

## **National Institute of Social Development – 2015**

---

The audit of financial statements of the National Institute of Social Development for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 18 of the National Institute of Social Development Act, No.41 of 1992. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 14((2)(c) of the Finance Act, appear in this report.

### **1.2 Management’s Responsibility for the Financial Statements**

---

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor’s Responsibility**

---

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI-1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **1.4 Basis for Qualified Opinion**

-----

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

### **2. Financial Statements**

-----

#### **2.1 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 National Institute of Social Development as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **2.2 Comments on Financial Statements**

-----

##### **2.2.1 Accounting Deficiencies**

-----

The following observations are made.

- (a) Even though the Institute had shown the Government capital grants in a separate account of the financial statements even up to the year 2014, that balance of Rs.4,109,392 brought forward at the beginning of the year under review had been adjusted and shown in the Accumulated Fund. Similarly, the total capital grant amounting to Rs.11,250,000 received for the year under review had been taken into the income of the year under review. As such, the surplus of the year had been overstated by the same amount.
- (b) Out of the fees received for courses which had been conducted and completed by the year under review, the relevant expenditure had been deducted and the resulting surplus of Rs.13,364,818 had been shown under current liabilities instead of being credited to the income.
- (c) Even though the cheque valued at Rs.276,765 issued for the purchase of library books during the year under review had been cancelled, it had not been brought to account.
- (d) Even though the fully depreciated motor vehicle costing Rs.650,000 had been disposed of for a sum of Rs.550,500 during the year under review, only the elimination of the cost and accumulated depreciation of the asset from books had been brought to account. However, in the preparation of the Cash Flow Statement, the cost of the asset had been shown erroneously as a cash receipt and deducted from the amount of depreciation for the year.

## 2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

---

The non-compliances with laws, rules, regulations etc. are given below.

| <b>Reference to Laws, Rules, Regulations, etc.</b>  | <b>Non-compliance</b>  |
|---|--|
| (a) Treasury Circular No.842 of 19 December 1978.   | The Register of Fixed Assets had not been updated.   |
| (b) Chapter 04 of the Government Procurement Guidelines 2006<br>(i) Guideline 4.2.1 (b) and (c) | Even though the procurement activities envisaged at least for a period of 03 years should be listed in the Master Procurement Plan and procurement activities for the immediately succeeding year should be prepared in detail, it had not been so done. |
| (ii) Guideline 4.3 (a)  | A total cost estimate including all associated costs had not been prepared by the Institute.   |

## 2.4 Transactions not supported by Adequate Authority

---

A contribution allowance of Rs.8,195,810 including the **lectures and course coordinating fees for various** courses conducted by the Institute during the year under review, had been paid to 95 officers in the Academic Staff without the approval of the Department of Management Services.

## 3. Financial Review

---

### 3.1 Financial Results

---

According to the financial statements presented, the financial result of the Institute for the year ended 31 December 2015 had been a surplus of Rs.10,428,163 as against the deficit of Rs.907,191 for the preceding year, thus indicating an improvement of Rs.11,335,354 in the financial result of the year under review as compared with the preceding year. Even though employees' benefits including the salaries and wages and the expenditure on establishment and administration of the year under review had increased by Rs.19,641,062, the increase in the Government grants by Rs.31,694,961 had been the main reason for the above improvement.

An analysis of financial results of the year under review and 04 preceding years revealed a continuous financial deficit from the year 2011 to the year 2014 and it had become a financial surplus in the year 2015. However, taking into consideration the employees' remuneration

and provisions for depreciation on the non-current assets, the contribution of the Institute had taken a positive value of Rs.25,805,180 in the year 2011 and it had continuously improved up to Rs.80,239,014 in the year 2015.

#### **4. Operating Review**

-----

##### **4.1 Performance**

-----

The following functions should be discharged in terms of Section 03 of the National Institute of Social Development Act, No.41 of 1992.

- (a) Advise the Minister regarding plans, programmes and activities for the development of social work and social development education.
- (b) Conduct undergraduate and postgraduate courses in social work and social development and conduct and promote studies on the social welfare system and social development programmes.
- (c) Initiate and promote innovative practices in the social work and the social, development education system, inclining adaptation of technology.
- (d) Provide for the development of professional and managerial competence of personnel in the social welfare system.
- (e) Make available to the Government and other approved organizations, specialist services in social work and social development and co-operate with other institutions having similar objectives.

The following observations are made in respect of the Action Plan and the Performance Report prepared for 04 main Divisions.

##### **(a) School of Social Works**

-----

- (i) The number of students registered for the Social Work Degree in three languages from the year 2013 to the year 2015 had decreased by 30 per cent as at the end of the year under review.
- (ii) The performance in respect of the fulfillment of functions of 06 programmes of the Field Work Division, had not been indicated.

##### **(b) Training Division**

-----

- (i) The Training Division had planned to conduct 58 courses and short term training programmes and only 49 programmes had been completed.

- (ii) Five short term training programmes, 03 Diploma Courses, 03 Certificate Courses and 02 training programmes for internal officers, targeted to be achieved, had not been conducted in the year under review.

(c) **Social Development Policy, Research and Publication Division**  
-----

Formulation of Social Development Policies, carrying out researches and launching the publications are carried out by this Division and a sum of Rs.4,330,000 had been allocated for 15 programmes under the Action Plan of the year under review. However, the Programme on Improvement of Researches due to be conducted in the Anuradhapura, Ranna and Ampara Training Centres and the Research Project on Community Based Aged Care System planned for 02 years from 2015 – 2016 had not been carried out in the year under review.

**4.2 Management Activities**  
-----

The following observations are made.

- (a) The Institute had not taken action to provide an adequate training to Research Officers who are the Field Officers for the improvement of the knowledge in respect of collection of data, modern methods for selection and analysis of data and the usage of computers relating to that.
- (b) A female Lecturer of the Institute who was in the service, had left from the service and joined another institution as a Lecturer. Even though the consent had been given to transfer the sum of Rs.1,783,699 recoverable for study leave with pay, received by her, to the second Institution in terms of Agreements, necessary action had not been taken thereon. Moreover, action had not been taken to recover from Guarantors as well.

**4.3 Idle and Underutilized Assets**  
-----

Even though the Kelaniya Students Hostel of the Institute of Social Development has the capacity for providing accommodation for 20 persons, only 04 female residential students had taken accommodation in the year 2015.

**4.4 Staff Administration**  
-----

The following observations are made.

- (a) The officer, who had been selected and appointed at the interview on 21 February 2013 as the Director which is a permanent post of the Social Service School, had been transferred to the Social Development Policy and Research Division in the year under review.

- (b) The post of Director (Financial Control) of the Institute had been vacant since the year 2014. Instead of recruiting an eligible officer to the post, an officer who did not have qualifications stipulated in the Scheme of Recruitment had been appointed on acting basis and a sum of Rs.221,878 had been paid from the year 2014 to the end of the year under review.
- (c) Even though a sum of Rs.6,166,895 had been paid as annual salaries of 11 officers in the academic staff which consists of 10 Training Officers and the Director of the Training Division, these officers had spent only 82 week days for 32 short term training programmes conducted on week days. Accordingly, confirmation of the duties performed by these officers on the remaining week days had not been made.
- (d) Vacancies existed as 24 per cent and 11 per cent in the academic and non-academic staff of the Institute respectively.

## **5. Accountability and Good Governance**

-----

### **5.1 Corporate Plan**

-----

A Corporate Plan had not been prepared so as to cover 04 ensuing years since the year 2015 in terms of Section 5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

### **5.2 Action Plan**

-----

Four programmes of the School of Social Works, 03 programmes of the Training Division and 04 programmes of the Social Development Policy, Research and Publication Division included in the Corporate Plan prepared to cover from the year 2011 to the year 2015 had not been included in the Action Plan of the year under review.

### **5.3 Budgetary Control**

-----

Even though the Institute had collected a sum of Rs.30,445,887 by conducting courses in the year under review, the income expected to be earned by conducting courses had not been included in the budget prepared for the year 2015. Moreover, the Institute uses the earnings of the Institute in addition to the Treasury provisions for expenses. However, the details relating to that had not been included in the budget, thus indicating that the budget had not been made use of as an effective instrument of management control.

### **5.4 Procurement Plan**

-----

The following observations are made.

- (a) Even though a sum of Rs.7,000,000 had been allocated by the Procurement Plan prepared for the year under review for the improvement of capital assets, the utilizations during the year had been Rs.4,222,842 or 60 per cent.

(b) A sum of Rs.6,929,273 exceeding the sum of Rs.6,000,000 allocated by the Procurement Plan for the purchase of capital assets, had been spent during the year under review.

(c) Goods and services valued at Rs.2,714,429 had been purchased for the Head Office and to Regional Centres deviating from the Procurement Plan of the year 2015.

## 6. Systems and Controls

-----

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

| Areas of Systems and Controls | Observations  |
|-------------------------------|---|
| -----                         | -----   |
| (a) Accounting                | Erroneous Accounting.   |
| (b) Budgetary Control         | The income earned in addition to the Treasury Provisions had not been taken into account in the preparation of the budget.  |
| (c) Staff Administration      | Existence of vacancies in the staff, non-appointment of officers on proper qualifications, failure in training the officers and evaluating the duty hours properly. |
| (d) Funds Control             | Existence of underutilized surplus funds.   |