

## **Sri Lanka Institute of Development Administration – 2012**

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### **1. Financial statements**

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#### **1:1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Institute of Development Administration as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1:2 Comments on Financial Statements**

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##### **1:2:1 Sri Lanka Public Sector Accounting Standards and Accounting Policies**

- (a) Even though according to the Public Sector Accounting Standards No.3 ,previous year accounting policies, changes in accounting estimates and errors could be adjusted retrospectively to the opening cumulative fund, a sum amounting to Rs.10,189,915 to be adjusted to the profit in the year under review had been shown in accounts as previous year adjustments.
- (b) Even though it had been stated that provisions arranged for bad and doubtful debts for the balances receivable amounting to Rs.33,315,068 under the Accounting Policy No. 2.7 in the accounting statements, such provisions had not been arranged in financial statements.

##### **1:2:2 Accounting Deficiencies**

The following accounting deficiencies were observed in audit.

- (a) Capital grants totalling of Rs.11,496,870 which had received during the 05 year period from 1995 to 1999 had not been included into the opening balance in the year under review.
- (b) Net difference of the gratuity amounting to Rs.1,143,084 and provisions amounting to Rs.2,989,894 paid in the year under review had been stated instead of stating it separately. The sum amounting to Rs.1,015,077 received from disposal of assets had been omitted from financial statement.

- (c) Postgraduate course fees amounting to Rs.1,227,450 receivable and the provisions amounting to Rs.405,000 made available thereon had been overstated in financial statements.
- (d) Values of 782 stock units belonging to 06 categories had not been accounted .
- (e) Fully depreciated user cost of fixed assets amounting to Rs.61,639,680 had not been revalued.

### **1.2.3 Accounts Receivable and Payable**

The following observations are made.

- (a) Out of the receivable total balances amounting to Rs.46,443,518, 09 balances valued at Rs.639,281 had remained for over 03 years and out of which 07 balances valued at Rs.165,500 had remained outstanding for over 05 years.
- (b) Even though it had been stated that a balance totalling Rs.30,709,397 should be received from the Ministry of Public Administration and Home Affairs for the year under review and 02 preceding years, such a balance had not been seen according to the accounts of the Ministry.
- (c) Out of the total creditors balance of Rs.24,107,967 , 09 balances of Rs.1,334,984 had lapsed for more than 03 years and out of which 04 balances of Rs.347,003 had remained outstanding for more than 05 years.
- (d) Out of refundable deposits totalling Rs.20,553,942, 15 balances valued at Rs.2,719,174 had remained outstanding for more than 03 years.

### **1.2.4 Lack of Evidence for Audit**

The following observations are made

- (a) Evidence stated against the following items of accounts was not made available for audit.

Item of Account -----	Value -----	Evidence not made available -----
	Rs.	
Fixed assets	332,316,741	} Properly prepared register of fixed assets and the annual Board of Survey reports. } Detailed schedules including the particulars of computer assets.
Computer accessories and software	55,040,720	
Provisions for depreciation	19,790,764	
Payments made for report writing	2,992,450	} Copies of reports and files including related details.
(2) Bank balances	10,893,536	} Confirmation of balances
Debtors( 22 balances)	30,500,678	
Creditors(32 balances)	20,988,475	
Deposits(electricity and fuel)	1,195,000	

(b) Replies had not been given up to 30 November 2013 for 07 audit queries furnished to the institute in the year under review and preceding year.

**1.2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions.**

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The following non-compliances were observed.

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>
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(a) Section 13(1) of the Sri Lanka Development Administration Act No.09 of 1982	The Board of Control should meet at least once a month but only 05 meetings were held in the year 2012.
(b) <b><u>Finance Act No.38 of 1971</u></b>	
(i) Section 10(5) and Letter dated 20 March 1991 of the Director General of Public Enterprises.	Although the balance money from the net surplus income of the year after utilizing the money for purposes stated in Section 10(I) of the Act should be credited to the consolidated Fund, it had not been compiled with.
(ii) Section 14(3) and Public Enterprises Circular No.PED/12 dated 02 June 2003.	Annual Report of the year 2011 had not been tabled in Parliament even as at 31 August 2013.
(c) Section 2.2 of Chapter IX of the Establishments Code.	Out of fees earned by using the knowledge and skills obtained from public service, 10 per cent should be credited to Consolidated Fund, but the Institute had not complied with in respect of lecture fees relating to internal and external consultants.

(d) **Financial Regulations (F.R.) of the Government of Sri Lanka.**

(i) FR 371(2)(b)

Advances should be settled immediately after the completion of the work , it had not been complied with. Advances amounting to Rs.1,992,000 granted on 15 August 2012 had not been settled even as at 31 December .

(ii) FR 756 and 757

Although a copy of the Annual Board of Survey reports should be furnished to the Auditor General, the institute had not complied with that.

(e) **Treasury Circulars**

Treasury Circular No.810 dated 26 July 1971

(i) In pursuance of the provisions of the Circular, charges on half pay leave and no pay leave had not been done.

(ii) Although recovery of charges on half pay leave and no pay leave should not be allowed as instalments, the institute had made arrangements to recover them instalments.

(f) Section 5.4.8 of Procurement Guideline

Although an amount not less than five per cent of the estimated amount should be submitted as performance security in a contract and the same security should be valid until 28 days after the completion of the expected date of work . Nevertheless, the performance security submitted relevant to the contract of repairing of the lavatories of the hostels had expired ,renewal had not been done in this connection.

### **1.2.6 Transactions not Supported by Adequate Authority**

According to the decision of the Cabinet of Ministers No.1024 F/800/29 CD dated 12 December 1963, formulation of financial and administrative regulations had not been compiled with and instead, Government Financial Regulations and the Establishments Code had been followed. However, the Provisions in Shops and Office Employees Ordinance had been followed in respect of only annual leave and overtime allowance of officers, the provisions in that Ordinance had not been applied in respect of duty hours and office time. Accordingly, a considerable number of duty hours had been deprived of and an overpayment of overtime allowances had to be paid.

## **2. Financial review**

### **2.1 Financial Results**

According to the financial statements presented, the operation of the Institute for the year ended 31 December 2012 had resulted in a deficit of Rs.14,875,471 as compared with the surplus of Rs.640,761 for the preceding year. A deterioration of Rs.15,516,232 in the financial results for the year under review was shown as compared with the preceding year.

### **2.2 Analytical Financial Review.**

- (a) Decrease of local course fee by Rs.14,000,697 and programme income by Rs.6,690,198 and increase of utilization and other services by Rs.6,615,861 and repairing ,maintenance expenditure by Rs.10,836,081 had been mainly caused to deterioration of surplus.
- (b) Current assets amounting to Rs.165,084,421 for the end of the preceding year had been decreased to Rs.105,803,228 at the end of the year under review. Net current assets for the year under review had been decreased by Rs.68,850,003 because the corresponding current liabilities had been increased by Rs.44,131,937 to Rs.53,700,748 accordingly.
- (c) Balance of the cumulative surplus of Rs.41,552,277 for the end of the preceding year was converted in to a minus value of Rs.15,839,878 for the end of the year under review. As a result, a deterioration of Rs.57,392,255 was observed .

### 3. Operating Review

#### 3.1 Performance

##### 3.1.1 Training Activities

The following observations are made.

- (a) Thirty six Designed Certificate Courses and one Diploma Course had not been not conducted in the year under review and the numbers in the preceding year were 42 and 03 respectively.
- (b) Number of Capacity building Programmes, number of Training of Trainers Programmes, number of Postgraduate Degree Programmes, number of Training Consultancy Services Programmes had been decreased from 11 to 04, 13 to 08, 07 to 03 and 46 to 31 respectively in the year under review as compared with the preceding year.
- (c) Number of persons dropped out from the courses in the year under review and 02 preceding years were as follows.

Year	Certificate Courses	Diploma Courses
2012	399	102
2011	123	37
2010	117	11

Although continuous increase of dropped out from courses is visible, it had not been stated that suitable measures had been taken and implemented to minimize the number of dropouts.

##### 3.1.2 Conducting lectures by Consultants

The following observations are made.

- (a) In terms of the Circular No. PD/IC/01/2008 dated 06 February 2008 of the Director and Instruction Manual dated 17 July 2012, an internal consultant should deliver 45 lecture hours per month in designed training programs . However, contrary to that, 5,034 lecture hours from 14 consultants had lost to the institute during the year under review and the lecture hours lost from 18 consultants had been 7,612 in the previous year.

- (b) Total number of lecture hours or half of the hours allocated for a month had not been conducted by any of the consultants in the year under review and the preceding year .
- (c) It was observed in audit that non conducting of designed courses and conduct of more lecture hours in designed courses by external consultants caused to reduce the lecture hours of internal consultants .

### **3.2 Management Inefficiencies**

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The following observations are made.

- (a) Provisions amounting to Rs.2,503,750 had to be provided in the year under review for the course fees identified as doubtful recoveries due to delays of recoveries of course fees from the participants of the Post Graduate Diploma and Diploma Courses.
- (b) Even though facilities had been given to follow the 2<sup>nd</sup> year of the Post Graduate Diploma Course without payment , action had not been taken to recover the outstanding money being considerable time had passed after completion of the course.
- (c) Two hundred and sixty books borrowed during the period from 2000 to 2012 by the members of the Institute and instructors of academic divisions other than students who follow the courses had not been handed over to the library even the due date had passed, and action had not been taken to recovery of those books.
- (d) Action had not been taken to transfer the ownership of 03 motor vehicles in the name of the Institute received from 02 projects in the years 1997, 2002 and 2008 .

### **3.3 Transactions of Contentious Nature**

The following observations are made.

- (a) A sum of Rs.8,029,833 in the year under review and a sum of Rs.12,329,726 in the previous year had been paid to the permanent staff and contract basis consultants and to



few officers for the performance of such duties as conducting lectures and related course coordination, planning, report writing etc.

Although it was informed that the above payments had been made in accordance with the payment procedure approved by the Minister on 21 August 2007 for the provision of external services, it was further observed that those services had been carried out during the daily office time. It was revealed in audit that these payments had been made for the performance of functions stated in Section 3(1) of the incorporated Act.

- (b) Nine balances totaling Rs.12,170,811 recoverable from 07 Government and Non-Governmental Organizations had been written off from financial statements without any proper approval .

### **3.4 Idle and Underutilized Assets**

Material balances in the 02 main bank (current) accounts of the Institute had been retained without utilizing fruitfully during the year under review and the average monthly balance had been Rs.70,558,116.

### **3.5 Identified Losses**

The following observations are made

- (a.) Recovery of hostel charges amounting to Rs.633,150 relating to 05 officers and an external institute for the period from 2004 to 2007 had been delayed further more. Even though it had been stated that necessary action would be taken by informing the Governing Body , it was not confirmed that adequate action had been taken.
- (b.) Twenty one balances for which recovery had been delayed from Government and private institutions other than various individuals had been written off by the approval of the Board of Administration . A loss amounting to Rs.1,332,883 had occurred to the Institute thereon.
- (c.) A loss amounting to Rs.250,500 had occurred to the institute due to charging of demurrage of Rs.180,000 instead of Rs.430,500 which recoverable according to the conditions of the Contract Agreement related to repairing of 16 lavatories of the hostel.

**3.6 Personnel Administration**

The following observations are made.

- (a) According to the personnel plan, 48 vacancies in 18 approved posts had been vacant and the same vacancies had not been filled even as at the end of the year under review.
- (b) One person had been employed in a post of Program Analyst that not approved in the personnel plan and one person had been employed in a post of driver exceeding of the approved cadre in the personnel plan .
- (c) Eight members of the staff had obtained 214 days of no pay leave and half pay leave in excess of their annual leave entitlement.
- (d) Even though in terms of the provisions in Paragraph 22.4 and 23.18 of Chapter XII of the Establishments Code, details of all no-pay leave and leave out of the Island should be reported to the Auditor General monthly , action had not been taken accordingly.

**3.7 Build up a Fund for the Provision of Employees Gratuity**

Even though a provision of Rs.17,930,529 for gratuity for 92 staff members had been made as at the end of the previous year, attention had not been paid to build up a Fund by investing such money. The staff members as at the end of the year under review had 91 persons and the provision had increased up to Rs.19,777,340 .

**4. Accountability and Good Governance**

**4.1 Corporate Plan**

The corporate plan prepared for the year 2011 and effective thereafter, had not been prepared a report on the progress of financial and physical performance of the duties proposed to implemented in the year 2012 . This was not compiled with the provisions of Public Finance Circulars No.402 dated 12 September 2002 and No.402(1) dated 20 February 2004 .

#### **4.2 Internal Audit**

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An internal Audit Unit had not been set up from the inception of the Institute up to the end of the year under review.

#### **4.3 Budgetary Control**

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The budget for the year under review observed variances between the budgeted and actual income ranging from 06 per cent to 35 per cent and expenditure ranging from 09 per cent to 72 per cent . Thus, it was observed that the budget had not been made use of as an effective instrument of financial management control.

#### **5. Systems and Controls**

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

- (a.) Accounting
- (b.) Cash and Bank Function
- (c.) Fixed Assets
- (d.) Advances
- (e.) Debtors and Creditors
- (f.) Personnel Administration
- (g.) Conducting Courses and Training Activities