

1. Financial Statements

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 2023 comprising the statement of financial position as at 31 December 2023 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 Institute as at 31 December 2023, 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 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

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 Audit Observations on the preparation of Financial Statements

1.51 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(a) Both the investment account and opening reserve account were overstated by Rs.10,355,671 due to wrongful adjustments in correcting the errors in the interest income receivable account in the previous year during the year under review.	As mentioned in the audit, the correction of the interest income in the year 2022 in the accounting data system in the year 2023, the investment accounts have been debited instead of debiting the prior year's adjustment, Due to that the accounting error mentioned in the audit has occurred and I have made a note to be recorded in the relevant correct account in the year 2024.	Financial statements should be prepared accurately.
(b) During the preparation of the Institute's cash flow statement, prior year adjustments of Rs.11,887,263 were included which were not taken in calculating the profit before tax.	In the preparation of accounting statements, the income and expenses for the accounting period are presented as profit before taxes and the profit and loss statement does not show the adjustments of the prior years and those adjustments must be adjusted in the cash flow statement, otherwise the cash flow statement is not balanced.	Financial statements should be prepared accurately.
(c) The gratuity expense of Rs.467,090 related to the year 2023 which was taken while calculating profit before tax of the year was not taken in while preparing the cash flow statement.	This had being omitted from the cash flow statement. And it will be included in the preparation of the cash flow statement in future years.	Financial statements should be prepared accurately.
(d) Although an amount of Rs.55,421,025 has been shown in	Advice was given to ensure that this does not happen while preparing the	Financial statements should

the cash flow statements as reinvestment of interest on fixed deposits after maturity, In that balance, there was an amount of Rs.10,355,671 related to correction of wrong accounting in the previous year, an amount of Rs.66,455 generated through incorrect calculations, and the fixed deposit amount of Rs.10,000,000 invested in the Bank of Ceylon during the year.

cash flow statements of the years.

be prepared accurately.

(e) During the year under review, Rs.372,043 had been given to the 2 officers of the institution as disaster loans. In the cash flow statement, Rs.672,480 was shown as staff loan payments.

In preparing the cash flow statement, the net difference between the closing balance of the year 2022 1,463,173 rupees and the closing balance of the year 2023 2,135,654 rupees was taken as staff loan. That is Rs.672,450 and the way this has been taken into the cash flow statement is correct.

Financial statements should be prepared accurately.

(f) Rs.156,995 was recovered from the excess salary payments made to 4 employees of the Institute during the year and the amount was not included in the cash flow statement, and the remaining amount of Rs.835,716 from the overpaid salary was not shown under working capital movements in the cash flow statement.

If there are any such changes in the preparation of cash flow statements in the coming years, it has been recorded to be shown under working capital movements.

Financial statements should be prepared accurately.

Rs.4,337,440 was added to the cash flow statement as working capital movement of current liabilities of the year , but in that, changes in gratuities had being included.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) National Institute for Occupational Safety and Health Act No. 38 of 2009			
(i) Sub-section (1) 20	The Minister could have made orders under the provisions of the Act for the purpose of carrying out any or all of the functions of the institution and for the purpose of giving effect to the principles of the Act, but those orders had not been made.	No comments were given.	It should be done according to the provisions of the Act.
(ii) Section 11	As required for the efficient administration of the institution, a certain number of persons should have been appointed by the council as directors of the institution, but they were not nominated as such.	No comments were given.	It should be proceed according to the provisions of the Act.
(b) Inland Revenue Act No. 24 of 2017 83 A Chapter Inland Revenue (Amendment) Act No. 45 of 2022 and Circular No. PED 01/2023.	In the calculation of advance personal income tax, advance personal income tax should be calculated including all allowances received during the performance of duties except the salary and allowances of the position, but the calculation of advance personal income tax was done without considering lecture fees, resource contribution fees and annual bonuses etc. .	In this regard, these matters have been filed and the said secretariat has been asked for advice and the account division was instructed to act based on the recommendations received in the future.	It should be proceed in accordance with the Inland Revenue Act.

(c) 5.4 of Treasury Department of Public Enterprises Operations Manual bearing No. PED 2021/01 dated 16 November 2021 and Public Enterprises Circular bearing No. 04/22 dated 08 August 2022	An amount of Rs.100,000 had been spent on 10 April 2023 for a sponsorship of a stage play.	That it is not just a donation made by the institution but it was an investment of promoting courses.	It should be done in accordance with the provisions of the Act.
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2. Operational Review

2.1 Human Resources Management

Audit Issue	Management Comment	Recommendation
<p>The approved carder of the institute was 25 and the actual carder was 15 as at 31 December 2023. 5 out of the 7 approved positions at the senior level of the staff were vacant. While managing the work and tasks of the institution, the director general position, which is the chief executive officer's position, is engaged in performing the management tasks assigned by the board of directors, had been hired on a contract basis.</p>	<p>As the institution is currently under the supervision of the Department of Public Enterprise, Department of Public Enterprise has been informed in this regard in the meeting on 28.02.2024.</p>	<p>That proper human resource management should be done for the future existence of the institution.</p>