of 1982 | Even though any law shall not come in to force until approved by the Minister, By Laws of the Post Graduate Studies Division had been used as a guideline of Post Graduate Division without obtaining the relevant approval. | Actions will be taken to amend the By Laws to suit to the present and to obtain the approval formally. | Actions should be taken to obtain the approval formally. |
| (c) | Financial Regulation of the Democratic Socialist Republic of Sri Lanka: Financial Regulation No 571 | Actions had not been taken to credit the retained deposit amounted to Rs.520,015 to the income, which had been exceeded two years. | A sum of Rs.123, 505.00 has been released as at 30.04.2022. If there is no any requestion to repay after informing the other depositors, who deposited cash Actions will be taken to credit that amount to the income during the year 2022. | Actions should be taken in terms of the financial regulation. |
| (d) | Tresury Circular No 842 of 19 December 1978 | Fixed assets register had not been maintained in an updated manner by entering the detailed information for the assets valued at Rs.157, 380,495 purchased before the year 2013. | Actions will be taken to readjust the accounts by checking the amounts credited to respective assets accounts while removing the assets and correct the values that can be corrected through the books and reports. | Actions should be taken to correct. |
| (e) | Section 2.8 of the Public Enterprises Circular No PED 03/2015 of 17 June 2015 | Even though the approval of the Finance minister should be obtained for additional payments other than specified in the circular, a total of Rs.440,500 as a sum of Rs 3,000 each on 08 occasions to the officer who cover up the duties of the Secretary to the governing council post and a sum of Rs.6,000 on 12 occasions as attendance | The studies for establishing these committees are expected to obtain the approval when the approval is obtained for the By Laws which is currently being drafted. | Actions should be taken in terms of the provisions of the circular. |

allowance for 06 members of Academic Advisory Board (AAB) and project team of studies (PTS) had been paid without obtaining such approval.

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| <p>(f) Section 2.6 of the Public Enterprises Circular No PED 01/2021 dated 16 November 2021.</p> | <p>Even though the bearer of the post of the Secretary to the Governing Council should be a chartered Secretary, the officer who works as the Secretary to the Governing Council of the institute had not completed that qualification.</p> | <p>Even though there have been discussions from time to time to establish the post of legal officer and include the duties of Secretary of the Governing Council to it, the implementation has not been completed yet.</p> | <p>A qualified person should be appointed as the Secretary to the Governing Council as per the circular.</p> |
| <p>(g) Laws and Rules related to external services.</p> | <p>i. Even though fee levying consultancy services should not be undertaken for any government organization including a state corporation or a statutory body as per the Section 07, a sum of Rs.222,975 had been charged from 12 government institutes upon a Governing council approval.</p> <p>ii. Even though support service payments should be paid executive and non-executive officers as 03 percent and 07 percent respectively, as per the Section F of the estimation process, the support service payment for conducting exams have been paid</p> | <p>As per the Section No 1-2008 (14) of the Governing Council Report dated 11 February 2008, it is emphasized that according to the pre-approval of the director General, Lectures can be conducted to the Government Institutes.</p> <p>A new committee have been appointed to prepare a suitable proposal to revise the percentages of supporting service payments. According to the recommendations of that committee, it is expected to revise the rates in future.</p> | <p>Actions should be taken in terms of the provisions of the Laws and Rules related to external services.</p> <p>Actions should be taken in terms of the provisions of the rules related to external services.</p> |

to executive and non-executive officers as 3.8 percent and 6.2 percent respectively.

2. Financial Review

2.1 Financial Results

The operating result of the Institute for the year under review was a surplus of Rs. 28,872,819 and corresponding surplus for the preceding year was Rs. 17,301,487 . Accordingly, an increase of Rs. 11,571,332 was observed in the financial result. Even though the total expenditure had increased by Rs.11,262,078, increase of the total revenue by Rs.22, 833,410 had mainly caused for this increase.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation

Comments of the Management

Recommendation

(a) Even though the approval had been granted to amend the Act of Institute established, as per the decision of the Cabinet of Ministers 13/0150/523/005 dated 07 February 2013, any action what so ever had not been taken in this regard though nine years had passed after the decision was granted.

Studies have being done on the amendments to be done to the Act according to the current requirements.

Actions should be taken to amend the Act as per the Cabinet decision.

3.2 Transactions of Contentious Nature

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 per the decision of the Cabinet of Ministers 13/0237/523/001 dated 19 April 2013. At the Committee on Public Enterprises dated 14 November 2014,

Actions have been taken to recover the amount to be recovered as per the instructions of the Committee on Public Enterprises.

Actions should be taken to implement the instructions of the Committee on Public Enterprises.

it had been decided to make that payment, when the minimum number of lecture hours completed should reach to the 45 hours limit per month. Nevertheless, actions had not been taken to recover a sum of Rs.7,785,350 due from July 2015 to 31 January 2021 from the consultants who had not covered the requirement minimum number of lecture hours.

(b) Even though supporting service payments for post graduate study programme had been done as per the approval of the Design and Delivery Committee, thus approval of payments by Design and Delivery Committee had not been included in the “Rules relating to external services” approved by the General Treasury.

Actions have being taken to update the rules related to external services according to the current requirements and to obtain the relevant approvals.

Actions should be taken to obtain the relevant approvals.

3.3 Under -utilization of Funds

Audit Observation

Out of the government grants received as at 31 December 2021, unutilized funds amounted to Rs.36, 088,916 had been invested in fixed deposits.

Comments of the Management

It is expected to utilize for capital expenditure of the institute in future.

Recommendation

Actions should be taken to utilize the funds.