

Postgraduate Institute of Science - 2010

1. Financial Statements

1.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Postgraduate Institute of Science had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 2.2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards give a true and fair view of the state of affairs of the Postgraduate Institute of Science as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1.2 Comments On Financial Statements

1.2.1 Sri Lanka Accounting Standards

Even though the depreciated value of 06 items of fixed assets costing Rs.30,014,191 as at 31 December 2010 had become zero, action had not been taken to revalue those assets which are continuously being used and brought to accounts in terms of Sri Lanka Accounting Standard 18.

1.2.2 Accounting Deficiencies

The following observations are made.

- (a) Six types of expenditure totaling Rs. 612,277 relating to the year under review and spent in the year 2011 had not been brought to account under accrual basis and as such the expenditure of the year under review and the expenditure creditors had been understated by that amount.

- (b) As the provision had not been made in the financial statements of the respective year for two items of expenditure totaling Rs.42,050 spent in the year 2011 for the preceding year, the accrual expenditure account and the value of capital fund account had been understated and overstated respectively by that amount.

1.2.3 Non-reconciliations

The total amount shown in the financial statements relating to 12 items of accounts was Rs. 26,926,186 while the total according to the relevant control accounts amounted to Rs. 26,887,458.

1.2.4 Accounts Receivable and Payable

- (i) Action had not been taken to recover the staff loan balance of Rs.245,081 remained outstanding for the period 2 to 7 years.

- (ii) Out of the audit fees of Rs.640,117 for the period from 2001 to 2007, a sum of Rs.9,685 had been outstanding even as at the end of the year under review.

1.2.5 Lack of Evidence for Audit

The following items of accounts could not be satisfactorily vouched or accepted in audit due to non-availability of evidence stated against each item.

Item	Value	Evidence not made available

Rs.		
(a) Library Books	9,724,162	(i) Register of accession (ii) Board of Survey Reports
(b) Fixed Assets (Cost)	122,614,025	(i) Register of fixed assets (ii) Schedules
(c) Research Grants	12,731,536	Progress Reports
(d) Foreign Travels - Researches	711,901	Recommendations for travelling and evidence for approval
(e) Disposal of Fixed Assets (Laboratory and learning equipment)	1,444,856	Cost of 54 items out of disposed fixed assets

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

The following non-compliances with the laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations etc.,	Non-compliance
-----	-----
(a) (i) Section 8(1) of the Finance Act, No. 38 of 1971	Even though the budget should be prepared and get approved by the Board of Directors before 3 months, action had not been taken accordingly in respect of the budget for the year under review.
(ii) Section 11 of the Finance Act No. 38 of 1971	Even though the approval of the relevant Minister with the concurrence of the Minister of Finance should be obtained for the investment of excess money of the Institute, it had not been complied with in respect of the investment of fixed deposits totaling Rs.118,307,817 shown in the final accounts of the year.
(b) Government Financial Regulations	
(i) F.R. 371 (2)(c)	(i) Although the ad-hoc imprests should be given only to staff officers, advances totaling Rs. 60,500 had been given to non-staff officers in 11 instances.

- (ii) Advances given by the Institute should be settled immediately after the purpose for which it was completed. Nevertheless, advances totaling Rs.515,692 given in 16 instances had been settled after a delay of 02 to 10 months.
- (iii) Advances of Rs.66,000 given in 3 instances had been settled without utilizing for any purpose after retaining in hand for the period ranging from 21 days to 07 months.
- (ii) F.R. 135, 136 and 137 Authorities had not been delegated to the officers of the Institute for the year under review.
- (c) Sub-section 2.2 of Chapter IX of the Establishments Code of the Democratic Socialist Republic of Sri Lanka Even though the public servants who do non-official work outside the office time by using the training obtained from public service should credit 10 per cent of the fees that they obtain to the Consolidated Fund, a sum of Rs.48,160 had not been so credited from 4 officers conducted lectures during the year under review.

- (d) Treasury Circular No. IAI/2002/02 dated 28 November 2002 and the letter of the Secretary to the Treasury dated 28 November 2002
- A Register of Fixed Assets had not been maintained in respect of the computers and accessories.
- (e) Decision No. 88-10-01 dated 18 September 2010 of the Board of Management of Postgraduate Institute of Science
- In making payments to resource persons for short term workshops, a sum of Rs.1,250 per lecture hour to a visiting lecturer, Rs.750 for practical training to a lecturer and Rs.400 to a demonstrator for GIS courses should be paid. Nevertheless, lecture fees of Rs.26,250 and the practical training fees of Rs.145,475 had been paid in excess of these limits.

1.2.7 Transactions not supported by Adequate Authority

The following observations are made.

- (a) Contrary to the Circular letter No. PE/1/174/11 (b) dated 10 March 1978 of the Director General of Public Enterprises, allowances of Rs.212,230 had been paid to officers who were not entitled for the second and third language proficiency allowances during the period 1997 to 2010.
- (b) Contrary to the Circular letter No. PD/INS/CLUS-A/078 dated 18 July 2003 of the Director General of Budget, contributions to the Employees Provident Fund and the Employees Trust Fund amounting to Rs.419,550 and Rs.83,910 respectively had been overpaid for the period 1998 to 2010 due to computation of contributions including the academic allowances.

- (c) An overpayment of Rs.80,062 had been made in 16 instances to the lecturers as a result of approving to pay Rs.25 per km by the Decision No. 74 of Board of Management in excess of mileage stated in Section 8.2 of Chapter XIV of the Establishments Code.
- (d) Over time allowance of Rs.59,974 had been paid to 5 officers in 18 instances in excess of the approved 84 hours.
- (e) Action had not been taken to settle a sum of Rs.21,052 incurred by the Fund of the Institute for 4 research projects due to insufficient provisions.

1.2.8 Transactions of Contentious Nature

The following observations are made.

- (a) The grant of Rs.4,646,980 had been given to conduct a research during the period of 3 years since 12 January 2005 by the Executive Director of the Sri Lanka Agricultural Policy Council and the Director of the Postgraduate Institute of Science for the use of the substituted named as "Ranila Sara Armakulaka" in place of fertilizer for the Soya bean plantation. As a result the Institute had produced and distributed that substitute since the year 2008 in place of urea fertilizer. However action had not been taken to make legal provision to the existing Act by which the Institute was established to enable the Institute to manufacture such a product or to run a business.

- (b) Income and expenditure for the period from the starting year to 2007 of the Rysobium project which commenced in the year 2005 had not been brought to accounts due to lack of proper supervision and administration. Even though the Rs.3,883,350 of income earned and the Rs. 4,054,035 of expenditure for the period from 2008 to 2010 respectively had been shown under research grants, the financial statements for this project had not been separately prepared, as this project was a commercial activity.
- (c) According to the Rates of Payment document in respect of the workshops, seminars and short term courses of the Postgraduate Institute Science effective from 19 January 2010 the approval had been granted to pay an honorarium payment of Rs.6.25 per km as travelling expenses. Contrary to that, a sum of Rs.64,500 had been paid to 2 lecturers as transport expenses in 14 instances for 7 short term courses on the basis of budgeted values.

2. Financial and Operating Review

2.1 Financial Review

2.1.1 Financial Results

According to the financial statements presented, the operation of the Institute for the year ended 31 December 2010 had resulted in a surplus of Rs.5,639,112 before taking into account the government grants for recurrent expenditure. This surplus had increased to Rs.19,639,112 after taking into account the government grants of Rs.14,000,000, as compared with, corresponding that the surplus for the preceding year had been Rs.9,647,381 before taking in to account the government grants for recurrent expenditure and this surplus had increased to Rs.19,447,381 after taking into account the government grants of Rs.9,800,000 received for recurrent expenditure.

2.2 Operating Review

2.2.1 Performance

Out of the number of students registered in each year during the period from 2004 to 2010, the number of students who could not complete the post graduate degree up to 24 May 2011 had been between 10% and 76% of the registered students. Particulars are given below.

Year	Number of Students registered	Number of Students who had not completed the Postgraduate Degree by 24 May 2011	Percentage
-----	-----	-----	-----
2004	277	27	10
2005	159	27	17
2006	385	149	39
2007	351	202	57
2008	330	251	76
2009	187	Not completed the Thesis	-
2010	300	Lectures of the Course not completed	-

2.2.2 Underutilization of Funds

The balance of Rs.1 ,226,191 remained unutilized out of grants received for 21 external research projects relating to the period 2004 to 2008 had remained in the research grants account.

2.2.3 Corporate Plan and Action Plan

Even though a Corporate Plan and an Action Plan had been prepared for the years from 2010 to 2015 the annual budgets required for the implementation of those plans had not been prepared and as such those plans had become only to the documents.

2.2.4 Uneconomic Transactions

The following observations are made.

- (a) Even though assets should be purchased under the competitive quotations by publishing a newspaper advertisement in terms of Section 3.2.2 (a) of the Procurement Guidelines action had been taken to purchase 73 computers valued at Rs.6,482,745 contrary to this procedure.
- (b) Even though 4 direct telephone lines had not been used by the computer centre of the Institute for the last several years, a sum of Rs.58,707 had been spent therefore.

2.2.5 Cadre

A human resources budget had not been prepared in terms of Paragraph 9 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

2.2.6 Budgetary Control

Significant variances were observed between the budgeted figures and actual figures as given below thus indicating that the budget had not been made use of as an effective instrument of management control.

- (i) Even though the estimated provision of Rs.13,670,000 had been made for the five items of expenditure, any expenditure had not been incurred and saved the entire provision.
- (ii) Even though an expenditure of Rs.8,225,000 had been incurred in excess of the estimated provisions relating to 6 expenditure items ranging from 4 percent to 264 percent, a proper approval therefore had not been obtained.
- (iii) There were savings of Rs.7,847,000 under 7 items of expenditure representing 15 percent to 64 percent.

3. Systems and Controls

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

- (a) Accounting
- (b) Fixed Assets Control
- (c) Conducting Workshops and Short Terms Courses
- (d) Payment of Advances
- (e) Maintenance of Registers
- (f) Internal Control
- (g) Progress of Research Projects