

## **National Institute of Social Development - 2013**

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The audit of financial statements of the National Institute of Social Development for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements 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.

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

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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**

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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 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 judgment, 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 financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary power to the Auditor General to determine the scope and the 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**  
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My opinion is qualified based on the matters described in paragraph 2.2 of this report.

**2. Financial Statements**  
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**2.1 Qualified Opinion**  
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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 2013 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**  
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**2.2.1 Sri Lanka Public Sector Accounting Standards**  
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The following observations are made.

- (a) The Statement of Net Assets/ Changes in Equity had not been presented along with the financial statements in terms of paragraph 21(c) of the Sri Lanka Public Sector Accounting Standard 01.
- (b) Three motor vehicles shown at zero value in the accounts and being used at present had not been revalued and shown at fair value in the accounts in terms of the Sri Lanka Public Sector Accounting Standard 07.

**2.2.2 Accounting Deficiencies**  
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The following observations are made.

- (a) Expenditure of Rs.6,317,841 pertaining to the year under review had been deducted from the Fund of the National Institute of Social Development instead of including in the Statement of Financial Performance.
- (b) Even though lands with unlimited effective life should not be depreciated, the value of lands had been treated as buildings and depreciated at 5 per cent annually without identifying the lands and buildings separately.
- (c) Books valued at Rs.503,246 purchased from the money received from the Asia Foundation had been shown as a deduction from the relevant grant instead of being debited to the Library Books Account.

- (d) As a result of the under – computation of the provision for retirement gratuity in respect of the preceding year and the year under review, the provision for retirement granting as at 31 December of the year under review had been understated by Rs.102,529. The provision for gratuity written off against the income had been overstated by Rs.1,471,816.

### 2.2.3 Accounts Payable

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Action had not been taken up to date to settle or write back to income a balance payable amounting to Rs.2,094,898 relating to a period of 02 to 04 years.

### 2.2.4 Lack of Evidence for Audit

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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) <u>Deposits</u>                                      |         |  |
| (i) Master of Social Work (M.S.W) Postgraduate Programme | 44,000  | } Registers of Deposits and Detailed Schedules |
| (ii) General Deposits                                    | 33,061  |  |
| (b) Intangible Assets (Microsoft License)                | 694,118 | } Agreement                                    |

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

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The following non-compliances were observed.

| Reference to Laws, Rules, Regulations, and Management Decisions  | Non-compliance  |
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| -----  | -----   |
| (a) Financial Regulation 751 of the Democratic Socialist Republic Of Sri Lanka.                                | Even though every item received by the stores should be recorded in the inventory, manuals, magazines and publications valued at Rs.140,460 printed by the Social Development Policy Research and Publication Division during the year under review had not been recorded in the inventory. |
| (b) Section 3(iii) of the Circular No.01/2010/01 dated 11 October 2010 of the Ministry of Finance and Planning | Three officers who had proceeded abroad for academic of training purpose had been overpaid a sum of Rs.186,156 as incidental allowance at US\$ 50 per day despite all their expenses had been met by the relevant foreign agency.   |

- (c) Circular No.2001/03MF/GA2 dated 02 July 2001 of the Ministry of Finance and Planning. Even though officers returning from foreign training or tours should furnish the reports on the training / tour to the Ministry of Finance and Planning within two weeks after return, such reports on foreign tours had not been furnished by 08 officers of the Institute in respect of 10 instances of foreign travel from the year 2010 up to 30 June 2013.
- (d) Public Finance Circular No.446 dated 01 September 2001.
- (i) Section 02 (iv) In the settlement of telephone bills an overpayment of Rs.48,444 exceeding the maximum limit had been made during the year under review.
- (ii) Section 3.1 (ii) Even though the prior approval of the Secretary to the Ministry should be obtained for using International Direct Dialling Facilities, contrary to that provision International Direct Dialling charges of Rs.12,666 had been reimbursed to two officers.
- (e) Section 01 of the Management Services Circular No.39 dated 26 May 2009. An officer had been appointed for co-ordinating affairs in accordance with the decision No. 121/08/2003 dated 30 August 2013 of the Board of Directors and a sum of Rs.90,000 at the rate of Rs.30,000 per month had been paid in the year under review contrary to the circular.
- (f) Treasury Circular No.842 dated 19 December 1978. A Register of Fixed Assets had not been properly maintained for office equipment and machinery.

#### **4. Financial Review**

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##### **4.1 Financial Results**

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According to the statements financial performance presented, the working of the Institute for the year ended 31 December 2013 had resulted in a deficit of Rs.7,806,700 as compared with the corresponding deficit of Rs.5,228,093 for the preceding year, thus indicating an increase of Rs.2,578,607 in the deficit for the year under review as compared with the preceding year.

Increase in the Government grant by Rs.12,375,742, other income by Rs.671,385, payment of personal emoluments by Rs.9,000,712 and other operating expenses by Rs.6,625,072 had been the reasons for the above increase.

## **5. Operating Review**

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### **5.1 Performance**

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The following observations are made.

(a) The Action Plan had not included the plans required to be implemented at the Talawa Training Centre at Anuradhapura and the Hostel at Kelaniya of the Institute during the year 2013.

#### **(b) Academic Activities**

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The following observations are made.

- (i) Even though 1,230 students could be enrolled for the graduate and the Diploma Courses of one and a half years duration conducted by the Training Division of the School of Social Services, 852 students had been enrolled. A further 378 students could have been enrolled and that represented 31 per cent of the total number of students that could be enrolled.
- (ii) The number of students registered for the Degree in Social Work 2009/2013 as compared with the number of students registered for 2006/2010, had decreased by 26 per cent. The percentage of students who had completed the Degree out of the students registered in the respective years had decreased from 73 per cent to 69 per cent.
- (iii) According to the Action Plan, periods ranging from 05 to 07 months had been taken for the release of the results of 05 completed Diploma Courses in Counselling of one and a half years duration. The convocations relating to those Courses had not been held even by 31 March 2014.
- (iv) Even though plans had been made to complete 03 Diploma Courses in Counselling during the year under review, such courses had not been completed even by 31 March 2014.
- (v) Even though plans had been made for the training of 480 persons by conducting 12 short term training programmes through the Training Division, only 374 persons had participated in the Short Term Training Programmes. That represented 78 per cent of the target.

**(c) Social Development Policy, Research and Publication Division**  
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The following observations are made.

- (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 the target, information collected during the year 2013 had not been recovered in the progress report.
  - (ii) Even though plans had been made in the years 2012 and 2013 to collect information for the databank on the elders community in 225 Homes for Enders under the research on the collection of information on the Homes for Elders in Sri Lanka, the relevant task had not been concluded in the year 2013.
  - (iii) Although a sum of Rs.100,000 had been allocated in the Action Plan for the Certificate Course on Research Methodology on Social Work, that course had not been conducted during the year under review.
  - (iv) The sum of Rs.50,000 allocated for the publication of News Letter during the year under review had not been utilized for the relevant task.
- (d)** According to the Progress Report 2013, the Social Development Policy, Research and Publication Division had allocated a sum of Rs.3,875,940 for the research study of the standard of the institutionalized children in Sri Lanka conducted by the Department of Probation and Child Care Services in collaboration with the World Health Organization and it was observed from the Progress Report that a sum of Rs.1,971,188 had been spent on an activity extraneous to the Action Plan.
- (e) Library**  
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- The following activities planned in the year 2013 relating to the library had not been executed.
- (i) Although plans had been made to spend Rs.500,000 for the purchase of library books in the year 2013 only a sum of Rs.201,098 had been spent for that purpose.
  - (ii) Even though plans had been made for the purchase of a new photocopier for the library in the year 2013 to provide an efficient service to the students who utilize the library, a photocopier had not been provided.
- (f)** Even though Institute had granted 08 scholarships from the S.Sanders Fund, the Soyza Scholarship Fund and the Ranjane Jayalath Fund, such matters had not been included in the Action Plan.

## 5.2 Management Inefficiencies

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The following observations are made

- (a) The plans made for obtaining a land from the Information Technology Park, Malambe for the construction of a building for the National Institute of Social Development in the year 2013 had not been achieved. The Institute and the Academic and Research Divisions on Nawala Road had been maintained in rented buildings and as such Rs.15,456,000 had been paid as rent. That represented 22 per cent of the total income and 20 per cent of the total expenditure.
- (b) Two thousand four hundred and seventy eight books which had not been recorded in the Accession Register as pointed out in the Board of Survey for the year 2012 had not been recorded in the Accession Register up to the date of audit.

## 5.3 Staff Administration

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The approved and the actual staff and the vacancies of the Institute as at 31 December 2013 had been as follows.

| Staff        | Approved<br>Number | Actual<br>Number | Number of<br>Vacancies |
|--------------|--------------------|------------------|------------------------|
| -----        | -----              | -----            | -----                  |
| Academic     | 58                 | 43               | 15                     |
| Non-academic | 62                 | 56               | 06                     |
|              | ----               | ----             | ----                   |
| Total        | 120                | 99               | 21                     |
|              | ====               | ====             | ====                   |

The following observations are made in this connection.

- (a) Eighteen per cent of the total staff comprising 26 per cent of the academic staff and 10 per cent of the non-academic staff of the Institute had been vacant and two members of the academic staff had proceeded abroad.
- (b) A Professor had been appointed as the Academic Head of the Institute on contract basis for one year in accordance with the approval of the Cabinet of Ministers No. 06/0626/227/016 dated 05 April 2006. Accordingly, the one year period from 10 April 2006 had expired 09 April 2007. Nevertheless, a sum of Rs.2,145,270 had been

paid as allowances from April 2007 to November 2013 without the approval of the Department of Management Services and the Cabinet of Ministers.

- (c) Contrary to the Section 8.3.9 of the Public Enterprises Circular No. PED/12 dated 02 June 2003 an officer of the Institute had been released to the Ministry of Social Services and a sum of Rs.268,845 had been paid as salaries and allowances by the Institute for the year under review.

## **6. Accountability and Good Governance**

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### **6.1 Tabling Annual Reports**

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The Annual Report for the year 2012 had been tabled on 08 April 2014.

### **6.2 Budgetary Control**

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Significant variances between budget and the actual income and expenditure ranging from 12 per cent to 374 per cent were observed. Accordingly, it was observed that the budget had not been made use of as an effective instrument of management control.

## **7. Systems and Controls**

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

- (a) Stores Management
- (b) Distress Loans
- (c) Maintenance of the Ledger
- (d) Accounting System
- (e) Reimbursement of Telephone Bills.