

## Sri Lanka Standards Institution 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 Sri Lanka Standards Institution 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 Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the Sri Lanka Standards Institution 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

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##### 1:2:1 Non-compliance with Sri Lanka Accounting Standards (S.L.A.S.)

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Reference to S.L.A.S.	Non-compliance
(a) S.L.A.S. 16	Even though provision for gratuity should be made for the officers who had completed one year's service, provision for gratuity amounting to Rs.675,330 had not been made for 24 employees who had completed 01 to 05 years of services.
(b) S.L.A.S. 18	Even though assets should be depreciated from the date of purchase, provision for depreciation had not been made for assets valued at Rs.21,420,178 purchased in the year under review.

### 1:2:2 Accounting Deficiencies

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The following accounting deficiencies were observed.

- (a) Goods valued at Rs. 414,951 in the stores as at the end for the year under review had not been brought to account.
- (b) As the invoices on Sri Lanka Standards Certification label and the Standards Certificates are not issued, the annual fees receivable had not been brought to account.

### 1:2:3 Unreconciled Accounts

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The following non-reconciliations between the balances shown in the financial statements for the year under review presented to audit and the balances appearing in the related ledger accounts / subsidiary registers were observed.

Particulars	Balances according to Financial Statements	Balances according to Ledger Accounts/ Subsidiary Registers	Difference
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	Rs.	Rs.	Rs.
Festival Advances	224,731	192,500	32,231
Distress Loans	26,957,269	26,955,862	1,407
Training Courses Income	19,317,164	19,325,164	8,000
Bicycle Loans	93,046	87,150	5,896

#### 1:2:4 Accounts Receivable and Payable

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The following observations are made.

- (a) Confirmation of balances had not been obtained for 35 Trade Debtors Accounts amounting to Rs.5,144,788.
- (b) As the certificates relating to the students with outstanding course fees had also been issued the recovery of outstanding training courses income amounting to Rs.379,180 remained uncertain.
- (c) Overpayment of incidental allowance amounting to Rs.8,400 made in respect of foreign travel had not been recovered.
- (d) The annual fees amounting to Rs.853,007 recoverable for the use of the Sri Lanka Standards label remained outstanding for over 05 years.
- (e) Confirmation of balances had not been obtained for 09 trade creditors amounting to Rs.492,446.

#### 1:2:5 Lack of Evidence for Audit

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

Item	Value	Evidence not made available
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	Rs.	
Furniture and Equipment	9,961,546	} Schedules giving the year end Balance of Assets and Board of Survey Reports.
Office Equipment	53,145,481	
Laboratory Equipment	542,171,283	
Laboratory Furniture	3,942,687	
Library Books	15,049,541	

## 1:2:6 Non-compliance with Laws, Rules, Regulations and Management Decisions

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 Non-compliances with the following laws, rules, regulations, etc. were observed.

Reference to Laws, Rules and Regulations	Non - compliance
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(a) Section 14 of the Finance Act, No. 38 of 1971	Even though the annual reports should be tabled within 10 months after the close of the year of accounts, the Annual Report for the year 2007 only had been tabled up to 31 December 2010.
(b) Public Enterprises Circular No. PED/12 of 02 June 2003 – Section 8.3.3 and the Management Services Circular No. 39 of 26 May 2009.	(i) A sum of Rs.6,094,000 had been utilized in the year under review for the payment of incentive allowances based on attendance and the approval of the Treasury for the payment had not been obtained.  (ii) A sum of Rs.72,525 at the rate of Rs.20,000 per person had been paid in payment of incentive without the approval to 05 officers attached for training by the National Apprenticeship and Technical Training Authority.  (iii) Even though officers who had availed of 10 days no-pay have or more are not entitled to the incentive allowance, two female officers of the Institution who had obtained half-pay maternity leave of 84 days had been paid Rs.80,000 as the incentive allowance at the rate of Rs.40,000 per officer.
Section 4.2.2	Even though meetings of the Board of Directors should be held monthly, only 04 meetings had been held in the year under review.

- (c) Circular No. MF/GA2/  
Circular/2001/03 dated 02 July  
2001 of the Ministry of  
Finance and Planning. Three officers who had participated in  
foreign training tours had not been  
submitted the reports relating to the  
training.
- (d) Circular No. MF/TR/1/2003  
dated 28 March 2003 of the  
Secretary to the Ministry of  
Finance and Planning and the  
Public Finance Circular No.  
353/5 of 31 August 2004. Even though the approval of the General  
Treasury should be obtained for the  
procurement of motor vehicles on hire  
basis for monthly hire charges exceeding  
Rs.40,000, such approval had not been  
obtained for the 04 motor vehicles procured  
on hire basis in the year under review.
- (e) Public Enterprises Circular No.  
PED/28 of 31 January 2005. The approval of the Director General of  
Public Enterprises had not been obtained  
for the use of hired motor vehicles.
- (f) National Budget Circular No.  
BDA/96/1/457 of 31 January  
2005 A sum of Rs.125,894 collected as Tsunami  
Aid in the year under review had been  
retained by the Institution without being  
remitted to the Treasury.
- (g) Conditions of General  
Licenses dated 01 September  
2003 of the Sri Lanka  
Standards Institution Even though the prohibition of license  
should be published in the Government  
Gazette and the newspapers, it had not  
been so done in connection with the  
prohibited licenses. The Chairman  
informed that it is not an essential action.
- (h) Government Financial  
Regulations  
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- (i) Financial Regulation 271(2) Any unpaid salaries and wages should be  
finalized at the end of 14 days by crediting  
the Surcharges Account, income or any  
other specified account. Nevertheless,  
action in terms of the Financial Regulation  
had not been taken on unpaid salaries  
amounting to Rs.51,660.

- (ii) Financial Regulation 757(2) Even though copies of reports of the Board of Survey conducted at the end of each year should be furnished to the Auditor General, the Board of Survey Reports for the years 2009 and 2010 had not been furnished to the Auditor General.

1:2:7 Transactions without Authority  
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The stock shortage of Rs.21,548 and the stock excess of Rs.15,576 revealed at the annual verification of stocks had been included in the Income and Expenditure Account without formal approval.

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 working of the Institution for the year ended 31 December 2010 had resulted in a surplus of Rs.95,956,902 as compared with the corresponding surplus of Rs.49,915,902 for the preceding year, thus indicating an improvement of Rs.46,041,000 in the surplus. This improvement had been due to the increase of the income by a sum of Rs.66,168,998, the decrease of operating expenditure by the sum of Rs.20,684,588 and non-obtaining the recurrent grants.

2:1:2 Irregular Transactions  
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The following observations are made.

- (a) The following matters were observed in connection with the irregular grant of Quality Inspection Reports.
- (i) According to paragraph 1.1.4 of the Procedure for Imports Inspection/ Quality Certification, goods cannot be released from the port without a Inspection Reports. Nevertheless, the release of a stock of canned fish had been effected through an irregularly issued Standards Certificate.

- (ii) A Standard Testing Officer had certified and issued only the importer's copy of the certificate to enable the imported to clear the goods from the Port even before taking over the sample for the required inspection.
- (iii) On the inspection of the sample it had been confirmed that the canned fish was not fit for consumption and a part of the stock of canned fish had been already issued to the market by that time.
- (b) An officer had been granted further advances even before the settlement of 05 advances obtained previously. An examination of the bills furnished for settlement of advances revealed that bills dated prior to the date of the advances had been submitted for the settlement.
- (c) An overpayment of an advance amounting to Rs.20,169 granted for a foreign tour on 17 November 2009 had not been settled by the officer concerned. That amount had been transferred by Journal Entry to the Foreign Training Account.

## 2:2 Operating Review

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### 2:2:1 Physical Performance

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The progress of the achievement of the expected targets of the Annual Action Plan is given below.

Item	Target	Actual Performance
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Engineering Standards	i. Conduct of 08 Standards Promotional Seminars	Seminars had not been conducted.
	ii. Formulation of 18 National Standards	16 Standards had been formulated.
	iii. Adoption of 25 International Engineering Standards	Twelve had been adopted
	iv. Revision of 22 National Engineering Standards	Only one had been formulated.

Training	Conducting of 02 Distance Teaching Programmes	Distance Teaching Programmes had not been conducted.
Quality Certification	Issue of 04 certificates for cashew export products.	Quality certificates had not been issued for cashew production.
Scientific Standards	Formulation of 17 National Standards and adoption of 112 International Scientific Standards.	Five Standards have been formulated. Only 45 Standards have been adopted.
Laboratory Services	Release of 3,400 Inspection Reports to External Clients.	Only 1,433 have been issued.

## 2:2:2 Management Inefficiencies

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The following observations are made in connection with the library administration.

- (a) Out of the books issued to the officers from the library 368 books had not been returned even up to 31 March 2011 and certain books had been issued in the year 1990.
- (b) Certain officers of the Institution had retained and personally used 151 books over long periods from the date of receipt of such books by the library.
- (c) Even though a refundable deposit of Rs.1,500 should be obtained in issuing library books to external persons, 15 books valued at Rs.130,000 had been issued during the years 2002 to 2007 and such books had not been returned even up to the end of the year under review.
- (d) The library had issued 99 books to the Director General of the Institution from the year 1993 to the year 2010 and those books had not been returned even up to 31 January 2011.



- (e) A shortage of 56 books had been revealed at the Board of Survey conducted in the year 2008 and action had not been taken for the recovery of the value of those books from the officers responsible.

### 2:2:3 Operating Inefficiencies

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Even though provision of Rs.30,329,577 had been made for the certification of systems of small and medium scale enterprises, a sum of Rs.4,245,575 out of that amount had been spent on other expenses. Even though funds had been given to 11 and 19 institutions under the first and the second steps respectively, out of that certificates had been obtained only by 09 and 15 institutions respectively.

### 2:2:4 Weaknesses in the Cadre Management

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Seven vacancies existed in executive posts as at the end of the year under review. Certain such posts had been vacant from the year 2004.

### 2:2:5 Functioning of the Audit and Management Committees

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The Audit and Management Committees had not been appointed for the year ` 2010.

## 3. Systems and Controls

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

- (a) Human Resources Management
- (b) Library Administration
- (c) Stock Control
- (d) Debtors Control
- (e) Board of Survey
- (f) Inspection of Imports
- (g) Payment of Advances
- (h) Maintenance of Inventory Registers