

Sri Lanka Institute of Development Administration - 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 Sri Lanka Institute of Development Administration as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Comments on Financial Statements

1.2.1 Sri Lanka Accounting Standards

Instances of non-compliance with SLAS 18 are given below.

- (i.) Fixed assets should be depreciated from the date of purchase but assets purchased during the year under review had not been so depreciated.
- (ii.) The extend and life time of assets had not been considered in determining rates of depreciation and the balance life time of the revalued assets had also not been assessed.
- (iii.) Even though assets costing Rs.16,939,764 which had been fully depreciated as at the end of the year under review and being used, action had not been taken to revalue and adjust to the accounts.

1.2.2 Accounting Policies

The following observations are made.

- (a.) Although the provision for bad debts had been made in the financial statements, the manner of computation or the rate applied had not been disclosed in the accounts.

- (b.) Even though it was stated under accounting policies that the provision for gratuity was made for employees who would complete 05 years of service, provisions had been made for employees, who had completed one year service according to the schedule presented.

1.2.3 Accounting Deficiencies

The following accounting deficiencies were observed in audit.

- (a.)
 - (i) Instead of accounting the cost of 03 motor vehicles purchased during the year under review, the insured value had been brought to accounts and as such the cost of vehicles and the value of capital grants had been overstated by Rs.10,625,000.
 - (ii) A difference Rs.25,458,440 was observed between the cost of fixed assets on which depreciation was provided and the cost of assets shown in the financial statements and as such the provision of depreciation made in the accounts had been understated by Rs.4,761,379.

- (b.) The over payment of Rs.1,674,450 made had been set off against the payable consultancy fees balance and shown only the net balance in the accounts.

- (c.) Expenditure amounting to Rs.736,000 had been posted as a receivable balance and the accounts receivable balance of the year and the surplus had been overstated.
- (d.) The value of electrical equipment had been overstated by Rs. 500,000 in the revaluation of assets.
- (e.) The value of a stock balance amounting to Rs.21,066 had been stated as Rs.476,680 and as such the value of stock in hand as at the end of the year under review had been overstated by Rs. 455,614.
- (f.) A motor vehicle costing Rs.385,000, which had been fully depreciated had been sold for Rs.200,950 in the year under review but it's cost or accumulated depreciation thereon had not been adjusted to those relevant accounts.
- (g.) The value of stock of library books totalling Rs. 379,788 received as donations during the year under review had not been brought to accounts.
- (h.) Water charges paid for the previous year amounting to Rs.169,144 had been brought to accounts as expenditure for the year under review.

1.2.4 Unreconciled Control Accounts

There was a difference of Rs.875,051 between the balances shown in the financial statements in 06 items of accounts and the relevant subsidiary records.

1.2.5 Accounts Receivable and Payable

The following observations are made.

- (a.) Out of the total debtors amounting to Rs.26,744,563, 23 balances valued at Rs.908,778 had remained for over 03 years out of which 19 balances valued at Rs.764,465 had remained outstanding for over 05 years.
- (b.) The unsettled advance balances of Rs.1,309,046 had included 36 balances valued at Rs.520,931 remained for periods ranging from 10 to 20 years and 05 balances amounting to Rs.788,115 had remained for the periods from 1 to 8 years. Action had not been taken to recover these balances remained outstanding for a long period even during the year under review.
- (c.) Out of the total creditors of Rs.25,796,270, 24 balances of Rs.2,454,433 had lapsed for more than 03 years out of which 13 balances of Rs.1,048,248 had remained outstanding for more than 05 years.
- (d.) Out of refundable deposits totalling Rs.17,370,338, 127 balances valued at Rs.2,506,578 had lapsed for 03 years out of which 104 balances totalling Rs.703,493 had lapsed for more than 05 years.

1.2.6 Lack of Evidence for Audit

Evidence stated against the following account balances was not made available for audit.

Item of Account -----	Value -----	Evidence not made available -----
	Rs.	
Fixed assets	254,837,736	Properly prepared register of fixed assets and the annual Board of Survey reports.
Computers accessories and software	43,627,026	Detailed schedule including the particulars of computers.
Provisions for depreciation	13,406,655	Detailed schedule, showing the composition of balance.
Payments made for report writing	1,401,629	Copies of reports and related details.
Settlement of advances	198,000	Settlement details, bills and receipts.
Fuel and repair expenses	5,919,975	Daily running charts and monthly performance

		summaries.
Debtors	2,505,460	Confirmation of balances relating to 28 debtor balances.
Creditors	2,891,468	Confirmation of balances relating to 20 creditor balances.

1.2.7 Non compliance with Laws, Rules, Regulations and Management Decisions.

 The following non-compliances were observed.

Reference to Laws, Rules, Regulations etc.	Non-compliance
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<p>(a) Section 13(1) of the Sri Lanka Development Administration Act No.09 of 1982</p>	<p>The Board of Control should meet at least once a month but only 09 meetings were held in the year 2011.</p>
<p>(b) Finance Act No.38 of 1971</p>	
<p>(i) Section 10(5) and Letter dated 20 March 1991 of the Director General of Public Enterprises.</p>	<p>Although the balance money from the net surplus income of the year after utilizing the money for purposes stated in the Act should be credited to the consolidated Fund, it had not been compiled with.</p>
<p>(ii) Section 13(8)</p>	<p>The report under Section 13(7)(a) should be considered by the Board of Control and action proposed to be taken on matters in that report should be informed to the Auditor General within 03 months after the receipt of the report. Although more than one year had lapsed after the issue of the report for the preceding year action had not been taken in terms of the above provision.</p>

- (c) Paragraph 1 and 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 that.
- (d) Financial Regulations (F.R.) of the Government of Sri Lanka.
- (i) F.R. 188(2) Action in respect of 26 unrealized cheques and money orders valued at Rs.124,725 had not been taken in terms of Financial Regulation.
- (ii) F.R. 371(2)(b) In granting and settling advances relevant provisions had not been complied with and the 44 balances of unsettled advances for periods ranging from 1 to 19 years as at the end of the year under review totalled Rs.1,309,046.
- (iii) F.R. 1647(a) Although motor vehicles and their equipment should be fully examined such an examination had not been carried out

1.2.8 Transactions not Supported by Adequate Authority

According to the decision of the Cabinet of Ministers No.1024 F/800/29 CD dated 30 November 1963. "Public Corporations" should formulate financial and administrative regulations without delay. Nevertheless, it had not been complied 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 leave and overtime allowance of officers but 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.

1.2.9 Transactions of Contentious Nature

A sum of Rs.12,329,726 in the year under review and a sum of Rs.9,952,915 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, software development, 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 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 and this matter had been discussed at the meeting of the Committee on Public Enterprises as well.

2. Financial review

2.1 Financial Results

According to the financial statements presented the operation of the Institute for the year ended 31 December 2011 had resulted in a the surplus of Rs.640,761 as compared with the surplus of Rs.480,323 for the preceding year. An increase of Rs.160,438 in the financial results for the year under review was shown as compared with the preceding year. Increase in the Hostel Occupation Charges amounting to Rs.1,070,558 had been the main reason for this improvement.

2.2 As a result of making adjustments for the paragraph 1.2.1 and 1.2.3 of this report a sum of Rs.5.5 million approximately would be adversely affected to the surplus of the year under review shown in the financial statements. As such the operating surplus of Rs.640,761 reported by the Institute would become a deficit due to the above effects.

3. Operating Review

3.1 Performance

3.1.1 Training Activities

(a.) According to the information made available, details of designed programs during the year under review and the preceding year are given below.

Particulars of Courses and the Year	No. of Courses Designed	No. of Courses Conducted	No. of Participants Selected	No. of Participants Completed Courses	No. of Dropouts
-----	-----	-----	-----	-----	-----
Certificate Courses					
2011	72	30	756	633	123
2010	78	30	890	733	117
Diploma Courses					
2011	09	06	245	208	37
2010	06	04	213	202	11

The following observations are made in this regard.

- (i.) Designed certificate courses not conducted in the year under review and the preceding year amounted to 48 and 42 respectively.
- (ii.) Designed diploma courses not conducted in the year under review and the preceding year amounted to 02 and 03 respectively.

- (iii.) Out of the selected persons for designed certificate courses for the preceding year, and the year under review, 117 and 123 persons had dropped out from the courses respectively.
- (iv.) Out of the selected persons for diploma courses planned in the year preceding year and the year under review, 11 and 37 persons had dropped out from the courses.
- (b.) Particulars of other programs conducted by the Institute during the year, as compared with the previous year are given below.

Description of Courses	Year 2011		Year 2010	
	No. of Courses	No. of Participants	No. of Courses	No. of Participants
Service beginners training programs	01	146	05	610
Capacity building training programs	11	396	06	233
Training of trainers programs	13	286	-	-
Post-graduate programs				
- completed	02	65	02	118
- Being conducted	05	155	06	231
Training consultancy services programs	46	1398	30	901

The following observations are made in this regard.

- (i.) A new Training of Trainers course had been introduced in the year under review and 286 persons had been trained in 13 courses.
- (ii.) 901 persons had been trained by 30 Training Consultancy Programs conducted in the year 2010 and 1398 persons had been trained by 46 courses in the year under review.

3.1.2. Conducting Lectures

- (a.) An internal consultant should deliver 45 lecture hours per month in designed training programs and a detailed summary of delivering lectures by internal consultant in the designed courses in the preceding year and the year under review is given below.

Year	No. Of Consultants	No. Of Lecture Hours to be Delivered During the Year	No. Lecture Hours Delivered	No. Of Lessened Hours (Variance)
2011	18	9,720	2,108	7,612
2010	15	8,100	2,560	5,540

The following observations are made.

- (i.) The Institute had lost 5,540 Lecture hours and 7,612 lecture hours in the previous year and the year under review respectively.
- (ii.) Total number of lecture hours allocated for a month had not been conducted by any of the consultants in the year under review and the preceding year and only 03 consultants had delivered lectures in the previous year in excess of half of the hours allocated for the year.
- (b.) According to the information made available, a detailed summary of lecture hours conducted by internal and external consultant in the year under review preceding year is given below.

Year	Internal Consultants		External Consultants		Total
	Designed Programs	Consultancy Programs (on Payments)	Designed Programs (on Payments)	Consultancy Programs (on Payments)	
	Lecture Hours	Lecture Hours	Lecture Hours	Lecture Hours	Total Hours

2011	2,108	2,520	4,115	4,172	12,915
2012	2,560	2,226	2,346	2,450	9,582

The following observations are made.

- (i.) Number of lecture hours conducted by internal consultants in the designed courses had decreased by 452 hours as compared with the previous year.
- (ii.) Number of lecture hours conducted in the consultancy programs on payment basis had increased by 294 hours in the year under review as compared with preceding year.
- (iii.) Number of lecture hours conducted by external consultants in designed courses had increased by 1769 hours in the year under review as compared with the previous year.
- (iv.) Number of lecture hours conducted by external consultants in consultancy programs had increased by 1722 hours in the year under review as compared with the preceding year.

3.2 Management Inefficiencies

The following observations are made.

- (a.) A sum Rs.8,620,447 had been given by the International Labour Organization to conduct 97 awareness programs on Public Enterprises regulations to the Public Servants. Although this program had been completed in the year 2008, a balance of Rs.2,000,000 had been retained in the accounts without being settled the relevant payments.
- (b.) Service charges of Rs.3,714,000 and Rs.292,709 had been paid to the Urban Development Authority and the Colombo Municipal Council respectively for the new building complex proposed to be constructed under 02 stages. However, the

construction work of the administrative building under stage II had been abandoned and as such a sum of Rs.2,615,738 paid thereon had become fruitless.

- (c.) Repair work of 13 rooms in the hostel closed for repairs since the year 2007 had not been completed even by the end of the year under review. As such, external hostel facilities had to be provided to the trainees of the Institute and a sum of Rs.43,440 had to be spent thereon in the year 2011.
- (d.) Action had not been to transfer the ownership 03 motors vehicles in the name of the Institute received from 02 projects in the years 1997, 2002 and 2008 even up to the end of the year under review.

3.3 Idle and Underutilized Assets

The following observations are made.

- (a.) Two bank savings accounts with balances of Rs.44,715 had remained idle for 04 years including the year under review without being utilized for any useful purposes.
- (b.) Material balances in the 02 main bank (current) accounts of the Institute had been retained during the year under review and the average monthly balance had been Rs.124,799,787.
- (c.) A three wheeler and a motor cycle had been parked without being utilized during the year under review.

3.4 Uneconomic Transactions

In terms of provisions in Municipal Councils Ordinance, the discount can be ascertained in paying rates before the due date relating to the year. However action had not been taken accordingly and as such the Institute had deprived of a discount of Rs.76,222.

Further, rates amounting to Rs.762,220 relating to the year under review had not been paid even by 30 July 2012 and as a result, it was observed in audit that the Institute had to pay 20 per cent of warrant/ surcharges amounting to Rs.152,440 to the Municipal Council.

3.5 Identified Losses

The following observations are made.

- (a.) Hostel Charges Institution amounting to Rs.633,150 relating to 05 officers for the period from 2004 to 2007 had not been recovered even up to the end of the year under review. It had not been included in the accounts as well.
- (b.) Even though the estimated cost of the training of trainers course amounted to Rs.9,942,625, the approval of the Treasury had been obtained only for Rs.3,493,320. The total expenditure of the course had been incurred by the Institute and conducted the course, and at the end of the course, foreign training had also been given to the 14 selected participants. It was revealed in audit that a sum of Rs.6,763,915 receivable from the Treasury for the training course had not been recovered even by 15 July 2012. 30 rooms of the hostel had been given to the trainers without charging any fees and as such the Institute had deprived of income which could be earned by the Institute.
- (c.) A sum of Rs.5,583,050 due from 40 applicants who had entered and participated in the post graduate and diploma programs had been written off from books in the previous year. The following observations are made in this regard.
 - (i.) Two applicants from whom course fees were due had admitted to the courses for the period 2008/2010 again.

- (ii.) Although a sum of Rs.6,750 receivable from one applicant had been written off, it was subsequently observed that he had over paid a sum of Rs.23,250 in excess of the course fees. The overpaid amount had not been refunded to him and also it had not been disclosed in the financial statement as payable.

3.6 Personnel Administration

The following observations are made.

- (a.) According to the personnel plan, 48 vacancies in 21 posts had been vacant as at the end of the year under review.
- (b.) Three persons had been employed in excess of the approved limit of 02 posts of Drivers and Computer Program Analyst in the personnel plan.
- (c.) Fourteen members of staff had obtained 224 days of no pay leave in excess of their annual leave entitlement. Of these 150 days of no pay leave had been obtained by 4 members of consultants recruited on contract basis.

3.7 Build up a Fund for the Provision of Employees Gratuity

Even though a provision of Rs.15,308,325 for gratuity for 62 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 and the provision as at the end of the year under review had increased to 92 persons and Rs.17,930,529 respectively.

4. Accountability and Good Governance

4.1 Corporate Plan

In terms of paragraph 5.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, a Corporate Plan should be prepared. In terms of paragraph 5.1.3 the Corporate Plan approved by the Board of Directors and updated should be presented along with the updated annual budget before 15 days of the beginning of the financial year. Nevertheless the corporate plan prepared the year 2011 and effective thereafter had been approved by the Board of Directors on 29 November 2011.

4.2 Internal Audit

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 Audit and Management Committee

The following observations are made.

- (a.) In terms of Section 7.4.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003 the Audit Committee should meet at least once in 03 months, but the committee meetings were not held during the year under review.

- (b.) According to the provisions of the above circular, a report on the performance of the Audit Committee should be included in the annual report of the Institute. Action could not be taken accordingly; as the committee meetings were not held.

5. Budgetary Control

The budget for the year under review had not been reviewed and up dated periodically. As such variances between the budgeted and actual income and expenditure ranging from 06% to 96% and 15% to 100% respectively were observed. Thus, it was observed that the budget had not been made use of as an effective instrument of management control.

5.1 Tabling the Annual Reports

Delays in tabling the annual reports in Parliament were observed in the previous years as well as the annual report for the year 2010 was tabled in Parliament on 07 June 2012.

5.2 System and Control

Weaknesses in systems and control 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.) Vehicles Utilization
- (e.) Advances
- (f.) Debtors and Creditors
- (g.) Personnel Administration
- (h.) Training Activities