

Sri Lanka Institute of Development Administration - 2020

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 2020 comprising the statement of financial position as at 31 December 2020 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 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 2020, 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 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 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 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 Non-compliance with Sri Lanka Public Sector Accounting Standards

The following observations are made.

Non-compliance with Reference to Relevant Standard	Comments of the Management	Recommendation
(a) Even though assets and liabilities should not be off-set unless required or permitted as per the Standard No 01, a receivable balance amounted to Rs.2,767,628 for Capacity Building Programme had been Off-set to the payable balance relating to the same programme and shown in the financial statements.	As the revenue had been identified by adjusting receivable balances and the payable balances to the relevant account to match the revenue from training programmes to the accounts, there is no any effect to the results of financial statements from this offsetting of payable and receivable balances.	Actions should be taken in accordance with the Accounting Standards.
(b) A sum of Rs. 1,644,344 incurred in previous year as work-in progress had been shown as an expenditure of the year under review in cash flow statement in contrary to the Standard No. 02 whilst preparing the cash flow statements and handing over of fixed assets to Sri Lanka Army cost at Rs.5,815,051	Reduction of a sum of Rs.1,644,344 shown under the non-current assets of previous year has been shown in cash flow statement as this and donated fixed assets to the Army valued at Rs.5,815,051 has been adjusted to the total fixed assets and the net change of fixed assets has been	Cash inflows and cash outflows should be recorded accurately in cash flow statements.

but fully depreciated had been shown in the cash flow statements. shown as a cash outflow in the cash flow statement.

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| (c) | Effective life time of fully depreciated fixed assets but further being used cost at Rs.171,405,969 had not been revalued and shown in financial statements as per the Sri Lanka Public Sector Accounting Standard No. 03 | Actions will be taken to re-review the values of fixed assets and appear in financial statements. | Actions should be taken in accordance with the Accounting Standards. |
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1.5.2 Accounting Deficiencies

The following observations are made.

Audit Observations	Comments of the Management	Recommendation
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(a) Even though the acquisition details of a generator had not been specified but currently being used had not been assess and the value and to appear in the financial statements and an antivirus software purchased for a sum of Rs. 400,000 had been written- off to the income as a recurrent expenditure in the year under review without capitalization.	Actions will be taken to revalue and enter in to the financial statements of 2021 and the expenditure amounted to Rs.400,000 has been accounted for as a recurrent expenditure considering the materiality.	The revalued amount of the generator should be shown in financial statements and the capital expenditure should be accurately stated.
(b) A sum of Rs.12,673,661 had been recoverable for a period ranging from 01 to 05 years as the course fee of Post Graduate Studies and English Language Programme from 147 people including the majority of government officers. As the applicants had given up the programme without completing, the recoverability of this amount is doubtful.	The receivable balance of Rs.10,812,000 and Language Centre receivable amounting to Rs.1,383,650 written off from the financial statement of 2018 have been adjusted to the financial statements of 2020 until the proper approval is obtained and write-off	These balances should be recovered or further actions should be taken with proper approval.
(c) As the provision for accrued expenditure had not been accounted for a sum of Rs. 530,532 payable for the repair of generator, the surplus of the year under review had been overstated by the same amount.	Even though estimates have been provided after the repair was identified, it could not be completed until the relevant sensory parts were imported from abroad. That work was	Accurate accrued expenditure should be stated in the financial statements.

duly completed in the year 2021. The uncertainty of carrying out the repair was the reason for that.

1.5.3. Unreconciled Control Accounts or Records

The following observations are made.

Item	As per Financial Statements	As per Corresponding reports	Difference	Comments of the Management	Recommendation
	(Rs)	(Rs)	(Rs)		
(a) Nuwaraeliya Circuit Bunglow	7,206,736	8,833,328	1,626,592	Actions will be taken to correct	Accurate figures should be stated in the financial statements as well as corresponding reports.
(b) Hostel income receivable	558,615	301,525	257,090	Actions will be taken to correct	Accurate figures should be stated in the financial statements as well as corresponding reports

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation

Even though the receivable balance for more than 05 years from the Ministry amounting to Rs.7,610,160 had been shown in the financial

Comments of the Management

As this balance is not an actual receivable balance furthermore, actions are being taken to present to the Governing Council to obtain the approval to write-off from the accounts.

Recommendation

Actions should be taken to settle.

statements, it was not ascertained from the financial statements of the Ministry that such payable balance had to pay.

1.6.2 Payables

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) A sum of Rs. 416,000 received in the year 2014 for Management Assistant Diploma Programme had been stated in the financial statements without being resolved.	Because of the payment reports related to a sum of Rs.416, 000.00 received for the Management Assistant Diploma Programme had not been presented by the relevant divisions, this balance is indicated as a payable in financial statements furthermore.	Actions should be taken to settle.
(b) A balance of Rs. 2,094,163 shown as a payable balance for more than 05 years for a training programme of Sri Lanka Accountant Service for had not been paid and released to the Ministry of Public Service Provincial Council and local governance or Ministry of Finance.	The amount of Rs.2,094,163.00 indicated as an other payable is a due balance relevant to the Induction Training Programme of Sri Lanka Accountant Service 2008. The relevant Division has been informed to get confirmed whether all the expenditures up to now are fully settled pertaining to that programme and further it is informed that after obtaining the information actions will be taken to settle the balance to the Ministry of Public Service Provincial Council and local Governance or Ministry of Finance.	Actions should be taken to settle the payables.

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

Non-compliance with Laws, Rules, Regulations and Management Decisions was Observed as follows.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(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.	Actions will be taken to pay the net surplus revenue realized to the Consolidated Funds in future years.	Actions should be taken to send the net revenue to the Consolidated Funds as per the Finance Act.
(b) Financial Regulation No 757 (2) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	The reports of the Boards of Survey had not been presented along with the financial statements of the year under review.	Actions will be taken to present the Board of Survey Reports on the due date.	Board of Survey Reports should be presented as per the Financial Regulations.
(c) Treasury Circular No 842 of 19 December 1978	<p>i. Register of fixed assets had not been maintained in an updated manner as per the circular.</p> <p>ii. Even though the fixed assets value at of Rs.5,815,050 had been disposed, the cost of the disposed fixed assets could not be ascertained.</p>	<p>The shortcomings of being updated existed in register of fixed assets have been corrected at the point of the audit</p> <p>The comments have not been given.</p>	<p>Even though the answers have been furnished stating that the shortcomings of register of fixed assets had been corrected, it was observed on re-examination that the correction was not fulfilled.</p> <p>Register of fixed assets should be maintained in a manner that the cost of fixed assets can be ascertained.</p>

(e)	Public Enterprises Circular No PED 12 of 02 June 2003 Section 8.3.3	Even though the approval for the incentive scheme should be obtained from the General Treasury, a sum of Rs.3, 202,850 had been paid to the staff members of the institute without obtaining such approval.	This is not a payment made without a formal approval. This amount has been paid according to the payment approval for the supporting staff No IAD/GA8//5/2/10 of Public Finance Department approved on 2007.12.27.	Actions should be taken in terms of the Circular provisions.
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1.8 Fund Management

Audit Observation

Comments of the Management

Recommendation

An average balance of Rs.1 Million approximately per day had been inactively maintaining in the two current accounts of the Institute without being used and the balance as at the end of the year under review was Rs.24,462,466.

Actions will be taken to invest the excess funds in short term deposits by maintaining a minimum cash balance.

Excess cash balances should be invested in short term deposits.

2. Financial Review

2.1 Financial Results

The operating result of the Institute for the year under review was a surplus of Rs. 17,301,487 and corresponding surplus for the preceding year was Rs. 19,817,697 Accordingly, a decline of Rs. 2,516,210 was observed in the financial result. The decrease in Government Grant by Rs.3, 133,584 and the decrease of revenue by 26 per cent as a result of Covid 19 epidemic had mainly caused for this decline.

2.2 Ratio Analysis

The current ratio and quick ratio had been continuously deteriorated for 05 years and a considerable growth in current ratio and quick ratio had been shown in the year under review compared with the preceding year.

	2020	2019
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Current Ratio	0.68:1	0.52:1
Quick Ratio	0.62:1	0.45:1

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
<p>(a) The Post Graduate Course related to the 2008-2010 period had been completed after the Graduation Ceremony held in 2014. Nevertheless a sum of Rs. 1,432,463 had been paid to the staff without obtaining a proper approval in the year under review for preparing and presenting a report related to this Post Graduate Course. Even though the payment had been made as per the approval of a Design and Delivery Committee, providing approval by such a Design and Delivery Committee had not been consisted of the Treasury approved “Code of rules related to external services”</p>	<p>Payments of Post Graduate Programme have been made according to the amended payment procedures (Rules relating to External Services) dated on 03 May 2017 and approved by the Governing Council on 01 October 2007.</p>	<p>Payments should be made according to the Code of Rules which was approved by the General Treasury for external services.</p>
<p>(b) 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 had not been taken in this regard though seven years had passed after the decision was granted.</p>	<p>Coordination activities are on progress these days with the Legal Draftsman Department to amend the Sri Lanka Institute Of Development Administration Act including the changes introduced time to time.</p>	<p>The Act should be amend as per the decision made by the Cabinet of Ministers.</p>

3.2 Idle or Underutilized Property, Plant and Equipment

 The following observations are made.

Audit Observation -----	Comments of the Management -----	Recommendation -----
<p>(a) The “ Sandharani” Research Centre had been modified by incurring a sum of Rs.3,443,672 in the year 2018. As a result of utilizing the Centre and it’s equipment for training activities without utilizing as a research centre, it had been used for outside the objective of the establishment of the Centre.</p>	<p>To continuously conduct the training activities of Institute of Sri Lanka Development Administration, by adapting to the Covid epidemic which started on March last year and currently prevailing, “Sandharani” Research Centre is effectively used as an Editing Studio and a smart class room.</p>	<p>The Sandharani research Centre should be utilized for the objective of establishment.</p>
<p>(b) A tank with a capacity of 10000 litres had been installed to store fuel to the generator and due to the need for obtaining 6000 litres at a time when obtaining fuel from the Corporation that quantity had been stored. It was observed that there was a balance of 2784 litres of fuel remaining in that stock and according to the annual average combustion, that stock is enough for more than 10 years and this stock is at an unusable condition at present.</p>	<p>This generator had been purchased at the time of daily power cut imposed all over the Sri Lanka. Accordingly arrangements have been made to obtain a machine with a sufficient capacity to supply electricity from one Generator to the entire premises of Sri Lanka Institute of Development Administration.</p>	<p>An alternative method should be used to store fuel.</p>
<p>(c) Five quarters owned by the Institute had been remained in idle without being utilized.</p>	<p>Actions are being taken to provide quarters in a proper manner in accordance with the policy followed at the time of initiating the quarters to the Sri Lanka Institute of Development Administration.</p>	<p>Actions should be taken to utilize the quarters properly.</p>

3.3 Transactions of Contentious Nature

Audit Observation

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 dated 19 April 2013 No 13/0237/523/001 At the Committee on Public Enterprises dated 14 November 2014, 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 contrary to that decision, actions had not been taken to recover a sum of Rs.9,389,325 due from July 2015 to 31 December 2020 from the consultants who had not covered the requirement minimum number of lecture hours.

Comments of the Management

How this agreement should be implemented on a practical level is being studied so as not to prejudice the quality of the service providing process of the institute.

Recommendation

Actions should be taken in accordance with the decision of the Committee on Public Enterprises and the actions should be taken to recover the overpaid lecture fee.

3.4 Under -utilization of Funds

Audit Observation

Balance of the capital grant account as at 31 December 2019 was Rs.34,147,488 and sum of Rs.6,278,667 from the capital grant received in year under review had been utilized. The unutilized balance as at 31 December 2020 was Rs.36,068,820.

Comments of the Management

To maintain a minimum cash balance, actions are being taken to deposit the surplus funds in short term deposits.

Recommendation

Actions should be taken to utilize the surplus funds.

3.5 Human Resource Management

Audit Observation

The number of approved cadre by the Department of Management Services as at 31 December of the year under review was 166 and the actual cadre was 104. Accordingly it was observed that there were vacancies in 62 positions.

Comments of the Management

Comments have not been given.

Recommendation

Actions should be taken to fill the vacancies or get amended the approved cadre for essential posts.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

There was a variance ranging from 13 per cent to 433 per cent in between the expenditure of the revised budget estimate prepared at the end of the year 2020 and the actual expenditure was observed. In addition to that as a result of revising the budget even after the end of the year under review, the budget Statement had not been used as a financial control instrument.

Comments of the Management

Under the prevailing uncertain situation of the country, changes in the assumed revenue status and variances in hall charges, miscellaneous income, consultancy and revenue of Post Graduate Divisions have occurred.

Recommendation

The budget should be used as an internal controlling instrument.