

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 2022 comprising the statement of financial position as at 31 December 2022 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 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 2022, 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

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 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 Audit Scope (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 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 Non-compliance with Laws, Rules, Regulations and Management decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-Compliance	Management Comments	Recommendation
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Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Financial Regulations 104	It had not been dealt with as per Financial Regulation 104 regarding 97 books worth Rs.71,937 library from the year 2013 to the audited date of 09 June 2023.	A board of governing paper has been submitted to the governing board of the institution on 30 June 2023 and advice has been sought. And the matter was also reported to the Institution Audit and Management Committee. It will be worked according to the decisions of the board of governors in the future.	It should be act as per the Financial Regulations
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2. Financial review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs.21,762,788 and the corresponding surplus of the previous year was Rs.14,190,332. Accordingly, an increase of Rs.7,572,456 was observed in the financial result. This growth was mainly due to increase in other income.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Management Comments	Recommendation
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| (a) The following facts were observed regarding the conduct of fee-charging diploma programs by the training department. | | |
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| i. | The diploma course in counselling held at Jaffna, Talawa, Kandy and Ampara in relation to the 2019/2020 academic year was started in the year 2019 to be completed within a period of 21 months. As of December 31 of the year under review, although a time between 16 and 22 months had passed since the completion of these courses, the awarding of certificates to the students who completed the courses had been delayed until the year 2023. | Although the classroom lectures were completed within the stipulated period in the courses started in 2019, the field training could not be completed within the stipulated period. Nevertheless, since the certificate awarding ceremony for that year was over at the time of completion of the courses in the year 2022, the certificates were awarded in the certificate awarding ceremony held in the year 2023. | Issuance of certificates should be done without delay. |
| ii. | 05 diploma courses in counselling at 05 locations had been conducted and completed in relation to the academic year 2019/2020, (course duration 21 months) and the release of the final results had been delayed until the year 2023. | According to the academic calendar of the courses, lectures and field training had to be postponed. Nevertheless, all the activities of the delayed courses have been completed and the awarding of certificates has also been completed. | Actions should be made to release the results within the stipulated time. |
| iii. | Between 10 per cent and 21 per cent of the students registered for the fee-charged diploma courses by the institute during the 04 academic years had been left the course. | Opportunities have been provided for students who have not been able to complete the course up to 02 academic years from student registration to complete the course again according to the by-laws of this course. | Reasons for left the courses should be examined and necessary actions should be taken to retain students. |
| iv | Actions had not been taken to collect an amount of Rs.5,450,650 as course fees due related to 02 to 05 years. | Arrangements have been made to prepare the expenditure documents for the actual situation since the fee of the students who left the course has not been received. | Actions should be taken to recover the amount due. |

3.2 Idle Assets

Audit Observation

A software purchased by the National Institute of Social Development for the library in 2013 at a cost of Rs.375,000 remained idle after 2019.

Management Comments

We have stored all the data securely and it will be taken action to enter the data into the computer when new computer is received and operate the full software.

Recommendation

Purchases should be made as per need and assets should be utilized efficiently.