

National Building Research Organization  
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1. Financial Statements  
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1:1 Qualified Opinion  
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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 Building Research Organization 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  
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1:2:1 Accounting Deficiencies  
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The following observations are made.

- (a) Even though the Landslide Research and Risk Management Division of the Organizations had completed 03 projects valued at Rs.112,760 during the year under review, those had been shown under the work-in-progress.
- (b) Even though a sum of Rs.13,158,334 should be receivable from the Pradeshiya Sabhas in connection with the special landslide inspections carried out by the Landslide Research and Risk Management Division, only a sum of Rs.10,920,000 had been received in the year under review. The Organization had not formulated a methodology for the recovery of arrears.

1:2:2 Unreconciled Control Accounts  
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Reconciliation of the income shown in the financial statements for the year under review with the Register of Income of the Geo-Technology Engineering Division and the Human

Habitats and Environmental Division presented revealed an understatement of Rs.2,009,692 and an overstatement of Rs.205,302 respectively.

1:2:3 Accounts Receivable  
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The accumulated debtors balance as at the end of the year under review amounted to Rs.30,049,397 and a sum of Rs.17,676,718 had been balances existing from the year 2010.

The following observations are made in this connection.

- (a) Even though letters of confirmation of balances had been sent to 36 debtors totalling Rs.16,543,144, out of that 32 debtors totalling Rs.15,846,254 had not confirmed the balances.
- (b) The debtors balances totalling Rs.12,372,679 existing from the years 1991 to 2009 included balances totalling Rs.10,399,350 receivable from 37 institution in the State Sector and balances totalling Rs.1,973,328 receivable from 90 institutions in the Private Sector and those balances had not been recovered even by 31 December 2013.
- (c) The Organization had spent a sum of Rs.10,500,000 exceeding the money received from the Treasury for the purchase and research work in the preceding year. The money so spent in excess had been shown as Treasury grants receivable in the financial statements for the year 2011 and the year under review.

1:2:4 Lack of Evidence for Audit  
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The evidence indicated against the following items of account had not been furnished to audit.

Item -----	Value ----- Rs.	Evidence not made available -----
(a) Salaries and Wages	86,126,185	Register of Salaries and Wages
(b) Income from Issue of Conformity Certificate	15,009,258	Income Statements of District Offices

(c) Interest on Fixed Deposits	498,411	File on Fixed Deposits, Register of Fixed Deposits, Notes on Accounts on Fixed Deposits
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1:2:5 Non-compliance with Laws, Rules, Regulations and Management Decisions

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The following non-compliances were observed during the course of audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
(a) Establishments Code Chapter XII Section 22.4	The particulars of no-pay leave obtained by the officers of the Organization had not been furnished to the Auditor General.
(b) Financial Regulations Financial Regulation 1646	The Daily Running Charts and the Monthly Performance Summaries of 16 pool motor vehicles of the Organization in respect of October to December of the year under review had not been furnished to audit.
(c) Public Administration Circular No. 41/90 of 10 October 1990.	The fuel consumption of 16 motor vehicles of the Organization had not been tested.
(d) Circulars of the Organization Internal Circular No. NBRO/1A/CIA/2011/03 dated 07 April 2011 of the National Building Research Organization	A sum of Rs.772,199 had been paid in 23 instances to suppliers for 05 hired motor vehicles used for running by the Organization contrary to the circular provisions.

2. Financial Review

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2:1 Financial Results

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The operations of the Organization for the year under review had resulted in a surplus of Rs.21,461,664 as compared with the corresponding surplus of Rs.15,406,703 for the preceding year, thus indicating an improvement of Rs.6,054,961 in the financial results. The improvement in the financial result had been mainly due to the Government Contribution for mitigation of landslides made during the year under review.

2:2 Analytical Financial Review

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The income of the Organization for the year under review amounted to Rs.208 million and that income included Rs.62 million representing the Government contribution. The above income as compared with the income of Rs.181 million for the preceding year indicated an improvement of 15 per cent.

3. Operating Review

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3:1 Performance

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The main mission of the Organization is the mitigation of disaster risks and the promotion of research and development activities for making a safe environment and the supply of technological contribution while the key function had been the mapping of the zones vulnerable to landslide disasters and the maintenance of landslides mitigation projects. The overall information on the performance achieved by the Organization in the execution of the mission and functions during the year under review is given below.

(a) Project for the Stabilization of the Gradient Regions highly Vulnerable to Landslides and Collapse of Hills

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Five sub-projects had been implemented under the main Project for the stabilization of the Gradient Regions highly Vulnerable to Landslides and Collapse of Hills of the Nuwara Eliya, Kany, Badulla and Matale Districts. The

Treasury had approved a sum of Rs.150 million for the Project for the years 2009 to 2011. Provision of Rs.160.05 million had been made again in the year 2012 in respect of the works that could not be completed due to bad weather conditions and the non-receipt of financial provision properly.

The following observations are made in this connection.

- (i) Out of the 05 projects referred to above, the first sub-project for the stabilization of the risky areas in the Nuwara Eliya, Walapane and Hanguranketha Regions had been abandoned.
- (ii) Even though an estimate of Rs.150.93 million had been made for the mitigation of disaster risks under the balance 04 sub-projects according to the Performance Report a sum of Rs.157.98 million had been spent thereon during the years 2009 to 2012. Nevertheless, provision of Rs.137.32 million for those projects had been received from the Treasury in the years 2009 to 2012 and the expenditure according to the financial statements amounted to Rs.139.67 million. As the total expenditure appearing in the Performance Report had not been included in the financial statements and as such the total expenditure of the Project had been understated a sum of Rs.18.31 million.
- (iii) The Director General of the Department of National Planning had instructed that the first project should be stopped and the provision allocated for that should be added to the projects 02 and 03 and that all expenditure should be managed within the initially approved provision of Rs.150.93 million. Nevertheless, the value of the revised estimate had increased to Rs.160.05 million.

(b) Issue of Conformity Certificates for Constructions  
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The Organization had identified the areas vulnerable to disaster risks in 10 districts and had issued 11,288 Conformity Certificates for construction works. The income and expenditure in that connections are given below.

Year	Income	Expenditure	Loss as a Percentage of Income
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	Rs.	Rs.	%
2011	10,661,974	21,783,022	104
2012	15,009,258	30,637,970	104

The following observations are made.

- (i) Accounts had not been prepared in a manner facilitating the identification of the income received and the expenditure incurred by each District Office. As such the districts which collected lesser income and those incurred the highest expenditure could not be identified therefrom.
- (ii) The Organization had rejected the issue of permission for the construction of 89 buildings in 10 districts during the year under review and a methodology for follow up to ascertain whether the buildings had been constructed subsequently on such unapproved sites had not been formulated by the Organization.

(c) Project for Mitigation of Landslides of Gerandi Ella

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The project for Mitigation of Landslides of Gerandi Ella in the Division of the Kotmale Divisional Secretariat of the Nuwara Eliya District estimated at Rs.93.01 million had been commenced for implementation during the years 2012 to 2015. The supply of funds for the year 2012 had been made by the Disaster Management Centre.

The estimated value of this Project for the year under review amounted to Rs.27.56 million and due to the delay in the receipt of funds, the performance as at 31 December 2012 amounted to Rs.14.82 million. As such, out of the work for execution during the year 43.73 per cent had not been completed.

(d) Mapping of Zones Vulnerable to Landslide Disaster  
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The project for Mapping of the Zones Vulnerable to Landslide Disaster is a project under implementation from the year 1990 to 30 November 2013. Maps in the scales of 1:10,000 and 1:50,000 are prepared for the identification of the spread of landslides. A sum of Rs.349 million had been received from the year 1990 to the year under review and out of that Rs.347 million had been spent.

The following observations are made.

- (i) Even though maps in the scale of 1:10,000 of 5,883 square kilometres in 10 districts should have been prepared from the year 1990 to the year 2012 it had not been possible to complete the mapping in 03 Districts.
- (ii) Even though maps in the Scale of 1:10,000 of 640 square kilometres of the Kalutara District had been scheduled for completion from the year 2006 to the year 2008, that work had not been completed even during the year under review.

3:2 Staff Administration  
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Even though the Scheme of Recruitment for the posts of the Organization had been approved by the Department of Management Services on 02 March 2012, the number of vacancies as at 31 December 2012 had been 62. The number recruited for posts on contracts basis had been 29.

The following observations are made.

- (a) A Director of the Organization had been appointed from February 2011 to act in the post of Director General and a permanent officer for the post had not been appointed even up to 30 June 2013.
- (b) Officers had been recruited on 30 June 2013, for 04 posts of Directors out of 07 posts of Directors of the Organization which remained vacant for about 05 years. Heads of Divisions had been appointed to act in the 03 vacant posts.

- (c) The approved posts of Management Assistant (non-technical) and the number of semi-skilled labourers of the Organization had been 46 and 48 respectively and the actual staff had been 35 and 41 respectively while 15 and 20 respectively had been recruited on contract basis. As such recruitment exceeding the approved staff had been made for those posts.

4. Accountability and Good Governance  
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4:1 Budgetary Control  
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Significant variance between the budgeted and the actual expenditure were observed thus indicating that the budget had not been made use of as an effective instrument of management control.

5. Systems and Controls  
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Deficiencies observed during the course of audit were brought to the notice of Director General of the Organization from time to time. Special attention is needed in respect of the following areas of control.

- (a) Debtors Control
- (b) Accounting
- (c) Staff Administration
- (d) Project Management
- (e) Budgetary Control