

**Arthur C Clarke Institute of Modern Technology – 2011**

1. Financial Statements  
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1.1 Qualified Opinion  
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In my of opinion, except for the effects of the matters described in paragraph 1.2 of the this report, the financial statements give a true and fair view of the financial position of the Arthur C Clarke Institute of Modern Technology as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements  
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1.2.1 Best Accounting Practices  
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All the accounting polices adopted by the Institute had not been disclosed in the financial statements. Accounting for Research expenditure, External Projects expenditure and Exhibitions and Seminars expenditure can be cited as examples.

1:2:2 Accounting Deficiencies  
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The following accounting deficiencies were observed.

- (a) Even though the debit and credit balances cannot be shown by setting off, the debit balance of Rs.5,910 in the Creditors Account had been shown set off against the credit balance amounting to Rs.6,455.
- (b) Adequate provision for doubtful debts had not been made for debtors balances amounting to Rs.195,025 older than 03 years.

1.2.3 Accounts Receivable and Payable

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(a) Accounts Receivable

- (i) The Institute had not taken proper courses of action on the debtors balances amounting to Rs.73,171 older than 05 years.
- (ii) Confirmations had not been obtained from debtors amounting to Rs.11,112,136.

(b) Accounts Payable

- (i) Creditors balances amounting to Rs.645,919 older than 05 years had not been settled.
- (ii) Confirmations had not been obtained from creditors amounting to Rs.415,520.

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

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The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) <u>Acts</u>	
(i) Employees; Provident Fund Act, No.15 of 1958	Even though the contributions to the Employees' Provident Fund and the Employees' Trust Fund should be recovered on the total earnings of the employees, contributions to the Employees' Provident Fund and the Employees' Trust Fund paid for the period January to December 2011 had been under-computed by Rs.1,119,763 and Rs.134,372 respectively due to computations made contrary to that requirement.
(ii) Employees' Trust Fund Act, No.46 of 1980	
(b) <u>Financial Regulations of the Government of Sri Lanka</u>	
(i) Financial Regulation 110	A Register of Damage and Losses had not been maintained.
(ii) Financial Regulation 371(2)(b)	Even though ad hoc imprests only up to Rs.20,000 can be granted, advances of Rs.40,000 and Rs.50,000 had been granted. Twelve instances of delays in settlement exceeding 20 working days were observed.

(iii) Financial Regulation 751 Inventory Registers had not been maintained over a number of years for inventory goods.

(c) Circulars

- (i) President's Circular No.CSA/1/1/2006 of 10 February 2006 Two Staff Officers of the Institute had proceeded abroad without obtaining the approval of Honourable Prime Minister
- (ii) Public Administration Circulars No.26/92 of 19 August 1992 and No.26/92(1) of 03 August 1994 The State Emblem had not been stenciled on motor vehicles No.302-3949 and NA 2228 of the Institute.

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the working of the Institute for the year under review after taking into account the Government Grant of Rs.53.2 million for recurrent expenditure had resulted in a surplus of Rs.3.6 million as compared with the surplus of Rs.5.9 million for the preceding year after taking into account the Government Grant of Rs.52.9 million received for that year. The increase of internal income by a sum of Rs.5.0 million and the increase of recurrent expenditure by a sum of Rs.7.3 million had been the major reasons in this connection.

2:2 Working Capital Management

The Working Capital of the Institute as at the end of the year under review amounted to Rs.71.4 million and the corresponding working capital as at a end of the preceding year amounted to Rs.61.9 million, thus indicating on improvement of Rs.9.5 million in the working capital.

3. Operating Review

3:1 Performance

- (a) Even though a sum of Rs.1.5 million had been allocated in the year 2010 for the purchase of the accessories for the development of the Robot Laboratory those purchases had not been made even during the year 2011. As such it had not been possible to achieve the objectives expected of the Robot Laboratory.
- (b) Two projects commenced in the years prior to the year under review had been closed down as no work had been done in the year under review. A sum of Rs.32.894 had been spent in this connection.
- (c) No transactions whatsoever had been done during the year from the Nasda Project Fund for the achievement of its objectives. A sum of Rs.428,958 out of the Fund had been invested in Treasury Bills.
- (d) The performance of the Director's Fund and the Findees Fund had been at a very low levels. Sums of Rs.749,597 and Rs.3,753,394 respectively out of those Funds had been invested in Treasury Bills.

3.2 Management Inefficiencies

- (a) The following observations are made in connection with the signal towers made available to the Telecommunications Regulatory Commission of Sri Lanka.
  - (i) Even though agreements had expired on 01 February 2010 new agreements had not been entered into even up to 30 December 2011.
  - (ii) Action had not been taken for the recovery of a sum of Rs.1,380,000 as income for the period 01 February 2010 to December 2011 at Rs.60,000 per month and that had not been disclosed in the financial statements.
  - (iii) The said tower had dilapidated badly due to poor maintenance and a sum of Rs.644,051 had to be spent in the year for repairs.
- (b) Even though invoices amounting to Rs.1,827,309 had been issued to other institutions in the year under review, action had not been taken to recover the money.

(c) Purchases amounting to Rs.10 million out of the Treasury Capital provisions amounting to Rs.22 million allocated for the year 2010 had been made up to the last quarter of the year 2011. Provisions amounting to Rs.2.5million had not been spent.

3.3 Idle and Underutilized Assets

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The following idle assets were observed.

Asset -----	Value ----- Rs.	Observations -----
Forty four Consumable and Development and Research Stock Items and Research and Development Computer Consumables Stocks 52 items	-	Not used from the year 2005

(c) The bus No.60-5413 received on temporary basis on 28 February 2005 from the Ministry of Science and Technology had been used for two trips in connection with various programmes and remained underutilized. The Director informed that the bus is condemned and due for disposal.

3.4 Identified Losses

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Even though the Voltage Recorder – VRLECO Project had been completed in the year 2009, the expenditure amounting to Rs.376,470 spent thereon had been brought to account as expenditure for the year under review. In view of the failure to recover the money from the institution concerned, it is observed in audit as an identified loss.

3.5 Staff Administration

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The particulars of the approved and the actual cadre of the Institute for the year under review are follows.

<u>Grade</u>	<u>Approved</u>	<u>Actual</u>	<u>Vacancies</u>
Executive	70	31	39
Non- executive	70	41	29
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	140	72	68
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The following observations are made in this connection.

- (a) The existence of vacancies in 68 posts or 49 per cent had resulted in the performance of various projects being at the minimum level.

In this connection, the view of the Director is that the recruitment and retention of technical staff is a very difficult task due to the very wide gap between the salaries paid by the Institute and the salaries and allowance paid for similar qualifications by other institutions.

- (b) According to the Public Administration Circular No.6/2006, the Schemes of Recruitment and Promotions of the Public Corporations should be prepared and approval of the Department of Management Services obtained in terms of the Management Services Circular No.30 for the revisions of the salaries with effect from 01 January 2006. Nevertheless, the approval for the Scheme of Recruitment and Promotions relating to the staff of the Institute had not been obtained up to date.

- (c) Even though the approval for the recruitment to 18 posts for the year 2011 had been granted by Circular No.DMS/E2/24/4/171/2 of 23 August 2010 of the Department of Management Services, no recruitment had been made due to the delay in the receipt of the approval for the Scheme of Recruitment and Promotions.

#### 4. Accountability and Good Governance

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##### 4.1 Corporate Plan

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The following matters were observed in connection with the Corporate Plan prepared for the years 2007 to 2011.

- (i) The expected annual costs of the projected activities of the Action Plans included in the Corporate Plan had not been given in quantitative terms.
- (ii) Action in terms of Section 5.1.3 of the Public Enterprises Circular No.PED/12 of 02 June 2003 had not been taken to update the Corporate Plan.

4.2 Action Plan

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- (i) The financial value of most of the projects expected for implementation had not been estimated and shown. As such it was not possible to review the progress achieved.
- (ii) The extent of completion of the partly completed activities had not been given in quantitative terms.
- (iii) Even though 68 activities had been targeted under 06 different Divisions of the Institute had been included in the Annual Action Plan, out of those 26 activities had not been implemented.

4.3 Procurement Plan

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The procurements had not been done in accordance with a Master Procurement Plan, Procurement Time Schedules and the Formats relating thereto prepared in terms of Sections 4.2.1, 4.2.2 and 4.2.3 of the Procurement Guidelines of the Government.

4.4 Budget

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The budgeted Income and Expenditure Account, Balance Sheet and the Cash Flow Statement had not been presented in terms of Section 5.2.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003 and Section 8(3) of the Finance Act, No.38 of 1971.

5. Systems and Controls

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director of the Institute from time to time. Special attention is needed in respect of the following areas of control.

- (a) Budget
- (b) Utilization and Control of Motor Vehicles
- (c) Human Resources Management
- (d) Grant and Settlement of Advances
- (e) Debtors and Creditors