

National Institute of Social Development

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 Social Development 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

1:2:1 Accounting Deficiencies

The following observations are made.

- (a) Even though the income from distress loans amounting to Rs.443,345 received in respect of the years 2003 to 2011 should have been adjusted to the Accumulated Fund, that had been brought to account as income for the year 2012 and as such the loss had been understated by that account.
- (b) A sum of Rs.1,098,451 out of the Government grant received from the Treasury for the capital expenditure of the year under review had been utilized for recurrent expenditure.
- (c) A sum of Rs.658,990 spent on the rent of buildings for the year under review had been capitalized.
- (d) A sum of Rs.117,500 spent for the partitioning of the bedrooms and the office rooms of the Talawa building had been brought to account as expenditure instead of being capitalized.

1:2:2 Accounts Payable

Payables amounting to Rs.4,615,282 existing over periods from 01 year to 06 years had been shown under in accounts payable in the financial statements without taking action to settle the accounts even by 05 March 2013.

1:2:3 Lack of Evidence for Audit

The following items could not be satisfactorily vouched in audit due to the unavailability of evidence indicated against each item.

Item -----	Value -----	Evidence not made available -----
(a) Fixed Assets		
(i) Land at Talawa	--	Long Term Permit
(ii) Office Equipment	12,191,504	Registers of Fixed Assets and Detailed Schedules
(iii) Machinery	11,428,444	
(b) Between 01 year to 03 years		
(i) Library Deposits	265,825	Registers of Deposits and Detailed Schedules
(ii) Hostel Deposits	20,806	
(iii) Sundry Deposits	2,348	
(iv) Consultancy Programme	5,500	
(v) M.S.W. Programme	44,000	
(vi) Other Deposits	69,000	
(c) Journal Entries	78,590,568	Formally certified Journal Vouchers

1:2:4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Non –compliances with laws, rules, regulations, etc. observed during the course of audit are given below.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
---	----------------

(a) Financial Regulations

(i) Financial Regulation 751

Forty eight items of goods belonging to the Female Students Hostel at Kelaniya had not been recorded in the Inventory Register.

(ii) Financial Regulation 755

Even though the goods in the charge of an officer transferred out should be handed over to the successor, the library books relating to the Librarian in service at present had not been so handed over.

(iii) Financial Regulation 756 and Financial Regulation 1677(b)

An annual survey of the motor vehicles had not been conducted and reports submitted to the Auditor General.

(iv) Financial Regulation 757

Even though the work of the Board of Survey should be commenced only after the balancing of the stock book and handing over to the Board of Survey, it had not been so done in connection with the Hostel at Kelaniya.

(v) Financial Regulation 772

Action under the Board of Survey Report for the year 2011 had not been taken for the elimination of 08 items of unusable goods through a suitable course of action.

(vi) Financial Regulation 1645 The Log Books of 07 motor vehicles had not been maintained properly by updating.

(vii) Financial Regulation 1645 (b) and (c) The Monthly Performance Report had not been prepared by systematic and proper maintenance of Daily Running Charts.

(b) Public Administration Circulars

(i) Circular No. 41/90 of 10 October 1990. Even though the fuel tanks of the pool motor vehicles of the Institute should be filled in the presence of a Staff Officer it had not been so done.

(ii) Paragraph 05 of Circular No. 13/2008 of 26 June 2008. When additional fuel is obtained for additional posts held, an application indicating special duties should be made. But it had not been so done.

(iii) Circular No. 22/99(ii) of 27 December 2004. Even though a sum of Rs.500 should be recovered from the Director General for the use of official motor vehicle for private travel, a sum of Rs.350 only had been recovered. Even though a sum of Rs.350 should be recovered monthly from the Director of Finance of the Institute from the date of allocation of motor vehicle, it had not been recovered.

(c) Public Enterprises Circulars

Section 8.2.2 of Circular No. PED/12 of 02 June 2003. Even though the temporary surplus funds of the Institute should be invested in call deposits or short term deposits, surplus funds of the Institute amounting to Rs.3 million had not been so invested.

1:2:5 Transactions not Supported by Adequate Authority

The Cabinet of Ministers had granted the approval on 05 April 2006 for the appointment of a Professor for a period of one year from 03 April 2006 to function as the Academic Head of the Institute. Accordingly the services which commenced on 10 April 2006 should have been completed by 09 April 2007. Nevertheless, a sum of Rs.1,430,215 had been paid as the allowances and from that date up to March 2012 without the approval of the Department of Management Services and the Cabinet of Ministers.

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the working of the Institute for the year ended 31 December 2012 had resulted in a deficit of Rs.5,228,093 as compared with the corresponding deficit of Rs.9,445,973 for the preceding year, thus indicating a decrease of Rs.4,217,880 in the deficit for the year under review as compared with the preceding year.

3. Operating Review

3:1 Performance

The following observations are made.

- (a) A Performance Report containing the physical and financial information for the overall Institute as at the end of the quarters and as at the end of the year had not been prepared in terms of the Annual Action Plan.
- (b) The Action Plan for the year 2012 had not included the plans for implementation at the Talawa Training Centre at Anuradhapura and the Hostel at Kelaniya of the Institute during the year 2012.

- (c) Even though the information on the activities to be carried out in the year 2012 in the Academic, Training and Social Development Policies and the Library Divisions had been included in the Action Plan presented for the year 2012, the budget estimates on the expenditure thereon had not been furnished.
- (d) Registration of students of 05 batches of the Diploma on Social Work relating to the Academic Years 2003-2005 and 2009-2011 had decreased by 54 per cent while the average percentage of students receiving the Certificates out of the students registered had been 67 per cent.
- (e) Even though the training period of 1 ½ years of 05 Diploma Courses in Counseling implemented by the Training Division in 05 Centres had been completed, the training on academic fields had not been completed within the specified period.
- (f) Out of the programmes expected for implementation by the Social Development Policy Research and Publication Division in the year 2012, the targets of the following Programmes had not been achieved.
 - (i) Even though the collection of information of the students who left during the preceding 30 years (1980-2010) through a survey of the practitioners of social work who had followed the courses had been targeted information only from 342 practitioners had been collected.
 - (ii) Even though the target of collection of information on the elders community in 225 elders' homes had been planned for achievement under the research on the collection of information on the Elders' Homes in Sri Lanka relating to the Data Bank, the information on 98 Elders' Homes only had been collected. The Director General informed that it was due to the lack of response to the letters sent.
 - (iii) Requirements Assessment and Research implemented in connection with the Meth Sevana Detention Home had not been implemented.
 - (iv) The one day seminar on Social Work and Research had not been conducted.
 - (v) The part-time course on Research Methodologies on Social Work had not been conducted.

(g) Library

Even though the following activities had been planned according to the Action Plan for the year 2012 those activities had not been executed in the year 2012.

- (i) Computerization of all the books in the Library of the National Institute of Social Development and transform to an automated library in the year 2012.
- (ii) Connection with the National Library and the other libraries in collaboration with the Union Index.
- (iii) Internationalization of the library through giving the details of library books to the Internet.
- (iv) The library is being used at present by 450 readers and the Investigation Division has about 500 books in Sinhala, Tamil and English. But library accommodation only for 06 persons at a time had been provided for investigation activities.

(h) Common Facilities provided for Students of the Institute

Education and training should be provided to the students for the achievement of objectives spelt out in the National Institute of Social Development Act, No. 41 of 1992. The Institute carried out educational activities for about 1,300 students. Nevertheless, the accommodation for lecture halls, canteen facilities, sanitary service facilities, accommodation for educational activities had been at an inadequate level. The students had been inconvenienced due to these reasons.

3:2 Management Inefficiencies

(a) Board of Survey

The following observations are made.

- (i) Even though a physical balance of 144 items of goods had been recorded at the Board of Survey of the Talawa Training Centre there was no possibility of ascertaining an excess or shortage as the balance according to the ledger had not been shown.
- (ii) The Board of Survey Report furnished for the Women's Hostel at Kelaniya did not include the actual balance verified in connection with 48 items. As such the excesses and shortages had not been checked.

3:3 Operating Inefficiencies

The following deficiencies in the library administration and use of books were observed.

- (a) The books purchased had not been recorded in the Accession Register.
- (b) Certain books had not been verified.
- (c) The Board of Survey Formats relating to books had not been properly completed.
- (d) The academic/ non-academic staff and the students had not returned the books to the library over long periods.
- (e) The students who had abandoned the courses and the employees who had resigned had not returned the books.
- (f) The academic/ non-academic staff had borrowed books exceeding the limit of borrowing.

3:4 Underutilisation of Funds

It was observed that interest income amounting to Rs.108,794 of the Daniel Sanders Fund established for the grant of bursaries to the students of the Social Work Diploma Course who obtain the highest marks had been idling as at 31 December 2012.

3:5 Idle and Underutilised Assets

The following observations are made.

- (i) Ten deck beds and 40 folding steel chairs in usable condition had been stored without being used for more than 05 years in the store room in the Women Students Hostel at Kelaniya.
- (ii) Even though 28 students could be accommodated in the hostel buildings of the Kelaniya Hostel, only 04 students had been provided accommodation by 07 February 2013. As such 24 beds and accommodation therein had been underutilized.

3:6 Uneconomic Transactions

The following observations are made.

- (a) According to the newspaper advertisement published on 04 December 2011 the number expected for recruitment had been for 18 vacancies. The persons selected by conducting Viva Voce Tests for the applicants who responded to the advertisement had not been recruited. As such the expenditure of Rs.362,826 incurred on the newspaper advertisement and other expenses had become fruitless.

Even Hough the persons selected for recruitment from the first viva voce test had not been recruited, contrary to that, seven persons had been recruited by conducting viva voce tests for other persons called by a public notice.

- (b) Fuel expenses amounting to Rs.8,500 had been incurred in the auction of an item of goods of the Training Centre at Talawa with an estimated value of Rs. 25 for Rs.30.
- (c) Even though a land 32 acres 2.8 perches in extent had been obtained for the establishment of the National Institute of Social Development at Talawa in Anuradhapura in accordance with the approval of the Cabinet of Ministers dated 25 September 1998 and a two storeyed building was constructed at a cost of

Rs.15,963,409 in the year 2002, the Institute had not been shifted to that place. As the balance portion of the land had been idling without being used for any development work, leaving out 10 acres, the balance portion of the land had been recovered by the Divisional Secretary, Talawa in the year 2010. The Department of Buildings had confirmed that the walls of the building had developed cracks as it had not been constructed according to the accepted standards. Even though the Farmers' Organization had repaired the cracks at a cost of Rs.281,271, those had cracked again by August 2012.

3:7 Identified Losses

A shortage of 03 books valued at Rs.21,830 was observed at the test check of library books carried out.

3:8 Staff Administration

The staff of the Institute as at 31 December 2012 had been as follows.

Staff	Approved Number	Actual Number	Number of Vacancies
-----	-----	-----	-----
Academic	58	24	34
Non-academic	57	44	13
	---	---	---
Total	115	68	47
	====	====	====

4. Accountability and Good Governance

4:1 Budgetary Control

Variances between the income and expenditure in the revised estimates of the budget and the actual income and expenditure ranging from 18 per cent to 86 per cent were observed. Thus it was observed that the budget had not been made use of as an effective instrument of management control.

5. Systems and Controls

The special attention of the Institute should be drawn on the deficiencies in the systems and controls revealed in the following areas.

- (a) Control of Motor Vehicles
- (b) Assets Control