

National Institute of Education - 2011

1. Financial Statements

1:1 Qualified Opinion

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 National Institute of Education 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

1:2:1 Presentation of Accounts

The final financial statements were presented after rectification of understatements amounting to Rs.455,211 and overstatements amounting to Rs.4,915,820 detected during the course of the audit of draft financial statements pointed out by the audit.

1:2:2 Accounts Receivable

The following matters were observed.

- (a) The sum of Rs.3,237,799 receivable from the Ministry of Education over a period exceeding 03 years for the printing of evaluation question papers of schools had not been recovered even by the end of the year under review.
- (b) Sums of Rs.28,302 older than 05 years and Rs.60,431 older than 04 years shown under the general advances continued to be carried forward even up to the end of the year under review due to the inability to settle.

1:2:3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliances
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(a) Establishments Code	

Chapter XV Sections 3.1, 4.2 and 4.3 Chapter XII Section 14.2	(i) Even though provisions do not exist for granting study leave abroad with pay to officers during the probation period, leave with salary had been approved for the period 01 September 2007 to 31 August 2009 to an Assistant Project Officer and salaries amounting to Rs.650,160 had been paid for the entire period. The Institute had not obtained a formal security bond signed by her when the leave was approved.
Chapter XII Sections 23.1 and 23.2	(ii) The officer referred to above had proceeded abroad again from 01 September 2009 to 31 August 2011 without obtaining approval for leave and the Institute had taken action to treat that period as no-pay leave. The Institute had paid a sum of Rs.154,640 to that officer for 05 months of that period as salaries, and contributions to the Employees' Provident Fund and the Employees' Trust Fund.
Chapter V Section 7	(iii) The Institute had not taken action to treat the officer who had not reported for duty without obtaining approval for leave as vacated post with effect from 01 September 2009.

(b) Government Financial Regulations

Financial Regulation 371(2) and (5)

Even though advances obtained under ad hoc sub-impressts should be settled immediately after the completion of the purpose, the settlement of advances amounting to Rs.226,517 granted in 08 instances had been delayed for 05 to 08 months while the advances obtained in the year under review had been delayed up to February and March 2012.

Financial Regulations 394(b) and (d) and 396 (b) and (d) (i)

Even though 338 cheques valued at Rs.478,865 issued but not presented to the Bank for more than 06 months by 31 December 2011 had been cancelled and credited to income, action in terms of the Financial Regulations had not been taken on the cheques.

Financial Regulation 446(2)

An imprest of Rs.20,000 had been granted at the beginning of the year 2011 for expenditure on food for the children studying the Early Childhood Development Centre maintained by the Institute and expenditure amounting to Rs.206,379 had been reimbursed in 16 instances during the first half of the year. Registers for recording the receipts and payments had not been maintained according to the Financial Regulations.

Financial Regulations 770 and 772

According to the report of the Board of Survey of the Central Stores conducted in the year 2010 forty two categories of unusable goods valued at Rs.2,287,699 had been recommended to be sold and 50 categories of goods valued at Rs.355,515 had been recommended to be destroyed. But those recommendations had not been carried out up to the time of conducting the Board of Survey for the year 2011.

1:2:4 Transactions not supported by Adequate Authority

The following matters were observed.

- (a) An external applicant for the post of the Maintenance Officer (electrical) of the National Institute of Education had been recruited with effect from 15 May 2011. He had been placed on the salary step of Rs.30,195 which is 05 steps above the approved initial salary step of Rs.26,970 relating to the post. The prior approval of the Director General of Establishments in terms of Section 3 of Chapter VII of the Establishments Code had not been obtained in that connection.

- (b) According to the decision of the Board of Directors dated 23 January 2012, a sum of Rs.293,000 had been spent for the payment of allowances to the members of the Board of Survey for the year 2011 at the rate of Rs.1,500 to the Chairman of the Board and Rs.1,000 per member of the Board. The Board of Survey had been conducted during office hours and the approval obtained for the payment of allowances or other financial benefits in terms of the Public Enterprises Circular No. 95 of 14 June 1994 could not be established in audit.

2. Financial Review

2:1 Financial Results

According to the financial statements presented the financial result for the year under review amounted to a surplus of Rs.41,078,116 as against the deficit of Rs.48,544,103 for the preceding year. The improvement of the financial result for the year under review by a sum of Rs.89,622,219 as compared with the preceding year had been due to the increase of the operating income by a sum of Rs.74,472,104 and the decrease of the expenditure on supplies and consumables and the operating expenses by sums of Rs.12,098,309 and Rs.9,759,450 respectively.

3. Operating Review

3:1 Performance

The following matters were observed.

- (a) Out of the 54 modules prepared in Sinhala and Tamil Languages for the subject of Home and Community Education relating for the courses conducted in the Regional Learning Centres under the Open Schools Regional Centres Programmes, 34 modules had not been printed up to 31 December 2011. As such, the objectives expected from those courses had not been achieved due to the failure to issue modules to those following the courses.
- (b) According to the Annual Action Plan of the Examinations Department of the Institute, plans had been made for the conduct of a number of examinations, evaluation of answer scripts and the issue of results in the year itself. Nevertheless, the issue of the results of three examinations conducted in the year 2009 and one examination conducted in the year 2010 had been delayed for 12 to 23 months. Thus it was observed the activities had not been carried out as planned.

3:2 Management Inefficiencies

The following matters were observed.

- (a) Out of the printed copies of Volumes 16, 17, 18 and 19 relating to the years 2007, 2008 and 2009 of the Education Management Journal printed and published for the introduction of empowerment and management of learners involved in the education field, 74 per cent, 74 per cent, 87 per cent and 87 per cent respectively remained in the stores even by 31 December 2011. The cost of the balance stocks amounted to Rs.899,800. A formal course of action had not been taken either to sell those magazines or to distribute those to the targeted groups.

- (b) Eight officers who had proceeded abroad for study purposes in the years 1999, 2000, 2001 and 2002 had not reported for duty and as such the value of penalties and the guarantee bonds recoverable as at the end of the year under review amounted to Rs.11,172,910. The Institute had not taken prompt action for the recovery of the money or to take legal action thereon and as a result it had not been possible to collect information relating to those officers.
- (c) According to paragraph vi of the letter No. DMS/D/1/NIE/SA of the Department of Management Services dated 30 November 2006 sent to the National Institute of Education, the Institute had been instructed to revise the Scheme of Recruitment and Promotion of the Staff of the Institute and obtain the approval of the Department. Nevertheless, the Scheme had not been revised and approval obtained even up to 31 December 2011.
- (d) Four Pre-school Teachers and 02 Assistant Cooks had been deployed in service on daily and piece rate basis for the purposes of the Early Childhood Development and Research Centre maintained by the Institute. Even though this Centre had been functioning for more than 20 years under the Primary Education Department of the Institute action had not been taken to determine the cadre requirements of the Centre, obtain approval and recruit staff formally.
- (e)
 - (i) A stock of 52,921 copies of 64 Teachers' Guides for Grades, 6, 7, 10 and 11 syllabuses costing Rs.4,350,644 printed in the years 2007 and 2008 and a stock of 35,257 copies of 78 Teachers' Guides and Syllabuses, the value of which could not be ascertained had been retained as non-moving stocks in the stores even by 31 December 2011 without being distributed to the schools.
 - (ii) A stock of 70,157 copies of 93 Advanced Level Syllabus books the value of which could not be ascertained had been in the stores as the balance stocks as at 31 December 2011 without being distributed to the teachers. The cost of those books had not been computed and included in the financial statements for the year ended 31 December 2011.

- (iii) A stock of 108,381 copies 20 categories of English Story Books for Grades 3,4 and 5 printed in the year 2009 for free distribution to schools remained in the stores as balance stocks as at 31 December 2011. The cost incurred thereon could not be ascertained in audit.

3:3 Operating Inefficiencies

The following matters were observed.

- (a) (i) A stock of 24,691 units of 32 items of stock valued at Rs.3,180,745 identified as slow moving in the Report of the Committee appointed in the year 2010 to make recommendations for updating the stock position of the inventory and consumable goods of the Institute had been retained in the stores over 05 to 10 years without being issued. A stock valued at Rs.186,590 older than 10 years continued to be retained in the stores.
- (ii) Even though a period exceeding 01 year had elapsed after the issue of the Committee Report, a stock of 42 obsolete items of goods valued at Rs.441,380 referred to in that report had been retained in the stores even by 31 December 2011 without taking action for disposal.
- (b) The compact discs relating to the Teachers Guides on 03 subjects in the English Medium and the Teachers' Guides on 02 subjects in the Tamil Medium on the General Certificate of Education (Advanced Level) New Syllabus commencing from August 2009 had not been prepared and handed over to the Department of Educational Publications even by 31 December 2011 in accordance with the Circular No. 2009/16 dated 18 May 2009 of the Ministry of Education.
- (c) Action had not been taken even by 31 December 2011 for the disposal of 496 old tyres and 105 tubes kept in storage in the Central Stores over a long period. Attention had not been paid to minimize the storage costs through disposal. Even though this matter had been disclosed at the Annual Board of Survey, a suitable course of action had not been taken up to date.

- (d) Instead of following a methodology for placing orders for consumable goods according to the requirements and issue them for use within a short period, excessive stocks of 11 categories of goods had been maintained. Out of these stock, 19,109 units of brown paper valued at Rs.28,842 older than 10 years had become unusable even by 31 December 2011.

4. Accountability and Good Governance

4:1 Procurement Plan

Even though the Institute had purchased capital assets costing Rs.50,275,852 during the year, a Procurement Plan in terms of Section 4.2 of the Procurement Guidelines and the instructions in the National Budget Circular No. 128 of 24 March 2006, had not been prepared for the year under review.

4:2 Budgetary Control

A reconciliation of the budgeted expenditure for the year 2011 with the actual data revealed material variances ranging from 18 per cent to 56 per cent thus indicating that the budget had not been made use of as an effective instrument of management control.

5. Systems and Control

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

- (a) Stores Control
- (b) Printing of Books
- (c) Budgetary Control
- (d) Foreign Study Tours
- (e) Conduct of Examinations and Issue of Results