

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the National School of Business Management Limited for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of Income, 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. My comments and observations which I consider should be reported 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 Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for 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 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 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company 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 Company.

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 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 Company'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 Company'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 Company 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 Company, and whether such systems, procedures, books, records and other documents are in effective operation.

- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company.
- Whether the Company has performed according to its powers, functions, and duties; and
- Whether the resources of the Company 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

	Reference to Laws, Rules Regulations	Non-compliance	Management Comment	Recommendation
(a)	Section 3.1 of the Operational Manual included in the Public Enterprises Circular No.01/2021 of 16 November 2021	The Treasury approval had not been obtained relating to the number of employees, remuneration of employees and the Scheme of Recruitment of the National School of Business Management.	According to the letter issued by department of Public Finance on 11.01.2021 to the Secretary of Ministry of Skills development, Vocational Education, Research & Innovation (Previous Ministry) clarifying that they have no objection to allow the NSBM to operate NSBM projects as per the powers vested under the Articles of Association. According to the Articles the business affairs of the Company shall be managed by or under the direction or supervision of the Board of Directors.	Action should be taken to follow the Treasury Circulars.
(b)	Section 6.4 of the revised Financial and Accounting Operational Manual dated 18 February 2021 prepared by the Company and Section 6.7 of the Operational Manual of the Public Enterprises Circular No.01/2021 of 16 November 2021.	An Annual Board of Survey had not been conducted relating to property, plant and equipment costing Rs.12,463,848,719 as at 31 December 2022.	Due to different economic situations prevailed during the period the fixed assets verification got delay though it has been started during the year 2022. However, the verification has been completed now.	The company should conduct an annual board of survey according to the referred regulation.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs.190,744,927 and the corresponding profit in the preceding year amounted to Rs.677,822,872. Therefore, a deterioration amounting to Rs.487,077,945 of the financial result was observed. The reason for the deterioration is the increase in the payment of interest for loans.

2.2 Ratio Analysis

The company's net profit ratio of 14.4 percent in the previous year had reduced to 4.7 percent in the year under review.

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) Approval of the parent company had not been obtained for the Financial and Accounting Operational Manual prepared in January 2016, and revision in 18 of February 2021 and which is in use for control of internal operations of the Company.	NSBM is a company duly incorporated under the Companies Act No 07 Of 2007. As per the Articles of Association of NSBM the Board shall have all the powers necessary for managing and for directing and supervising the management of the business and affairs of the Company. The Board also consists of members from NIBM (parent company) as per the Articles of Association.	Approval should be obtained from the parent company.
(b) The National Institute of Business Management (NIBM) invested a total of Rs.800,000,010 in the National school of Business Management (NSBM) since 2017, no return was given to the National Business Management Institute from the year 2020 to the 2022 financial year. Also, regarding the National Business Management Institute, this matter was discussed in the Committee on Public Enterprises held in Parliament on December 02, 2021, and the committee gave an order to the Chief Accounting Officer to reach a final decision in this regard and to appoint an expert panel to monitor the conduct and structure of these two institutions.	Accordingly, the solvency test for the respective years from 2020 to 2022 has not been satisfied for dividend distribution. The circumstances have been discussed at the Annual General Meeting and the decision of not declaring dividends was unanimously agreed by the Board of Directors at the meeting where the Chairman and the representatives from NIBM presented.	The Chief Accounting Officer should arrange to appoint an expert panel to monitor the conduct and structure of the two institutions as per the recommendation of the Committee on Public Enterprises to give a fair return on the money invested.