

## **Arthur C Clarke Institute for Modern Technologies - 2010**

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### **1. Financial Statements**

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#### **1.1 Opinion**

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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 Arthur C Clarke Institute for Modern Technologies 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 1.2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Arthur C Clarke Institute for Modern Technologies as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

#### **1.2 Comments of Financial Statements**

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##### **1.2.1 Best Accounting Practices**

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The following non-compliances were observed in audit.

- (i) A statement of changes in equity had not been submitted along with the financial statements.
- (ii) All the accounting policies adopted by the Institute had not been disclosed in the financial statements.
- (iii) Action had not been taken to revalue and bring to account 06 vehicles which were in running condition and were fully depreciated.

### 1.2.2 Accounting Deficiencies

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The following accounting deficiencies were observed.

- (i) Interest income on investment of Treasury Bills amounting to Rs.35,192 had not been brought to account.
- (ii) Investment on Treasury Bills amounting to Rs.10 million which should have been brought to account under non - current assets, had been brought to account as an asset under cash and cash equivalent.
- (iii) Although expenditure amounting to Rs.4,376,575, Rs.1,215,436 and Rs.1,267,669 had been shown in the accounts as course expenditure, project expenditure and vithatha programme expenditure respectively, the details of classification of expenditure were not made available.

### 1.2.3 Accounts Receivable and Payable

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The following observations are made.

- (a) Accounts Receivable
 

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  - (i) A sum of Rs.267,136 receivable for conducting Vidhatha Programme of the Line Ministry had not been recovered.
  - (ii) Action had not been taken to recover 06 loan balances amounting to Rs.73,172 remained outstanding for more than 03 years.
  - (iii) Confirmations had not been obtained in respect of debtors amounting to Rs.5,783,422.

## (b) Accounts Payable

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- (i) A sum of Rs.145,510 payable to the Sri Lanka Inventors Commission had not been settled for the period of three years.
- (ii) Confirmations had not been obtained from creditors amounting to Rs.491,457.

**1.2.4 Non-compliances with Laws, Rules, Regulations and Management Decisions**

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The following non-compliances were observed in audit.

Reference to Laws, Rules,  
Regulations and Management  
Decisions

Non-compliance

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(a) Financial Regulations  
(FR) of the Government  
of Sri Lanka

(i) F.R. 104

Relevant investigations had not been carried out in respect of three vehicle accidents.

(ii) F.R. 371(2)

Ad-hoc advances exceeding Rs.20,000 had been granted and a period of more than one month had been taken to settle 06 advances amounting to Rs.252,000.

(iii) F.R. 395(c)

Although Bank reconciliation statement should be prepared and submitted as at the end of each month before 15<sup>th</sup> of the

following month, action had not been taken accordingly in respect of 4 bank accounts of the Institute.

(iv) F.R.751, 753 and  
804

Action in terms of regulations referred to, had not been taken in respect of inventory items issued to various divisions of the Institute.

(v) F.R. 760 and 770

Action in terms of regulations referred to, had not been taken in respect of loss of goods and unserviceable goods as per Boards of Survey Report.

(vi) F.R 802 and 1647 (e)

According to the regulations referred to, a register of vehicles had not been maintained.

(b) Circulars

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(i) Public Enterprises

Circular No. PED/12

dated 02 June 2003

Section 5.2.1

Although the budgeted balance Sheet and cash flow statement should be submitted along with the annual budget, action had not been taken accordingly.

Section 9.2

The approved cadre, scheme of recruitments and organisation chart had not been prepared and got it approved.

(ii) Management  
Circular No. 30  
dated 23 August  
2006

Scheme of recruitments had not been approved and payments had been made on the basis of wrong salary steps in preparing salaries for some posts.

### **1.2.5 Transactions not Supported by Adequate Authority**

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Although a sum of Rs.571,712 receivable from the debtors had been written off on the approval of the Board of Directors, the approval of the Treasury had not been obtained therefor.

### **1.2.6 Transactions of Contentious Nature**

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The income received from the implementation of courses should be credited to the revolving fund and expenditure should be incurred there from and the regulations should be prepared and got it approved. Nevertheless, a sum of Rs.2,167,143 out of the surplus received from projects and courses had been shared between several officers of the institute in addition to the salaries.

## **2. Financial and Operating Review**

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### **2.1 Financial Review**

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#### **2.1.1 Financial Results**

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According to the financial statements presented, the operation of the Institute for the year under review had resulted in a deficit of Rs.46,985,355 before taking into account the Government Grants for recurrent expenditure as compared with the deficit of Rs.44,755,129 for the preceding year. The financial result had converted into a surplus of Rs.5,864,645 after taking into account the Government Grants of Rs.52,850,000 received for recurrent expenditure of the year under review as compared with the surplus of Rs.6,169,871 in the financial results for the preceding year after taking into account the Government Grants of Rs.50,925,000 received for recurrent expenditure of that year.

#### **2.1.2 Financial Position**

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The working capital of the Institute as at the end of the year under review amounted to Rs.61,922,000 as compared with that of the corresponding working capital of Rs.37,435,000 as at the end of the preceding year, thus indicating an increase of Rs.24,487,000 in the working capital. The increase of the balance of debtors and increase of the balance of prepayments had been the main reasons for this position. There was no evidence to prove that the management had taken action to bring the working capital to an optimum level.

## **2.2. Operating Review**

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### **2.2.1 Management Inefficiencies**

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The following observations are made.

- (i) Although the bank letters amounting to Rs.225,981 had been issued 04 years ago to purchase equipment, consumable goods, project goods and books, they had not been received by the Institute as yet.
- (ii) Although advances had been paid during the year 2010 for the purchase of goods valued at Rs.3,727,077, the Institute had not received those goods up to 28 April 2011.
- (iii) Advances amounting to Rs.389,000 for 10 items had been granted for the total expenditure of Rs.221,817 due to granting advances exceeding the required amount without a proper estimate.
- (iv) A sum of Rs.400,000 received for the purpose of the Nasda Project, had been invested in the Treasury Bills as at the end of the year without utilising for that purpose.

### 2.2.2 Idle and Underutilised Assets

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The following observations are made.

Assets	Value	Particulars
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	Rs.	
(i) The balance of 44 items of the consumable stocks and 52 items of stock of computer accessories of the Research and Development Projects	-	Idling since year 2005
(ii) Robo Movement Machine	2,700,000	This machine purchased in the year 2009 had not been utilised for the intended purpose.

### 2.2.3 Identified Losses

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Bank remittances amounting to Rs.225,981 paid to the suppliers for obtaining goods and services could not be recovered due to the non existence of those suppliers.



#### **2.2.4 Corporate Plan and Action Plan**

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The Corporate Plan and the Action Plan which were not prepared in terms of the Public Enterprises Circular No. PED/12 dated 12 June 2003, had not been put on the active position.

#### **2.2.5 Effectiveness of the Audit and Management Committee**

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The Audit and Management Committee meetings had not been held by the Institute during the year under review in terms paragraph 7.4.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003.

#### **2.2.6 Budgetary Control**

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A votes ledger had not been prepared in respect of capital grants of Rs.21,770,000 and recurrent grants of Rs.52,850,000 provided by the General Treasury.

### 3. **Systems and Controls**

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

- (a) Granting and Settlement of Advances
- (b) Debtors and Creditors Control
- (c) Budgetary Control
- (d) Stock Control
- (e) Preparation of Bank Reconciliation Statement
- (f) Utilisation of Vehicles and Maintenance of Registers
- (g) Documentation of Miscellaneous Deposits