

National Institute of Social Development - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the National Institute of Social Development for the year ended 31 December 2023 comprising the Statement of Financial Position as at 31 December 2023 and the Statement of Financial Performance, Statement of Changes in Net Assets and Cash Flow Statement for the year 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 reported to Parliament

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of as at 31 December 2023, and 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 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 1(16) of the National Audit Act No. 19 of 2018, it 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 Responsibility of Auditor regarding the Audit of 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 institute'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 Audit Observations on the Preparation of 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 the Sri Lanka Public Sector Accounting Standards.

Non Compliance with the reference to particular Standard	Management Comments	Recommendation
As per the Note No.3.4 although it was mentioned that it will be accounted for identifying the income and expenditure based on the percentage of completing the relevant courses of which are conducting charging fees, action had not been taken accordingly. Therefore regarding the amount of Rs.	In accordance with the paragraph 24 of Sri Lanka Public Sector Accounting Standards No. 1. If financial statements and the budget are on the same basis of accounting may also be presented use of a columnar format for the financial statements with separate columns for budgeted amounts	Action should be taken compliance with the Public Sector Accounting Standards.

32,514,729 of course fee and actual amounts. However income and amount of Rs. 34,387,050 of course fee accounts on accrued basis expenses had not been fairly inclusion of budgetary presented in accordance with information had not been the paragraph 27 of Sri Lanka made since many years and so far preparing only one final Public Sector Accounting Standards No. 1. account has been done for expenses incurring from the money provided by the treasury. Action will be taken to prepare a separate final account out of accrual basis (cash basis) for the money received from the treasury and for its expenses incurred under the approval of the Governing Council in future.

1.5.3 Accounting Deficiencies

Audit observation	Management Comments	Recommendation
(a) Although the Laptop Computer had been purchased at a cost of Rs. 607,600 for the Quality Assurance programme during the year under review should be accounted for under the Plant, Machinery and Equipment, by accounting Quality Assurance of the year as expenses the expenditure in the year under review had been overstated by that amount and the value of the assets understated.	These two Laptop Computers had been purchased on the date of 29 December in the year under review in the year under review. Since provisioning allocation for that in the budget report of Quality Assurance and obtained the approval of the Governing Council the relevant expense has been stated under the Center of Quality Assurance. Relevant steps have been taken to account for under the Plant, Machinery and Equipment in the year 2024 and to that relevant steps have been taken to write off depreciation from the date of audited	Assets should be accurately accounted for.
(a) Although a decision had been taken to credit 20 percent income out of the course fee to the	In the year under review only amount of Rs. 8,012,324 had been credited to the fund the balance	Action should be taken to accurately account for.

National Social Development Fund instances of credited more and less than that amount were observed and also the income amounting to Rs. 22,752,082 out of the 12 courses no any amount had been credited to the fund. Accordingly it was observed that the amount of Rs. 8,012,324 credited to the fund was not accurate.

amount relating to the courses will be given by the estimates had been prepared after the first semester examination after revising the budget estimates relevant to the courses. The courses are being carried out by the training section of the Social Services College and after receiving institutional fees vouchers relating to the each courses via these two sections those money will be credited to the fund. Accordingly to that the relevant sections are being informed properly presented vouchers.

- (c) Due to non - accounting of the amount should be received annually from the government for Mahapola scholars' of Social Works Bachelor degree and the amount should be paid annually to the students on accrued basis an amount of Rs. 1,203,800 should be paid to the scholars in the last year and amount of Rs. 384,850 should be paid in the year under review had been accounted for as an income of the relevant year.
- Money has been received from the government for Mahapola scholars of the Social Works Bachelor's degree in the last year and in the year under review amounting to Rs. 1,203,800 and Rs. 384,850 respectively and out of that in the last year amounting to Rs.963,200 and in the year under review Rs. 356,900 had been divided among the scholars and to that action has been taken to accounted for and correct the balance amount as accrued and send it to the Mahapola Trust Fund.
- Should be correctly accounted for.
- (d) The recurrent expense of Rs. 2,387,043 had incurred for the repair of vehicles and machinery was accounted for as fixed assets, thereby the value of fixed assets had been overstated by that amount and the expenditure had been understated.
- The expenses incurred from the long term rehabilitation provisions provided by the treasury for the repair of fixed assets have been shown by the Notes rehabilitation as per LKAS16 from the year 2016 to 2021.that no capital expenses were provided in the past year.
- Should be correctly accounted for.

- (e) Computers and Accessories amounting to Rs. 15,795,278 had been accounted for under the machinery. Computers and Accessories were accounted for under the machinery in previous years and a separate account had not been maintained for Computers and Accessories. That action will be taken to maintain a separate account for Computers and Accessories in the year 2024 as per stated in audit. Should be correctly accounted for.
- (f) In the bursary expenditure of the year under review educational tour incurred for Rs. 326,000 had also been account for. Accordingly bursary expenditure of the year had been overstated by that amount. Since these two categories of expenses were incurred for Master's Degree Course in social work and has stated as one expense in the financial statements as BSW-Bursary Rs, 326,000. That the expense incurred for educational tour and the bursary expenditure was being shown as a total. Transactions should accurately account for.

1.5.4 Documentary Evidences not made available for Audit

Item	Amount RS.	Evidence not available	Management Comment	Recommendation
Fixed Assets	30,077,526	The opening balances mentioned in the fixed assets register and the schedule were carried forward the years from 2014 to 2016 the opening balances of fixed assets amounted to Rs. 30,077,526 including Rs. 13,181,463 of office equipment and Rs. 9,652,434 of machinery Rs. 7,243,629 of library books in order to confirm no any information including the date of those assets purchased, cost, the nature of the assets had been furnished for audit.	The opening balances stated in the fixed assets register for the year 2016 had obtained from the financial statements of previous years but a fixed asset register had not been maintained in the institute prior to that and had not separately identified goods or values of the fixed asset belonging to those opening balances. That the fixed asset register has been correctly maintained since then taking in to	Evidences should be submitted to confirm the account balances stated in the financial statements.

consideration the total balance were on 01 January 2016 as the opening balance.

- 2. Financial Review
- 2.1 Financial Results

The operating results of the year under review amounted to a surplus of Rs. 12,241,680 and the corresponding surplus in the preceding year amounted to Rs.21,762,788. Accordingly, a decrease amounting to Rs. 9,521,108 of the financial result was observed. The increase in expenses had been mainly attributed to this deterioration.

- 3. Operating Review
- 3.1 Management Inefficiencies

Audit observation	Management Comments	Recommendation
(a) 24 number of Lobby chairs had been purchased on the date of 05 October 2021 at a cost of Rs. 280,125 without properly identifying the requirement had been remained idle even though two years elapsed and a lot of furniture had been purchased on the date of 30 December year under review at a cost of Rs. 39,296,925 remained unused up to the reporting date. 12 computers were handed over to the stores for repair due to malfunctioning had been remained idle in the stores for more than a year without being repaired.	Out of the money allocated to purchase goods for the building for the year 2021 Lobby chairs had been purchased for Wing A and Wing B. Out of those some amount are being using used in the study building which conducting classrooms now in Wing B. More number of these Lobby chairs should be installed in relevant places in the Wing A administration building. Although on the initial agreement constructions of the building has to be completed as at the date of 03 April 2020 due to Covid 19 had prevailed in the country that it was impossible to complete to the proper date due to the fundamental issues that have arisen.	Funds should be utilized by identifying the requirements and ensuring maximum effectiveness and utensils should be promptly used for the relevant functions.

- (b) For the National Social Development Fund as established as per the Section 2 of the National Social Development Act No. 42 of 1992, 20 percent out of the courses conducting charging money added annually. Although the amount of Rs. 8,012,324 could be utilized for the infrastructure development activities of the institute as per paragraph 7.1.4 of paragraph 7 in section II of the Public Finance Circular No. 1/2020 dated 28 August 2020 out of that only Rs. 3,452,202 that is 43 percent had been incurred for digitalization programme and quality assurance programme. Although Rs. 3,767,251 and Rs.465,529 respectively out of the course income in the past years and 2021 had been transferred to the fund no money had been used for the infrastructure development activities of the institute. Therefore the balance of the fund as at the date of 31 December year under review increased up to Rs. 13,622,201 and was underutilized.
- Provisions of Rs.17.528 million had been allocated by the Action Plan of the 2024 out of the amount of Rs. 13,622,201 remained in the fund of the institute by the date of 31 December 2023 for the quality assurance quality assurance, digitalization and networking. That these expenses has to be incurred from the Rs. 25 million opened as fixed deposits out of the surplus income on the instructions of the Governing Council in 2021 in addition to the balance remained in the fund of the institute.
- Action should be taken as per the provisions of the act and the circular.
- (c) The assessment value of Rs. 10,600,000 of Kelaniya student hostel owned to the institute had been idle with goods have been used from the month of June 2020 to the date of the report. The duration of this hostel without being used was 03 years lapsed and due to no maintaining has been done although the hostel has been getting destroyed no prompt and appropriate action regarding this property by the Management.
- In the year 2020, when the institute was moved from Rajagiriya to Seeduwa the students left from the hostel and settled down around the Seeduwa. A large amount of expenditure had to be incurred for the maintenance works of the hostel and as per the instructions of the Governing Council it was informed to the administration section to give it to the students of the Kelaniya University and the administration section has informed that it is
- Relevant asset should be promptly utilized for effective functions.

considering the availability of residency for foreign students. But even after making inquiries about this no favorable response were received. The Governing Council of the institution held in the month of April advised to give the hostel to another institution on lease basis. That some of the goods were in the Kelaniya student hostel have been used for the Head Office.