

Sri Lanka Institute of Local Governance - 2012

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Institute of Local Governance as at 31 December 2012 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

1.2.1 Accounts Receivable and Payable

Property loans amounting to Rs.267,670 and distress loans amounting to Rs.584,427 which were existing since year 2010 had not been recovered even up to 31 December 2012.

1.2.2 Lack of Evidence for Audit

Registers and files shown against each item of the following accounts had not been presented for audit.

Item	Value	Evidence not Presented
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	Rs.	
Library Books	153,593	Report of the Board of Survey
Advances	2,468,900	Register of Project Advances

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

Instances of the following non-compliance were observed.

Reference to Laws, Rules, and
Regulations.

Non-compliance

(a) Circular No. PAYE/Tax/01/2011
dated 18 April 2011 of the
Department of Inland Revenue.

Even though the bonus and other allowances
should be taken into consideration for the
computation of the Pay As You Earn Tax,
action had not been taken accordingly.

(b) Financial Regulations of the
Democratic Socialist Republic of
Sri Lanka (F.R)

(i) F.R 135

Financial powers had not been delegated in
terms provision.

(ii) F.R 757

Every Division had not maintained Inventory
Registers and the accuracy of the goods had
not been confirmed by reconciling the
balance of report of the Board of Survey.

(iii) F.R 1645(b) and (c) and
1646

Action had not been taken in terms of F.R
with regard to maintenance of Daily Running
Charts and Monthly Summaries and
forwarding them to the Auditor General.

(iv) F.R 1645(a) and 1647(a)

Vehicle Log Books had not been maintained
properly in an updated manner.

(v) F.R 1647 (e) and F.R 802

Accordingly, a Register of Vehicles had not
been maintained.

(c) Establishments Code of the
Democratic Socialist Republic of
Sri Lanka

Paragraph 13.3 of Chapter II of
the Establishments Code.

An acting officer had been appointed for the
post of Financial Adviser of the Institute
from January 2007 to December 2013
without appointing a permanent officer.

(d) Circulars

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|-------|---|--|
| (i) | Treasury Circular No.1A1/2002/02 of 28 November 2002 | Even though computer accessories valued at Rs.4,175,056 had been purchased during last five years, those had not been brought to the registers in terms of circular provisions. |
| (ii) | Public Administration Circular No.30/2008 dated 31 December 2008 and the National Budget Circular No.157 (1) dated 31 January 2013. | Even though the basic salaries for 10 months or Rs.250,000 whichever is less should be considered while granting the maximum limit of distress loan, distress loans ranging from Rs.293,000 to Rs.435,000 had been granted for two officers. |
| (iii) | Internal Circular No.SLILG 104 dated 10 January 2007 | Even though the maximum number of hours of lectures could be delivered for one day by a resource person was 03 hours, allowances had been obtained by delivering lectures at the rate of 08 hours per day. |

1.2.4 Transactions not Supported by Adequate Authority

The following observations are made.

- (a) (i) The distress loan that could be paid only once in terms of Section 11.1.5 of Chapter XXIV of the Establishments Code, had been paid twice to a Consultant and the amounts paid as such in the year 2005 and the year 2012 were Rs.700,000 and Rs.500,000 respectively.
- (ii) Even though the property loan should be paid through Bnk in terms of Public Administration Circular No.8/2005 dated 31 March 2005, the property loans amounting to Rs.6,742,600 had been paid by the Institute for 08 officers during the period from 2005 to 2012.

- (iii) A sum of Rs.100,000 had been overpaid than the amount applied for loans by the officers who had applied property loans amounting to Rs.1,447,800.

- (b) The following allowances had been paid to the staff of the Institute for assignment of activities handed over to the Institute through the Road Sector Assistance Project with the approval of the Board of Directors and the approval of the Secretary of the Ministry contrary to the Public Finance Circular No.PF/PE/05 dated 11 January 2000.
 - (i) A sum of Rs.464,879 had been paid during the year under review as 1/3 allowance of the salary for project operational activities contrary to the Management Service Circular No.33 dated 05 April 2007.
 - (ii) Fifty seven Pradesha Sabhas had obtained a sum of Rs.399,000 for preparing road maps at the rate of Rs.7,000 per map.
 - (iii) A sum of Rs.230,000 had been paid for resource persons for 92 hours at the rate of Rs.2,500 per hour whilst conducting workshops on progress review relating to assignment of project.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Institute for the year under review had resulted in a deficit of Rs.3,467,357 as against the surplus of Rs.2,882,054 for the preceding year and as such the decrease of operational income by Rs.15,508,693 or 23 per cent and the corresponding decrease of operational expenditure by Rs.9,159,281 or 14 per cent had mainly attributed for the deterioration of Rs.6,349,411 in the financial results for the year under review as compared with the preceding year.

3. Operating Review

3.1 Performance

A sum of Rs.14,875,000 had been allocated through the Annual Budget for the conduct of workshops and training courses to enable the members, the officers and employees of the Provincial Councils and the Local Authorities to perform their duties efficiently and effectively. Even though a sum of Rs.16,580,717 had been spent in this regard during the year under review, it was observed according to the divisional reports that the Institute had not carried out the activities as planned.

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Division	Number of Workshops	Estimated Number of Participants	Provision	Number of Workshops	Actual Number of Participants	Expenditure	Actual Expenditure as a percentage of Provision	Actual number of workshops as a percentage of estimated number of workshops
			Rs.			Rs.	%	%
Human Resources	23	600	2,125,000	Not submitted		2,332,565	109.8	-
Engineering	28	795	2,125,000	10	351	401,231	18.7	35.7
General Management	19	760	2,125,000	15	916	1,852,065	87.15	79
Physical Planning	14	560	2,125,000	14	738	1,598,391	75.2	100
Financial Management	57	2,280	2,125,000	38	984	2,263,018	106.5	67
Law	09	450	2,125,000	21	1,005	2,552,814	120	253
Research	07	-	2,125,000	06	-	2,753,817	129.6	86

The following observations are made in this connection.

- Out of the estimated workshops and courses of the Engineering Division, only 10 workshops and courses had been carried out. It was at the low level of 35.7 per cent of the performance.
- Out of 57 workshops to be conducted at the Financial Management Division, only 38 workshops had been conducted. Trainings had been provided only for 984 students by incurring a sum of Rs.138,018 additionally in excess of Rs.2,125,000 estimated for 2280 students for providing trainings.
- Number of estimated workshops and courses of the Human Resources Management Division was 23 whereas progress reports and files relating to the programmes had not been presented for audit for checking the number of workshops actually conducted and the number of persons participated. According to the expenditure details of the Accounts Division, a sum of Rs.207,566 had been spent exceeding the estimated expenditure.
- Even though a sum of Rs.2,125,000 had been estimated for conducting 07 workshops of the Research Division, a sum of Rs.2,753,817 had been spent for completing 06 workshops.

3.2 Management Inefficiencies

Transport charges amounting to Rs.70,728 had been paid for 13 programmes conducted at various regions. Even though the Audit and Management Committee had proposed to select resources persons from provincial and district level and to prepare a panel of lectures in order to reduce the transport expenses, action had not been taken up to now to implement it.

3.3 Idle and Underutilized Assets

A three wheeler purchased in the year 2008 at a cost of Rs.324,990 had remained idle at the premises up to May 2014 without taking action for utilization whereas the revenue licence and insurance certificate relating to that vehicle had been obtained for the year 2012.

3.4 Identified Losses

The following observations are made.

- (a) Three mobile phones and 02 cameras valued at Rs.72,880 included in the report of the Board of Survey were not existed at the Institute at the time of physical verification.
- (b) It was revealed at the physical verification that two officers who left from the Department had taken away 02 executive bags and a computer valued at Rs.24,390 and Rs.122,500 respectively.

3.5 Staff Administration

The approved cadre and the actual cadre are given below. Accordingly, the Management has failed to maintain the approved cadre.

Approved Cadre	Approved Cadre	Actual Cadre	Number of Excess and (Vacancies)
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Staff Grades	10	08	(02)
Non-staff Grades	26	15	(11)
Minor Employees	06	11	05

4. Accountability and Good Governance

Presentation of Financial Statements

Even though it was pointed out that the financial statements should be presented for audit within 60 days after the closure of the accounting year in terms of Section 6.5.1 of the Guidelines on Good Governance No.PED 12 dated 02 June 2003, the financial statements for the year under review had been presented for audit by the Institute on 30 July 2013 after a delay of 05 months.

5. Systems and Controls

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

- (a) Inventory Registers and Stores Control
- (b) Granting of Loans and Maintenance of Loan Files
- (c) Conduct of Workshops and Payment of Allowances
- (d) Control over Vehicles and Maintenance of Registers